Public infrastructure in Southeast Europe in whose interest?

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BALKAN MONITORING PUBLIC FINANCES

CREDITS

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CSOs as equal partners in monitoring of public finance

"CSOs as equal partners in monitoring of public finance" started in the beginning of 2016, and is implemented by a consortium of 10 organizations from 7 countries, and will last for four years.

The aim of the project is to improve the transparency and accountability of policy and decision making in the area of public finances through strengthening the role and voice of NGOs in monitoring the institutions that operate in the area of public finances. In this way, the project will strengthen CSO knowledge of public finance and IFIs and improve CSO capacities for monitoring. Additionally, it will help advocate for transparency, accountability and effectiveness from public institutions in public finance. Moreover, this project will build know-how in advocating for sustainability, transparency and accountability of public finance and IFIs. This project will also increase networking and cooperation of CSOs on monitoring of public finance at regional and EU level. Lastly, it will increase the understanding of the media and wider public of the challenges in public finance and the impacts of IFIs.

Key project activities are research and monitoring, advocacy, capacity building, and the transfer of knowledge/practices and networking in the field of the 4 specific topics: public debt, public-private partnerships, tax justice and public infrastructure.

Additional to this analysis, 3 more analysis will be prepared in line with the other 3 topics of the project: public debt, tax justice and public-private partnerships.

This study is accompanied with a policy brief which will be also available in local languages and will provide a short overview of the key policy recommendations and trends.

More information about the project can be found on http://wings-of-hope.ba/balkan-monitoring-public-finance/ and on the Facebook Page Balkan Monitoring Public Finances

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I. Introduction

The importance of public infrastructure for the growth and sustainable development of one society is immense, since without it, a country's economic development is impossible. There is no universal definition of public infrastructure, but it is generally distinguishable from private or generic infrastructure in terms of policy, financing, and purpose. Public infrastructure investments present the development component of fiscal policy with the goal of improving people's economic perspectives and quality of life. The crucial objective of such investments is to advance the transportation network (highways, railway tracks, regional and local roads), energy and utilities infrastructure, and the education, social and health systems.[1]

This is the reason why the funding of public infrastructure is one of the most expensive sectors of countries' public spending. It often involves large projects, which are capital-intensive, take years to finish and often require foreign assistance in starting and/or finishing them. However, although material investments are important, there is often an over-emphasis on large new construction projects and not enough on maintenance or improvement of existing infrastructure.

Public infrastructure is meant to serve the needs of the wider public. However, often public infrastructure projects are not designed primarily with public well-being in mind. Sometimes they are designed more as a result of pressure from investor or lobby groups,[2] often they are genuine but misguided or corrupted attempts to solve real issues, and sometimes they are simply vanity projects initiated by decision-makers with the goal of leaving their mark on a certain location. Often, they are also a combination.

The objective of this study is to provide selected case studies of public infrastructure projects in southeast Europe (SEE) and to draw conclusions and make recommendations on what type of infrastructure planning is needed, and what conditions need to be fulfilled to achieve socially, environmentally and economically sustainable infrastructure. The covered countries are from the Western Balkans: Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia and from the EU: Bulgaria and Slovenia.

The first section provides an overview of the trends in public infrastructure projects in southeast Europe, including the role of the EU and recent trends in financing.

1 Bojana Mijovic Hristovska, Tamara Mijovic Spasova, Macro analysis, Case study Macedonia, Skopje 2016, available at: http://analyticamk.org/images/Files/Reports/Macro_analysis_of_public_finances_in_SEE_6f24c.pdf

2 Risteska Sonja, Kjosev Sasho, Public infrastructure of Macedonia, Skopje 2017, available at: http://wings-of-hope.ba/wp-content/uploads/2016/12/D3.4.2.4.-Analysis-on-Public-Infrastructure-Macedonia.pdf

The second section consists of case studies on poor practices in public infrastructure projects in SEE and it aims to cover issues such as:

- Who determined that there is a need for the project and how?
- Who benefits the most from it? Is it a wide segment of the public or just certain groups of people? If so, which groups?
- How were public consultations conducted? Were different groups well represented?
- Is it transparent who is behind the project, who won the contracts and how?
- Is the financing transparent? What is the source, what are the conditions, and who took the decisions?
- Does the project have a clear and realistic economic picture? Does it make sense? Was any meaningful Cost-Benefit Analysis carried out and is it publicly available?

Some of the case studies have been developed as a result of many years of work on certain cases, while others have been compiled from publicly available sources and consultation with other CSOs who have followed the cases.

We originally hoped also to present some positive case studies, however this proved very challenging. There are some projects which we believe governments and companies were generally right to prioritise and which seem generally positive. However, given the limitations on the information publicly available about projects' economics and procurement procedures, we hesitate to wholeheartedly endorse projects whose development we have not been able to examine in-depth.

The third and final part of the study presents conclusions and recommendations for decision-makers, both in the region and in international institutions. It identifies common characteristics between the poor projects and what should be done to improve the situation.

II. Overview and trends in public infrastructure projects in SEE

The state of infrastructure in SEE cannot be described as satisfactory. Especially in the Western Balkans, due to decades of disinvestment, wars and weak institutions, the need for modern, reliable, affordable, operational and climate-change-resilient infrastructure is strong, but there are very few people actively pushing this agenda.

Compared with the EU, some countries in the region have relatively high levels of renewable energy use in the electricity and heating/cooling sectors. Bosnia-Herzegovina has the highest overall share - 41.5% in 2016.[3] However the use of renewable resources in the region is often not sustainable, for example inefficient use of wood for space heating is leading to overcutting of forests in some countries,[4] while increased use of hydropower threatens the region's extremely rich biodiversity and its high-quality rivers.[5] At the same time, the region (except Albania) is quite dependent on lignite coal for electricity generation and space heating, and its transport sector is highly dependent on road transportation, with rail transportation having seriously declined since 1990.

People in the region are becoming more and more aware of climate change and pollution, yet the current infrastructure leads to a vicious circle of climate-damaging habits. For instance, according to RCC's Balkan Barometer for 2017, people in the SEE region mostly travel by car (53%) and bus (35%) when leaving their place of residence and only 1% mostly use rail. 75% of them say road improvements would have the most beneficial impact on travelling with a mere 16% stating that rail would have the most impact.[6] On the other hand, the same Barometer states that 73% of people perceive climate change as a problem.[7] This effectively mirrors the behaviour of the region's governments, where environmental problems are recognised but investment decisions still favour fossil fuels (roads instead of rails, coal power plants instead of wind/solar etc.).

3 Energy Community: Implementation report, 2017, available at: https://www.energy-community.org/implementation/IR2017.html

4 See eg. Euractiv: Energy poverty takes toll on Balkan forests, 20 June 2012 (updated 14 December 2012, available at: http://www.euractiv.com/section/social-europe-jobs/news/energy-poverty-takes-toll-on-balkan-forests/

5 See eg. Boris Erg, Hydropower development in Western Balkans risks harming fragile ecosystems, IUCN, 26 April 2016, available at: https://www.iucn.org/content/hydropower-development-western-balkans-risks-harming-fragile-ecosystems

6 Balkan Barometer for 2017, Regional Cooperation Council, 9 October 2017, available at: https://www.rcc.int/seeds/files/RCC_BalkanBarometer_PublicOpinion_2017.pdf

7 Ibid.

The problem is not new and the context on how the region became over-reliant on fossil fuels while under-investing in other areas is multi-dimensional. Three broad influences heavily influence infrastructure planning and investment decisions:

1) The legacy of the state-Socialist/Communist period, which brought rapid advances in infrastructure in urban areas as well as lignite power stations, hydropower plants, water supply and railways. Some of this infrastructure has continuing relevance but much of it is in a poor state and needs to be upgraded or decommissioned. Decision-makers are often reluctant to take bold decisions to turn towards completely different infrastructure, especially in the cases of coal power plants and mines where many people are employed and most are in denial about coal's lack of a long-term future.[8]

The legacy relates not only to infrastructure that was actually built, but also to numerous plans which were never realised. These often resurface every few years when a state-owned company or politicians decide to have another try at implementing them. Many of the controversial projects in the region during the last few years date back decades to a time when neither economic viability nor environmental protection were priorities, for example the Vardar dam cascade in Macedonia or the ambitious Gornji Horizonti hydropower scheme in Bosnia and Herzegovina.

2) The EU's influence is complex and is examined in more detail below, but is broadly based on connecting the region through increasing political, economic and physical integration.

3) Some of the infrastructure now being planned or built across the region cannot be clearly linked with EU integration or the state-Socialist legacy. It rather appears to be the result of **decisions by local politicians, state-owned companies and private businesses**. A generous interpretation of such projects would be that they are trying to respond to real needs, improve our towns and cities and increase GDP, but as the level of transparency and public discussion around such projects is usually low, it is often far from clear that the projects will really have positive impacts. This is not only a problem in southeast Europe,[9] but it is also one which the region can ill afford.

After years of broken promises and various scandals, infrastructure projects are more often seen by the public in SEE as sources of corruption rather than a chance to improve their quality of life, and indeed the energy sector in particular has suffered from a number of allegations of corruption.[10]

8 For more about false jobs promises in the coal sector in the Western Balkans, see CEE Bankwatch Network: The great coal jobs fraud - unrealistic employment claims in southeast Europe, November 2016, available at: https://bankwatch.org/publications/great-coal-jobs-fraud-unrealistic-employment-claims-southeast-europe

9 See for example Jacques Leslie: The trouble with megaprojects, New Yorker, 11 April 2015, available at: https://www.newyorker.com/news/news-desk/bertha-seattle-infrastructure-trouble-megaprojects

10 South East Europe Sustainable Energy Partnership: Winners and Losers: Who benefits from high-level corruption in the South East Europe energy sector? June 2014, available at: https://bankwatch.org/publication/winners-and-losers-who-benefits-from-high-level-corruption-in-the-south-east-europe-energy-sector

III. The role of the EU in infrastructure planning in southeast Europe

The EU's action in the region starts from the assumption that connecting the region in sectors where the countries have to cooperate and investing funds into this process will improve political cooperation and prevent violent conflicts. This mirrors the beginnings of the EU itself with the European Coal and Steel Community and has been most clearly reflected in the setting up of the **Energy Community** under the 2005 Athens Treaty:[11]

"The guiding ideas for the Commission officials involved in designing the institutional set-up were explicitly taken from the early experiences of European integration and referred to the neofunctionalist model of regional integration… The Commission... started the initiative for an integration process in a technical sector, and provided for the institutional capacity for possible spill over into other policy fields. As one Commission official involved argued: "We try to get everybody to agree on a common position and a common way forward. The aim is not necessarily to arrive at a station, but rather to get all on one train. Once we are on the train we can decide where we want to go…"[12]

Along the same lines, the South East Europe Transport Observatory (SEETO)[13] was formed in June 2004 by the Governments of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia, the United Nations Mission in Kosovo and the European Commission. In 2017, it was followed up by the formal creation of the **Transport Community Treaty and the official announcement of a regional economic area.**[14]

Both the Energy and Transport Communities aim to better connect the region internally and with the EU, including physically (transport corridors, transmission lines and pipelines), economically (opening markets) and legally (adopting energy, transport, competition and environmental legislation to create a level playing field across the continent and create more certainty for investors).

Another initiative related to better connecting the region is the Berlin Process, initiated by Germany, which aims to reaffirm the region's EU perspective by improving cooperation and economic stability

11 Energy Community more information available at: https://www.energy-community.org/aboutus/whoweare.html [accessed on 27.09.2017]

12 Renner Stefan "The Energy Community of Southeast Europe: A neo-functionalist project of regional integration" European Integration Online Papers, 25.02.2009, page 7 of 21.

13 More information available at: SEETO's official web page http://www.seetoint.org/ [accessed on 27.09.2017]

14 European Commission, 2017 Western Balkans Summit – stepping up regional cooperation to advance on the European Union path, available at: http://europa.eu/rapid/press-release_IP-17-1938_en.htm [accessed on 20.07.2017].

within it. It consists of yearly high-level meetings since 2014 between the six Western Balkan governments and several EU Member States. Connectivity is an important aspect, with investment in infrastructure being seen as a means for creating jobs, business opportunities and other benefits.[15] It is not formally an EU process but is very much supported by the EU.

The EU and energy in southeast Europe

The main EU-related body for coordinating energy issues in the Western Balkans countries (as well as Ukraine, Moldova and Georgia) is the Energy Community. The Energy Community Treaty (or Athens Treaty) has been in force since July 2006 and its key objective is to extend the EU internal energy market rules and principles to countries in Southeast Europe, the Black Sea region and beyond on the basis of a legally binding framework. This includes not only the adoption of strictly energy-related legislation but also improving the environmental situation related to energy supply in the region.

From a public participation and environmental point of view, the Energy Community has brought some improvements in the situation, and if fully enforced and expanded in scope, could bring many more. Benefits include environmental impact assessment for large projects, restrictions on energy sector subsidies, energy efficiency targets, and, in the future, reduced air pollution through emissions control legislation. Even if implementation is slow, there is a relatively positive legislative framework in place and the Energy Community is making an effort to gradually expand it.

On the other hand, the Energy Community has also on occasion supported environmentally and economically unsustainable infrastructure projects. For example, in 2013 it adopted a list of 35 Projects of Energy Community Interest (PECI) in electricity generation, transmission, and gas and oil infrastructure with a total cost of over EUR 13 billion,[16] which included no less than three lignite power plants and several damaging hydropower plants.[17] In practice, even this high level of political support was not enough to move most of the projects forward, and in 2016 a new list of PECIs projects was adopted which excluded electricity generation projects in line with the EU's own Projects of Common Interest concept.[18] The new PECIs still privilege large new infrastructure over other solutions, and some of the projects also raise questions such as who chose the projects and why, why gas is prioritised over energy efficiency, and why some transmission lines are routed

15 The Western Balkans' Berlin process: A new impulse for regional cooperation, 2016, available at: http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2016)586602

16 Projects of Energy Community Interest - A tool for co-operation, Violeta Kogalniceanu, Energy Community Secretariat, December 2015, available at: http://www.inogate.org/documents/4._Session_2_ENCS.pdf

17 Bankwatch Mail: EU-backed western Balkans priority energy projects conflict with EU goals, 11.11.2013 available at: https://bankwatch.org/ru/node/10677 [accessed on 27.09.2017]

18 Priority project selection: PECI/PMI, more information available at: https://www.energy-community.org/regionalinitiatives/infrastructure/selection.html and PLIMA: Infrastructure Transparency Platform, more information available at: https://www.energy-community.org/regionalinitiatives/infrastructure/PLIMA.html [accessed on 27.09.2017]

through sensitive areas. However, most of the obviously controversial projects are no longer on the list.

The results of the EU's renewable energy targets are also mixed. Although they should have created the conditions for wind and solar to make their mark in the region, construction companies and governments have mainly used them as an excuse to build large numbers of small hydropower plants. These have very often proved to be environmentally damaging, especially in relation to the small amount of electricity they generate.[19]

Yet another EU energy-related initiative in the region is CESEC: Central and South Eastern Europe Gas Connectivity, set up in 2015 by the EU and a group of south-eastern European countries and later joined by the Energy Community Contracting Parties.[20] In 2016 it was decided to expand the co-operation to electricity, energy efficiency and renewable energy as well.[21] Although it covers all the southeast European countries, not only the Western Balkans, its expansion to the electricity sector does raise questions about the exact division of labour between CESEC and the Energy Community and CESEC's added value in this field.

The EU and transport in southeast Europe

Due to SEETO's non-binding nature, transport sector co-operation in the region has been less advanced so far, and as the Transport Community is very new, it is not yet clear in which direction it will go. It could play a very positive role in promoting quick and cost-effective improvements in co-operation at border crossings to shorten crossing times, but it is unclear whether adopting EU transport legislation will have such clear benefits as the energy and environment legislation has had.

Within the EU itself there is a clear shift towards renewable energy and energy efficiency, even if progress is not uniform across the bloc, but with transport the progress is much less clear. For example, energy consumption of transport per unit of GDP fell by 6.2% between 2008 and 2013, but the share of road and car in freight and passenger transport modal splits remained similar to their 2000 levels, and no substantial shift towards more sustainable transport modes could be observed.[22] Users of rail systems in the EU experience fewer waits at borders than previously, but still experience difficulties with cross-border co-ordination of ticketing and timetables, and a decline in the number

19 Igor Vejnović: Small is not (always) beautiful: small hydro development in the Western Balkans, Balkan Green Energy News, 22 February 2017, available at: http://balkangreenenergynews.com/small-is-not-always-beautiful-small-hydro-development-in-the-western-balkans/

20 Central and South Eastern Europe Gas Connectivity, more information available at: https://ec.europa.eu/energy/en/topics/infrastructure/central-and-south-eastern-europe-gas-connectivity [accessed on 27.09.2017]

21 CESEC 2.0: Changing the gear for Central and South East European energy market integration, more information available at: https://ec.europa.eu/commission/commissioners/2014-2019/sefcovic/announcements/cesec-20-changing-gear-central-and-south-east-european-energy-market-integration_en [accessed on 27.09.2017]

22 Eurostat: Sustainable development - transport, July 2015, available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/Sustainable_development_-_transport [accessed on 27.09.2017]

of night train services in recent years has made many previously comfortable intra-EU journeys very difficult.[23]

In the transport sector the EU has also been very prone to fall into the trap of concentrating too much on large infrastructure. The process of building a Trans-European Transport Network (TEN-T)[24] in a structured way was initiated in the Treaty of Maastricht in 1992. The first guidelines for TEN-T development in 1996 foresaw 14 European projects and the updated guidelines in 2004 suggested 30 priority corridors.[25]

Parallel to this, the European Commission supported an initiative with Eastern neighbouring countries to extend the networks beyond the borders of the EU15. The Pan-European transport conferences were held in Prague (1992), Crete (1994) and Helsinki (1997) resulting in the definition of 10 traffic corridors between Western, Central and Eastern Europe. An initiative for analysing the needs for future transport infrastructure in the accession countries was launched as the 1995 Transport Infrastructure Needs Assessment (TINA) based in Vienna. The TINA-transport infrastructure network includes the Helsinki Corridors, which were defined in 1997, and consists of a backbone network and an extended network.[26] The main Corridors reaching southeast Europe are:

- IV - Germany-Romania, with branches to the Black Sea and Sofia in Bulgaria and further to Thessaloniki in Greece and Istanbul in Turkey.
- V - Italy-Ukraine with branches south through Croatia and Bosnia and Herzegovina to the Adriatic Sea and a branch to Bratislava in Slovakia.
- VII - The Danube
- VIII - Albania-Macedonia-Bulgaria
- IX - Finland-Russia-Ukraine-Romania-Bulgaria-Greece
- X - Austria-Greece with branches to Croatia, Hungary and Turkey.

While the principle of more closely linking the EU and the rest of Europe together is positive, it is far from clear what the decision-making process was for defining the priority corridors and projects. A 2009 European Parliament resolution describes the priority projects as “a “wish list” of 30 priority

23 For more information visit: Back on Track: WCN’s Campaign to Improve Europe’s Cross-border Trains http://world-carfree.net/projects/back-on-track/ and Back on Track: A European coalition to support cross-border rail https://back-on-track.eu/

24 The Trans-European Transport Network (TEN-T) is described by the EU as a “policy directed towards the implementation and development of a Europe-wide network of roads, railway lines, inland waterways, maritime shipping routes, ports, airports and rail-road terminals… The ultimate objective of TEN-T is to close gaps, remove bottlenecks and eliminate technical barriers that exist between the transport networks of EU Member States, strengthening the social, economic and territorial cohesion of the Union and contributing to the creation of a single European transport area.” European Commission: About TEN-T, more information available at: https://ec.europa.eu/transport/themes/infrastructure/about-ten-t_en [accessed 27.09.2017]

25 European Parliament, Directorate-General for Internal Policies Policy Department B: Structural and Cohesion Policies Transport and Tourism TEN-T Large Projects - Investments and Costs, April 2013, available at: http://www.europarl.europa.eu/RegData/etudes/etudes/join/2013/495838/IPOL-TRAN_ET(2013)495838_EN.pdf, and http://ec.europa.eu/ten/transport/projects/doc/2005_ten_t_en.pdf

26 Transport Infrastructure Needs Assessment (TINA), European Commission Directorate General VII: Status of the Pan-European Transport Corridors and Transport areas, December 1998, available at: http://aei.pitt.edu/39350/1/A4030.pdf

projects inspired mainly by national interests."[27] The European Commission has long been criticised for prioritising the construction of large new infrastructure projects over other smaller but smarter measures, and for failing to take EU environmental legislation into account while defining corridor routes.[28] Since 2013, within the EU there has also been a change in emphasis within TEN-T policy, to concentrate on improving border crossing coherence and modal shift.[29] However, the Corridors still set the framework for transport policy across southeastern Europe today, as we will see in the case studies.

SEETO was explicit about its goal of bringing the region into the Trans-European Transport Network right from the beginning.[30] In 2003 the EC-Commissioned Regional Balkans Infrastructure Study (REBIS) was published and proposed priority projects on the Corridors based on a multi-criterial analysis,[31] putting a heavy emphasis on the construction of large infrastructure. As well as the Pan-European Corridors, it added some new routes to bring in Banja Luka, Podgorica and Pristina which had not featured on the routes of any of the original Corridors. This then formed the basis for the 2004 SEETO Memorandum on the development of the SEE Core Regional Transport Network.[32]

Yet it was already becoming clear that the EU was having trouble building its own TEN-T network. While he was laying out ambitious new plans in 2005, the European Commission's Vice President responsible for transport, Jacques Barrot, wrote "*After 10 years, however, it is clear that the results fall short of the original ambitions. In 2003, barely one third of the network had been built. And only three of the 14 specific projects endorsed by the European Council at Essen in 1994 had been completed.*"

This admission was followed by a critical 2006 report by the European Court of Auditors, which found among other things that projects were heavily delayed, cross-border sections were not receiving enough attention, EU funding was too fragmented, and evaluation and monitoring was insufficient.[33]

Yet SEETO has continued with developing and monitoring the implementation of a list of priority infrastructure projects.[34] It is not very clear how they were chosen and whether they are the most

27 European Parliament resolution of 22 April 2009 on the Green Paper on the future TEN-T policy, more information available at: http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P6-TA-2009-258

28 More information about the Trans-European Transport Networks: Options for a sustainable future available at: https://www.transportenvironment.org/docs/Publications/2003%20Pubs/T&E03-2.pdf and at Transport and Environment available at: https://www.transportenvironment.org/press/nature-sites-risk-eu-transport-projects [accessed 27.09.2017]

29 Marketa Pape, European Parliamentary Research Service, The trans-European transport network –state of play in 2016, Briefing, October 2016, available at: http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/589849/EPRS_BRI(2016)589849_EN.pdf

30 More information about the South East European Transport Observatory available at: http://www.seetoint.org/

31 European Commission 2000 CARDS Programme: Regional Balkans Infrastructure Study, Transport, available at: https://wbc-rti.info/object/document/7232/attach/Rebis_FR_Final.pdf [accessed 28.09.2017]

32 Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network – Luxembourg, 2004, available at: http://www.seetoint.org/library/strategic-documents/

33 European Court of Auditors Special Report No 6/2005 on the trans-European network for transport (TEN-T), 21.4.2006, available at: http://www.eca.europa.eu/Lists/ECADocuments/SR05_06/SR05_06_EN.PDF

34 SEETO priority projects for funding, more information available at: http://www.seetoint.org/projects/seeto-com-

relevant priorities for today, nor why they should be higher priority than local urban transport services which people use every day.

In fact, a 2015 update of the REBIS study carried out by the World Bank with guidance from the EC advises SEE governments to concentrate on non-physical impediments such as border crossing times, since "*Not only does the alleviation of non-physical obstacles require significantly lower financial resources than the construction of costly infrastructure, it yields high economic returns. Moreover, the economic development benefits expected from investments in costly transport infrastructure will not be fully realized if non-physical impediments, including regulatory and procedural constraints at borders and along the corridors, are not removed.*[35]

However, it remains to be seen in reality whether there is any change in investment priorities.

The EU and non-network infrastructure sectors in southeast Europe

The EU's influence on infrastructure sectors other than transport and energy - such as waste management, water supply and wastewater treatment - is mainly connected to applying EU standards before and after accession. Other sectors such as health, education and public buildings are not particularly influenced by EU accession requirements but can benefit from e.g. EU energy efficiency legislation and funds to support it. This means that EU influence on non-network sectors has been quite visible in the EU SEE countries but for the Western Balkans it is much less structured and less visible so far.

The EU's influence on non-network infrastructure is mixed from an environmental and public participation standpoint. On one hand, legislation such as the Water Framework Directive and Waste Framework Directive should improve water quality and waste prevention and recycling.

However, these still need to be approached rationally. The Zagreb wastewater treatment plant in Croatia is a good example of a project whose goal was justified but whose design and price-tag certainly were not.[36] Similarly, while the EU Waste Framework Directive clearly prioritises waste prevention and recycling, the goal of diverting waste from landfills is often used to push waste

prehensive-network-projects/eligible-for-funding/ [accessed 29.09.2017]

35 International Bank for Reconstruction and Development: The Regional Balkans Infrastructure Study (REBIS) Update Enhancing Regional Connectivity: Identifying Impediments and Priority Remedies Main Report, September 2015, available at: http://www.seetoint.org/wp-content/uploads/downloads/2016/10/REBIS-Update-Final-Report-Main-Text.pdf

36 For more information see: CEE Bankwatch Network: Zagreb Wastewater Treatment Plant (CUPOVZ), Croatia, accessed 29 September 2017, available at: https://bankwatch.org/public-private-partnerships/case-studies/zagreb-wastewater-treatment-plant-cupovz-croatia

incinerators or so-called "waste-to-energy" facilities. These were until recently a rarity in the region but a new facility was opened in Elbasan in Albania in 2016 and looks set to be followed by others.[37] An incinerator is also planned in Belgrade,[38] and is opposed by the Ne da(vi)mo Beograd movement.[39]

Waste incineration is problematic for a number of reasons but from a waste management point of view it often crowds out waste prevention and recycling initiatives that should take much higher priority, both financially and in terms of competition for materials.[40] This mis-prioritisation and partial interpretation of EU legislation was unfortunately also formalised in the Western Balkans 6 Sustainability Charter signed in July 2016, which commits signatories to "*Developing a strategy for collection and use of municipal waste for electricity and heat generation, in both public and private sectors*" by November 2018.[41]

To summarise, the EU has until now played a mixed role overall in the region regarding infrastructure. The application of EU environmental and energy efficiency legislation under the Energy Community clearly brings benefits through higher standards and public participation requirements, but the EU has also contributed to the excessive concentration on constructing large infrastructure in the region at the expense of more cost-effective measures. There are signs that this may be changing somewhat but it remains to be seen whether the Transport Community will continue in this vein or concentrate on cheaper and smarter measures. In the next section we will see how the three trends described above - Socialist/Communist legacy, EU involvement, and decisions by local elites - have played out in terms of project financing in the last few years.

37 Balkan Green Energy News: First waste-to-energy plant inaugurated in Albania, May 9, 2017, more information available at: http://balkangreenenergynews.com/first-waste-to-energy-plant-inaugurated-in-albania/

38 Suez website: The city of Belgrade chooses SUEZ and ITOCHU for a 25-year waste-to-energy project, 29 September 2017, more information available at: https://www.suez.com/en/News/Press-Releases/The-city-of-Belgrade-chooses-SUEZ-and-ITOCHU

39 Ne Da(vi)mo Beograd website: Spaljivanje razuma: Privatizacija Vinče i izgradnja spalionice pogubne po finansije grada, 24 October 2017, more information available at: https://nedavimobeograd.wordpress.com/2017/10/24/spaljivanje-razuma-privatizacija-vince-i-izgradnja-spalionice-pogubne-po-finansije-grada/

40 Global Alliance for Incinerator Alternatives: Waste Incinerators: Bad News for Recycling and Waste Reduction, October 2013, available at: http://www.no-burn.org/wp-content/uploads/Bad-News-for-Recycling-Final.pdf

41 Western Balkans Sustainability Charter, 4 July 2016, available at: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/policy-highlights/regional-cooperation/20160713-03.western-balkan-sustainable-charter.pdf

IV. Recent trends and public financial flows for infrastructure in southeast Europe

The majority of financial support for infrastructure in southeast Europe comes from EU sources and multilateral development banks. Regarding the Western Balkans countries, the European Investment Bank (EIB) claims to be the largest international investor, with financing worth EUR 6.4 billion since 2006.[42] While much of this is dedicated to credit lines through commercial banks e.g. for small and medium enterprises, most of the remainder goes to infrastructure projects, particularly transport.[43]

The European Bank for Reconstruction and Development (EBRD) is another major financier in the region, also mostly concentrating on infrastructure and credit lines but also agribusiness and support for other private companies.[44] The World Bank has a wider role, mostly financing non-infrastructure projects aimed at privatisation or increasing the efficiency of companies or governments, but also contributes to some infrastructure projects.[45] Its private sector arm, the International Finance Corporation (IFC) has in recent years supported private companies e.g. in agribusiness in the region, as well as providing credit lines and supporting infrastructure projects e.g. in energy.[46] These multilateral institutions are also joined by Germany's KfW, which mostly invests in public sector energy projects but also wastewater in the region,[47] and the EU's Instrument for Pre-Accession Assistance (IPA), which mostly finances horizontal measures and technical assistance but also finances limited amounts of physical infrastructure, for example roads in Albania and wastewater treatment in Kosovo.[48]

In the EU countries of the region, the same sources are active except the World Bank has phased out investments, and EU funds play a much larger role. For example, Slovenia has been allocated EUR

42 European Investment Bank: The Western Balkans more information available at: http://www.eib.org/projects/regions/enlargement/the-western-balkans/index.htm [accessed 29.09.2017]

43 More information available at European Investment Banks' website: http://www.eib.org/projects/regions/enlargement/the-western-balkans/bosnia-herzegovina/index.htm, http://www.eib.org/projects/regions/enlargement/the-western-balkans/serbia/index.htm and http://www.eib.org/projects/regions/enlargement/the-western-balkans/albania/index.htm [accessed 29.09.2017]

44 More information available at European Bank for Reconstruction and Development website: Reconstruction and Development http://www.ebrd.com/fyr-macedonia-data.html

45 More information available at the World Bank website at: http://projects.worldbank.org/country?lang=en&page= [accessed 29.09.2017]

46 IFC: IFC in Western Balkans, available at: http://www.ifc.org/wps/wcm/connect/ac9e65004cc2e9ebbc21fdf81ee631cc/Western+Balkans+Factsheet+FY15.pdf?MOD=AJPERES [accessed 29.09.2017]

47 KfW project database available at: https://www.kfw-entwicklungsbank.de/Internationale-Finanzierung/KfW-Entwicklungsbank/Projekte/Projektdatenbank/index.jsp [accessed 29.09.2017]

48 European Commission: Overview - Instrument for Pre-accession Assistance, available at: https://ec.europa.eu/neighbourhood-enlargement/instruments/overview_en [accessed 29.09.2017]

3.87 billion for 2014-2020 from the European Structural and Investment Funds, which will cover sectors including water and wastewater treatment.[49] Bulgaria has been allocated EUR 9.88 billion for the same period, and investments will include waste management, wastewater treatment and energy efficiency.[50]

Other sources of infrastructure financing in the region include China, Russia, Turkey and other sources from the Middle East. As we will see below, the EU and multilateral sources still dominate in energy and transport but the importance of other actors is growing. In other sectors such as waste, wastewater, health and education infrastructure, the EU appears to dominate, however information about such investments is very dispersed and trends are difficult to trace. For this reason, we will now take a closer look only at trends in the energy and transport sectors in recent years.

Energy

In the last two decades there has been a lot of talk about energy infrastructure investment in SEE but considerably less action. However, some infrastructure projects are moving ahead:

Oil and gas pipelines: In the 1990s and early 2000s a rash of competing oil pipelines were planned to bypass the congested Bosphorus Strait, including the so-called AMBO from Burgas to Vlore, the Burgas-Alexandroupolis, the Druzhba-Adria integration and the Pan-European Oil Pipeline (PEOP), but none of them have been built, due a combination of lack of industry backing, poor economic justification and environmental issues.[51]

Next came the Nabucco gas pipeline project, heavily backed by the EU, which was supposed to aid diversification away from Russian gas. However, in 2013 the Shah Deniz gas consortium chose a rival project, the Trans-Adriatic Pipeline, to export its gas from Azerbaijan to Europe, thus putting an end to Nabucco.[52] In parallel, Russia together with Bulgaria, Serbia, Hungary, Slovenia and Austria developed the rival South Stream but cancelled it in 2014, citing the EU's competition concerns.[53]

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49 European Commission: European Structural and Investment Funds country factsheet: Slovenia, April 2016, available at: http://ec.europa.eu/regional_policy/sources/policy/what/investment-policy/esif-country-factsheet/esi_funds_country_factsheet_si_en.pdf [accessed 29.09.2017]

50 European Commission: European Structural and Investment Funds country factsheet: Bulgaria, April 2016, available at: http://ec.europa.eu/regional_policy/sources/policy/what/investment-policy/esif-country-factsheet/esi_funds_country_factsheet_bg_en.pdf [accessed 29.09.2017]

51 International Energy Agency: Energy in the Western Balkans: the path to reform and reconstruction, 2008, available at: https://www.iea.org/publications/freepublications/publication/balkans2008.pdf and CEE Bankwatch Network: South-East Europe Development Watch position paper: South-east Europe energy policies, 2008, available at: https://bankwatch.org/documents/seedw_ener_gy_futures.pdf

52 Euractiv: EU-backed Nabucco project 'over' after rival pipeline wins Azeri gas bid, 27 June 2013, available at: http://www.euractiv.com/section/energy/news/eu-backed-nabucco-project-over-after-rival-pipeline-wins-azeri-gas-bid/

53 Darya Korsunskaya: Putin drops South Stream gas pipeline to EU, courts Turkey, Reuters, 1 December 2014, available at: https://www.reuters.com/article/us-russia-gas-gazprom-pipeline/putin-drops-south-stream-gas-pipeline-

Currently the Trans-Adriatic Pipeline, part of the Southern Gas Corridor, is under construction in Albania and is expecting financing from the European Investment Bank.[54] The EBRD and EIB are also planning to finance the Turkish part of the Corridor, the Trans-Anatolian Pipeline.[55]

What all of these oil and gas projects have in common is that they were designed and prioritised without any meaningful input from people living along the routes and the benefits for the transit countries are generally unclear.[56] While the international financial institutions insist on environmental impact assessments and public consultations, it is hard to see how these can have any meaning in repressive environments such as Turkey and Azerbaijan.

In fact, public participation in decision-making was clearly also sorely lacking in Italy, as residents of the Puglia region have repeatedly resorted to direct action to resist the removal of old olive tree groves for the pipeline construction and been pushed back by riot police.[57]

In the Western Balkans too, there is discontent, albeit less visible: No less than 26 complaints from affected individuals and stakeholder groups about the TAP company's implementation of the project in Albania, Greece and Italy have already been submitted to the European Investment Bank.[58]

Electricity generation projects: Lignite and hydropower have traditionally made up the electricity generation infrastructure in the Western Balkans, along with nuclear power plants in Bulgaria and Slovenia. This trend has largely continued with new planned investments in the last 10-15 years, although in the Western Balkans, very little of what was planned has been implemented.

One project that has been built is the 97 MW Vlore gas/oil-fired power plant in Albania, originally supposed to be part of an energy complex at the end of the never-built AMBO oil pipeline. The locally unpopular plant, backed by EBRD, EIB and World Bank loans approved in 2004, is still not

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to-eu-courts-turkey-idUSKCN0JF30A20141201

54 More information about the Trans Adriatic Pipeline available at: http://www.eib.org/projects/pipelines/pipeline/20140596 [accessed 30.09.2017]

55 More information about the Azerbaijan: Southern Gas Corridor available at: http://www.ebrd.com/work-with-us/projects/psd/azerbaijan-southern-gas-corridor.html and Tanap Trans-Anatolian Natural Gas Pipeline available at: http://www.eib.org/projects/pipelines/pipeline/20150676 [accessed 30.09.2017]

56 Oxford Economics has published a report on economic benefits for Albania for the TAP AG consortium which shows some benefits for the country but does not examine the flip side of the coin - costs and disadvantages. It is therefore hard to draw any meaningful conclusions from it about the project's overall impacts. More information in the Oxford Economics: The Economic Impact of the Trans-Adriatic Pipeline on Albania - A report for TAP AG, undated available at: http://www.oxfordeconomics.com/Media/Default/economic-impact/economic-impact-home/Economic-Impact-trans-Adriatic-Pipeline.pdf [accessed 30.09.2017]

57 Counter Balance's statement in solidarity with the No TAP Committee, 23 March 2017, available at: http://www.counter-balance.org/counter-balances-statement-in-solidarity-with-the-no-tap-committee/, Georgi Gotev: Italy approves TAP pipeline, but activists attempt to block, 29 March 2017, available at: https://www.euractiv.com/section/global-europe/news/italy-approves-tap-pipeline-but-activists-attempt-to-block/ and ANSA.it: Fresh TAP clashes in Puglia, 4 July 2017, available at: http://www.ansa.it/english/news/general_news/2017/07/04/fresh-tap-clashes-in-puglia-2_44713110-c868-4a6e-bc61-9ac4f411e2ae.html

58 EIB: Complaints Mechanism Cases, available at: http://www.eib.org/about/accountability/complaints/cases/index.htm [accessed 30 September 2017]

operating, due to technical difficulties,[59] and must count as one of the most embarrassing European-backed projects ever.

Another candidate for this title is the Šoštanj lignite power plant in Slovenia, backed by loans from the EBRD and EIB. This one has been built *and* put into operation, but at double the originally cited cost. The worst predictions about the project's economics made by its critics have been proven wrong only in that they were too mild.[60]

Perhaps stung by these disastrous projects, the World Bank, EIB and EBRD in 2013 all pledged to virtually halt financing for coal power stations.[61] This didn't stop Western Balkan governments' enthusiasm for building new coal power plants however, and the major turnaround in this sector has been the entry of Chinese state policy banks into the region. The extent to which this will truly become a trend has yet to be seen as only one plant - the 300 MW Stanari plant in Bosnia and Herzegovina - has actually been constructed with a loan from the China Development Bank so far.

Further loan agreements were signed by the China Exim Bank in December 2014 for the 350 MW Kostolac B3 plant in Serbia, and in November 2017 for Tuzla unit 7. No financing contract has been signed for Banovići in Bosnia and Herzegovina at the time of writing, and other plants with potential Chinese involvement (Ugljevik III, Gacko II, Kamengrad) are much further from securing financing.[62]

In the hydropower sector there has been an explosion in the number of small projects across the region in recent decades. Bulgaria moved fastest to hand out concessions on small rivers and streams in the late 1990s and early 2000s and was joined by others in the mid-2000s. Albania was the most active in this regard, awarding concessions for no less than 435 hydropower projects from 2007 to 2013.[63]

A 2015 Bankwatch study covering the Western Balkans, Croatia, Slovenia and Bulgaria identified 200 new plants in operation since 2005, 113 under construction and 994 actively planned or potential plants, but pointed out that these figures were likely to be an underestimate.[64] An earlier study by Dr Ulrich Schwarz which examined 1640 planned and potential projects in the region found that no less than 49% of these, or 817 projects, are in protected areas.[65]

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59 Exit: The Power Plant in Narta – A History of Failure, 26 May 2017, available at: http://www.exit.al/en/2017/05/26/the-power-plant-in-narta-a-history-of-failure/

60 Focus Association for Sustainable Development: TEŠ6 Economics Mythbuster, December 2014, available at: http://www.focus.si/files/programi/energija/2014/mythbuster.pdf

61 Although the World Bank and EBRD have phrased their commitments in a way that may allow exceptions for projects in Kosovo and Mongolia, more information available at: https://bankwatch.org/news-media/blog/eib-finally-limits-coal-lending, http://www.ebrd.com/what-we-do/sectors-and-topics/ebrd-energy-strategy-switch-coal.html and http://www.worldbank.org/en/news/feature/2013/07/16/world-bank-group-direction-for-energy-sector [accessed 30.09.2017]

62 CEE Bankwatch Network, Balkan energy projects with Chinese involvement - state of play June 2017, available at: https://bankwatch.org/publication/balkan-energy-projects-with-chinese-involvement-state-of-play-june-2017

63 Kraja, Durim, Concessions In The Hydropower Sector In Albania – Challenges And Opportunities, Studies in Business and Economics, undated, available at: http://eccsf.ulbsibiu.ro/articole/vol91/917kraja.pdf

64 CEE Bankwatch Network: Financing for hydropower in protected areas in Southeast Europe, Riverwatch and Euronatur, December 2015, available at: https://bankwatch.org/publication/financing-for-hydropower-in-protected-areas-in-southeast-europe

65 Schwarz, U., 2015. Hydropower Projects in Protected Areas in the Balkan Region. RiverWatch & EuroNatur, available at: http://balkanrivers.net/sites/default/files/Protected%20areas%20and%20hydropower%20dams%20in%20

Financing for the smaller projects was very difficult to trace and, in most cases, likely originated from commercial banks. However, a surprisingly large number of IFI investments in the sector were identified: The EBRD was the most important actor with at least 51 greenfield plants supported with at least EUR 240 million.[66] Newer actors are also visible in the hydropower sector, mainly the Chinese policy banks, but their involvement for now mostly remains on the level of expressing interest.

Other electricity generation projects seem relatively scarce compared to coal and hydropower but in 2016 Bankwatch identified 1166 MW of wind plant projects under development (compared to 2800 MW of actively planned coal projects).[67] The IFIs, KfW and Chinese policy banks have all expressed willingness to back wind projects in the region[68] so availability of financing per se does not seem to be a problem, but agreeing on the terms and conditions is holding back numerous projects.[69]

Transport

In the last two decades SEE countries have invested heavily into getting themselves connected to the TEN-T corridors and investments in building or upgrading highways have been among the largest investments in the region. The sums spent are staggering for such small and cash-strapped countries.

The first section of the Bar-Boljare highway in Montenegro was originally costed at EUR 809 million, but due to the fixed exchange rate agreed for the loan from China Exim Bank, the project costs around USD 1.1 billion in dollars, and the estimated cost as of August 2017 was almost EUR 1 billion - an increase of 19 percent (4 percentage points of GDP), which is borne by the government.[70] The northern and southern sections of the 3rd Development Axis in Slovenia are expected to cost even more - over EUR 2 billion altogether.[71]

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the%20Balkan190515.pdf

66 This number is likely to have changed slightly since the report was published and does not include all plants financed through commercial intermediaries. Since 2015 the EBRD has cancelled financing for the Boskov Most, Zrnovska reka 1, Zrnovska reka 2, Estericka reka, and Kadina reka plants in Macedonia according to direct e-mail communication with the bank by CEE Bankwatch Network, and the last four plants in the Vez Svoghe project in Bulgaria are also not likely to go ahead. More information available at: https://bankwatch.org/publications/financing-hydropower-protected-areas-southeast-europe

67 CEE Bankwatch Network, Western Balkans countries invest at least 2.4 times as much in coal as in wind power, May 2016, available at: https://bankwatch.org/publications/western-balkans-countries-invest-least-24-times-much-coal-wind-power

68 More information about the Kovacica Wind Farm available at: http://www.ebrd.com/work-with-us/projects/psd/kovacica-wind-farm.html, KfW-Development-Banks' presents in Bosnia and Herzegovina available at: https://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Local-presence/Europe/Bosnia-and-Herzegovina/ and Chinese companies interested in Infrastructure projects in Bosnia and Herzegovina http://www.sarajevotimes.com/sarovic-jiang-jianqing-chinese-companies-interested-infrastructure-projects-bih/

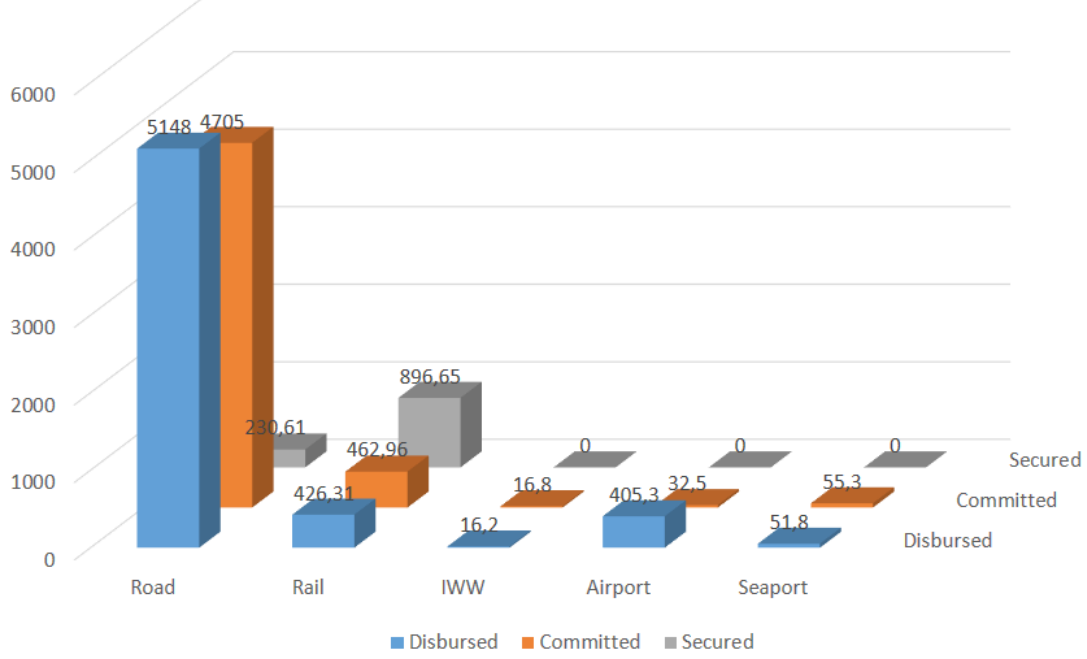
69 CEE Bankwatch Network, Western Balkans countries invest at least 2.4 times as much in coal as in wind power, May 2016, available at: https://bankwatch.org/publications/western-balkans-countries-invest-least-24-times-much-coal-wind-power

70 International Monetary Fund: Montenegro - Selected Issues, September 2017, available at: https://www.imf.org/~/media/Files/Publications/CR/2017/cr17277.ashx

71 Republika Slovenija, Ministrstvo za infrastrukturo, Infrastrukturni projekti v Republiki Sloveniji, August 2015, available at: http://www.mzi.gov.si/fileadmin/mzi.gov.si/pageuploads/Kabinet_ministra/15_10_13-Seznam_investici-

Altogether no less than EUR 12.5 billion has been disbursed, committed or secured for the so-called Indicative Extension of the TEN-T Comprehensive Network in the Western Balkans since 2004.[72] Of this, by far the largest amount has been for roads.

Graph 1: Share of total investments per mode of transport (M€)



Source: SEETO 2017[73]

From 2004 to 2016 around 38% of financing came from IFIs, 29.7% from national budgets and 27.5% from "other sources", including the China Exim Bank, Russian loans, the Abu Dhabi Fund, Islamic Development Bank, Italian government, Kuwait Fund, OPEC and others.[74] This category has increased significantly in recent years as it was only 16% in 2014.[75] National governments have committed and disbursed almost exclusively for road projects, while IFIs and "other" financiers have disbursed and committed some financing for rail but still much more for roads.[76]

While many of the region's roads certainly need improvement, rail needs some positive discrimination in terms of financing if it is going to become a relevant transport mode again.

jskih_projektov_v_RS2015.pdf

72 SEETO Multi-Annual Development Plan: Five-year multi-annual plan 2016 update, available at: http://www.see-toint.org/wp-content/uploads/downloads/2017/02/SEETO-Multi-Annual-Development-Plan-Q.compressed.pdf

73 Sanja Dodig, SEETO: Regional Transport Co-operation under SEETO, presentation 29 March 2017, available at: www.balkanmagazin.net/Storage/Global/Documents/2017/Sanja_Dodig.ppt

74 Ibid.

75 Ibid.

76 SEETO: Multi-Annual Development Plan, Common problems – Shared solutions, Five Year Multi-Annual Plan 2016, available at: http://www.seetoint.org/wp-content/uploads/downloads/2016/01/SEETO_brosura_lowres.pdf

V. Case studies of problematic projects and findings from the national-level analyses

Below we present individual cases from each of the countries targeted in this research. There are several recurring issues in the public infrastructure sphere in all the countries, EU members or not, which are summarised in the final section of the study.

Bosnia and Herzegovina

Recent trends and public financial flows for infrastructure

Much of Bosnia and Herzegovina's Socialist-era infrastructure – roads, bridges, and tunnels – suffered from collapse or was damaged during the war in the 1990s, greatly increasing the need for investment. Investments in BiH are determined by the need for reconstruction and/or expansion of existing networks (roads, railways, airports, water supply, and sewage) and changes in demands for infrastructure services, as well as political affiliations, including EU accession.[77]

Many strategic documents have never been approved, for example neither the Federation of Bosnia-Herzegovina nor the state have an energy strategy at the time of writing, while that of Republika Srpska is very outdated. As of January 2018, new strategies are under development at all three levels. In the Federation there is no transport strategy or action plan nor any spatial plan. This creates a vacuum in which projects can be pushed individually without wider strategic analysis, leading to both poor project selection and overambitious plans. One example of this is the fact that two new coal power plant units (Banovići and Tuzla 7) are currently planned within 30 km of each other near Tuzla by different state-owned companies. These are in competition for water resources, financial backing from the Federation, and potentially even for coal if the Banovići mine proves unable to ramp up production. At the same time their cumulative environmental impacts have never been assessed.[78]

77 Javno-privatno partnerstvo u razvoju infrastrukture u BiH, Mr.sc. Ivana Domljan, dipl.ing.građ. Sveučilište u Mostaru, Građevinski fakultet, December 2011, available at: http://www2008.gf.sve-mo.ba/e-zbornik/e_zbornik_02_05.pdf [accessed 27 March 2017]

78 CEE Bankwatch Network: Balkan energy projects with Chinese involvement – state of play June 2017, available at https://bankwatch.org/publication/balkan-energy-projects-with-chinese-involvement-state-of-play-

Concerning transport sector infrastructure projects, the main activities undertaken by the Federation of BiH entity government are related to improving the financing scheme for road infrastructure and the construction of the three subsections of the Pan-European Corridor Vc.

While theoretically open to foreign investment, Bosnia and Herzegovina struggles to attract high quality investors. A complicated political structure, non-transparent regulatory regime, high level of corruption and inadequate judicial and regulatory protections deter responsible investors, both foreign and domestic.

The role of civil society in decision-making on public infrastructure

The engagement of citizens and civil societies in the decision-making processes at state and entity level in BiH is somewhat regulated but not fully implemented. The lack of strategic documents mentioned above means that participation in decision-making on the strategic level is almost impossible and therefore project selection is carried out in an even less transparent manner than other countries in the region.

CSOs and the public are consulted through public debates in cases where environmental impact assessments take place, but this is already late in the process and only happens for larger projects. Most members of the public are not even aware of such processes and their importance, and if they are, they are often sceptical that they can make any change. Many NGOs are not interested and active in these processes because they are project-oriented rather than watchdog organisations. However, some networks and CSOs follow processes and decisions related to planned infrastructure projects, like construction of hydropower and thermal power plants, and act by sending comments on the documents during public consultations and attending public hearings. This mostly happens if the planned infrastructure project is going to have a negative impact on the environment or there is lack of transparency.

In addition, these CSOs, with help from experts, work with citizens and help them to prepare quality comments for public debates with the aim of including them in the planning and creation of their environment according to their needs. They also encourage the relevant institutions to inform and include the public in a timely manner during the preparation of infrastructure projects and when making decisions. Unfortunately, those who comment during such processes rarely receive responses to their comments. In most cases the comments are ignored or rejected and the government goes ahead with decisions already made beforehand. CSOs therefore often have to resort to legal action to ensure that basic points of law are enforced.[79]

june-2017 [accessed 1 June 2017]

79 See for example: Megan Darby: Campaigners claim legal win against Bosnian coal power push, Climate Home, 16.02.2017, available at: http://www.climatechangenews.com/2017/02/16/campaigners-claim-legal-win-against-

Case study - Corridor Vc motorway

Project name

Corridor Vc motorway

Location

Northern border BiH – Croatia to Southern border BiH – Croatia

Short description

First planned in the 1970s, Corridor Vc is one of the three major Trans-European corridors within the region and runs from Budapest, Hungary, to the port of Ploče in southern Croatia, with the longest section running through BiH.

Technical details

The BiH section of Corridor Vc is planned to be 330 kilometres long, running from Svilaj on the northern border with Croatia to the southern border with Croatia near Ljubuški. The route falls mostly within the Federation of BiH Entity, with a short section in Republika Srpska.

The motorway is divided into four Lots, running north to south:

» LOT 1: Svilaj (Northern Border with Croatia) - Doboj South
» LOT 2: Doboj South - Sarajevo South (Tarcin)
» LOT 3: Sarajevo South (Tarcin) - Mostar North,
» LOT 4: Mostar North - Southern Border with Croatia.

The benefits of the project?

The project is intended to improve the connectivity of Bosnia and Herzegovina with neighbouring countries and advance its potential for economic development.

The costs of the project?

In 2004 the total project cost was estimated at EUR 5 billion.[80] The current total cost is unknown as the project is now being built in sections, not all of whose costs have been revealed to the public. Those sections whose construction costs are public total EUR 2.4 billion so far.[81]

Who is financing the project?

The EBRD and EIB have been most active in financing the project. The EBRD has signed four loans, for EUR 205 million in 2008; EUR 80 million in 2015; EUR 76 million in 2016,[82] and a EUR 70 million

bosnian-coal-power-push/

80 Bosnia and Herzegovina Corridor Vc Motorway project: Environmental Impact Assessment study, Executive Summary, undated, available at: http://www.ebrd.com/english/pages/project/eia/38716.pdf [accessed 13 October 2017]

81 Available at JP Autoceste website: http://www.jpautoceste.ba/koridor-vc-autocesta-karta/ [accessed 13 October 2017]

82 EBRD list of signed projects 1991-2016, available at: http://www.ebrd.com/cs/Satellite?c=Content&cid=1395236434965&d=Mobile&pagename=EBRD%2FContent%2FContentLayout [accessed 14 October 2017.]

loan for part of the section in Republika Srpska in 2017.[83]

In 2008 the EIB signed a loan to co-finance the Kakanj - Drivuša section with EUR 75 million.[84] A further loan for the Svilaj-Odžak and Vlakovo-Tarčin sections was signed in 2012 for EUR 166 million,[85]and another for EUR 100 million in 2014 for the Počitelj-Bijača section.[86] In 2016 another loan of EUR 50 million was approved[87] along with another one for EUR 100 million in 2017.[88]

Other financiers include the OPEC development fund OFID, which signed a loan of EUR 60 million in September 2014 for the construction of the Donja Gračanica (Pečuj)-Klopče section,[89] and the Kuwait Fund for Arab Economic Development which provided a loan of around EUR 28 million for the Drivuša-Klopče section.[90] "Exim", presumably China Exim Bank, has also been cited as a potential financier of some sections but no loan agreements have been signed yet.[91]
The status of financing for each section according to JP Autoceste's website[92] as of October 2017 is as follows:

From	To	Status	Construction cost	Supervision cost	Financed by
Svilaj	Odžak	Under construction	83.8	2.86	EIB and EBRD
Odžak	Doboj jug	Not started	Not known	Not known	N/A
Doboj jug	Žepče	Not started	350	Not known	N/A
Žepče	Zenica sever	Not started	Not known	Not known	N/A
Zenica sever	Donja Gračanica	Not started	50	Not known	EBRD
Donja Gračanica	Klopče	Under construction	107.8	5.47	EBRD, OPEC Fund
Klopče	Drivuša	Under construction	33.5	2.5	Kuwait Fund
Drivuša	Gorica	Finished	30.5	2.4	EIB
Gorica	Bilješevo	Finished	66.5	2.38	EBRD

83 EBRD project summary document: Corridor Vc in RS - Part 1, 31 July 2017, available at: http://www.ebrd.com/work-with-us/projects/psd/corridor-vc-in-rs-part-1.html and http://www.ebrd.com/news/2017/improving-bosnia-and-herzegovinas-connectivity-.html

84 EIB: EIB supports motorway construction in Bosnia and Herzegovina, 18 December 2008, available at: http://www.eib.org/infocentre/press/releases/all/2008/2008-157-eib-supports-motorway-construction-in-bosnia-and-herzegovina.htm and EIB: Corridor Vc First Phase – North available at: http://www.eib.org/projects/loan/loan/20070168 [accessed 14 October 2017]

85 EIB: Corridor Vc - Second Phase, available at: http://www.eib.org/projects/loan/loan/20080045 [accessed 14 October 2017]

86 IB: Corridor Vc Pocitelj-Bijaca, available at: http://www.eib.org/projects/loan/loan/20130476 [accessed 14 October 2017]

87 EIB: Corridor Vc Zenica North, available at: http://www.eib.org/projects/pipelines/pipeline/20150774 [accessed 14 October 2017]

88 EIB: Corridor Vc Mostar South, available at: http://www.eib.org/projects/pipelines/pipeline/20150773 [accessed 14 October 2017]

89 Government of Bosnia-Herzegovina: Bosna i Hercegovina, Program ekonomskih reformi za 2016-2018. Godinu (ERP BiH 2016-2018), January 2016, available at: www.dep.gov.ba/naslovna/?id=1722

90 JP Autoceste FBIH, Business Plan for the Year 2016, Mostar December 2015, available at: http://www.jpautoceste.ba/images/ppen.pdf

91 JP Autoceste website available at: http://www.jpautoceste.ba/koridor-vc-autocesta-karta/ [accessed 13 October 2017]

92 More information available at: http://www.jpautoceste.ba/koridor-vc-autocesta-karta/ [accessed 13. October 2017.]

Bilješevo	Kakanj	Finished	43	2.87	EIB
Kakanj	Jošanica	Finished	150	Not known	FBIH budget
Jošanica	Butila	Finished	57	2.5	EBRD, EIB, OPEC Fund
Butila	Vlakovo	Finished	23	Not known	JP Autoceste funds
Vlakovo	Lepenica	Finished	179.5	3.14	EIB, "others"
Lepenica	Suhodol	Finished	75	2.77	EIB, "others"
Suhodol	Tarčin	Finished	115	3.49	EBRD, "others"
Tarčin	Zukići	Not started	Not known	Not known	N/A
Zukići	Ovčari	Not started	Not known	Not known	N/A
Ovčari	Tunel Prenj	Not started	172	Not known	EIB and EBRD
Tunel Prenj	Tunel Prenj	Not started	240	Not known	Potentially Exim
Salakovac	Mostar sever	Not started	167	Not known	Potentially Exim
Mostar sever	Mostar jug	Not started	240	Not known	Potentially Exim
Mostar jug	Buna	Not started	Not known	Not known	N/A
Buna	Počitelj	Not started	30.7	Not known	EBRD
Počitelj	Zvirovići	Not started	100	Not known	EIB
Zvirovići	Kravice	Finished	62	1.43	EBRD, Council of Europe Development Bank (CEB)
Kravice	Bijača	Finished	29.3	1.43	EBRD

Key actors

» Investor: JP Autoceste FBIH, public company

» Financiers: EBRD, EIB, OFID, KFAED, Council of Europe

» Interested parties: Croatia, BiH

» Key opposing parties: Residents of Blagaj, Buna and Počitelj together with artists, who have argued for a change of routing; Environmental organisations such as Zeleni Neretva and Ekotim, who argue that the motorway should not be built through Prenj.[93]

Key problems with the project?

The project is a stark example of what happens when a route is planned a) several decades before it is actually built, without regularly re-examining whether it still makes sense b) prioritising road over rail transport and c) without sufficiently taking into account environmental issues at a stage when all options are still open.

The route was originally chosen back in the 1970s when Yugoslavia still existed. Thus, it made little difference that after exiting Hungary, the road would go through Croatia, Bosnia and Herzegovina and back to Croatia again, because Croatia and BiH were both in the same state. Now it is questionable whether an expensive international motorway should be Bosnia and Herzegovina's top priority or whether it would be better to concentrate on connecting the cities within the country in a way more suited to the current economic situation, environment, and actual levels of traffic.

93 Zeleni Neretva: Ušteda izgradnje Autoputa Vc na račun planine Prenj, 22.02.2016, available at: http://zeleni-neretva.ba/index.php?option=com_content&task=view&id=322&Itemid=1, reproduced at: http://ekotim.net/bs/pocetna/90-novosti/336-usteda-izgradnje-autoputa-vc-na-racun-planine-prenj

It is true that the motorway, once completed, will ensure that Sarajevo is better connected to Belgrade and Zagreb by road. It already connects Zenica with Sarajevo and will better connect Sarajevo with Mostar and with the coast. However, neither BIH's second largest city, Banja Luka, nor its third city, Tuzla, will be directly connected by this route. Of course, one road cannot connect every city, but this is precisely the point: Should BIH be prioritising one massive road instead of several somewhat smaller ones?

Alternative solutions?

A long-term and widely consulted transport strategy for Bosnia and Herzegovina is needed, which should address and try to reverse the imbalance in attention paid to railways vs. new motorways in the country, as well as making sure that existing roads are well-maintained.

The remainder of Corridor Vc should be built only if an updated feasibility study confirms it is really cost-effective. Some sections may not require a full-profile motorway, and dual-carriageways or other road upgrades should be considered in these sections, especially for the Konjic-Mostar section which should be kept as near to the existing route as possible and should avoid damage to the future National Park. Around Blagaj, it should be re-examined whether a full-profile motorway is needed and a solution should be sought together with local people, taking into account environmental and economic constraints.

Case study – **New coal power plants**

Project names

Tuzla 7, Kakanj 8, Banovići, Kamengrad (Federation of Bosnia-Herzegovina), Ugljevik III, Gacko II (Republika Srpska).

Locations

Near Tuzla, Kakanj, Sanski Most, Ugljevik and Gacko, Bosnia and Herzegovina

Short description

Most EU countries have not licensed any new coal power plants since around 2007 due to their climate impacts and increasingly poor economics. Yet BiH not only inaugurated the 300 MW Stanari plant near Doboj in September 2016, but it wants to build six more additional coal plants – and all of this in a country of only 3.5 million people. Not only does coal contribute to climate change – a fact which no filters can prevent – but the planned plants for which data exists are not in line with the latest EU standards for other pollutants like SO_2, NO_x or dust either. One of the most frequently cited reasons for building the plants is the preservation of jobs in the country's notoriously inefficient coal mining sector, however as well as being a bad basis for decision-making on energy matters, it is completely unrealistic.

Technical details

» **Tuzla 7**: 450 MW, annual generation 2,740 GWh, pulverised lignite combustion technology[94]
» **Kakanj 8**: 300 MW, annual generation 1,755 GWh, circulating fluidized bed combustion[95]
» **Banovići:** 350 MW, annual generation 2,200 GWh, circulating fluidized bed combustion[96]
» **Kamengrad:** 2x215 MW,[97] other data not known yet.
» **Ugljevik III**: 2x300 MW, annual generation 4,380 GWh, circulating fluidized bed combustion[98]
» **Gacko II**: 350 MW, annual generation 2,556 GWh, circulating fluidized bed combustion.[99]

The benefits of the projects?

The projects are claimed to bring numerous benefits, from generating electricity, to improving air quality in Tuzla,[100] to preserving jobs. In the case of Tuzla 7 up to 3500 mining jobs are claimed to depend on the project.[101]

The costs of the project?

Tuzla 7 – EUR 722 million[102]

Kakanj 8 – EUR 529 million, or with coal mine investment EUR 626 million[103]

Banovići - EUR 305 million[104]

Kamengrad - EUR 510 million[105]

Ugljevik III - EUR 800 million (including coal mine expansion)[106]

Gacko II – Only an outline contract has been signed so the exact cost is not known. It has been

94 NOSBIH Indicative Plan 2018-2027, available at: http://www.nosbih.ba/files/dokumenti/Indikativan%20plan%20razvoja/2017/Juni/IPRP%202018-2027.pdf
95 Kakanj 8 project profile, available at: http://www.sarajevobusinessforum.com/static/document/projects/2016/ENERGY/E-204-2016/E-204%20PresentationTE%20Kakanj%20bl%208.pdf
96 NOSBIH Indicative Plan 2018-2027, available at: http://www.nosbih.ba/files/dokumenti/Indikativan%20plan%20razvoja/2017/Juni/IPRP%202018-2027.pdf
97 Agencija za unapređenje stranih investicija BiH: FIPA dovela investitora za Rudnik i TE Kamengrad (Sanski Most), 15.9.2017, available at: http://www.fipa.gov.ba/novosti/aktivnosti/default.aspx?id=11004&langTag=bs-BA
98 "Projekt" ad, Banja Luka: Studija uticaja na životnu sredinu za nove blokove termoelektrane u Ugljeviku - Ugljevik 3, August 2012
99 Institut za građevinarstvo "IG", Banja Luka, Poslovni centar Trebinje Naučno-istraživački Institut
Naučno-istraživačka ustanova: Studija ekonomske opravdanosti sa elementima zaštite životne sredine za izgradnju i korišćenje „Termoelektrane Gacko II" snage 350 MW na području Opštine Gacko (Feasibility study), Kniiga I: Studija ekonomske opravdanosti, Trebinje, februara 2016. godine
100 Oslobođenje: Izetbegović: Dva termobloka riješit će problem zagađenja zraka u Tuzli, 2 November 2017, available at: https://www.oslobodjenje.ba/vijesti/bih/izetbegovic-dva-termobloka-rijesit-ce-problem-zagadenja-zraka-u-tuzli
101 Fokus.ba: Odustajanjem od izgradnje Bloka 7 bez posla ostaje 3.500 radnika? 24 October 2016, available at: https://www.fokus.ba/vijesti/bih/odustajanjem-od-izgradnje-bloka-7-bez-posla-ostaje-3-500-radnika/504986/
102 Klix.ba: Bajazit Jašarević, direktor Elektroprivrede BiH: Pripremni radovi na izgradnji Bloka 7 mogući u 2017; 27.04.2017, available at: http://www.klix.ba/biznis/investicije/bajazit-jasarevic-direktor-elektroprivrede-bih-pripremni-radovi-na-izgradnji-bloka-7-moguci-u-2017/160427008
103 Kakanj 8 project profile, available at: http://www.sarajevobusinessforum.com/static/document/projects/2016/ENERGY/E-204-2016/E-204%20PresentationTE%20Kakanj%20bl%208.pdf
104 Klix.ba: Početak izgradnje TE Banovići do kraja godine, puštanje u rad 2021, 24.06.2017, available at: https://www.klix.ba/biznis/pocetak-izgradnje-te-banovici-do-kraja-godine-pustanje-u-rad-2021/170620071
105 Agencija za unapređenje stranih investicija BiH: Nastavak aktivnosti na projektu RiTE Kamengrad
15.1.2018, available at: http://www.fipa.gov.ba/novosti/aktivnosti/default.aspx?id=11615&langTag=bs-BA
106 Comsar Energy website available at: http://comsar.com/business-areas/power-generation/thermal-power-plants [accessed 9 November 2017]

mentioned as being more than a billion Convertible Marks, ie. more than EUR 500 million.[107]

Who is financing the project?

Tuzla 7 – China Exim Bank has signed a loan contract although it appears that there are still several more hurdles to pass before it could enter force.[108]

Kakanj 8 – So far, no-one.

Banovići - The Industrial-Commercial Bank of China is interested.[109]

Kamengrad - So far, no-one, however given the interest from Chinese companies, Exim Bank is likely.

Ugljevik III - So far, no-one.

Gacko II - So far, no-one, however given the interest from Chinese companies, Exim Bank is likely.

Key actors

Project sponsors

» Elektropriveda BIH (EPBIH) – project sponsor for Tuzla 7 and Kakanj 8
» RMU Banovići – project sponsor for Banovići power plant
» Lager d.o.o. Posušje - project sponsor for Kamengrad
» Comsar Energy Republika Srpska – project sponsor for Ugljevik III
» Elektroprivreda Republike Srpske (ERS) – project sponsor for Gacko II

Entity governments

Federation of BiH government – responsible for permitting processes, heavily backs the projects in spite of the obvious competition between Tuzla 7 and Banovići.

Republika Srpska government - responsible for permitting processes, heavily backs the projects.

Chinese companies

» Tuzla 7: In August 2014, EPBiH signed an EPC (Engineering, Procurement, Construction) contract with China Gezhouba Group and Guangdong Electric Power Design.110 An annex was signed in 2016 to bring the price down due to low electricity prices.111
» For Kakanj 8 no contractor has been selected.
» For Banovići, on 24.11.2015 an EPC contract was signed with China's Dongfang.112
» For Kamengrad, no contracts have been signed yet but a Memorandum of Understanding was

107 Potpisan Opšti ugovor o realizaciji projekta izgradnje Termoelektrane ,,Gacko 2", 12.12.2017; available at: http://www.vladars.net/sr-SP-Cyrl/Vlada/media/vijesti/Pages/Potpisan-Op%C5%A1ti-ugovor-o-realizaciji-projekta-izgradnje-Termoelektrane-,,Gacko-2%E2%80%9C.aspx

108 CEE Bankwatch Network: Rushed loan approval for Tuzla 7 coal plant, but project far from ready, 28 November 2017, available at: https://bankwatch.org/press_release/rushed-loan-approval-for-tuzla-7-coal-plant-but-project-far-from-ready

109 Klix.ba: Početak izgradnje TE Banovići do kraja godine, puštanje u rad 2021, 24.06.2017; available at: https://www.klix.ba/biznis/pocetak-izgradnje-te-banovici-do-kraja-godine-pustanje-u-rad-2021/170620071

110 EPBIH: Strategije, planovi i investicije u elektroenergetskom sektoru, presentation at Regional Energy Forum Tuzla, April 2015, available at: http://ref.ba/2015/dwnlform.php?f=14_P2_2_dio_Amil_Kamenica.pdf

111 Amil Kamenica, EPBIH: Potpisan Aneks IV Ugovora o izgradnji Bloka 7 TE "Tuzla", undated, 2016, available at: http://www.elektroprivreda.ba/novost/18284/potpisan-aneks-iv-ugovora-o-izgradnji-bloka-7-te-tuzla

112 Dongfang Electric Corporation: B&H Banovici 350MW Supercritical CFB Project EPC Contract Successfully Signed, 25.11.2015, available at: http://www.dec-ltd.cn/en/index.php/asnews/detail/?subCategory=News&nid=300

signed between Lager d.o.o. And China Energy Group at the China-Central and Eastern Europe summit on 27.11.2017.[113]

» For **Ugljevik** III, Comsar reported in 2013 that it had signed a contract for construction with China's China Power Engineering and Consulting Group Corporation (CPECC).[114] However in 2017 it came to light that negotiations with the company failed and no new contract has been signed for a main contractor.[115]

» For **Gacko II**, in April 2017 the Republika Srpska Minister of Industry, Energy and Mining signed an agreement on cooperation on the realisation of Gacko II with the China Africa Investment and Development Co. and China Machinery Engineering Corporation (CMEC).[116] In December a "general contract" was signed by the Republika Srpska government, Elektroprivreda Republike Srpske, CMEC and the Emerging Markets Power Fund.[117] However considering there has been no public tender it is not clear what is the nature of this contract.

Chinese banks

China Exim plans to finance Tuzla 7, ICBC plans to finance Banovići. Gacko II, Kamengrad, Kakanj 8 and Ugljevik III do not appear to have serious prospective financing sources yet.

Trade unions

Trade unions are vocal in their support for the Tuzla 7 and Banovići projects, even though the jobs claims being made for the projects are completely unrealistic.[118] It is not clear whether politicians are misleading the unions or the union leaderships are misleading the politicians and their members, but either way most public discussions on this issue lack any link with reality. In Ugljevik III the situation is different as the public-sector trade union at the existing plant is concerned that giving the concession for part of the mine to an external investor for the new plant means the existing plant will run short of coal.[119]

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113 Agencija za unapređenje stranih investicija BiH: FIPA dovela investitora za Rudnik i TE Kamengrad, 27.11.2017, available at: http://www.fipa.gov.ba/novosti/aktivnosti/default.aspx?id=11415&langTag=bs-BA

114 Comsar Energy press release: Comsar Energy signed the EPC contract with China Power Engineering and Consulting Group Corporation (CPECC), 1 February 2013, available at: http://comsar.com/pressnews/press/comsar-energy-signed-epc-contract-china-power-engineering-and-consulting-group

115 M Čigoja: Probijeni svi rokovi za izgradnju TE „Ugljevik 3", Capital.ba, 19 June 2017, available at: http://www.capital.ba/probijeni-svi-rokovi-za-izgradnju-te-ugljevik-3/

116 Akta.ba: Kineske kompanije grade Termoelektranu Gacko 2, 04.04.2017, available at: http://www.akta.ba/bs/Vijest/vijesti/kineske-kompanije-grade-termoelektranu-gacko-2/76176

117 Potpisan Opšti ugovor o realizaciji projekta izgradnje Termoelektrane ,,Gacko 2", 12.12.2017; available at: http://www.vladars.net/sr-SP-Cyrl/Vlada/media/vijesti/Pages/Potpisan-Op%C5%A1ti-ugovor-o-realizaciji-projekta-izgradnje-Termoelektrane-,,Gacko-2%E2%80%9C.aspx

118 CEE Bankwatch Network: The great coal jobs fraud – unrealistic employment claims in southeast Europe, November 2016; available at: https://bankwatch.org/publication/the-great-coal-jobs-fraud-unrealistic-employment-claims-in-southeast-europe

119 BN Televizija: Protest radnika RiT-e Ugljevik, 08.02.2013; available at: https://www.rtvbn.com/4864/protest-radnika-rit-e-ugljevik, Sindikat RiTE Ugljevik demantuje Dodika, 14.05.2014; available at: https://www.rtvbn.com/30046/Sindikat-RiTE-Ugljevik-demantuje-Dodika

Key opponents

Civil society organisations such as Ekotim, Center for Environment, Center for Ecology and Energy, also local people living near the potential Šićki brod ash landfill site near Tuzla. The Kamengrad plant is also attracting opposition.[120]

Key problems with the projects?

The main problem with all coal plants is their contribution to climate change through CO_2 emissions. Unlike other polluting emissions, which can be to some extent reduced by filters, CO_2 emissions from coal cannot be stopped. For many years, coal promoters have hoped that Carbon Capture and Storage (CSS) technology would help to address this problem but in reality it has not become commercially available. It is highly expensive and reduces the efficiency of the power plant due to high internal power consumption.

However, there are also several specific problems with the planned power plants in BiH:

» In August 2017 new pollution control standards came into force in the EU, known as the LCP BREF. None of the planned plants for which data is available are in line with the emission limit values from the LCP BREF. This means that they would pollute more than is necessary, but also means that they would be later faced with additional costs as BIH will have to bring the plants into compliance if it is serious about EU accession.[121]

» The project economics are largely kept under wraps and the publicly available information raises more questions than answers.[122] It is not clear what electricity sales prices are assumed, what coal production prices, whether CO_2 prices are taken into account,[123] and what impact the construction of Tuzla and Banovići plants so close together will have on each other's feasibility.

» The environmental impact assessments for Tuzla 7, Banovići and Ugljevik III were of very low quality, containing contradictory and outdated data. The environmental permits for Tuzla 7, Banovići and Ugljevik III are all being challenged in court. Likewise all of these plants are subject to complaints to the Espoo Convention for failure to assess their transboundary impacts.[124]

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120 Otpor: Sanski Most: tribina "Treba li nam termoelektrana", 20.11.2017; available at: https://otpor.info/sanski-most-tribina-treba-li-nam-termoelektrana/

121 CEE Bankwatch Network: Planned coal power plants in the Western Balkans versus EU pollution standards, June 2017, available at: https://bankwatch.org/wp-content/uploads/2017/06/BREF-Balkan-coal-14Jun2017.pdf

122 Ekotim: Termoelektrana Tuzla 7: Više pitanja nego odgovora prije parlamentarne rasprave o kineskom kreditu, 4 October 2017, available at: http://ekotim.net/bs/pocetna/95-novosti/klimatske-promjene/371-termoelektrana-tuzla-7-vise-pitanja-nego-odgovora-prije-parlamentarne-rasprave-o-kineskom-kreditu, CEE Bankwatch Network: Banovići power plant profile, available at: https://bankwatch.org/project/banovici-lignite-power-plant-bosnia-and-herzegovina [accessed 12 November 2017]

123 CEE Bankwatch Network: Overlooked carbon costs could turn Western Balkans' new coal power plants into white elephants – analysis, March 2017; available at: https://bankwatch.org/press_release/overlooked-carbon-costs-could-turn-western-balkans-new-coal-power-plants-into-white-elephants-analysis

124 UNECE: Meeting of the Parties to the Convention on Environmental Impact Assessment in a Transboundary Context Meeting of the Parties to the Convention on Environmental Impact Assessment in a Transboundary Context serving as the Meeting of the Parties to the Protocol on Strategic Environmental Assessment Implementation Committee Thirty-ninth session Geneva, 5-7 September 2017, Report of the Implementation Committee on its thirty–ninth session, Advance copy, available at: https://www.unece.org/fileadmin/DAM/env/documents/2017/EIA/IC/19_10_ece.mp.eia.ic.2017.4_advance_copy.pdf

Ugljevik III is also subject to an Energy Community dispute settlement process.[125] Gacko II, Kamengrad and Kakanj 8 do not have permits yet.[126]

Alternative solutions?

Invest in renewables and energy efficiency measures. Alternative energy scenarios have shown that new coal power plants are unlikely to be cost-effective for Bosnia and Herzegovina.127

125 Energy Community: Secretariat initiates case on the environmental impact assessment of thermal power plant in Bosnia and Herzegovina, 4 August 2017, available at: https://www.energy-community.org/news/Energy-Community-News/2017/08/08.html

126 The environmental permit for Kakanj 8 expired and no extension was sought.

127 See for example: Southeast Europe carbon calculator: http://www.see2050carboncalculator.net/2050/BIH/Energy.php, [accessed 12 November 2017]; REKK et al: SEERMAP: South East Europe Electricity Roadmap: Country report: Bosnia and Herzegovina 2017, available at: http://rekk.hu/downloads/projects/SEERMAP_CR_BOSNIA.pdf; Chattopadhyay et al: Bosnia and Herzegovina Power Sector Note: Least-cost Power Development Plan, Final report, March 2017, available at: http://documents.worldbank.org/curated/en/514131496684572941/pdf/115087-REVISED-ESM-P157714-PUBLIC-BiHPowerSectorNoteLeastCostPowerDevelopmentPlanFINALAFTERDISSEMINATION-withupdatedESMAPdonors.pdf

Bulgaria

Recent trends and public financial flows for infrastructure

As part of the European Union, Bulgaria has a seven-year programming period under the EU Budget, the current one being for 2014-2020. Budgeted EC funding for commonly agreed priorities is set out in Operational Programmes, including OP Transport Infrastructure (formerly OP Transport), OP Environment, and five others. **The Cohesion Fund** is the main source for the current **OP Transport Infrastructure** (also hinting in its name what the priorities are) and **OP Environment**. It provides for transport, water treatment and waste management projects. What this means in practice, is that every seven years the Bulgarian government focuses on building road infrastructure, particularly **motorways**. **For the period 2007-2013 there** were 280 km of motorways built, 50 km of first class roads, 20 metro stations and 21 km of metro lines in Sofia, as well as 500 km of rehabilitated railway lines.

Compared to its investment in motorways, the government continues to neglect railways - the most environmentally friendly and energy-efficient mode of transport. While modernisation of railway lines has been in both the 2007-2013 and the current EU budget for Bulgaria under OP Transport and Transport Infrastructure, Bulgaria still cannot rely on quick rail transport (e.g. for the period 2007-2013, only 53 km of the Sofia - Plovdiv line was modernised).[128]

The state-owned railway company, **BDZ**, has accumulated losses, which, although they have declined in recent years, are still critically high. Passenger train services to remote locations that are not profitable are being discontinued. In June 2017, the European Commission approved state aid for the covering of debt accumulated by the rail company amounting to roughly EUR 114 million.[129]

Social infrastructure, such as schools and public hospitals, is also neglected. Probably the main reason is the need for additional funds for operation. Keeping down the minimum wage, and hence all income and refraining from investments in health, education and culture, have all been explained by the government as necessary because of the need to construct hard infrastructure, mostly motorways, which it sees as a prerequisite for attracting foreign investment.[130]

128 More about the Sofia – Plovdiv line is available at: http://www.capital.bg/politika_i_ikonomika/mnenia/2016/05/16/2760858_dokude_sme_s_vlakovete/

129 More about the support BDZ will receive from the European Commission available at: http://europa.eu/rapid/press-release_IP-17-1659_bg.htm [accessed 22 November 2017]

130 Bulgarian Industrial Association: ЗДРАВЕОПАЗВАНЕ 2014: състояние, проблеми, решения, предизвикателства, March 2014, available at: https://www.bia-bg.com/uploads/files/analysis/Zdraveopazvane-2014.pdf

The depopulation of peripheral areas and small towns has led to the closure of many schools and hospitals. By contrast, many private hospitals have contracts with the National Health Insurance Fund. Private hospitals often specialize in areas that are more highly paid and, unlike the state, have no obligation to carry out loss-making activities, such as emergency medical care, for example. According to Eurostat, in 2014 retailers and other providers of medical goods other than hospitals accounted for 42.4% of total healthcare expenditure in Bulgaria. Bulgaria also has one of the lowest ratios of health care budget to GDP among the EU countries with the lowest levels of annual expenditure per inhabitant (EUR 504 per inhabitant).[131]

In the energy sector, many of the coal thermal power plants are to be closed in the next 10 years as installing additional pollution control equipment makes them uneconomic to run. Without a clear plan for a just transition, this will lead to increased unemployment and the need to import electricity. A recent study carried out under the SEERMAP project estimates that Bulgaria will become a net importer of electricity between 2030 and 2040, and that by 2050, 22% of consumption will be covered by imports in a 'no target' (business as usual) scenario and 12% in a 'decarbonisation' scenario.[132] Therefore, we need to work harder on increasing energy efficiency and it is imperative to adopt consensual national decisions about alternative ways to meet energy demand.

The role of civil society in decision-making on public infrastructure

The public is usually invited to participate only when strategic priorities and goals have already been set. Public participation in transport and other issues is typically sparse, while business lobbies appear to have close access to decision-makers. Even when there are contributions from the public, for example NGO inputs into transport-related strategic documents (as well as other infrastructure strategies), they are not taken into account and in many cases remain without an official response. Partly as a result of this, Bulgaria has a non-ambitious 'laggard' approach to implementing EU legislation, settling for the least demanding measures and aiming to maintain the status quo - visible for example in its low recycling rates.[133]

Regarding EU funds, the Operational Programmes have established monitoring committees, which include nominated NGO representatives. They participate in voting procedures on issues such as approving project selection criteria, annual work plans and reports. Overall, compared to the 2007-2013 programming period, visibility and transparency have improved, with a website established for EU funds www.eufunds.bg, however, the level of access allowed to civil society, such as in the decision-

131 Healthcare expenditure statistics available at Eurostat website: http://ec.europa.eu/eurostat/statistics-explained/index.php/Healthcare_expenditure_statistics [accessed 22 November 2017]

132 REKK et all: SEERMAP. Southeast Europe Electricity Roadmap: Country Report: Bulgaria 2017, October 2017, available at: http://www.csd.bg/artShow.php?id=18068

133 European Commission: EU Environmental Implementation Review: Highlights - Bulgaria, February 2017, available at: http://ec.europa.eu/environment/eir/pdf/factsheet_bg_en.pdf

making of some of the projects, as demonstrated in the cases below, has not shown any significant change.

More broadly, in cases of public opposition to infrastructure projects, public hearings for environmental impact assessment (EIA) procedures are still not effective in addressing the issues raised. Public hearings are frequently poorly announced and held at inconvenient times, resulting in very low public participation levels. Local people and civil society groups therefore often find litigation more effective in getting their concerns across.

Case study - Struma motorway project – Kresna gorge, Lot 3.2

Project name

E79 Struma motorway, part of Trans-European Corridor 4 (Hamburg, Germany - Thessaloniki, Greece). The E79 links Sofia with the Greek border (Kulata).

Location

Southwest Bulgaria.

Short description

The Kresna Gorge is a steep 15.6 km-long north-south gorge covering an area of 14 000 ha. It is the richest biodiversity site in Bulgaria, and contains two Natura 2000 sites. It is home to no fewer than 92 EU protected species, such as land tortoises, leopard- and four-lined snakes, 12 species of bats, golden eagles, griffon vultures, peregrine falcons, and is a hotspot containing 35 EU-protected habitats. It is also a crucial migratory bio-corridor for bears, wolves and other species, and a geographical border of distribution and/or very narrow migration corridor for many other species.

International traffic between Sofia and Thessaloniki currently passes along an existing relatively narrow road through the Gorge (E79). A motorway has been planned for decades and on Bulgaria's accession to the EU in 2007, Struma motorway became part of the indicative list of major transport projects for consideration under the Operation Programme on Transport 2007-2013 supported by the EU Structural and Cohesion funds.

Sections 1, 2 and 4 have already been built with EU funds. This has increased the traffic levels, threatened with extinction some of the populations in the Gorge, and made the existing road more dangerous there.

In 2008, following Recommendation 98/2002 of the Bern Convention that the motorway should be routed outside of the Kresna gorge,[134] the Government approved a decision on the Environmental

134 Convention on the Conservation of the European Wildlife and Natural Habitats, Recommendation 98/2002. "3. Consider the possibility of abandoning the option of enlarging the current road since this would substantially increase damage to a unique site, without possible measures of compensation, and continue studying alternative routes located outside the gorge that would respect the natural constraints as far as possible and provide for the integration of engineering works and compensate for environmental impact"; available at: https://wcd.coe.int/

Impact Assessment (2008/1), which recommended a long 15-km tunnel as the best alternative to protect the Gorge, at the same time as keeping the current road. This would support the development of tourism and the local economy, while also reducing accidents.

However, following pressure from the road construction lobby, a new procedure was opened and in October 2017, despite submissions of expert statements and a complaint by NGOs to the European Commission (in July 2017),[135] a new decision was taken that the motorway should pass through the Gorge in one direction (southbound from Sofia to Thessaloniki), and for northbound traffic it should be outside of the Gorge on the eastern side. This contravenes the Bern Convention Recommendation and the EU Habitats Directive. Despite this fact, the EC's DG Regio has continued financing of the motorway (sections 3.1. and 3.3.).

The benefits of the project?

The project is considered by the EU, as well as by the Bulgarian government, as one of the key transport access routes linking Bulgaria with Greece, however initially it was supposed to be planned in parallel with constructing a railway link.

The motorway will in no way be useful for the region's local economic development, however constructing a road outside of the gorge and the town of Kresna would decrease road accidents and deaths in the town. In recent years these have increased drastically, as all transport including freight passes there, and local residents have organised protests to ask road authorities and the local municipality to take measures to improve safety.[136]

Building the motorway outside of the gorge would also keep people's land intact and allow the development of tourism such as rafting and kayaking on the Struma river, biodiversity tourism, biking and hiking. It would also free up the existing road for local people and tourists.

The costs of the project?

In total the Struma motorway – including the Kresna section in question – is expected to cost around EUR 781 million.

Who is financing the project?

EU funds are expected to finance around 85% of the project between 2007-2021, with the Government contributing around 15%.

The EU PHARE Cross-Border Cooperation Programme Bulgaria–Greece provided EUR 3.3 million for

com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=1326601&SecMode=1&DocId=1440132&Usage=2

135 Za Zemiata et al: Illegal damage and threat of destruction of Kresna Gorge, Bulgaria - Summary of complaint to EU Commission, July 2017, avaialable at: https://www.foeeurope.org/sites/default/files/biodiversity/2017/summary_of_complaint_for_press_final.pdf

136 BTV news: " Живеещите в Кресна блокират Е-79 в знак на протест" (Citizens of the town of Kresna block E-79 in a wave of protests) 9.01.2017. Available at: http://btvnovinite.bg/article/bulgaria/regionalni-novini/zhiveeshtite-v-kresna-blokirat-e79-v-znak-na-protest.html. [Accessed 20.12.2017]

the detailed design studies for the Sofia-Kulata (Struma) Motorway.

The OP Transport 2007-2013 funded the construction of Lots 1, 2 and 4 of the Struma Motorway, and the preparation of Lot 3 with EUR 274 million (out of EUR 324 million total cost). On 9.06.2009 the OP Transport Monitoring Committee decreased the amount reserved for Struma Motorway construction in 2007-2013 by shifting the most controversial and difficult to build part of the motorway, Lot 3 through the Kresna Gorge, to the 2014-2020 period.[137] The first three sections were finalised with a total cost of BGN 496 million[138] (approx. EUR 254 million).

EUR 4 million was provided as an EU technical assistance grant for the preparation of Lot 3. Construction was due to start in 2015 with the funds allocated in the new EU budget period.

Struma Motorway Lot 3 is the only road priority project listed in the Bulgarian OP Transport 2014-2020 and the EU's DG Regio has been informed since 2014 on the progress of this project as a member of the OP Transport Monitoring Committee.

In November 2017, the EC approved funding for Lots 3.1. and 3.3. with a total cost of BGN 739 million (approx. EUR 377 million).[139]

This means more than EUR 630 million spent on Struma motorway construction alone, even without technical studies, leaving less than EUR 100 million for the most expensive part of the motorway - Lot 3.2. There are still no official documents available estimating the cost of different alternatives for the Kresna Gorge section, apart from a now outdated multi-criteria analysis.

Key actors

National authorities

At the core of the conflict on the motorway route are the national authorities, such as the Ministry of Regional Development and Public Works, the Ministry of Transport, Information Technology and Communications, and the Road Infrastructure Agency.

The road construction lobby

There is no Bulgarian construction company that has the technical capacities to build the tunnel, and the construction lobby has mounted a media campaign to undermine this option as well as sending letters to the Ministries in charge.

The Bulgarian Branch Chamber - Roads, in a letter from 16 April 2014, asked the Ministry of Regional Development to include other alternatives routes in the planned cost benefit analysis.[140] These are

137 Za Zemiata 148/23.07.2009 see also EC Answer – REGIO I2/JVO/vg/D(2009) 930292*7882 from 07.09.2009.

138 OP Transport and Transport Infrastructure 2014-2020, Bulgaria, official website. Project "Highway" Struma ", Lot 1, Lot 2 and Lot 4". Available at: http://www.optransport.bg/en/page.php?c=35&d=1509 [accesed 20.12.2017.]

139 OP Transport and Transport Infrastructure, Bulgaria, official website. "Европейската комисия одобри 739 млн. лева за изграждането на АМ „Струма", 9.11.2017. available at: http://www.optransport.bg/page.php?c=67&d=1761&q=struma [accessed 20.11.2017].

140 Bulgarian Branch Chamber Roads, Letter to the Minister of Regional Development, 14.04.2014, number 99-00-

alternatives rejected in the EIA and passing through the Gorge.
Shortly afterwards, a joint letter followed on 23 April 2014, addressed to the Bulgarian authorities including the Prime Minister and signed by the University of Architecture, Department of Roads, the Bulgarian Construction Chamber, Bulgarian Branch Chamber - Roads, Bulgarian Branch Association for Road Safety, and the Association of Road Engineers and Consultants.

The letter claimed that a series of discussions were held among them, concluding that the construction of a 15-km tunnel - approved as the most ecological alternative in the 2008 EIA - is "inappropriate, unrealistic and not justified economically".[141] The letter further demanded a revision of the tunnel alternative and suggests that routing the motorway through the gorge would be more technically and economically viable.
The conclusions in the letter are based on no substantial data or evidence, but rather represent the interests of the signatories.

The European Commission

The EC has consistently failed to take action to ensure the preservation of the Kresna Gorge. DG Regio is in charge of receiving the application and approving the financing for the project, and despite the fact that the Bulgarian authorities have undertaken obvious steps that failed to fulfil the requirements of Bern Convention Decision 98/2002 and the protection of the Gorge, the EC has continued to finance the project.

In spite of the increased traffic on the operational sections of the motorway mentioned above, and the fact the Government approved an alternative through the Gorge (even if partly, the so-called G10.5 option), the Commission went ahead and approved the funding of the sections on both ends of the Gorge in October 2017.

NGOs

The Save the Kresna Gorge coalition was established in 1997, more than 20 years ago, when the first plans to build the motorway through the gorge appeared. The Coalition acts through its members: BALKANI Wildlife Society, Za Zemiata (Friends of the Earth Bulgaria), the Bulgarian Society for the Protection of Birds (BSPB), Green Policy Institute (GPI), Centre for Environmental Information and Education (CEIE), Vlahi Nature School, and the international networks CEE Bankwatch Network and Friends of the Earth Europe.

Local people

Back in 2008, the local people themselves proposed the alternative adopted in the EIA, to build a long tunnel bypassing the gorge. However, the media and successive governments, apparently influenced by the road construction lobby, have convinced the public that this tunnel is dangerous and expensive. Now, local people have announced their will through a petition that they would like

163/17.04.2014

141 Letter of the Branch organisations of the road sector for possible alternatives of the 15-kilometre tunnel Krupnik - Kresna of Struma motorway, number 729 / 28.04.2014 to National Company for Strategic Infrastructure Projects.

the motorway out of the gorge and far from the town of Kresna.

Key problems with the project?

Environmental destruction and breach of EU environmental legislation, as well as wasting EU money

As outlined above, the Kresna Gorge is the richest biodiversity site in Bulgaria, with no less than 92 EU-protected species. It encompasses two Natura 2000 sites: the Kresna site (BG0002003) and the Kresna–Ilindentsi site (BG0000366). The latter is a strict reserve according to Bulgarian law.

Construction of the motorway through the gorge means more traffic, more pollution and more disturbance to animals. Feeding, reproduction and hibernation sites for most of the rare species will be destroyed or disrupted, and some of them will completely disappear. The migration route along the river valley will also be cut off.

The 2008 Appropriate Assessment under the EU Habitats Directive included compulsory mitigation measures including the diversion of all motorway traffic outside of the Gorge and the completion of Lot 3 (the Kresna section) before other sections in order to avoid an increase in traffic on the existing road.

The Bulgarian Government and EC have ignored the latter by completing other connecting sections of the Struma motorway first, creating a bottleneck. This is potentially a violation of Article 6(3) of the EU Habitats Directive and has brought grave consequences for Kresna's wildlife. Between 2003 and 2013 there was an increase in traffic through the Gorge, from around 4000-4500 vehicles per day to 7969. Over a similar period 2003-2015, roadkill frequency of certain species declined in spite of the rising traffic volume, which appears to suggest a decline or even local extinction in local populations. Data submitted by NGOs to the European Commission shows that the population abundance of all Chiroptera (bats) decreased by around 92% and all vertebrates by 84% over the period 2003/4 to 2014/15 and that there has been a very significant disturbance of species of EU importance and deterioration of the Natura 2000 site.[142]

On 20 April 2017 the Bulgarian Road Infrastructure Agency decided to ignore another binding condition from the Appropriate Assessment as well, by advancing a variant for motorway construction routed partially through the Gorge (Lot 3.2). This variant involves southbound traffic going through the Gorge and northbound traffic going outside of the Gorge to the east. The decision did not give equal weight to assessing alternative solutions fully outside of the Gorge and its decision pre-empted the results of a new EIA/Appropriate Assessment (AA) currently being carried out – itself lacking clear legal grounds to avoid legal uncertainties vis-a-vis the existing AA from 2008.

For these reasons, a complaint on violation of the EU Habitats Directive submitted to DG Environment

142 For more details see Supplementary Information for submitted by Za Zemiata, CEE Bankwatch Network et al, July 2017, available at: https://bankwatch.org/wp-content/uploads/2017/07/complaint-EC-Kresna-06Jul2017.pdf

by the Save the Kresna Gorge Coalition is pending since July 2017.[143]

Preventing further local economic development

The people of Kresna will lose their most fertile agricultural lands and the possibilities for tourism development in the region. According to the local authorities, currently around 300 people depend on income from shops and restaurant businesses along the existing E-79 road. Those will be lost if the motorway passes through the gorge.

The motorway will either destroy or contaminate some of the gardens and vineyards. Kresna Gorge is the producer of the endemic Keratzuda wine, from grapes which grow only in this region. People have no alternative agricultural land if this is taken or destroyed. People also fear noise and air pollution from the motorway and would have to do long detours in order to reach their land. In addition, building a motorway through the gorge will significantly hinder local tourism, rafting and kayaking, which currently bring around 20,000 people annually.

Alternative solutions?

An alternative route is possible

1. A "full eastern alternative" is proposed in the scoping report for the new EIA and is what local people and NGOs are advocating for. It is known as variant G20. In 2016, the Road Infrastructure Agency initiated a new scoping document for a new EIA procedure. NGOs submitted letters and studies proposing a full bypass of the motorway outside of the Kresna Gorge. As a result, the road authorities included in the scoping procedure this full alternative.

This is the only alternative which seems possible at the moment, given that the tunnel option below has been rejected by the authorities - despite the fact that it is the only still legal option selected and the one that was a precondition for EU funding.

2. The long tunnel option was adopted in the still valid 2008 EIA decision as the only solution. It was also a precondition for the EU funding of the other sections of the motorway. However, despite this option being selected already in 2008, it was never seriously followed up. We believe this is due to the influence of the Bulgarian construction companies mentioned above.

Case study - Sofia Waste Management Project

Project name

Waste incinerator at Sofia district heating plant - Phase III of Integrated system of solid waste treatment facilities of Sofia Municipality

Location

Sofia, Bulgaria

143 Za Zemiata et al: Illegal damage and threat of destruction of Kresna Gorge, Bulgaria - Summary of complaint to EU Commission, July 2017, available at: https://www.foeeurope.org/sites/default/files/biodiversity/2017/summary_of_complaint_for_press_final.pdf

Short description

The project is being implemented in 3 phases, two of which are complete:
1) landfill, biogas and composting plants (operating since 2013 and 2014)
2) mechanical-biological treatment plant (MBT) (operating since 2015)
3) incineration unit for refuse-derived fuel (RDF) output from MBT at existing local district heating plant (in pre-approval phase).

Technical details

» Sadinata landfill - capacity 3.2 million tonnes, projected lifetime 21 years.
» Han Bogrov biological treatment site: capacity of composting plant for green waste: 24 000 t/y (around 60% of generated amounts from 2014) and capacity of anaerobic digester for food waste: 20 000 t/y (ca. 27% of generated amounts in 2014).
» Sadinata mechanical-biological treatment plant capacity for mixed waste treatment: 410 000 t/y (107% of generated mixed waste in 2014). There are various figures on how much recyclable material is recovered, ranging from 4%144 to 10%145 of mixed waste input.
» TEC Sofia RDF incinerator unit at existing district heating plant in Sofia, capacity for RDF incineration: 180 000 t/y (ca. 45% of mixed waste in 2014).

Formal separate collection is low in Sofia. According to the National Statistical Institute, in 2016 only 3.37 percent of waste was "delivered for recycling" in the city.[146] Most recyclables[147] are acquired via informal waste pickers from waste containers in the street against direct payment or direct from businesses generating waste.

The benefits of the project?

Sofia Municipality claims that the third phase of the project – the RDF incineration unit will improve the efficiency of the district heating supplier, financially-troubled Toplofikacia Sofia, by replacing 10% of the natural gas used with 'alternative fuel' derived from Sofia's mixed waste stream, while also meeting legal waste management requirements to reduce biodegradable waste (food, garden, paper, cardboard) going to landfill. The hypothetical beneficiaries of the project are the district heating customers (expected lower bills due to natural gas substitution) and all Sofia inhabitants due to the landfill having an extended lifetime, as well as the global climate benefit of reducing methane emissions from landfilled bio-waste.

144 This figure comes from the CBA incremental model developed by Jaspers in 2011 – not a publicly available document, received through an access to information request. Another confirmation of low extraction of recyclables is a public tender published in 2017 in which Sofia municipality requires that the separation of recyclables in MBT to increases to 9.52%, meaning that currently it is even lower.

145 Available at EIB website at: http://www.eib.org/infocentre/stories/all/2015-july-01/turning-waste-into-valuable-resources-for-the-residents-of-sofia.htm, [accessed 24 October 2017]

146 Republic of Bulgaria, National Statistical Institute: Municipal waste by municipalities, available at: http://www.nsi.bg/en/content/15867/municipal-waste-municipalities [accessed 21 January 2018.]

147 In a conservative estimate by an external consultant, between 50-70% of materials sold to intermediary buyers are brought by wastepickers. Source: Pöyry, Разделно събиране на отпадъците от опаковки, пилотен проект за Овча Купел и Кремиковци, commissioned by Sofia municipality, 2011. The study is several years old but the situation does not seem to have changed drastically.

The costs of the project?

» Phase 1 (landfill, bio-waste treatment): around EUR 70 million
» Phase 2 (mechanical-biological treatment): around EUR 107 million148
» Phase 3 RDF incinerator: around EUR 135 million.149

Who is financing the project?

Funding for phases I and II of the project was provided through the Operational Programme Environment (European Regional Development Fund) and loans from the European Investment Bank with co-financing from the Bulgarian government. The same funding sources are expected for Phase III. In October 2017 an EIB loan of EUR 45 million was approved,[150] while the application form and accompanying cost-benefit, options, state-aid and other analyses are to be submitted to the European Commission for EU funds in 2018.

Key actors

» Sofia Municipality – project proponent
» Toplofikacia Sofia – operator of TEC Sofia district heating plant where the RDF incinerator is planned, the largest municipal company in Sofia and largest district heating plant in Bulgaria and the Balkans, serving around 70% of households in the city.
» Managing authority of Operational Programme Environment 2020 in Bulgaria – funding-related procedures
» European Commission/DG Regio – funding decision
» EIB and JASPERS – loans and expertise for application form and accompanying required analyses
» Ramboll – Danish engineering consultancy providing technical assistance and design of the RDF incinerator.

Key opposing parties: Za Zemiata environmental association (For the Earth), Citizens' initiative for public and rail transport, Bulgaria Association of Asthma Sufferers, etc.

Key problems with the project?

The project contradicts the EU's waste management hierarchy, in which waste prevention, re-use and recycling should be prioritised. Incineration is, according to the waste hierarchy, the second least-preferred waste treatment method after landfill. Yet the plan is to invest a major portion of available EU funding for waste management into this project, which does not contribute to achieving the EU's mandatory recycling targets (50% by 2020, upcoming new target of at least 60% by 2030). Only 10% of the material which enters the MBT plant is recovered as recyclable material[151] – a very low percentage even for this kind of facility.

148 Ministry of Environment and Waters, Bulgaria website accessed 22 November 2017, available at: http://ope.moew.government.bg/files/useruploads/files/KNOP/Presentation/20131112_kn_sofia/swm_kn_boyana.pdf
149 Available at EIB website: http://www.eib.org/projects/pipelines/pipeline/20090545 [accessed 24 October 2017]
150 Available at EIB website: http://www.eib.org/projects/pipelines/pipeline/20090545 [accessed 24 October 2017]
151 Available at: EIB website: http://www.eib.org/infocentre/stories/all/2015-july-01/turning-waste-into-valuable-re-sources-for-the-residents-of-sofia.htm [accessed 24 October 2017]

Additional air pollutants are also a concern, in a situation where particulate matter emission in Sofia are already consistently over the legal limits. The European Court of Justice[152] found Bulgaria guilty of breaching EU air quality legislation in April 2017.67 Key dangerous pollutants resulting from RDF incineration are dioxins and furans – a large family of some of the most toxic known substances, which are known human carcinogens and persistent organic pollutants that take a long time to decompose, bioaccumulate in body tissues, and damage the immune system.[153]

While incinerator proponents insist that high temperature burning solves this problem, there are numerous reasons to doubt this, including the fact that incinerators do not operate at optimum conditions all the time and that dioxin and furan emissions are usually measured only occasionally and with prior notice.[154]

The socio-economic issues are relevant to Sofia's entire population:

» Local taxpayers will pay for increasing costs of operating the waste management facilities, potentially subsidizing lower bills for district heating customers.
» Incinerators need a guaranteed constant inflow of waste with specific characteristics (moisture, calorific value) in order to function. Installing such an inflexible facility means a 'lock-in' effect in which potentially recyclable/compostable materials are diverted to incineration instead, as the most combustible waste materials are usually also those which can be recycled, such as paper, cardboard and plastic.
» Informal street collectors of recyclables may lose access to materials and/or buyers (the only source of income for many), if the mixed waste collected yields insufficient amounts of RDF (which is typically composed of plastics, paper, textile) and it is decided to add more of these materials to the mix.

The proposed project is very costly, undermines the circular economy agenda and violates the waste management hierarchy, because it plans to divert potentially recoverable materials towards lower-level uses, such as destruction through incineration, accompanied by one-time energy extraction, followed by disposal. Installing incineration capacity inevitably blocks the progress of separate collection and recycling, as it competes for the same materials.

Decision-making and preparation for financing of the project has been non-transparent and largely conducted without properly involving the public. Four poorly announced and poorly attended public hearings were held only over the environmental impact assessment, while the cost-benefit analysis, currently being revised by Jaspers, is not going to undergo public scrutiny.

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152 European Court of Justice: Judgement in case C-488/15, 5 April 2017, available at: http://curia.europa.eu/juris/document/document.jsf;jsessionid=9ea7d0f130d54ff31a427d5d40ac926fe7fd11b88a57.e34KaxiLc3eQc40Lax-qMbN4PaNaTe0?text=&docid=189624&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=918481

153 World Health Organisation: Dioxins and their effects on human health, Fact sheet, Updated October 2016, available at: http://www.who.int/mediacentre/factsheets/fs225/en/

154 Dearden, J. C., Proof of Evidence submitted on behalf of Residents Against Incineration (RAIN) regarding proposals at Ince Marshes, Ellesmere Port, Cheshire (2008), cited on UK Without Incineration Network website, available at: http://ukwin.org.uk/resources/health/dioxins-and-other-harmful-incinerator-emissions/

Alternative solutions?

An alternative vision by Za Zemiata following the Zero Waste approach proposes,155 instead of capital investment in large inflexible infrastructure, such as the RDF incinerator, to invest in more vehicles and bins and overhaul waste collection logistics towards intensive source separation of recyclables and bio-waste. As the waste collection system improves, the MBT will be able to process more separately collected waste flows and extract more recyclables, instead of contaminated waste used as alternative industrial fuel (RDF). This course of action would also create more jobs, generate additional income from recyclables and realise savings from diverting waste from landfill and incineration, both of which represent net costs.

155 New vision for Sofia waste management, Za Zemiata: infographic available at: http://zazemiata.org/v1/fileadmin/content/otpaduci/docs/sofia/Nova_vizia_Sofia_2018-2020_v6.pdf and the document available in Bulgarian at: http://zazemiata.org/v1/fileadmin/content/otpaduci/docs/sofia/SofiaAlternativa_NuleviOtpaduci-062017-WEB.pdf

Kosovo

Recent trends and public financial flows for infrastructure

In the post-conflict period in Kosovo, around one third of total public spending has been allocated to basic infrastructure. According to the IMF, the country's public investment level peaked at 11 percent of GDP in 2012, due to the construction of a new highway to Albania, and in 2014, it declined to about 8 percent of GDP. Kosovo's public capital stock has remained stable, reaching about 50 percent of GDP, slightly below the regional average of 60 percent. Considering that investments in the transport sector have been a priority, between 2011 and 2015 Kosovo spent 60 percent of its total budget funds on economic infrastructure. 50 percent of this represents investment in rehabilitation of the existing transport network.[156]

The biggest recent road construction investment in Kosovo is the Ibrahim Rugova Highway, also known as Route 7, connecting Kosovo with Albania. It was built on the premise of creating wealth from increased trade and tourism, but the final costs were much higher in both countries that those originally stated. In Kosovo the cost rose from EUR 400 million for 102 km of highway to EUR 838 million for 77 km, while in Albania the contract for a 60 km mountainous section was originally worth EUR 418 million but this rose to EUR 950 million.[157] The journal Foreign Policy reported in 2015 that the road was only being used at one third of its capacity.[158]

Two other major road projects are underway: (i) Route 6 or the Arben Xhaferi highway connecting Prishtina with Skopje, estimated at EUR 600 million plus around EUR 60 million for expropriation costs, and (ii) the Prishtina-Gjilan highway at EUR 260 million, which is still in its initial phase. Also, an important segment of Kosovo railways is also scheduled to undergo a major upgrade via a EUR 195.5 million EBRD loan.[159]

However, the IMF has expressed concerns that there is a tendency in Kosovo to over-invest in new capital stock, and under-invest in the maintenance of roads and other infrastructure-related issues, including traffic management and road safety, partly because maintenance spending gets crowded

156 International Monetary Fund: Republic of Kosovo Technical Assistance Report - Public Investment Management Assessment, April 2016, available at: https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf

157 Albania – Kosovo Highway Costs Soar to 2 Billion Euros, available at: http://www.balkaninsight.com/en/article/albania-kosovo-highway-costs-soar-to-2-billion-euro

158 Brunwasser, M. "Steamrolled: A special investigation into the diplomacy of doing business abroad." Foreign Policy, 2015, avaialalbe at: http://foreignpolicy.com/2015/01/30/steamrolled-investigation-bechtel-highway-business-kosovo/

159 Republic of Kosovo Government - National Investment Committee, Single Project Pipeline of Infrastructural Investments, undated, available at: http://www.kryeministri-ks.net/tfu/repository/docs/SINGLE_PROJECT_PIPELINE_OF_INFRASTRUCTURAL_INVESTMENTS.pdf

out by other political priorities. Maintenance expenditure has been falling in recent years both in monetary value, and as a ratio of the capital stock. The road maintenance budget, is less than half of Serbia or Bosnia and Herzegovina on a per capita basis. The IMF and World Bank have suggested increasing road user charges and vehicle registration fees to ensure sufficient funds are available for road maintenance in the medium to long term.[160]

Poor infrastructure in the energy sector, resulting in an unreliable energy supply, has bottlenecked the general competitiveness of the economy, and the Government, with strong backing from the World Bank, has for many years been trying to construct a new lignite power plant - Kosova e Re. However, the project has gone much more slowly than expected. It is facing opposition from civil society organised in the KOSID coalition, which is pushing for Kosovo to break its almost total dependence on lignite for electricity generation and prioritise energy efficiency and renewable energy investments.[161] On the other hand the project development process itself is going very slowly. Although the Kosovar government is claiming that there would be no impact on the state budget for this project because it would be carried out by a private investor,[162] it seems unlikely that there would not be any costs for the state due to expropriation, mine expansion and so on. Moreover, the amount of time and effort being put into this project is clearly diverting resources from finding more environmentally acceptable and cost-effective alternatives.

The role of civil society in decision-making on public infrastructure

The government tends to plan infrastructure projects in isolation, neither seeking nor considering the public's input. Although the recently amended law on public procurement sets up new mechanisms aiming to strengthen integrity in the public procurement system, there is still a widespread perception of corruption, and the implementation of integrity rules remains insufficient. Considering this, the relevant institutions should increase the level of transparency in policy-making, by including, among other things, public consultation at all stages of project planning and implementation.

Implementation of the Law on Public Documents remains problematic in Kosovo. The right to access public official documents is in reality hampered by the entrenched secretive mentality of many public authorities in the country. Requests to obtain public data are often denied on an unfounded basis. Even basic environmental information is often difficult to obtain: A region-wide examination of the quality of environmental impact assessments for hydropower projects by WWF was not even

160 International Monetary Fund: Republic of Kosovo Technical Assistance Report - Public Investment Management Assessment, April 2016, available at: https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf

161 More information about KOSID available at: http://www.kosid.org

162 Government of Kosovo, Ministry of Economic Development: The country's largest project, TPP Kosova e Re, with investments exceeding 1 billion and thousands of jobs gets under way, 20 November 2015; available at: http://www.mzhe-ks.net/en/news/the-countrys-largest-project-tpp-kosova-e-re-with-investments-exceeding-1-billion-and-thousands-of-jobs-gets-under-way-#.WdYGs3Bx1Nw

able to analyse any studies from Kosovo due to them not being publicly available.[163] According to KOSOVO 2.0, a pioneering independent media organization, relevant institutions mainly provide requested information to the interested parties on issues of lesser public importance.[164] In 2015, after a three-year battle to gain access to government travel expense documents, a Prishtina court ruled that BIRN Kosovo should have access to the documents, contrary to the wishes of the Kosovo Prime Minister's office, which claimed that this could infringe privacy rights. The court affirmed that public officials' expenses directly amount to public money.

Case study – **Route 6, Arben Xhaferi Highway**

Project names

Route 6 Prishtina - Elez Han Highway (Arben Xhaferi Highway)

Locations

Prishtina, Kosovo, to the Macedonian border at Elez Han

Short description

The Pristina - Elez Han highway is the second largest infrastructure project in the state after the highway to Albania. Also known as the Arben Xhaferi highway, named after an Albanian politician in Macedonia, Route 6 was initially planned as a vital route for goods coming from Greece's port at Thessaloniki, about 260 kilometres away, and into Macedonia before entering Kosovo.[165] The route is also part of Kosovo and the region's southern trade route. 35% of Kosovo's trade exchange, according to RIINVEST,[166] passes through Hani i Elezit, which, consequently, is the busiest customs point.

Technical details

The highway is to be 60 km long, of which 20 km was opened in early 2017.

The benefits of the projects?

The then Macedonian Deputy Prime-Minister Musa Xhaferi claimed this highway would bring political, social, economic and brotherly cohesion between the two countries.[167] Route 6, according to its feasibility study, is deemed as positively impacting on the trade ties between Kosovo and Macedonia.[168]

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163 WWF and South East Europe Sustainable Energy Policy: EIA/SEA of hydropower projects in South East Europe - Meeting the EU standards, November 2015; available at: http://d2ouvy59p0dg6k.cloudfront.net/downloads/hidro_v6_webr.pdf

164 Kosovar Journalists Need to Demand Implementation of Their Access to Information Rights, Furtuna Sheremeti, Kosovo 2.0, 2017; available at: http://kosovotwopointzero.com/en/kosovar-journalists-need-demand-implementation-access-information-rights/

165 "Transit Country", Prishtina Insight, March 2016; available at: http://prishtinainsight.com/transit-country-mag/

166 "Route 6: Highway Prishtina – Skopje", RIINVEST, 2015; available at: http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf

167 Petrit Collaku: Construction Begins on Kosovo-Macedonia Highway, 3 July 2014, Balkan Insight, available at: http://www.balkaninsight.com/en/article/kosovo-highway-to-skopje-kicks-off

168 Route 6: Highway Prishtina - Skopje, KFOS, Riinvest Institute, 2015, available at: http://www.riinvestinstitute.org/

The costs of the project?

EUR 599,944,263 fixed price and an estimated EUR 60 million for property expropriation along the route.[169]

Who is financing the project?

The highway is funded by the Kosovo state budget

Key actors

» Kosovo's government - The government unilaterally decided to start construction of the project and has entirely funded it from state resources, even though it is worth almost half of the country's budget at the time of signing the contract in June 2014.[170]

» US-Turkish consortium Bechtel-Enka, the main contractor.

» Macedonia's government - There has been no decision by the Macedonian government on whether to build the highway from Skopje to the Kosovo border.

Key opponents

» The LDK opposition party criticized the high price of the project, and, along with the Vetevendosje Movement, opposed the project, stating that the country has higher priorities and that other capital projects are more needed, particularly in the energy sector.

» Villagers in Babushi i Muhaxhereve are opposing the project because their agricultural land is being used for construction. The Ministry of the Environment and Spatial Planning states that 80% of the land used for building the new motorway is agricultural.[171]

Key problems with the projects?

The main question was whether this project should be Kosovo's highest priority at all, particularly after the experience with the Route 7 highway to Albania. Opposition parties LDK and the Vetevendosje Movement opposed the launching of yet another road, and urged the need for other capital projects to be considered instead.[172] Improvements were needed on the route, but it is not clear that a full-scale motorway is justified.[173]

Although a feasibility study was conducted, it was neither published nor discussed among the wider public. This raised numerous questions about the project's supposed benefits. Kosovo has had a

uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf

169 Estimate by KFOS and Riinvest: "Route 6: Highway Prishtina – Skopje", RIINVEST, 2015, available at: http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf

170 Transit Country, Prishtina Insight, 2016, available at: http://prishtinainsight.com/transit-country-mag/

171 Transit Country, Prishtina Insight, 2016, available at: http://prishtinainsight.com/transit-country-mag/

172 "Route 6: Highway Prishtina – Skopje", RIINVEST, 2015, available at: http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf

173 The European Court of Auditors has for example found that investments into expressways are around one third cheaper than motorway investments, while upgrades of two-lane roads cost only around 40% that of motorway construction. European Court of Auditors: Are EU Cohesion Policy funds well spent on roads? Special Report no 5. 2013; available at: http://www.europarl.europa.eu/meetdocs/2009_2014/documents/cont/dv/sr13_05_/sr13_05_en.pdf

continual trade deficit with Macedonia, the former importing about EUR 140 million products from Macedonia in 2014, and exporting to Macedonia products worth EUR 36 million. Doubts have been raised whether the highway will change this situation as similar claims were made for the Kosovo-Albania highway which did not materialise.[174]

Concerns were also raised by NGOs about the implementation of the project. The Ministry of Infrastructure only allowed partial access to the contract for the Prishtina–Skopje motorway, by allowing NGOs to view a paper copy at the Ministry but not to copy it or photograph it.[175] This is not in line with Article 11 of the Law on Access to Public Documents nr. 03/L-215,[176] according to which the requester has the right to receive either the original or a copy of the requested document, depending on the requester's choice.[177]

People living along the highway route have also raised concerns about the loss or fragmentation of their agricultural land as well as noise and safety. Prishtina Insight reports that in the village of Babush, locals collected 600 signatures on a petition against the construction of the highway in the village within just a couple of hours. They presented it to the municipal office in Lipjan, but with no results.[178]

Alternative solutions?

The funds allocated for the Route 6 project could have been used to fulfil other public needs in the health, education or water sectors. There is no information publicly available on whether the government made funding cuts in other sectors to enable the road construction to go ahead. Regarding transport on the Prishtina-Elez Han route, upgrading the current road or building an expressway may have been an alternative solution, as might upgrading the Prishtina-Skopje railway.

174 "Route 6: Highway Prishtina – Skopje", RIINVEST, 2015; available at: http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf

175 GAP Institute: Reaction: The Ministry of Infrastructure violates the Law on Access to Public Documents 08/07/2014, available at: http://www.institutigap.org/news/589

176 Law on Access to Public Documents, NO. 03/L – 215; available at: http://www.kuvendikosoves.org/common/docs/ligjet/2010-215-eng.pdf

177 KFOS/Riinvest: Route 6 Highway Pristina-Skopje, Riinvest, 2015; available at: http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf

178 Valerie Plesch: Transit Country, Prishtina Insight, 14.03.2016, available at: http://prishtinainsight.com/transit-country-mag/

Macedonia

Recent trends and public financial flows for infrastructure

The main players in building new and renovating old infrastructure projects in Macedonia, apart from the Government, are the EU through its Instrument for Pre-Accession Fund (IPA), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), as well as the World Bank. Germany's KfW is also involved to a smaller extent and The China Exim bank assisted with the building of two new highways: Kicevo-Ohrid and Miladinovci–Stip. Macedonia, as with all other SEE countries, depends heavily on foreign investments in its infrastructure, no matter whether the projects are in transport, energy, health or education.

Concerning energy infrastructure projects, Macedonia has not had any IFI-financed fossil fuel investments since 2006.[179] In spite of this generally positive development, around 70-75% of the country's electricity production still comes from coal. In addition, other IFI investments have had their shortcomings: The largest energy project signed by the EBRD during this period was the controversial Boskov Most hydropower plant, from which it eventually withdrew in 2017.[180] In addition to the IFIs, Germany's KfW supported the construction of a 50 MW wind power project in the country with a loan of almost EUR 33 million. Since 2015 it has also been supporting state utility ELEM's EUR 39 million district heating project in Bitola which is aimed at replacing the usage of electricity, oil and wood for heating. This, KfW states, will cut greenhouse gas emissions and improve the safety and reliability of the distribution network.[181]

At first sight, IFI support for the transport sector seems more significant than for the energy sector. Much of the support is directed towards the reconstruction and building of Corridors VIII and X. Building the road components of these two corridors has been central to the Macedonian transport strategy in the past 25 years. Less attention has been paid to railways, although the EBRD has provided two loans for Corridor VIII.[182]

The China Exim Bank provided a EUR 580 million loan for the construction of the Miladinovci-Stip and Kicevo-Ohrid highways, two of the most capital-intensive projects in the country. Government

179 Pippa Gallop (CEE Bankwatch Network): Invest in Haste, Repent at Leisure, Red Flag Report, SEE SEP, June 2013, available at: http://www.analyticamk.org/images/stories/files/seesep-final-webR.pdf More up to date information is available from www.ebrd.com, www.eib.org, www.worldbank.org and www.ifc.org

180 EBRD website: http://www.ebrd.com/work-with-us/projects/psd/boskov-most-hydro-power-project.html [accessed 07.09.2017]

181 On–going projects financed by German Development Bank - KfW, March 2016, available at: http://finance.gov.mk/files/u252/KfW%20proekti-en.pdf

182 EBRD website: http://www.ebrd.com/work-with-us/projects/psd/fyr-macedonia-railway-corridor-viii---phase-i.html and http://www.ebrd.com/work-with-us/projects/psd/rail-corridor-viii--second-phase.html [accessed 07.10.2017]

budget funds made up 10 percent of the total value of the projects. The Skopje-Sveti Nikole-Stip highway costs EUR 206 million for 53 km while Kicevo-Ohrid costs EUR 374 million for 56.7 km. The agreement includes a provision which provides an additional ten percent for contingency. Construction began in 2014, and was expected to take three years.[183] In May 2017 former Prime Minister Gruevski was accused by the Macedonian Special Prosecution of awarding the contract for the motorways to Sinohydro even though another Chinese company made a lower offer.[184]

It remains to be seen whether Macedonia's new government will substantially change the direction of the energy, transport and other infrastructure sectors.

The role of civil society in decision-making on public infrastructure

Formally, civil society as well as the general public is informed and involved when projects of national importance are being designed. However, in practice, this is not the case. As in the other countries of the region, many infrastructure projects were designed decades ago and periodically resurface for a new try at implementation, usually without sufficient analysis of whether they are still relevant for today's needs and satisfy today's environmental and social standards. This was the case for the Boskov Most and Lukovo Pole hydropower plants in the Mavrovo National Park.

Analytica, in its previous research on transparent financial operating of the energy sector, came to the conclusion that the civil society is in many cases left out of the decision making processes in this capital intensive sector. "*The study showed and confirmed the hypothesis that the state-owned institutions and companies are very closed in terms of public relations, sharing of information and data. This is the case especially in the financial segment, where transparency and accountability are more the exception than the rule in their work.*"[185]

The Center for Research and Policy Making from Skopje has come to the conclusion that "*There must be clear guidelines for all citizens and stakeholders on how to give their comments and advice, and clear guidelines on how the institutions will process their feedback in order to achieve the real objective of good governance...the focus must be placed on enhanced cooperation with CSOs. They would be extremely useful in the policy making process, partly due to the experience that they have, and partly because of their close contact with citizens...The manner in which consultations are done*

183 Faktor, 26.04.2016 available at: http://faktor.mk/kineskite-krediti-pod-lupa-na-sjo-kako-se-gradat-avtopatite-niz-makedonija/ovoj-infografik-pokazuva-kako-samo-10-kompanii-gi-poseduvaat-site-brendovi-hrana-vo-svetot [accessed on 30.03.2017.]

184 Sinisa Jakov Marusic: Macedonia Prosecution Names Gruevski in Two New Corruption Probes, Balkan Insight, 22 May 2017, available at: http://www.balkaninsight.com/en/article/macedonia-prosecution-suspects-former-pm-of-money-laundering-05-22-2017

185 Sonja Risteska, The road to financial transparency and accountability of the institutions and companies in the energy sector in the Republic of Macedonia, Analytica think tank, February 2015, page 68. Available at: http://analyticamk.org/images/Files/Reports/Transparency-FINAL_en_07d1c.pdf

in Macedonia, where civil society organizations that operate in Skopje have an advantage, compared with other organizations and citizens in the country, is one of the main challenges of the existing procedures."[186]

In addition, during recent years there has been a clear reluctance by many people working in the public sector or related to someone working in the public sector to speak out against particular projects due to fears that they or their relatives could lose their jobs. This was for example witnessed by CEE Bankwatch Network representatives visiting Ohrid in 2014 in relation to the planned expressway through the Galičica National Park.[187] It remains to see whether the change of government in the country will bring positive changes in this respect.

Case study - Corridor X, Demir Kapija - Smokvica motorway

Project names

New motorway section - Demir Kapija to Smokvica (part of Pan-European Corridor X)

Locations

Southern Macedonia

Short description

Corridor X runs from Salzburg, Austria, to Thessaloniki, Greece, through Macedonia, so is of clear relevance to the EU. This section was financed through the Regional Development Programme of the pre-accession funds for Macedonia. The aim was to construct 28.18 km of high quality dual carriageway from Demir Kapija to Smokvica, in accordance with European standards, thus completing the main axis of Corridor 10 crossing the Republic of Macedonia.

Technical details

The 28.2 km of dual carriageway was very complex due to the difficult terrain, involving construction of two twin tunnels of a total length of 4.5 km, 6 major river bridges/viaducts, 2 interchanges and 12 overpasses/underpasses.

The benefits of the projects?

The route is important for connecting different parts of the EU and moving both goods and people.

The costs of the project?

EUR 271 million for this section.[188]

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186 Qendresa Sulejmani, Public Participation: People's government, from the people to the people, Center for Research and Policy Making, Skopje, Macedonia, December 2015; available at: http://www.crpm.org.mk/wp-content/uploads/2015/12/Analiza-36-mk.pdf

187 Letter from Eko-Svest to the EBRD Board of Directors, Follow-up communication on the National Roads Programme in Macedonia, 6 November 2014; available at: https://bankwatch.org/sites/default/files/letter-EBRD-MKroads-06Nov2014.pdf

188 Government of the Republic of Macedonia: Construction of Corridor 10: Demir Kapija - Smokvica, available at: http://vlada.mk/node/301?language=en-gb [accessed on 20.03.2017]

Who is financing the project?

EU IPA funds (EUR 45 million), the EIB (EUR 130 million), the EBRD (EUR 107) and the Macedonian state budget (EUR 6 million).

Key actors

» The Macedonian Ministry for Transport and Connections
» The Greek company Aktor which is constructing the section
» The European Commission through its IPA funds
» The EIB
» The EBRD

Key opponents

» CSOs Eko-svest, Analytica etc. have been critical of the project due to its heavy environmental impacts and poor use of funds.

Key problems with the projects?

There were two major issues with this project. The first to be raised was its impact on the protected Demir Kapija Gorge. The second was the alleged corruption case involving Aktor, the company responsible for implementation of the project. Both are extensively discussed in Eko-Svest's report "Scrutiny over the European mechanisms against corruption and environmental protection in Macedonia. Case Corridor X".[189]

Eko-Svest first raised issues about the project in 2006, due to its routing through the Demir Kapija gorge, which has been a protected area since 1960 and is home to tens of protected bird, reptile and amphibian species, including the Griffon Vulture (Gyps fulvus), Egyptian vulture (Neophron percnopterus), Golden Eagle (Aquila chrysaetos). The first attempt at an environmental impact assessment process, in 2008, was a sham, with failure to publish the study and advertise the public hearing. However, the following year a relatively satisfactory process was carried out. The environmental impact assessment stipulated that there must be no construction of tunnels in the gorge during the birds' breeding season (February-August), no construction works at the site of the Bela Voda cave, and that vulture feeding sites would need to be maintained in order to attract the birds to stay in the area.[190]

In reality, these and other permitting conditions were not adhered to during the construction works. After intervention by Eko-Svest and the project financiers in 2014-2015, some improvements were made, but a lot of damage was already done.[191]

189 Ana Colovic Leshoska, Stojan Leshoski, Vesna Ilievska Utevska, Scrutiny over the European mechanisms against corruption and environmental protection in Macedonia. Case Corridor X, Eko svest, 2015, available at: http://ekosvest.com.mk/images/publikacii/Demirkapija.pdf

190 Eko-Svest: Verification of the European Environmental Protection Mechanisms in Macedonia by analyzing the Corridor X case, undated, available at: http://ekosvest.com.mk/images/publikacii/Demirkapija_en.pdf

191 Eko-Svest: Verification of the European Environmental Protection Mechanisms in Macedonia by analyzing the Corridor X case, undated, available at: http://ekosvest.com.mk/images/publikacii/Demirkapija_en.pdf

Regarding corruption, the contract for the construction work was signed in August 2012 for EUR 210 million, with the end date in August 2016. The construction was carried out by the company AKTOR S.A. Greece.[192] The first sign of corruption was that in March-August 2013 large amounts of funds were withdrawn from a bank in Negotino by Greek citizens from their accounts paid by the subsidiary of Aktor in Skopje.

The bank notified the Unit for Financial Intelligence about the withdrawn money. In November that year the Unit launched an investigation and in March 2014 the Prosecutor's Office opened pre-trial proceedings and blocked the property and accounts of two companies owned by Aktor. In the same month opposition politicians highlighted the issue in the media,[193] and in April 2014 Aktor's accounts were unblocked after a statement by the Prosecutor that the case was not well-substantiated.

In 2015 the OECD reported that a preliminary investigation was ongoing in Greece for foreign bribery and money laundering and that Greece had requested mutual legal assistance from Macedonia in June 2014.[194] Also, in June 2017 Greek and Macedonian media reported that the European Anti-Fraud Office (OLAF) had charged Aktor with bribery.[195]

Alternative solutions?

There is no longer any alternative as it is built and ready to operate. All the road variants examined were similar, going across the Vardar river and into the mountains. Widening the existing road was not considered optimal due to the need to leave a "slower" road for local people to use. Upgrading the existing rail track was never considered as a viable alternative.

The findings of corruption in this case should serve as guidance for financiers and state institutions on the measures they need to take in order for such issues not to re-occur with other projects.

192 Finishing the Corrdior 10 on the level of highway Demir Kapija – Smokvica (Доизградба на Коридор 10 на ниво на автопатска делница Демир Капија – Смоквица); available at:http://cfcd.finance.gov.mk/?projects=construction-of-new-motorway-section-demir-kapija-smokvica-as-part-of-the-pan-european-corridor-x&lang=mk [accessed on 20.03.2017]

193 Sinisa Jakov Marusic: Macedonia Opposition Says EU Highway Cash 'Missing', Balkan Insight, 11 March 2014, available at: http://www.balkaninsight.com/en/article/motorway-corruption-affair-rocks-macedonia

194 OECD: Phase 3 Bis Report On Implementing The OECD Anti-bribery Convention In Greece, March 2015, available at: http://www.oecd.org/daf/anti-bribery/Greece-Phase-3bis-Report-EN.pdf

195 Greek company "Aktor" charged for laundering 50 million euros for Demir Kapija – Smokvica highway, meta.mk, 8 June 2017, available at: http://meta.mk/en/greek-company-aktor-fined-50-million-euros-for-money-laundering-for-demir-kapija-smokvica/

Case study – Boskov most hydropower plant[196]

Project name
Boskov most hydropower plant

Location
Mavrovo National Park, Macedonia

Short description
The Boskov Most hydropower project involves the construction of a reservoir and a hydropower plant, around 80 percent of which would fall within the Mavrovo National Park - a future Natura 2000 site and core territory for the survival of the critically endangered Balkan lynx. In November 2011, the European Bank for Reconstruction and Development (EBRD) approved a loan of EUR 65 million for the construction of the power plant and EUR 19 million in equity in Macedonian electricity utility ELEM,[197] but this was cancelled in 2017[198] and the project's future is now unclear.

Technical details
The plant would consist of a 33 m high dam on the Mala Reka river, and would have a total capacity of 68 MW. It is mainly planned to be used for peak operation.

The benefits of the project?
The main argument in favour of the project is security of electricity supply. The EBRD also saw it as a way to decrease the carbon intensity of electricity in Macedonia.[199]

The costs of the project?
Total project cost was in 2011 put at EUR 84 million.[200] However this later proved to be a serious underestimate.

Who is financing the project?
At the moment, no-one. In November 2011, the EBRD approved a loan of EUR 65 million for the construction of the power plant on condition that additional bio-monitoring of the Balkan lynx was carried out. However as explained below, a number of other issues around the project appeared and the loan agreement expired. In 2017 the EBRD announced the cancellation of its financing and the project's future is now unclear.

Key actors

196 Additional material on this case in English can be found at: https://bankwatch.org/publications-search-results?wpv_post_search=Boskov&wpv_filter_submit=Search
197 EBRD website available at: http://www.ebrd.com/work-with-us/projects/psd/boskov-most-hydro-power-project.html [accessed 24 October 2017]
198 EBRD website available at: http://www.ebrd.com/boskov-most-cancellation [accessed 24 October 2017]
199 EBRD website available at: http://www.ebrd.com/work-with-us/projects/psd/boskov-most-hydro-power-project.html [accessed 24 October 2017]
200 EBRD website available at: http://www.ebrd.com/work-with-us/projects/psd/boskov-most-hydro-power-project.html [accessed 24 October 2017]

» Government of Macedonia – very forcefully supporting the project, for example at the Bern Convention meeting in December 2015.
» ELEM – Macedonia's state-owned electricity utility and project promoter
» EBRD – approved a loan for the project which expired and was declared cancelled in 2017.
» Standing Committee of the Bern Convention – opened a case on the issue of hydropower construction in the Mavrovo National Park, conducted a site visit and issued recommendations to the Macedonian government201
» Key opponents: Civil society organisations such as EkoSvest and Front 21/42

Key problems with the project?

The main problem with the project is its location in the Mavrovo National Park and particularly on the critically endangered Balkan lynx.

This issue was not examined properly in the Environmental Impact Assessment, which contained only a very cursory mention of biodiversity impacts.

The EBRD recognised this insufficiency, but tried to address it in a piecemeal way. The bank in fact approved the loan before the EIA was approved on the national level, but instead of using the opportunity to make sure the EIA was improved, the EBRD went ahead and approved the loan for the project on condition that 1 year of additional bio-monitoring would be carried out. This process took place outside of any legal process and therefore meant that the public could not formally participate or have any legal recourse.[202]

The EBRD's own project complaint mechanism found in 2014 that the bank failed to ensure an adequate biodiversity assessment, and that the bank's Board of Directors was therefore presented with insufficient information to make an informed decision before project approval.[203]

In 2013 a group of NGOs submitted a complaint to the Bern Convention about planned hydropower plants in the Mavrovo National Park[204]. In early 2014, 119 scientists from around the world sent an open letter to the EBRD requesting it to step away from the Boskov Most project.[205]

To add to the project's woes, the environmental permit expired on 13 October 2014. As ELEM had

201 Eko-Svest and CEE Bankwatch Network: Macedonia urged to suspend controversial hydropower project, 4 December 2015; available at: https://bankwatch.org/press_release/macedonia-urged-to-suspend-controversial-hydropower-project

202 Eko-Svest complaint to the EBRD Project Complaint Mechanism, 7 November 2011; available at: http://www.ebrd.com/downloads/integrity/Boskov_complaint_7.11.2011.pdf and additional complaint 10 January 2012 http://www.ebrd.com/downloads/integrity/Boskov_additional_complaint_10.01.2012.pdf

203 EBRD Project Complaint Mechanism Compliance Review Report. Complaint: Boskov Most Hydro Power, Request number 2011/05

204 As well as Boskov Most, another large dam called Lukovo Pole and around 20 smaller plants are planned. Some small plants have already been constructed.

205 Euronatur and Riverwatch: Open Letter: Mavrovo Resolution - Scientists against dams in Mavrovo NP, January 2014, available at: https://www.euronatur.org/fileadmin/docs/projekte/Balkan_Rivers_Blaues_Herz_Europa/Offener_Brief_Weltbank_und_EBRD.pdf

not requested an extension before the expiry, the whole process had to start again according to the Macedonian legislation.[206]

However, it was not only the environment that was the problem. Although the project cost was estimated at EUR 84 million, by December 2014 it became clear that it would most likely cost more than double this.[207]
In December 2015 the Bern Convention issued its recommendations to the Macedonian government, urging it to "Suspend the implementation of all government projects, in particular the hydropower plants foreseen and related infrastructure, within the territory of the Mavrovo National Park, until a Strategic Environmental Assessment will be completed". It also invited the international financial institutions to consider the results of this assessment when deciding on the future of hydropower projects within the Park.[208] This was a much milder conclusion than the outcomes of an on-the-spot appraisal recommended,[209] due to objections by the Macedonian government, but it still meant further delays to the project.

In May 2016 this was followed by the cancellation of the 2012 environmental permit by a Macedonian administrative court, due to the inadequate and incomplete EIA.[210]

In January 2017 it was finally announced that the EBRD loan had been cancelled because the conditions for its disbursement had not been fulfilled.[211]

Alternative solutions?

Invest in renewables and energy efficiency measures. An energy alternatives scenario has been produced by a group of NGOs which shows that Macedonia is able to satisfy its energy needs without building new hydropower plants in protected or future protected areas.212

206 Ana Colovic-Lesoska: How much will the Macedonian hydropower plant Boskov Most really cost? CE Bankwatch Network, December 2014; available at: https://bankwatch.org/blog/how-much-will-the-macedonian-hydropower-plant-boskov-most-really-cost

207 Ana Colovic-Lesoska: How much will the Macedonian hydropower plant Boskov Most really cost? CE Bankwatch Network, December 2014; available at: https://bankwatch.org/blog/how-much-will-the-macedonian-hydropower-plant-boskov-most-really-cost

208 Convention On The Conservation Of European Wildlife And Natural Habitats Standing Committee 35th meeting Strasbourg, 1-4 December 2015: Recommendation No.184 (2015) to the Bern convention on the planned hydropower plants on the territory of the Mavrovo National Park ("the Former Yugoslav Republic Of Macedonia"), available at: https://rm.coe.int/16807464b6

209 Robert Brunner: On the spot appraisal to Mavrovo National Park, "The former Yugoslav Republic of Macedonia" 24/25th June 2015, Vienna, 29th July 2015; available at: https://rm.coe.int/168074632c

210 Riverwatch, Euronatur, Front 21/42: Administrative court stops licence for hydropower plant inside Mavrovo National Park, 13.05.2016, available at: http://www.balkanrivers.net/en/news/administrative-court-stops-licence-hydropower-plant-inside-mavrovo-national-park

211 EBRD website available at: http://www.ebrd.com/boskov-most-cancellation [accessed 24 October 2017]

212 SEESEP: SEE 2050 Carbon Calculator, available at: http://www.see2050carboncalculator.net/2050/Macedonia/Energy.php

Montenegro

Recent trends and public financial flows for infrastructure

Montenegro's infrastructural ambitions far outweigh the country's size and needs. Its 2014 Energy Strategy foresees the construction of no less than 2 large hydropower plants and one 254 MW coal power plant before 2021, as well as the Krnovo wind farm[213] which has started operating this year - and all this for a country of around 600 000 people which already has two major hydropower plants - as well as an ageing coal plant. It is no less ambitious in the transport sector, planning a 169 km full-profile motorway with an official cost of EUR 1.9 billion.[214]

During the last few years there has been an increase in state expenditure for capital projects: EUR 134 million was spent in 2014, and in 2015, nearly double or EUR 256 million. There is no official information for 2016 and 2017, but according to the annual budget laws 134.5 million was allocated in 2016 and 295 million in 2017.[215] The expenditures mainly related to the construction of a power transmission cable between Pljevlja and Lastva, to join to the undersea cable to Italy, construction of part of the Bar-Boljare highway first phase, investments in water supply and wastewater management in the coastal part of Montenegro and improvement of rail infrastructure and railways.

Most infrastructure projects have been implemented through loans provided by international actors, such as the EIB, the EBRD, Council of Europe Development Bank (CEB) and the World Bank. However, the largest loan - for EUR 687 million - was issued by the China Exim Bank for construction of the first phase of the highway.[216]

These loans have led to a significant increase of the public debt, reaching nearly EUR 2.5 billion, or over 68% of GDP, at the end of 2016. The debt is expected to further increase in the following years, once payments for the highway loan are due.[217] International institutions such as the EC and IMF have recommended to the Government to immediately start reducing the debt.[218]

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213 Crna Gora Ministarstvo Ekonomije: Strategija razvoja energetike Crne Gore do 2030. godine (Bijela knjiga), May 2014, available at: http://www.energetska-efikasnost.me/uploads/file/Dokumenta/Strategija%20razvoja%20energetike%20CG%20do%202030.%20godine%20-%20Bijela%20knjiga_10072014.pdf

214 Montenegro government: Loan agreement on financing construction of priority part of Montenegro's first highway signed, 30.10.2014; available at: http://www.odbrana.gov.me/en/News/143139/Loan-agreement-on.html

215 Law on Budget of Montenegro for 2017, Official Gazette of Montenegro no. 83/16; Law on Budget of Montenegro for 2016, Official Gazette of Montenegro no. 79/15 and 73/16.

216 Montenegro government: Loan agreement on financing construction of priority part of Montenegro's first highway signed, 30.10.2014; available at: http://www.odbrana.gov.me/en/News/143139/Loan-agreement-on.html

217 For more information on Montenegro's public debt, see MANS: Montenegrin public debt analysis, June 2017; available at: http://www.mans.co.me/en/wp-content/uploads/2017/06/Montenegro-PublicDebtAnaliysis.pdf

218 European Commission, Montenegro 2016 Report, European Commission, Brussels, November 2016, p. 23; International Monetary Fund, IMF Executive Board Concludes 2015 article IV Consultations with Montenegro, March

In 2015, the Government's Secretariat for Development Projects issued information about 64 key infrastructure projects to be implemented in the period 2016–2025, worth EUR 4.3 billion.[219] The vast majority of these projects will be in transport and energy.[220] However, the Government has not yet secured all the funding needed for their implementation. The Secretariat estimates that 1.8 billion is missing for the period 2016-2025, without taking into account key infrastructure projects,[221] like the remainder of the highway, whose total costs and timeline are not known.[222]

Therefore, it is highly unlikely that Montenegro will be able to implement all of its planned infrastructure projects. Among the projects for which the government has not presented any coherent financing plan to the public as of December 2017 are the remaining two phases of the highway and the second unit of the Pljevlja coal power plant.

The role of civil society in decision-making on public infrastructure

Civil society is not included in decision-making processes on priorities or the strategic framework for public infrastructure projects in any meaningful way. The government sometimes organises public debates on its plans, but generally goes ahead with what it had already decided on anyway.

NGOs have consistently criticized several large infrastructure projects because of their negative impact on the environment, lack of transparency and suspicions of corruption.[223] Nevertheless, the Government continues with its plans, even when it is shown that they are not economically feasible and, in the case of the second unit of the Pljevlja power plant, when they have serious difficulty in obtaining financing.[224]

8, 2016. More available on: http://www.imf.org/~/media/Websites/IMF/imported-full-text-pdf/external/pubs/ft/scr/2016/_cr1679.ashx

219 Secretariat for Development Projects, Information on the process of preparation of the draft of the unique list of priority infrastructure projects, Secretariat for Development Projects, Podgorica, 2015. More available on: http://www.gov.me/ResourceManager/FileDownload.aspx?rid=222577&rType=2&file=71_3_138_03_12_2015.pdf.

220 Ibid.

221 The remaining two phases of the Highway, the Adriatic-Ionian gas pipeline and reconstruction of the railway from Podgorica to the border with Albania.

222 Secretariat for Development Projects, Information on the process of preparation of the draft of the unique list of priority infrastructure projects, Secretariat for Development Projects, Podgorica, 2015. More available on: http://www.gov.me/ResourceManager/FileDownload.aspx?rid=222577&rType=2&file=71_3_138_03_12_2015.pdf.

223 See for example: Green Home, Effects of Thermal Power Plant Pljevlja on on the inhabitants of Pljevlja with Prediction of the Impact of the Second Unit of the Thermal Plant on Health, Green Home, Podgorica, December 2015; available at: http://www.greenhome.co.me/fajlovi/greenhome/attach_fajlovi/lat/glavne-stranice/2014/11/pdf/Analiza_uticaja_TE_Pljevlja_sa_predikcijom_uticaja_drugog_bloka_TE_na_zdravlje.pdf; Radomir Petric: NGO activists: Stand in the way of oil drills in the Montenegrin coast, Vijesti, Podgorica, 14 September 2016, available at: http://www.vijesti.me/komentari/tema/nvo-aktivisti-stati-na-put-naftnim-busotinama-u-crnogorskom-pod-morju-185703; Drazen Djuraskovic, Setting submarine cable will jeopardize the algae, corals and shells, Vijesti, Podgorica, 24 July 2011. available at: http://www.vijesti.me/vijesti/postavljanje-podvodnog-kabla-ugrozice-alge-korale-i-skoljke-30277.

224 Ines Mrdovic, Report on (Non)economic Viability of Construction of Unit II of the Thermal Power Plant Pljevlja, MANS, Podgorica, 22.02.2016; available at: http://www.mans.co.me/en/report-on-noneconomic-viability-of-con-

Following an initiative by civil society, some members of Parliament proposed the establishment of a new committee for oversight of the implementation of the highway and other large infrastructure projects, but the ruling majority rejected the idea.[225]

Case study – **Bar-Boljare motorway**

Project names

Bar-Boljare motorway

Locations

Montenegro

Short description

This is the first motorway being built in Montenegro. It is planned to connect Montenegro from its northern border with Serbia to the southern town of Bar on the Adriatic Sea. The first phase of the highway is the most financially ambitious infrastructure project in the history of Montenegro, currently worth over EUR 1 billion. The most difficult section, Smokovac-Mateševo, is being built first.

Technical details

The length of the first phase of the two-way four-lane highway is 40.871 km, and it is to be built according to Montenegrin national road standards and European specifications. Construction is expected to take about 4 years. The highway stretches across the mountains so in technical terms it is very challenging - bridges and tunnels make up to about 60% of the entire route.[226]
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The benefits of the projects?

The Bar–Boljare Highway will reduce travel times and connect Montenegro to the international road network. The Government also claims it will improve safety227 and lead to regional development of the northern part of Montenegro.[228]

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struction-of-unit-ii-of-the-thermal-power-plant-pljevlja/.

225 Mina Business, Proposal on the establishment of the Committee for Monitoring the Implementation of the Highway submitted to the Parliament, Vijesti, Podgorica, 22 July 2015; available at: http://www.vijesti.me/vijesti/predlog-o-osnivanju-odbora-za-pracenje-realizacije-autoputa-predat-skupstini-843627; Mina Business, Committee on the highway will contribute to transparency, Radio Television of Montenegro, Podgorica, 25 July 2015; available at: http://www.rtcg.me/vijesti/ekonomija/136200/odbor-za-autoput-ce-doprinijeti-transparentnosti.html; Radio Television of Montenegro, No support for the establishment of the Committee on the highway, Radio Television of Montenegro, Podgorica, 6 November 2015; available at: http://www.rtcg.me/vijesti/ekonomija/108951/bez-podrske-za-formiranje-odbora-za-autoput-.html.

226 CRBC website: Bar-Boljare, available at: http://www.crbcmne.me/en/bar-boljare-english/ [accessed 16 October 2017]

227 Informacija o sastanku između predstavnika Vlade Crne Gore i predstavnika Evropske Komisije i međunarodnih finansijkih (sic) institucija vezano za nalaze studije-investicioni plan za autoput Bar-Boljare (SEETO putni pravac 4) održanom u Evropskoj Komsiji (sic) (Berlaymont zgrada) 12.09.2012. Brussels, available at: http://www.duskomarkovic.gov.me/ResourceManager/FileDownload.aspx?rid=113464&rType=2&file=20_82_04_10_2012.pdf&alphabet=cyr

228 Government of Montenegro: Saopštenje: Najviše sredstava za regionalni razvoj u okviru izgradnje auto-puta Bar-Boljare, 15.04.2017; available at: http://www.gov.me/naslovna/vijesti-iz-ministarstava/171301/Saopstenje-Na-

The costs of the project?

Around EUR 1 billion - for the first phase only. Although the official cost was cited as EUR 809.6 million,[229] the real cost is higher because the loan from China Exim was with a fixed USD-EUR exchange rate whereas the real rate has changed in the meantime.[230]

Who is financing the project?

» The Montenegrin Government
» The China Exim Bank provided a loan for USD 944 million.[231]

Key actors

» The Chinese Exim Bank, China Road and Bridge Corporation (CRBC), the Government of Montenegro, local subcontractors, as those pushing the project and making it happen.
» The IMF, World Bank, EIB and European Commission have expressed concerns about the costs of the project and its impact on Montenegro's debt.

Key opponents

Key opposing parties: NGOs such as MANS.

Key problems with the projects?

The main problems are the cost of the project, its impact on Montenegro's debt, its lack of economic feasibility, undue benefits for contractors, and the concentration of so many financial resources in one project, leaving limited funds for others which may bring more benefits. It has also been carried out in a less than transparent manner.

It is unclear why this particular project was chosen as an overriding priority for Montenegro. It is also unclear why the International Financial Corporation (IFC) was initially willing to help the government with structuring the project as a public-private partnership (PPP),[232] considering that the international financial institutions later shunned the project and expressed concerns about its cost. The logic was presumably that the government would not directly bear the debt if it was a (PPP), but it should have been obvious that user fees would not fully cover the cost of such an expensive motorway and that the government and therefore the public would end up paying for it one way or another.

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jvise-sredstava-za-regionalni-razvoj-u-okviru-izgradnje-auto-puta-Bar-Boljare.html?alphabet=lat

229 Montenegro government: Loan agreement on financing construction of priority part of Montenegro's first highway signed, 30.10.2014; available at: http://www.odbrana.gov.me/en/News/143139/Loan-agreement-on.html

230 European Commission: Commission Staff Working Document Economic Reform Programme Of Montenegro (2017-2019) Commission Assessment, 21.04.2017, available at: http://data.consilium.europa.eu/doc/document/ST-8442-2017-INIT/en/pdf International Monetary Fund: Montenegro - Selected Issues, September 2017, https://www.imf.org/~/media/Files/Publications/CR/2017/cr17277.ashx

231 RTCG: Zaštitićemo se od valutnih rizika, 29.05.2015, available at: http://rtcg.me/vijesti/ekonomija/93005/zastitice-mo-se-od-valutnih-rizika.html

232 IFC press release: IFC Advises Montenegro on Public-private Partnership for New Motorway, 20 May 2008; available at: https://ifcext.ifc.org/ifcext/pressroom/ifcpressroom.nsf/bbbbed9e2807e7ef85256a5b0078814d/a5401e-cb164e29ea8525744f006ceb41?OpenDocument

In 2012, a study by British consulting company URS, commissioned by the European Investment Bank, showed that the project is economically unviable, and does not meet appropriate parameters for the internal rate of return, net worth or the relation between costs and benefits.[233] It stated that only three investment schemes could be considered as showing at least a minimally satisfactory return; (i) improvement of the existing road Poda to the Serbian border, (ii) a mixed new construction/ improvement of Virpazar to Farmaci and (iii) new construction, to mixed single/dual carriageway standard of Smokovac-Mateševo.[234] In spite of this important finding, the government persisted with a full-scale motorway.

The implementing company was chosen more or less in secret. Initially, the Government published a tender and in 2009 signed a contract with Croatian company Konstruktor, but the company failed to submit financial guarantees for the project. The Government turned to Greek-Israeli company Aktor-HCH, which had been the second-ranked company in the tender, but that attempt also failed - perhaps just as well given the allegations against Aktor in the Demir kapija-Smokvica case.

In 2012 the Government started negotiations behind closed doors with Chinese companies CRBC (China Road and Bridge Corporation) and its parent company CCCC (China Communications Construction Company), as well as the Turkish Dogus-Guslan consortium and the American-Turkish Bechtel-Enka consortium.[235] In February 2014 the Government signed a contract with CRBC[236] and later in the year a financing contract with the Chinese Exim Bank.

Although most of the work is done by CRBC, it was agreed that 30% of the work by value would be done by domestic companies.[237] Several domestic companies are involved in the project,[238] including some such as Bemax which are frequently cited as being close to the ruling party.[239]

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233 URS, SEETO Road Route 4 Investment Plan, Final – Economics Report, Hampshire, August 2012, cited in MANS: Public Infrastructure Analysis, May 2017, available at: http://www.mans.co.me/en/wp-content/uploads/2017/06/Montenegro-PublicInfrastructureAnalysis.pdf

234 Informacija o sastanku između predstavnika Vlade Crne Gore i predstavnika Evropske Komisije i međunarodnih finansijkih (sic) institucija vezano za nalaze studije-investicioni plan za autoput Bar-Boljare (SEETO putni pravac 4) održanom u Evropskoj Komsiji (sic) (Berlaymont zgrada) 12.09.2012. Brussels, available at: http://www.duskomarkovic.gov.me/ResourceManager/FileDownload.aspx?rid=113464&rType=2&file=20_82_04_10_2012.pdf&alphabet=cyr

235 Government of Montenegro: Government selects best bidder for Montenegro's biggest development project, 4 July 2013, available at: http://www.gsv.gov.me/en/news/129377/Government-of-Montenegro-selects-Chinese-CCCC-and-CRBC-as-first-ranked-for-construction-of-highway-s-priority-section.html

236 Government of Montenegro: Potpisani Sporazum i Ugovor za gradnju prioritetne dionice autoputa Bar-Boljare, 26.02.2014, available at: http://www.gov.me/pretraga/135903/Potpisani-Sporazum-i-Ugovor-za-gradnju-prioritetne-dionice-autoputa.html

237 IMF: 2017 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Montenegro, IMF Country Report No. 17/276, September 2017, available at: https://www.imf.org/~/media/Files/Publications/CR/2017/cr17276.ashx

238 Marija Mirjačić: Pogledajte spisak kompanija koje su angažovane kao podizvođači za autoput, Vijesti, 09.06.2016 available at: http://www.vijesti.me/vijesti/pogledajte-spisak-kompanija-koje-su-angazovane-kao-podizvodaci-za-autoput-891543

239 Milena Perović-Korać: Grandovci u poslu sa premijerovim sinom: Bemax is on the road again, 8 May 2015, Monitor Online, available at: http://www.monitor.co.me/index.php?option=com_content&view=article&id=5997:grandovci-u-poslu-sa-premijerovim-sinom-bemax-is-on-the-road-again&catid=4137:broj-1281&Itemid=5431

Significant benefits are being provided to the Chinese investor and local subcontractors, which may be in conflict with EU state aid rules. At the end of 2014, the Parliament of Montenegro adopted the Law on the Bar-Boljare Highway, excluding contractors from VAT, income and personal income taxes, contributions for compulsory social insurance for foreigners involved in the project and customs duties on building materials, equipment and facilities in relation to construction of the highway.[240]

The main contractor's parent company, the China Communications Construction Company, was until recently blacklisted for corruption by the World Bank.[241] Therefore, it is particularly worrying - if not surprising - that the Government declares most information on this project secret.
Similarly worrying is that the majority in Montenegro's Parliamentary Committee on Economy, Finance and the Budget decided not to establish an independent oversight body for the project.[242]

The loan from China Exim Bank for USD 944 million made up 20% of Montenegro's GDP for that year,[243] and covered only one 41 km phase of the road. Due to exchange rate movements, the loan increased by around 200 million EUR by March 2017.[244] The loan covers 85 percent of the project and the Government is to provide the remaining EUR 120 million over the four-year construction period. Therefore, one kilometre of highway will cost around EUR 27 million.

According to the World Bank, rising imports related to highway construction will substantially raise external imbalances over the four-year construction period, which will erode Montenegro's ability to deal with fiscal and external shocks.[245] Under these circumstances, the selection of the highway project as a stimulus to growth appears to be a step backwards.[246] Increase of public debt also caused other consequences, such as increase of the VAT and introduction of new taxes on fuel.[247]

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240 Law on Bar-Boljare Highway, Official Gazette of Montenegro no. 52/14, art. 14, 16, 17, 18, 19 and 21.

241 World Bank press release: World Bank Applies 2009 Debarment to China Communications Construction Company Limited for Fraud in Philippines Roads Project, July 29, 2011; available at: http://www.worldbank.org/en/news/press-release/2011/07/29/world-bank-applies-2009-debarment-to-china-communications-construction-company-limited-for-fraud-in-philippines-roads-project

242 Radio-Televizija Crne Gore: Bez podrške za formiranje odbora za autoput, 06.11.2015; available at: http://www.rtcg.me/vijesti/ekonomija/108951/bez-podrske-za-formiranje-odbora-za-autoput-.html

243 European Commission: Commission Staff Working Document Economic Reform Programme Of Montenegro (2017-2019) Commission Assessment, 21.04.2017, available at: http://data.consilium.europa.eu/doc/document/ST-8442-2017-INIT/en/pdf

244 European Commission: Commission Staff Working Document Economic Reform Programme Of Montenegro (2017-2019) Commission Assessment, 21.04.2017, available at: http://data.consilium.europa.eu/doc/document/ST-8442-2017-INIT/en/pdf

245 World Bank, Montenegro – Achieving Sustainable and Inclusive Growth Amidst High Volatility – Systematic Country Diagnostic, World Bank, 30 March 2016, available at: http://documents.worldbank.org/curated/en/642701468179098025/Montenegro-Achieving-Sustainable-and-Inclusive-Growth-Amidst-High-Volatility-Project-systematic-country-diagnostic

246 World Bank, Montenegro – Achieving Sustainable and Inclusive Growth Amidst High Volatility – Systematic Country Diagnostic, World Bank, 30 March 2016. available at: http://documents.worldbank.org/curated/en/642701468179098025/Montenegro-Achieving-Sustainable-and-Inclusive-Growth-Amidst-High-Volatility-Project-systematic-country-diagnostic

247 Draško Milačić, Government robbed citizens through fuel taxes, Dan, Podgorica, 31 December 2015. More available on: http://www.dan.co.me/?nivo=3&rubrika=Ekonomija&datum=2015-12-31&clanak=526597.

Alternative solutions?

No alternatives to this project were proposed. It is not clear why a dual carriageway was not examined instead of a full-profile motorway. Also, the rail trip Belgrade-Bar currently takes 12 hours and the trains and tracks obviously need upgrading, however it is unlikely that much effort or resources will be put into this with so much money being spent on the highway.

Serbia

Recent trends and public financial flows for infrastructure

Current infrastructure programmes in Serbia heavily rely on long-established forms of development with hardly any attempts to fundamentally change the main concepts. Therefore, it is hardly a surprise that infrastructural developments are mainly centralized in design and operation, that they focus on the utilization of fossil fuels, and that they involve as large as possible investments in as few as possible installations (especially in energy and transport).

The main enablers of infrastructure projects in Serbia are, beside the national government of Serbia, IFIs such as the EBRD and EIB, as well as companies, governments and public banks from other countries (China, Russia, Azerbaijan, Japan, Austria, Germany etc).

Energy policy is heavily influenced by state-owned utility EPS, whose generation portfolio consists mainly of coal and hydropower. Several new projects in these sectors are planned, but ambitions have gradually been scaled down, presumably due to low electricity prices. The only new coal power plant being actively pursued at the moment is Kostolac B3, and Serbia's draft implementation plan for its national energy strategy does not indicate any major new greenfield hydropower projects by 2025 but instead outlines plans for rehabilitation and expansion of current plants.[248] Although Serbia has been slow to take advantage of its potential for new renewable energy sources such as wind and solar, the draft implementation plan suggests that several wind projects will soon be constructed.[249]

Regarding transport, roads have been prioritised over rail. Since 2000, the EIB has provided about EUR 1.65 billion for transport projects. Of this, the vast majority has funded roads: EUR 909 million for the construction of new motorways, EUR 542 million for road rehabilitation and upgrade, and EUR 165 million for rail upgrades.[250] The EBRD's portfolio looks somewhat more balanced but still with heavier support for roads: of the EUR 922 million lent for transport during this period, EUR 302 million was for motorway construction, EUR 176 million for road rehabilitation and EUR 414 for

248 Government of Serbia: Draft "Decree on establishment of implementation program of the Energy Sector Development Strategy of the Republic of Serbia for the period to 2025 year with projections to 2030, the year of the period 2017 to 2023 year" (sic), September 2017; available at: http://mzoip.hr/doc/nacrt_programa__na_engleskom_jeziku.pdf and more information available at: http://www.mre.gov.rs/latinica/dokumenta-efikasnost-izvori.php

249 Government of Serbia: Draft "Decree on establishment of implementation program of the Energy Sector Development Strategy of the Republic of Serbia for the period to 2025 year with projections to 2030, the year of the period 2017 to 2023 year" (sic), September 2017, available at: http://mzoip.hr/doc/nacrt_programa__na_engleskom_jeziku.pdf

250 EIB: Projects financed: available at: http://www.eib.org/projects/loan/list/?from=2000&region=3&sector=2010&to=2017&country=RS [accessed 22 October 2017]

rail, with the remaining EUR 30 million for air.[251] Rail transport is due to receive a boost through the USD 2.9 billion planned upgrade of the Belgrade-Budapest railway line, which is to be financed by the China Exim Bank. A loan for the Belgrade-Stara Pazova section has been signed,[252] however the Hungarian section of the project is currently subject to an assessment by the European Commission due to the lack of public tender.[253]

In other sectors, the European Commission reports that close to EUR 700 million has been invested in environmental management since 2000, including for water and waste management, cleaner air, safer chemicals and better overall regulation and monitoring of the sector.[254] However major challenges remain in these sectors. In 2017 a contract was signed for a 25-year public-private partnership for the closure and rehabilitation of the Vinča landfill in Belgrade and the construction of a 340,000 tonnes-per-year "waste-to-energy" incinerator. The investments are said to be worth EUR 300 million.[255] Irrespective of one's position on whether incineration can play a useful role in waste management, making such investments before a satisfactory recycling system is in place is very likely to crowd out financing for waste prevention and recycling. Considering that once built, incinerators need to be full in order to operate, it is also likely to lead to Belgrade being locked into incineration for decades. Thus, it should be considered a move in the wrong direction.

The role of civil society in decision-making on public infrastructure

Serbia has had a legal framework for public participation in decision-making processes in the field of environment for at least 10 years. Civil society groups have made a great effort to influence all levels of government in order to advance and implement this framework, while enhancing their capacity to participate in decision-making. On the other hand, the institutions tend to see public participation as something that they can optionally apply. There has been some improvement in applying the legal framework since the beginning of the accession process (January 2014) and the European Commission has repeatedly requested the inclusion of the civil society. Nevertheless, the level of understanding of decision-makers of the importance and value of public contribution to decision-making processes is still very low.

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251 EBRD: EBRD investments 1991-2016, available at: http://www.ebrd.com/work-with-us/project-finance.html

252 Railway Pro: Serbia and China sign Belgrade – Budapest loan agreement, 17 May 2017, available at: http://www.railwaypro.com/wp/serbia-china-sign-belgrade-budapest-loan-agreement/

253 European External Action Service: Reply by the EU Delegation to China on recent media reports related to the Belgrade-Budapest railway project, Beijing, China, 28.02.2017, available at: https://eeas.europa.eu/delegations/china/21594/reply-eu-delegation-china-recent-media-reports-related-belgrade-budapest-railway-project_en

254 Delegation of the EU to the Republic of Serbia, Fact Sheet: EU and Serbia at work, Air Quality Management, undated (around 2015) available at: https://europa.rs/eu-assistance-to-serbia/eu-and-serbia-15-years-of-partnership/environment-and-climate-change/?lang=en

255 Balkan Green Energy News: Vinča PPP signed to solve biggest environmental problem in Serbia, region, 30 September 2017, available at: https://balkangreenenergynews.com/vinca-ppp-signed-to-solve-biggest-environmental-problem-in-serbia-region/

In the context of planned public infrastructure, civil society organizations are most active in the field of energy and the environment. In the case of transport projects, participation is more sporadic when particular issues arise. In these sectors, the institutions only declaratively and formally fulfil their obligations to the public, simulating the processes of consultation, public hearings and taking comments into account.

Public hearings do not necessarily include any members of the public, either because they are advertised in obscure media that are not widely read, or because ordinary members of the public are rarely aware of the significance of these events and the need for them to attend, unless they are informed of their rights by NGOs.

Proposals and comments submitted by CSOs on documents of importance (such as SEAs, EIAs, a and proposed laws) are almost always rejected without convincing (or any) argumentation, and reports on public debates lack any explanation of how the remarks and suggestions were considered and whether and to what extent these suggestions and proposals were accepted.[256]

Public participation related to infrastructure projects currently takes place mainly in EIA processes, however there is rarely much political will to stop harmful projects at this stage, so only minor comments tend to be taken into account. In addition there are still basic problems of low-key announcement of public consultations as well as lack of information sharing and consideration of received inputs.

In theory, SEAs should provide an earlier chance to provide input on strategic documents, but they are often not carried out in Serbia, and even where they are, they tend to be written in a way designed to merely justify courses of action already chosen in high level documents. For example, the current Energy Sector Development Strategy[257] was not subject to an SEA process. The related Implementation Plan was,[258] but since key parameters such as demand growth and amount of new generation capacity to be built were laid out in the Strategy itself, the SEA was not carried out at a moment when all options were still open, as required by the Aarhus Convention.

An encouraging step towards the involvement of the public in decision-making is that the Ministry of Finance in 2017 opened a public consultation on priority structural reforms for its Programme

256 Republika Srbije: Agencija za borbu protiv korupcije: Javne rasprave i donošenje zakona po hitnom postupku, April 2016, available at: http://www.acas.rs/wp-content/uploads/2016/04/Hitan-postupak-i-javne-rasprave-final-.pdf

257 Republic of Serbia Ministry of Mining and Energy: Energy Sector Development Strategy of the Republic of Serbia for the period by 2025 with projections by 2030 (sic), Belgrade, 2016, http://www.mre.gov.rs/doc/efikasnost-izvori/23.06.02016%20ENERGY%20SECTOR%20DEVELOPMENT%20STRATEGY%20OF%20THE%20REPUBLIC%20OF%20SERBIA.pdf

258 Government of Serbia: Predlog (draft) Uredba kojom se utvrđuje Program ostvarivanja Strategije razvoja energetike Republike Srbije do 2025. godine sa projekcijama do 2030. godine za period od 2017. do 2023. godina, 2017, available at: http://www.mre.gov.rs/doc/PREDLOG%20UREDBE%20KOJOM%20SE%20UTVRDJUJE%20PROGRAM%20OSTVARIVANJA%20STRATEGIJE%20RAZVOJA%20ENERGETIKE%20REPUBLIKE%20SRBIJE%20ZA%20PERIOD%202017-2023.pdf

for Economic Reforms 2017-2019,[259] through which it sought to collect suggestions and opinions of citizens and CSOs. It remains to be seen what impacts these inputs will have on the final Programme.

Case study - second Beška Bridge over the River Danube on Corridor X

Project names

Beška Bridge over the River Danube on motorway Corridor X

Locations

Between Novi Sad and Belgrade, over the Danube

Short description

Corridor X is considered by European authorities as one of the main axes connecting the north and south of Europe. The project involved rehabilitation and upgrading to motorway standard of a 65 km section of the road from Belgrade to Novi Sad and construction of a second bridge across the Danube at Beška, together with support for the transformation of the Serbian Roads Directorate to a Public Enterprise.

The investment was supported by a review of institutional options for development of the motorway network, a programme for institutional strengthening of the Roads Directorate and further enhancement of road financing arrangements.[260]

Technical details

An existing bridge at the site was built from 1971-1975 and was made of pre-stressed concrete. The new bridge, for northbound traffic, opened in October 2011 and is said to be identical to the first one. Their overall length is 2.2 km and width 14.4 m. They have three carriageways with a total width of 11 m, and two pavements each 1.70 m wide.

The structure of the bridges was determined by the height difference between the right bank and the 51.5 m lower left bank of the Danube. In order to overcome this difference, the bridges were designed with an incline of 2.3% in one direction, the greatest on the whole highway.[261]

The benefits of the projects?

According to the EBRD, the project contributes to the transition process by:

» Supporting the transformation of the Roads Directorate into a Public Enterprise

259 http://www.novosti.rs/vesti/naslovna/ekonomija/aktuelno.239.html:646928-Odrzane-javne-konsultacije-sa-Nacionalnim-konventom-za-EU-o-Programu-ekonomskih-reformi, call for comments could be found here http://www.mfin.gov.rs/pages/article.php?id=12056

260 EBRD project summary document: Belgrade to Novi Sad motorway project, 18 February 2005 available at: http://www.ebrd.com/work-with-us/projects/psd/belgrade-to-novi-sad-motorway-project.html

261 eKapija: Bridge near Beska connected - Completion of construction before October 1, 15.04.2011 http://www.ekapija.com/en/news/422112/bridge-near-beska-connected-completion-of-construction-before-october-1. Details of the original bridge are available at: https://web.archive.org/web/20080831060234/http:/www.yu-build.com/main/f/063/063.html

» Introducing performance-based maintenance contracts
» Ensuring measures to enhance road sector finance
» Reviewing the institutional options for developing the motorway network.[262]

The costs of the project?

The total cost of the Belgrade to Novi Sad motorway including construction of Beška Bridge was initially EUR 212 million.[263] The cost of the bridge was contracted at EUR 34 million.[264]

Who is financing the project?

The EBRD provided a loan of EUR 72.5 million[265] and the EIB EUR 120 million[266] to the Roads Directorate of the Republic of Serbia, a legal entity responsible for the construction, maintenance and management of roads in Serbia.

Key actors

» Serbian Roads Directorate as the project promoter
» The EBRD, EIB as financiers
» Austria's Alpine Mayreder as the selected contractor
» Serbia's Mostogradnja as the leader of a consortium that was not ultimately chosen for the construction of the new bridge.

Key problems with the projects?

The idea of building a second bridge at Beška was not particularly controversial but there were differing ideas how to do it. The Roads Directorate was pushing for a bridge the same as the existing one while local people wanted a smaller, cheaper one with better connectivity to the nearby roads.[267]

The larger variant prevailed and its implementation caused disagreements right from the start. A tender procedure for the construction of the new bridge and rehabilitation of the existing one was launched in 2004 and a Serbian consortium led by Mostogradnja provided the cheapest offer with the quickest construction time.[268] However it was reported that the EBRD would not accept Mostogradnja as lead contractor as it had reservations about the quality of the proposed work and about possibly falsified documentation submitted by the company.[269]

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262 EBRD project summary document: Belgrade to Novi Sad motorway project, 18 February 2005 available at: http://www.ebrd.com/work-with-us/projects/psd/belgrade-to-novi-sad-motorway-project.html
263 EBRD project summary document: Belgrade to Novi Sad motorway project, 18 February 2005 available at: http://www.ebrd.com/work-with-us/projects/psd/belgrade-to-novi-sad-motorway-project.html
264 EBRD procurement review 2006; available at: http://www.ebrd.com/downloads/procurement/apr06.pdf
265 EBRD project summary document: Belgrade to Novi Sad motorway project, 18 February 2005 http://www.ebrd.com/work-with-us/projects/psd/belgrade-to-novi-sad-motorway-project.html
266 Available at: EIB website: http://www.eib.org/projects/loan/loan/20030178 [accessed 21 October 2017]
267 Željko Naić: Guliver i Most, 03.03.2005, available at: http://www.vreme.com/cms/view.php?id=408079
268 M. Avakumović: „Alpina" sad traži dva puta više para za most kod Beške, Politika, 03.11.2011; available at: http://www.politika.rs/sr/clanak/196569/Alpina-sad-trazi-dva-puta-vise-para-za-most-kod-Beske
269 B92: EBRD won't work with Mostogradnja, 14.06.2006; available at: http://www.b92.net/eng/news/business.php?yyyy=2006&mm=06&dd=14&nav_id=35281

Ultimately a consortium of Alpine Mayreder and Germany's DSD was selected and signed a contract for 34 million.[270] However a series of issues appeared during construction that increased costs, including inexperienced project managers and landslides. It was also later stated by the then infrastructure Minister that the contract had been signed on the basis of a preliminary project design, which had not foreseen all details and costs.[271]

Alpine started requesting more and more money and put the final price tag of the project at over EUR 100 million.[272] The bridge was put into operation in 2011, but by 2013 the final price was still not agreed between the company and the Serbian Roads Directorate.[273]

Also in 2013, Alpine went bankrupt, in part due to its rapid expansion across the Balkans.[274] In the end it was Mostogradnja which finished the rehabilitation of the older bridge, which was opened at the end of that year.[275]

In 2014 it was reported that Serbian roads was launching lawsuits against Alpine and DSD to try to obtain EUR 27.5 million in compensation for missed deadlines and poor-quality construction.[276]

Alpine also initiated an arbitration case in Paris, claiming that the Roads Directorate owed it EUR 56.8 million for works plus EUR 3.6 million which was held back as a penalty for the late completion of the works.[277]

The first instance Committee for dispute resolution ruled that the Roads Directorate had to pay Alpine EUR 37.9 million plus the sum held back as a penalty. The Directorate rejected the ruling and started a counter-complaint not only for the new bridge but also the rehabilitation of the older one and the construction of several toll payment points. For all three contracts together, the Directorate claimed Alpine should pay EUR 22 million.[278]

However, since Alpine is now bankrupt, according to the Directorate, it would have only been able to obtain 6-8% of the amount sought and therefore decided on a settlement and to end the arbitration

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270 EBRD procurement review 2006; available at: http://www.ebrd.com/downloads/procurement/apr06.pdf

271 M. Avakumović: „Alpina" sad traži dva puta više para za most kod Beške, Politika, 03.11.2011; available at: http://www.politika.rs/sr/clanak/196569/Alpina-sad-trazi-dva-puta-vise-para-za-most-kod-Beske

272 BIRN: Alpine Bau's Balkan Black Hole, Balkan Insight, 11 December 2014, available at: http://www.balkaninsight.com/en/article/alpine-bau-s-balkan-black-hole-4

273 T. Spalević: Most Beška ide na arbitražu? Novosti, 3 January 2013 http://www.novosti.rs/vesti/naslovna/ekonomija/aktuelno.239.html:413251-Most-Beska-ide-na-arbitrazu

274 B92: Serbia sues bankrupt Austrian company, 24.07.2017 http://www.b92.net/eng/news/business.php?yyyy=2014&mm=07&dd=24&nav_id=91081, BIRN: Alpine Bau's Balkan Black Hole, Balkan Insight, 11 December 2014, available at: http://www.balkaninsight.com/en/article/alpine-bau-s-balkan-black-hole-4

275 Blic: Saobraćaj preko mosta kod Beške od petka, 22.12.2013, available at: http://www.blic.rs/vesti/drustvo/saobracaj-preko-mosta-kod-beske-od-petka/9kqgdrb

276 B92: Serbia sues bankrupt Austrian company, 24.07.2017, available at: http://www.b92.net/eng/news/business.php?yyyy=2014&mm=07&dd=24&nav_id=91081

277 Večernji Novosti: "Putevi" moraju da plate "Alpini" 10,5 miliona evra, 13 May 2017, available at: http://www.novosti.rs/vesti/naslovna/ekonomija/aktuelno.239.html:664933-Putevi-moraju-da-plate-Alpini-105-miliona-evra

278 Večernji Novosti: "Putevi" moraju da plate "Alpini" 10,5 miliona evra, 13 May 2017, available at: http://www.novosti.rs/vesti/naslovna/ekonomija/aktuelno.239.html:664933-Putevi-moraju-da-plate-Alpini-105-miliona-evra

cases. This means the Roads Directorate has to pay Alpine EUR 10.5 million by the end of March 2018.[279]

Alternative solutions?

The smaller bridge variant may have cost less and brought more local benefits. At the very least it should have been examined in relation to the version that was in the end realized, to see if it would have higher benefits as well as lower costs.

Case study – Kostolac B3 lignite power plant[280]

Project name

Kostolac thermal power plant unit B3

Location

Kostolac, near Požarevac, Serbia, at the site of the existing Kostolac B power plant

Short description

Although Serbia has scaled down its ambitions to construct new coal plants, it is persisting with plans to build a new 350 MW unit at Kostolac, in spite of numerous legal and economic issues with the project. The project also requires the expansion of the nearby Drmno mine to produce 12 million tonnes of lignite per year compared to the current 9 million tonnes.

Technical details

The 350 MW plant is designed with pulverised lignite technology. It has been planned to comply with the EU's older emissions limit values in Annex V of the Industrial Emissions Directive, but not with the new Best Available Techniques reference document for large combustion plants[281] which entered into force in August 2017.

The benefits of the project?

The main benefit mentioned in connection with the project is its contribution to Serbia's energy security.[282]

279 Večernji Novosti: "Putevi" moraju da plate "Alpini" 10,5 miliona evra, 13 May 2017, available at: http://www.novosti.rs/vesti/naslovna/ekonomija/aktuelno.239.html:664933-Putevi-moraju-da-plate-Alpini-105-miliona-evra

280 An earlier version of this case study can be found at: CEE Bankwatch Network: Balkan energy projects with Chinese involvement – state of play June 2017, available at: https://bankwatch.org/publication/balkan-energy-projects-with-chinese-involvement-state-of-play-june-2017

281 CEE Bankwatch Network: Planned coal power plants in the Western Balkans versus EU pollution standards: The new reference document on Best Available Techniques for Large Combustion Plants (LCP BREF) and its implications for new coal, June 2017, available at: https://bankwatch.org/sites/default/files/BREF-Balkan-coal-14Jun2017.pdf

282 Government of Serbia: Predlog (draft) Uredba kojom se utvrđuje Program ostvarivanja Strategije razvoja energetike Republike Srbije do 2025. godine sa projekcijama do 2030. godine za period od 2017. do 2023. godina, 2017, available at: http://www.mre.gov.rs/doc/PREDLOG%20UREDBE%20KOJOM%20SE%20UTVRDJUJE%20PROGRAM%20OSTVARIVANJA%20STRATEGIJE%20RAZVOJA%20ENERGETIKE%20REPUBLIKE%20SRBIJE%20ZA%20PERIOD%202017-2023.pdf

The costs of the project?

USD 715 million[283] (around EUR 582 million in January 2018).

Who is financing the project?

China Exim Bank, with a USD 608 million loan

Key actors

» Investor: Elektroprivreda Srbije (EPS)
» Contractor: CMEC from China
» Financier: China Exim Bank
» Interested parties: Republic of Romania
» Key opposing parties: Environmental NGOs

Key problems with the project?

Considering the urgency of tackling climate change, any new coal power plant is problematic. However, this one has also been accompanied by numerous legal and economic issues.

In November 2013 a deal was signed with China's National Machinery and Equipment Import and Export Corp (CMEC) to construct the new Kostolac B3 lignite plant in north-east Serbia.[284] No tender procedure took place, but the Chinese and Serbian governments signed an intergovernmental agreement in 2009 and in 2013 added an annex freeing joint projects from tender obligations[285] – a move which would not be allowed under EU law.

A contract for a USD 608 million loan was signed with China Exim Bank in December 2014. It was ratified by the Serbian parliament in early 2015 in an extraordinary session announced to the public less than 24 hours in advance. The contract contains several problematic provisions, e.g. any arbitration will take place in Beijing.[286]

The Serbian government took the loan on behalf of state company EPS, raising issues of compliance

283 Government of Serbia: Predlog (draft) Uredba kojom se utvrđuje Program ostvarivanja Strategije razvoja energetike Republike Srbije do 2025. godine sa projekcijama do 2030. godine za period od 2017. do 2023. godina, 2017, available at: http://www.mre.gov.rs/doc/PREDLOG%20UREDBE%20KOJOM%20SE%20UTVRDJUJE%20PROGRAM%20OSTVARIVANJA%20STRATEGIJE%20RAZVOJA%20ENERGETIKE%20REPUBLIKE%20SRBIJE%20ZA%20PERIOD%202017-2023.pdf

284 Government of the Republic of Serbia: Neophodno suštinsko i sveobuhvatno reformisanje EPS-a, Beograd, 21.11.2013. available at: http://www.srbija.gov.rs/vesti/vest.php?id=200105

285 On 20 August 2009 the Serbian government signed a Memorandum of Understanding with the Chinese government on economic and technical co-operation in the field of infrastructure. Annex 2 to the 2009 agreement was signed on 26 August 2013. This annex includes a clause in Article 5 that (our translation): Agreements, contracts, programmes and projects carried out in accordance with Article 4 of the Agreement on the territory of the Republic of Serbia do not carry an obligation to publish a public tender for carrying out investment works and delivery of goods and services, except if it is otherwise specified in the commercial contract from paragraph 4 of this Article."

286 Zvezdan Kalmar, Kostolac B3 lignite plant loan agreement bypasses public debate and contains unacceptable conditions, CEE Bankwatch Network 16 January 2015; available at: https://bankwatch.org/blog/campaign-update-kostolac-b3-lignite-plant-loan-agreement-bypasses-public-debate-and-contains-unacceptable-conditions

with its state aid obligations under the Energy Community Treaty.[287]
Several other problems also plague the project. The environmental impact assessment process had to be repeated after the original approval expired and the Espoo Convention Implementation Committee criticised Serbia for failure to assess the transboundary environmental effects of the plant and mine.[288] The new EIA report was published for consultation in February 2017, and was approved in October 2017.

The mine expansion was in 2013 exempted from undertaking an EIA process[289] - a decision which appears to conflict with Serbia's national legislation as well as with the EIA Directive under the Energy Community Treaty.

Another problem is the aforementioned fact that the European Union has recently updated its industrial emissions legislation, which Kostolac B3 will be obliged to abide by upon entering the EU. However, the emissions limits values in the unit's environmental impact assessment are not in line with the new standards (called the LCP BREF).[290] As an EU accession country, Serbia needs to make sure that any new plant is in line with these standards or it risks being landed with expensive retrofit costs later on.

Even the plant's contribution to Serbia's energy security is doubtful, as the Drmno mine suffered serious flooding in 2014. Serbia had to mount a huge effort to save the mine during the May floods, and between July and September more than 2 million cubic metres of water spilled into the mine, bringing with it around 800 000 cubic metres of sludge and mud, and engulfing mining machinery in mud.[291]

Alternative solutions?

Invest in renewables and energy efficiency measures. An energy alternatives scenario has been produced by a group of NGOs which shows that Serbia is able to satisfy its energy needs without building new coal plants.[292]

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287 Péter Staviczky and Phedon Nicolaides: Risks for coal and electricity investments in the Western Balkans, Ukraine and Moldova due to state-aid rules, CEE Bankwatch Network, 8 June 2015, available at: https://bankwatch.org/publication/risks-for-coal-and-electricity-investments-in-the-western-balkans-ukraine-and-moldova-due-to-state-aid-rules

288 Ioana Ciuta: Cross-border coal pollution for the first time under scrutiny by UN body, CEE Bankwatch Network, 22 September 2014; available at: https://bankwatch.org/blog/cross-border-coal-pollution-for-the-first-time-under-scrutiny-by-un-body

289 Ministry of Energy, Development and Environmental Protection of the Republic of Serbia: Decision no.353-02-901/2013-05, dated 26.07.2013.

290 CEE Bankwatch Network: Planned coal power plants in the Western Balkans versus EU pollution standards: The new reference document on Best Available Techniques for Large Combustion Plants (LCP BREF) and its implications for new coal, June 2017; available at: https://bankwatch.org/sites/default/files/BREF-Balkan-coal-14Jun2017.pdf

291 J. Putniković: Izgradnja Bloka B3 u Kostolcu čeka „zeleno svetlo" iz Kine, Balkan Magazin, 19 October 2014; available at: http://www.balkanmagazin.net/struja/cid189-100744/izgradnja-bloka-b3-u-kostolcu-ceka-zeleno-svetlo-iz-kine

292 SEESEP: SEE 2050 Carbon Calculator available at: http://www.see2050carboncalculator.net/2050/Serbia/Energy.php

Slovenia

Recent trends and public financial flows for infrastructure

Slovenia is currently planning several projects that are classified as EU Projects of Common Interest, including the reinforcement of the electricity interconnection of Slovenia-Croatia-Hungary, the interconnection between Slovenia and Italy, and the development of gas interconnections between Hungary and Slovenia and Croatia-Slovenia-Austria.[293]

Apart from those, the most visible currently planned public infrastructure projects are the second tube of the Karavanke tunnel, the second track on the Divača-Koper railway section, the Third Development Axis (expressway/highway Koroška-Dolenjska), Koper Harbour expansion, expansion of access roads in Ljubljana, second unit at the Krško Nuclear Power Plant and new hydropower plants on the Sava River.

The majority of the projects listed are to be financed from EU funds in combination with Slovenian funds, but there are also several projects that are being considered as public-private partnerships (PPPs) (e.g. Divača-Koper second track).

The role of civil society in decision-making on public infrastructure

Civil society is active in the field of planning of public infrastructure, one of the most visible initiatives being the so-called Plan B. Plan B is a network of Slovenian environmental NGOs and experts, forming a broad civil society platform for sustainable development in Slovenia, along with other interested stakeholders.[294] The first alternative proposal by Plan B was made in 2007,[295] as an answer to the governmental Plan A, the Resolution on National Development Projects for the period 2007-2030,[296] which the government passed in 2006.

Responding to the non-inclusive and non-transparent process carried out by the government, which

293 European Commission: Commission unveils key energy infrastructure projects to integrate Europe's energy markets and diversify sources, 18 November 2015, available at: https://ec.europa.eu/energy/en/news/commission-unveils-list-195-key-energy-infrastructure-projects

294 More information about Plan B available at: http://www.planbzaslovenijo.si/english

295 Plan B: Vision: Slovenia is a country of prosperity and quality of life in true harmony with nature. Summary, 2007, available at: http://www.planbzaslovenijo.si/upload/dokumenti/2007/plan%20b%201.0-povzetek-ang.pdf

296 Vlada Republike Slovenije: Resolucija o nacionalnih razvojnih projektih za obdobje 2007-2023, 2006, available at: http://www.slovenijajutri.gov.si/uploads/tx_publikacije/061127_resolucija.pdf

identified the construction of business zones, an artificial island, additional highways and new units of coal and nuclear power plants as some of the prioritised infrastructure projects, Plan B proposed projects that would have wider societal benefits. These included development of renewables, better public transport, sustainable freight transport, waste water treatment in small settlements and in urban areas.

In 2010 Plan B launched a set of new proposals.[297] In 2015 the initiative organised a discussion on large infrastructure projects, resulting in proposals and recommendations to the government.[298] Some of the proposals found their way into the official plans, but not in the field of public infrastructure (e.g. a proposal on the wood processing chain was adopted as a national priority).

In this field, Slovenia's plans are mainly developed by interest groups and industry lobbies that influence the government (e.g. the second Divača-Koper railway line was the most frequent topic of lobby meetings in 2016).[299] The most notorious case so far was that of the 6th unit at the Šoštanj lignite power plant (TEŠ6), in which civil society was not listened to at all. The warnings issued by civil society groups about generating huge losses and not being economically viable[300] are already now proving to be true.[301]

Case study - 3rd Development Axis

Project name

3rd Development Axis road

Location

3 most problematic areas along the planned route: Koroška region, Velenje-Celje region, Novo mesto

Short description

The 3rd Development Axis has been defined by the Slovene government as one of the country's development priorities. It is one of the secondary transport axes linked to the Mediterranean and Baltic–Adriatic corridors and runs from the Koroška region through Slovenj Gradec and Velenje, links to the A1 motorway near Celje, and then proceeds to Novo mesto and towards Karlovac, between Zagreb and Rijeka in Croatia. The Slovene Ministry of Transport initiated a procedure on "The Placement of the Third Development Axis" at the end of 2004. This involved integrating the project

297 Plan B: Trajnostni razvoj - edina globalna strategija preživetja in ključna primerjalna prednost Slovenije Zbornik, 2010, available at: http://www.planbzaslovenijo.si/upload/dokumenti/2010/zbornik-plan-b-2.0.pdf

298 Plan B: Poziv Vladi Republike Slovenije Veliki infrastrukturni projekti: od zgrešenih do strateških in trajnostnih naložb, 2015, available at: http://www.planbzaslovenijo.si/upload/mreza/veliki-projekti-poziv-vladi.pdf

299 Anja Hreščak: Lobiranje: Na drugi tir se lepijo kot muhe na med, Dnevnik, 9 March 2017, available at: https://www.dnevnik.si/1042765139/slovenija/lobiranje-na-drugi-tir-se-lepijo-kot-muhe-na-med

300 Focus: Economics Mythbuster TEŠ6, December 2014, available at: http://focus.si/files/programi/energija/2014/mythbuster.pdf

301 Manja Pušnik: Evro davka na položnicah za preplačano naložbo v TEŠ 6, 9 February 2017, available at: https://www.dnevnik.si/1042762196

into different levels of spatial plans and has taken more than 10 years so far. It has also met with resistance from certain sectors of the public and spatial planners.

Technical details

The 3rd Development Axis is divided into three sections:

» The northern part (4-lane) from the Austrian border to highway A1 Koper-Šentilj (approx. 62 km)
» The middle section (2-lane) between the A1 and A2 highways (approx. 61 km)
» The southern section (4 and 2-lane) between Novo Mesto and Vinica on the Croatian border (approx. 79 km).

A variant analysis was carried out for each section. However, some of the selected variants are not suitable (too close to settlements, too expensive, running through fertile agricultural areas etc.) and have created conflicts in some areas.

The benefits of the project?

It is claimed to result in shorter travel times, increased safety and the Koroška region being better connected with the rest of Slovenia.

The costs of the project

» Northern section: EUR 810 million
» Southern section: EUR 1.208 billion[302]
» Planning/constructing of the middle section and some parts of the southern section is not a priority and is postponed until after 2022.

Who is financing the project?

The majority is supposed to be covered by DARS (the state motorway company, collecting tolls), DRSI (the Slovenian infrastructure agency) and a small amount by the Ministry of Infrastructure. EU funding is planned to contribute a smaller share.[303] However in early 2017 it was reported that concrete sources of financing have not been confirmed.[304]

Key actors

» DARS
» Ministry of Infrastructure and the Slovene infrastructure agency DRSI
» International and/or financial institutions: EU as planned part-financier
» Key opposing parties:

302 Republika Slovenija, Ministrstvo za infrastrukturo, Infrastrukturni projekti v Republiki Sloveniji, August 2015, available at: http://www.mzi.gov.si/fileadmin/mzi.gov.si/pageuploads/Kabinet_ministra/15_10_13-Seznam_investicijskih_projektov_v_RS2015.pdf

303 Republic of Slovenia: Operativni program za izvajanje evropske kohezijske politike v obdobju 2014–2020, available at: http://www.eu-skladi.si/sl/dokumenti/kljucni-dokumenti/op_slo_web.pdf

304 Anja Hreščak: Za tretjo os obstajajo zgolj načrti, denarja pa ni, 10 March 2017, available at: https://www.dnevnik.si/1042765254

» North section: Braslovče civil initiative – CIB (a group of locals, farmers, mayors, experts): against the selected route (F2-2) because it is not in line with the Slovene transport strategy, it is more expensive (has tunnels) than its alternative through Arja Vas, and would cross fertile arable land.[305]

» South section: The *Tretjo os na zahod* initiative (a group of locals, mayors): opposes the route that passes east of the city of Novo Mesto, and suggests the route should pass to the west.[306]

» Coalition for sustainable transport policy (experts, NGOs, individuals): against building new roads where investments in rail and public transport would be more sustainable.[307]

» Other individuals and initiatives are also opposing the project, including in the middle section. There is also one initiative in the Koroško region which supports the project - the Youth Initiative for the Third Axis.[308]

Key problems with the project?

The Slovene transport strategy is two sided: it promotes sustainable mobility on paper but the measures prioritised in reality show that the focus is still on building road infrastructure, supporting an old and unsustainable transport paradigm. Building infrastructure for motor vehicles is still the measure with the largest investment, neglecting public transport, railways and other sustainable transport means.

Building the 3rd Development Axis would connect some remote towns with the capital and other highways but would cause numerous environmental problems: New roads induce more traffic, more transit and cargo on roads,[309] which causes low air quality, higher GHG emissions, arable land degradation and unsustainably spent public money: indebtedness and a burden on taxpayers' shoulders.

The project will affect local people who live in municipalities crossed by the expressway (farmers whose land is on the route, citizens harmed by extra noise, pollution etc.), taxpayers who will pay for the road building, and also people affected by climate change.

The groups opposing the project also doubt that it will lead to economic development of the communities along the route or that the right routes have been chosen to bring maximum benefits. For example, better connections between Velenje and Celje would benefit people who commute daily, but the chosen route will connect Velenje only with the motorway towards Ljubljana - in a different direction - crossing villages in the Savinjska dolina (Savinja Valley) who are opposed to the project.

305 Available at CIB website: http://cibraslovce.blogspot.si/ [accessed 3rd December 2017]
306 Website previously at http://tretjaos.com/cesta/, as of 3rd December 2017 not available
307 More information about the coalition (in Slovene) at: http://focus.si/kampanje-in-akcije/koalicija-za-trajnost-no-prometno-politiko/ [accessed 3 December 2017]
308 More information abouttge Youth Initative for the Third Axis available at: http://www.hitronakorosko.si/
309 For an overview of this phenomenon see The Campaign for Better Transport, available at: http://www.bettertransport.org.uk/roads-nowhere/induced-traffic [accessed 3 December 2017]

Alternative solutions?

Renewal of existing roads may be a better solution in some sections. The renewal of the existing railway and potentially building a new one would be a more sustainable measure. CIB proposes another road route that would be less harmful for agricultural land and is proven to be cheaper. The initiative from Novo Mesto proposes another route with less impact on people living near the road.

Case study - 2nd unit of the Krško Nuclear Power Plant[310]

Project name

2nd unit of Krško Nuclear Power Plant (NPP)

Location

Vrbina, Municipality of Krško

Short description

Construction of Krško II was first listed in the Government's Resolution on National Development Projects for 2007-2023 in 2006.[311]

Technical details

- » PWR (pressurised water reactor) technology. This was chosen mainly because the technology is already present and accepted in Slovenia and there is know-how and experience available.
- » Installed capacity of 1000 MW
- » Annual production between 7.5 and 8.5 TWh
- » Use of combined dry and wet cooling towers
- » Construction between the eastern fence of the existing unit of Krško NPP and the River Sava to the south
- » To be connected to the existing 400kV switchyard at Krško NPP.

The benefits of the project?

The key arguments used by the project developer to justify the construction are greenhouse gas emissions reductions, reducing import dependency and achieving a competitive electricity price, which increases the competitiveness of the Slovene economy. The developer claims that in spite of energy efficiency, renewables and thermal power plants, it will not be possible to satisfy the growing demand for electricity without a new nuclear unit.[312] This analysis is clearly refuted by the analysis for the National Energy Plan,[313] which shows that even without a new unit Slovenia can

310 A longer but less updated overview of the nuclear sector in Slovenia can be found at Raeva, D., Slavov, T., Stoyanova, D., Živčič, L., Tkalec, T., Rode, Š. 2014. Expanded nuclear power capacity in Europe, impact of uranium mining and alternatives. EJOLT Report No. 12, 129 p. available at: http://www.ejolt.org/wordpress/wp-content/uploads/2014/11/141031_Expanded_nuclear_capacity_Europe.pdf

311 Vlada Republike Slovenije: Resolucija o nacionalnih razvojnih projektih za obdobje 2007-2023, 2006, available at: http://www.slovenijajutri.gov.si/uploads/tx_publikacije/061127_resolucija.pdf

312 Republic of Slovenia Government Communication Office website, available at: http://www.slovenijajutri.gov.si/index33ab.html?id=178&no_cache=1&tx_uvireforme_pi1%5Breforma%5D=54 [accessed 24 October 2017]

313 IJS. 2011. Proposal of the National Energy Programme of the Republic of Slovenia for the 2010–2030 Period: "Ac-

export electricity, however the exploratory work on an additional nuclear block continues. Another claimed benefit is that the project will not proportionally increase the costs due to synergistic effects with the existing unit of Krško NPP (experience, security, maintenance, radioactive waste etc.).

The costs of the project?

According to the pre-investment analysis, the investment cost is estimated at EUR 1.6 – 2.9 billion, depending on the size of the reactor. However, in later estimations, the investor shows a price range of EUR 3 – 5 billion, which seems more realistic. Unit 6 of Šoštanj thermal power plant showed that project costs can increase substantially. Greenpeace Slovenia has estimated the costs of a new unit at Krško to be up to EUR 6 or EUR 7 billion. EUR 10-11 million have already been spent on analysis and assessments of all the technologies.[314]

Who is financing the project?

It would be state funded and owned. So far, no concrete financial plan has been put forward. The investor plans to finance the construction with its own funds, funds from sales of energy bonds and equity capital. It plans to invite partners and co-investors and hence establish an investment company, which will manage the plant during operation. The main risks for the profitability of investment are changes in the investment value, sales price of electricity and reduction of production. A public call to select the supplier is planned. The supplier would be requested not only to supply the technological equipment, but to implement the planning, permitting and construction phase.

Key actors

The existing Krško power plant is divided into two equal business shares owned by GEN energija d.o.o. (100 % owned by the state of Slovenia) and Hrvatska Elektroprivreda d.d.[315] Whether this will be the case with the second unit remains unclear. In December 2013, representatives of US company Westinghouse (which built the existing Krško unit) held a presentation about the proposed type of nuclear power plant that could be implemented in Krško. From diplomatic documents leaked by Wikileaks it was evident that the Slovenian president, Borut Pahor, in a meeting with Barack Obama, expressed willingness to allow Westinghouse to upgrade the existing block and build the second one. He said this despite a strong competing offer from a French company,[316] potentially indicating that the tender might not be carried out on equal terms.

Slovene government: Directorate for Energy, Ministry of Economy, Ministry of Finance, Ministry of Environment and Spatial planning, Nuclear Safety of the Republic of Slovenia

As no specific financial plan is known, involvement of financial institutions could not be identified.

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tive Energy Management" (draft)

314 Gorazd Rečnik: Se pri drugemu bloku JE Krško ponavlja TEŠ 6? RTV SLO, 14.05.2015, available at: http://val202.rtvslo.si/2015/05/se-pri-drugemu-bloku-je-krsko-ponavlja-tes-6/

315 Available at NEK website: http://nek.si/sl/o_nek/upravljanje/ [accessed 24 October 2017]

316 24UR: Američani že predstavili načrt za gradnjo drugega bloka v Krškem, 11.12.2013, available at: http://www.24ur.com/americani-ze-predstavili-nacrt-za-gradnjo-drugega-bloka-v-krskem.html and RTV SLO: Obrat: Ne Obama, Pahor naj bi "kupčkal" z Guantanamom, 30.11.2010, available at: http://www.rtvslo.si/svet/obrat-ne-obama-pahor-naj-bi-kupckal-z-guantanamom/245108

Key opposing parties: With the exception of Združena levica, all the political parties support the project. Združena levica is advocating for energy self-sufficiency based on renewable energy and its efficient use.[317] All the prominent Slovenian environmental organizations (Greenpeace Slovenija, Focus Association for sustainable development, Umanotera) are opposing the project. The Austrian government and civil society are also against the project as well as some parts of Croatian society, for example green NGOs and the City of Zagreb.

Key problems with the project?

Slovenia still has not adopted a national energy strategy, even though it has been under discussion since 2010, and the only document on the state level, which plans the construction of the second unit of Krško NPP is the Resolution on National Development Projects for the period 2007-2023, a wish-list adopted by the government in 2006. The constitutional court decided that the resolution is not a legal document and it is thus not legally binding. The Resolution wasn't adopted according to the Aarhus Convention and was never published in Slovenia's Official Journal.
The full environmental impact assessment has not been done yet but a preliminary assessment was done by compiling all available data and evaluations from previous environmental studies, analyses and environmental impact assessments. It claims that the planned construction is environmentally positive, as it would have marginal impacts on the environment, which are acceptable in terms of all legislative standards. It is more of a promotional document for the construction of a new NPP than a real analysis.

The Krško II would drive Slovenia into nuclear lock-in for the next 40 years. It is also in danger of becoming a stranded asset because its electricity generation costs are likely to be higher than those from alternative sources including renewable energy. If we take into account further expected decrease of the prices of energy from renewable energy, found by a recent IRENA study,[318] any investment into nuclear energy is highly problematic in economic terms. Either it will contribute to electricity in Slovenia becoming more expensive or it may go bankrupt and then taxpayers will in any case most likely end up footing the bill.

Alternative solutions?

A decentralized electricity system together with energy efficiency measures and renewable energy installations owned by individuals and communities.

317 Available at Združena levica website: http://www.zdruzena-levica.si/266-ali-v-sloveniji-res-potrebujemo-drugi-blok-nuklearne-elektrarne-krsko [accessed 24.10.2017]
318 IRENA: The Power to Change: Solar and Wind Cost Reduction Potential to 2025, 2016, available at: http://www.irena.org/DocumentDownloads/Publications/IRENA_Power_to_Change_2016.pdf

VI. Regional issues highlighted by the case studies and difficulties identifying best practice cases

The case studies of problematic projects appear to highlight a number of regional trends, for both the EU and non-EU countries. In no particular order of importance, these are:

1. In all the seven countries, there is a lack of public information and debate when projects are selected on a strategic level. Priorities are usually pre-decided by the authorities and almost never changed as a result of consultations.
2. "Strategic" projects are usually anything but strategic. The reasons for choosing the projects vary, but what they have in common is that the authorities rarely provide compelling evidence in favour of prioritising these projects above others. In several cases the projects have been around for so long that it is quite unclear why they were chosen and why other competing variants or priorities were side-lined.
3. It appears that in many cases, the main beneficiaries of projects are domestic and international construction companies rather than the wider public. In some cases this may be a side-effect of the project but in too many cases it appears to be the main reason why the project was prioritised.
4. Public consultations, where they take place at all, are done at a very late stage when the main decisions to go ahead with the project have already been made. This is in contradiction with Article 6 of the Aarhus Convention which states that "*Each Party shall provide for early public participation, when all options are open and effective public participation can take place.*"[319] It also means that substantial comments from the public are rarely taken into account.
5. Investments still predominantly support more environmentally harmful options like coal power plants, motorway construction, and waste incineration. Although financing is available for more favourable options such as rail, wind and solar power, and recycling, governments are not taking advantage of this.
6. There is very little systematic information available about how much is being invested by governments in schools, hospitals, smaller scale energy projects, urban public transport and cycling/pedestrian schemes, and energy efficiency.
7. The EU's role is mixed. Promoting EU environmental standards in the region, e.g. through the Energy Community, has been valuable, but sometimes the EU has de facto supported environmentally unacceptable projects by e.g. endorsing regional strategies containing projects or corridors that have not been screened for compliance with EU environmental legislation.

319 Convention on access to information, public participation in decision-making and access to justice in environmental matters, Aarhus, 25 June 1998, available at: https://www.unece.org/fileadmin/DAM/env/pp/documents/cep43e.pdf

Being an “EU priority” provides an excuse for governments to push ahead with controversial projects even in cases where the EU and IFIs later decide not to provide financing.

8. Procurement procedures are still regularly raising questions. Some of the companies involved have problematic track records regarding corruption and/or cost overruns, yet are allowed to go on winning contracts.
9. One of the most astonishing findings is that we were not able to identify any examples of infrastructure projects which seemed to have been developed in a genuinely participatory way. We did identify some projects which are useful and environmentally acceptable, but little information is available about their economic feasibility or the details of the procurement procedures, which makes it risky to endorse them wholeheartedly. Some of the projects named as problematic cases could in fact have been reasonably useful, had they not suffered from a democratic deficit when selecting project variants or if they had not demonstrated either corruption or incompetence or both. This reflects a worrying lack of accountability around infrastructure projects.

VII. Recommendations

For local and national governments

The selection of infrastructure projects must be based on real needs and must be demonstrated to be the most economically, socially and environmentally sustainable way to fulfil those needs. There also needs to be an optimal balance between costs and anticipated benefits to society, environment and the economy of the entire cycle of construction and decommissioning.

In practice this means:

» Sectoral and cross-cutting strategic documents need to be up-to-date and based on very recent data. They need to mainstream climate change, environmental and social issues, including the EU goal of reducing greenhouse gas emissions by 80-95% by 2050.

» Updates or the development of strategies and plans need to be approached with an openness to truly change the country/region/city's priorities, not just to reconfirm pre-decided options.

» In other words, investment projects must fulfil the needs identified in strategic documents, rather than the needs being articulated to justify certain projects.

» In order to make this possible, honest and level-headed evaluation is needed of the implementation of previous strategies and projects to identify strengths, weaknesses and mistakes to be avoided. Such evaluations must be publicly available.

» Automatically carrying over non- or partly-implemented large infrastructure projects from one strategic document to the next must be avoided. Projects need to be regularly re-evaluated to make sure they are still the best way to address an identified need.

» Strategies and plans need to be publicly consulted at a stage when all options are open. This means also in the pre-drafting stage. The process must be transparent and ordinary members of the public, NGOs and independent experts must have as many opportunities to participate as industry representatives have. Public comments need to be demonstrated to have been taken into account to the extent possible.

» Environmental sustainability needs to be treated ambitiously, not just "slightly less environmentally harmful than the current situation". The southeast European countries have high investment needs and have the opportunity to avoid locking themselves into poor solutions which will prevent serious improvements from taking place for at least the next 20-30 years. Decreasing energy consumption, making the most efficient use of resources, preserving ecosystem services, and providing good quality local jobs all need to be taken into account.

- In the transport sector, governments need to focus resources away from building new motorways towards rail, urban public transport, maintaining existing roads and

pedestrian/cycling infrastructure.

- In the energy sector, no more new coal plants or fossil fuel infrastructure can be built if the world is to limit climate change to 1.5-2 degrees Celsius.[320] Investments need to focus on demand-side energy efficiency and sustainable forms of renewable energy such as appropriately sited wind and solar.
- In the environment sector, maximum investment should be made in flexible systems emphasising the most sustainable solutions; for example in the waste sector, reducing waste and recycling need to be prioritised. Incineration facilities should be avoided, especially in countries with low recycling rates, as they crowd out recycling and waste-saving initiatives.

» Small can be more useful. Before investing in large infrastructure projects, their development effects on the economy should be carefully examined. More attention should be paid to local projects, considering that a large percentage of people's time is spent in their local area using local services.

» "Putting all one's eggs in one basket" should be avoided. If a particular project requires a very large percentage of a country's resources it should be reconsidered as there is probably a cheaper way to bring the same result. Year-on-year, steady investment should be enabled, thereby supporting a stable economic environment.

» Alternative solutions need to be seriously considered, meaning not just e.g. alternative routings for motorways, but more varied alternatives such as demand management, combinations of road and rail improvements or dual carriageways instead of motorways.

» Feasibility studies for public infrastructure projects must be published before final investment decisions are taken.

» Flexibility and adaptability to future uncertainties and risks due to external factors need to be taken into account much more – e.g. climate change, shifts in the global economy, security issues, technological breakthroughs.

» For EU countries, under OP Environment, governments should decrease funding for grey infrastructure and start to provide support for green infrastructure; i.e. nature-based solutions to issues such as wastewater management and flooding should be promoted instead of automatically turning to civil engineering projects.[321]

Implementing and managing major projects is very demanding, and should be treated as such. The project management capacity of the public sector needs to be strengthened in each county and much more action needs to be taken to tackle corruption:

» Perceived impunity needs to end. Corruption cases must be concluded and those convicted permanently barred from public office. Those formally charged with corruption offences must be barred from office until the trial is concluded and only reinstated if found innocent.

» Transparency, public participation and accountability on budget documentation needs to be increased, by including, among other things, detailed information on secured public contracts and related project costs, including those of infrastructure projects.

320 Oil Change International: The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production, 22 September 2016, available at: http://priceofoil.org/2016/09/22/the-skys-limit-report

321 Available at: https://ec.europa.eu/environment/efe/themes/land-use-and-soil/moving-grey-green-infrastructure_en

- The practice of contracting large infrastructure projects without tender procedures and then justifying it with interstate agreements needs to end. Public procurement needs to be carried out much more transparently with detailed information published on the criteria, offers and reason for choosing the selected companies.
- During project implementation, authorities should focus on establishing and enhancing trust among stakeholders by investing in monitoring of their implementation, to further clarify to all involved parties, including the wider public, the project's current state and what can still be changed in cases where things are going wrong.
- As stated above, evaluations of infrastructure project implementation should always be carried out and published. Those responsible for projects which end up being problematic need to be held accountable as soon as possible after the problems arise.

For the EU, international financial institutions and other project financiers

- Appearances are crucial. If the EU or an International Financial Institution appears at any stage, no matter how early, to support a project, governments will take this as a sign of encouragement and use this to push the project forward at every available opportunity.
- This means that EU-supported regional-level strategic documents need to be developed with extreme caution and environmental issues already need to be analysed at this stage through an SEA-like process. Disclaimers about projects still needing to pass environmental assessment processes have proven insufficient as the message has already been sent that the project has EU support and should go ahead.
- The EU needs to take a more active role in promoting environmental/public participation legislation across the region which could help to limit unsuitable infrastructure projects, for example the Birds and Habitats Directives and Water Framework Directive.
- Make sure that governments are applying the recommendations above in relation to potential projects to be financed.
- Ensure that no investments are financed that would have an adverse impact on the EU's GHG emissions reduction targets; halt direct and indirect financing for all fossil fuels.
- Withdraw eligibility of unsustainable renewables and climate action measures which have detrimental environmental impact.
- Prioritise energy efficiency investments over new energy generation and transmission projects, both on the national scale as well as locally.
- Shift funding towards infrastructure with long-term climate change mitigation impact such as circular economy processes or smart energy distribution.
- Be tough on corruption and be seen to be tough on corruption. Develop clearer procedures for dealing with complaints about fraud and corruption, acknowledging submissions on these issues and publicising the outcomes of investigations.

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