



DOWN THE SAME ROAD INTO A LARGER DEBT

April 2019

Second Report on the construction of Bar - Boljare Highway



Report is a part of the project "Active citizens for better Montenegro - Towards the rule of law and sustainable development of Montenegro", funded by the European Union through the Delegation of the European Union to Montenegro, implemented by NGO "The Network for Affirmation of NGO Sector" (MANS). Opinions and views set out in this report do not reflect the official opinion of the donor who financially supported the project.



Authors:

Vanja Čalović Marković, Executive director
Dejan Milovac, Director of Investigative centre MANS
Ines Mrdović, Coordinator of Programme for Public finances

Support:

Lazar Grdinić
Biljana Matijašević
Marijana Subotić
Nikolina Mišnić
Ivan Bakić

Report made with support of:

Green Home
CZIP – Center for Protection and Research of Birds
Society of Young Ecologists
Expeditio

Print:

3M Makarije

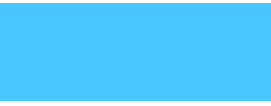

Network for affirmation of NGO sector - MANS
Dalmatinska 188 Podgorica,

(020) 266 326
(020) 266 327
(069) 446 094

www.mans.co.me

mans@t-com.me

Content

	Abstract	5
	Introduction	6
<u>A</u>	CONSTRUCTION OF THE FIRST SECTION OF THE HIGHWAY	8
	The dynamics of the construction and loan spending	8
	Additional costs	11
	Subcontractors	18
	Subsidies	20
	Impact on the environment	23
	Control and monitoring	29
	Access to information	34
	Plans for new section	36
<u>B</u>	OTHER SIGNIFICANT PROJECTS	37
	Endangered areas of special importance	38
	Major energy projects	44



Abstract

The completion of the first section of the highway will be delayed for at least a year and a half, since the project started without the completed planning documentation.

Costs of construction of the most expensive kilometre in Europe will increase by at least a quarter of the initially agreed amount and will surely exceed one billion Euros. The growth of more than €200 million occurred due to unforeseen works and additional loan costs.

Subcontractors will receive almost half of the money from the construction of the first section of the highway, while four Montenegrin companies will receive 80% of this amount.

Since the beginning of the construction of the highway, the Chinese company has been exempted from paying at least € 140 million of taxes, not counting the exemption remission of from taxes and contributions to foreign workers, nor all exemptions from imports taxes on equipment.

The current highway route was selected as the most favourable, although neither realistic assessment of the situation was made, nor were the costs of environmental protection included in the calculation, which are enormous. The protected Tara River is devastated, with relocated riverbed and changed course, and it is polluted by the landfill of construction waste on its banks and untreated wastewater from the construction site.

Most of institutions do not see such picture, even when they are confronted with official data of other authorities on the degree of pollution of the river. Inspections consider that there is no need for increased controls and declare their findings as trade secrets. A lot of information on finances and subsidies are also classified, as well as numerous data on state condition and measures of the environmental protection. Even the planned highway route is hidden from the public.

Behind closed doors, the Government is already negotiating construction of the second section of the highway with CRBC through the model of private-public partnership, while claiming that it does not favour the Chinese company.

Procedures for the protection of several sites of international significance, such as Kotor area, salt works "Solana" Ulcinj, Lake Skadar and Buljarica, have not been completed. This contributes to their further devastation and endangering the protected status.

The Government included the project of building hydropower plants on Morača in the list of priorities, and then received a concrete offer from a Chinese company. This project has been criticized by numerous international organizations and experts, but the Government's interest in its implementation has also increased due to the possibility of exporting the produced electricity through undersea cable.

The impression is that the Government has, at least for now, given up the construction of the second block of the Thermal Power Plant in Pljevlja and instead turned to reconstruction of the first block in order to extend its lifetime.



Introduction

The construction of the first out of three planned sections of the Bar-Boljare highway, the largest infrastructure project in the history of Montenegro, officially began in May 2015, and the deadline for the completion of works was four years.

This was preceded by the signing of a contract between the Government of Montenegro and Chinese company China Road and Bridge Corporation (CRBC) for the construction of a 41-kilometer long section at the price of €809 million. [1] According to this contract, CRBC is obliged to hire Montenegrin subcontractors for works in the extent of at least 30% of the contract value.

The construction of this section of the highway is financed by a loan from the Chinese EXIM Bank, which has been contracted in the amount of a bit less than \$ 944 million [2] through a special programme of the Chinese Government, dedicated to the countries of Central and Eastern Europe. [3] The conclusion of the contract was preceded by negotiations that were closed to the public.

The project for the construction of the first section was approved by the Parliament of Montenegro, which adopted a special Law on the Bar-Boljare Highway and envisaged a series of subsidies during its implementation. [4]

At the end of November last year, the European Parliament adopted the Resolution on Montenegro, which emphasized the need of the public to have access to information on the impact of the highway construction on Tara River. The Resolution stresses that it is necessary to immediately discontinue with waste disposal and changes in the Tara River basin, in accordance with the obligations of Montenegro to preserve the areas under special national and international protection.

Such conclusions were adopted in response to specific issues that were publicly revealed by non-governmental organizations MANS, Green Home, Expeditio, Center for Protection and research of Montenegro, Ozon, Durmitor Development Centre and Breznica. This document provides data collected by these organizations based on the Law on Free Access to Information and monitoring of the situation on the ground.

The first chapter of this report provides information on dynamics of construction of the first section of the highway and spending of the loan. The second chapter presents data on the numerous additional costs of this work. This is followed by information on the values of subcontractors' contracts, and the impact of that work on their income, employees and liabilities towards the state. The fourth chapter presents data on various subsidies given to the Chinese company.

The impact of the construction of the highway on the environment is a topic of a separate chapter in which main conclusions of the analysis of planning and strategic documentation are presented, as well as a number of concrete cases of devastation of the Tara River.

All available data on the results of control and monitoring, for which many institutions are in charge, are processed within the special chapter. Immediately after that, concrete case studies in which institutions hide data on their work and situation on the ground are presented. The last chapter of that section provides information on Government plans and activities related to the construction of the next section.

1 On behalf of the Government of Montenegro, the Ministry of Transport signed an Agreement on the design and construction of the first section of the highway from Smokovac to Mateševo with CRBC as a contractor in the amount of €809,577,356.14.

2 Preferential Loan Agreement for the Project of construction of Bar-Boljare highway, Smokovac-Mateševo section, was concluded on October 30, 2014 between the Government, represented by the Ministry of Finance, and Export Import Bank of China, in the amount of \$ 943,991,500.

3 "China's Twelve Measures for Promoting Friendly Cooperation with Central and Eastern European Countries", which envisages the financing of various infrastructure projects in these countries, in the total amount of \$10 billion, provided the main contractors are Chinese companies.

4 The state renounced revenues from the collection of customs duties, VAT on building materials, equipment and facilities used for the construction of a section of the highway, taxes and contributions on the earnings of foreign citizens, compensation for the exploitation of stone, and excise taxes on motor fuel were also reduced. Read more in the First MANS Report on the construction of the Bar Boljare highway from October 2018, <http://www.mans.co.me/tajni-putevi-novca/>



Introduction

The second part is dedicated to the endangered vulnerable areas of special importance, such as the protected area of Kotor, "Solana"Ulcinj, Lake Skadar and Buljarica. information about major projects in the field of energy, that is, about plans for the construction of the second block of the Thermal Power Plant in Pljevlja and the hydropower plant on Morača are given in a special part.



CONSTRUCTION OF THE FIRST SECTION OF THE HIGHWAY

Completion of the first section of the highway will be delayed for at least a year and a half, and the construction costs will increase by at least €200 million. Almost half of the total construction price will be paid to subcontractors, and four Montenegrin companies will receive over €320 million. Since the beginning of the construction of the highway, the Chinese company has been exempted from paying at least €140 million of taxes, not counting taxes and contributions to foreign workers.

The current highway route was selected as the most favourable, although the costs of environmental protection, which are enormous, were not included in the calculation. The protected Tara River is devastated, with relocated riverbed and changed course, and it is polluted by the landfill of construction waste on its banks and untreated wastewater from the construction site.

Most of the institutions do not see such picture, while inspections consider that there is no need for increased controls, and declare their findings as trade secrets. A lot of information on finances and subsidies are also classified, as well as numerous data on the state and measures of the environmental protection. Even the planned highway route is hidden from the public.

Preparations for the second section take place far from the eyes of the public, the Government has already signed a Memorandum of Cooperation with CRBC, but claims that the Chinese company is not favoured, and publicly invites all interested parties stakeholders to apply.

DYNAMICS OF THE CONSTRUCTION AND LOAN SPENDING

Intensive construction of the highway began a year and a half after the official start of the works. The deadline for completion of the works expires in a month, and no facility has been completed. The Government announces delays, but the precise deadline is unknown.

In less than four years from the beginning of the construction, €488 million was paid to Chinese company CRBC for implementation of works.

Dynamics of the construction and loan spending

By the end of 2018, none of projected facilities on the highway section Smokovac Mateševo was completed.

The construction of the first section officially started in May 2015 [5] and was due to be completed within four years. However, most construction permits were awarded to the contractor, i.e. the Chinese company CRBC in 2016, so in the second part of that year the construction of the highway began more intensively.

At the end of 2018, officials of the Government of Montenegro started to announce a delay in completing the works of at least a year [6], and soon after, the document of the Ministry of Finance announced possibility that this delay would last even longer than a year. [7] After the finance department, the Ministry of Transport announced that "it is now certain that works on the priority section will be carried out in the course of 2020 as well". [8]

5 Date of the official start of the works is May 11, 2015. Earlier, i.e. on April 15 of the same year, the Ministry of Transport and Maritime Affairs reported to the Administration for Inspection Affairs the beginning of large-scale preparatory work for the construction of facilities of general interest - Bar Boljare highway, Smokovac-Uvač-Mateševo section.

6 Statement by Minister of Transport and Maritime Affairs, Osman Nurković, on October 19, 2018, when he announced a delay of one year; article in the daily "Dan" under the title "Autoput kasni godinu, Vlada krije sve podatke"; link: <https://www.dan.co.me/?nivo=3&rubrika=Ekonomija&datum=2018-10-20&clanak=667749>

7 The Document "Montenegro Economic Reform Programme 2019-2021", which states that the Project for the construction of the Smokovac Mateševo section of the highway could be completed by the end of 2020; link: http://www.gov.me/naslovna/Program_ekonomskih_reformi_Crne_Gore/

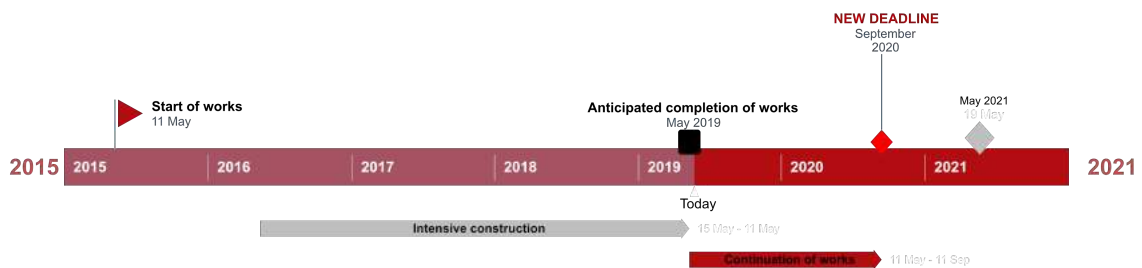
8 Report on the work of the Ministry of Transport and Maritime Affairs for 2018, which was discussed at the Government session held on March 14, 2019, item number 27; link: http://www.gov.me/sjednice_vlade_2016/113



Dynamics of the construction and loan spending

According to the main project, the total length of the section from Smokovac to Mateševo is projected to about 41 kilometers, with 16 tunnels, 20 bridges and 4 loops [9]. At the end of October 2018, the envisaged facilities were in different stages of construction and none was completed [10]. One tunnel was in the excavation stage, several bridges had only pillars, which are very early stages of the works, while other facilities were in stages of greater construction.

According to the contract on the construction of the highway [11], the maximum amount of compensation for the delay of works is 5% of the agreed price, which is €40 million [12].



Overview of the beginning, duration and continuation of works on Smokovac Mateševo section of the highway

Payment of construction costs

In less than four years since the start of the construction of the Smokovac Mateševo section, 488 million was paid to the Chinese company CRBC for the works.

In the period from 2015 until the end of 2018, a total of € 464 million was paid to CRBC, which is almost two thirds of the amount defined in the Construction Contract, which was concluded at €809 million [13].

According to the information provided by the Ministry of Finance to MANS, € 168.5 million was paid in the first year, and it coincided with the obligation of the Government of Montenegro to pay the advance for the project implementation. However, in 2015 there were no significant works on the construction of the highway section, or until the middle of next year, in which only € 9.2 million was paid for the works.

9 According to information published on the website of the state-owned company "Monteput", which is one of the managers of the Bar Boljare Highway Project, the following is stated: "Considering the fact that the geomorphological characteristics of the site along the whole route are very complex and variable, the route is largely laid on facilities, both tunnels and bridges, thus, out of the total length of the highway of around 41 kilometres, about 41.5% is the open route. At a length of around 14 kilometres, there is a lane for slow vehicles, due to longitudinal slopes that exceed 4%. The complexity of the route itself is proved by the fact that the highway starts at an altitude of about 60 meters and reaches a height of over 1,100 meters in the mountain part. Two lanes per direction are projected, with lanes for slow driving on sections with larger longitudinal slopes, as well as lanes for emergency stop."

10 On tunnels Suka, Vežešnik, Mrke, Klopot, Vilac, Vjeternik, Đurilovac, Kosman, Mala Trava, Vitanovice, Zečka, Pajkov Vir, Jabučki krš and Preslo, the secondary coatings were in progress, tunnel Mrki was in the stage of excavation and secondary coating, while the tunnel Mateševo was in the excavation phase. Bridges on the main route on which span construction was done were Gornje Mrke, Moračica, Suvovara, Zagrade, Uvač 1, Uvač 2, Pajkov Vir, Preslo and Jabuka, on bridges Đurićev Laz, Ratkov Laz, Lutovo, Mištica and Uvač 4 foundations, columns and the span construction were underway, on bridge Cestogaz foundation, while on bridges Krkor, Uvač 3, Tara 1, Tara 2 and Podovi, pillars were under construction. On the ramps of loops and deviations of existing roads Pelev Brijeg, Veruša 1, Veruša 2, Veruša 3, Veruša 4, Veruša 5, Mateševo 1 and Mateševo 2, works of span structures, pillars and foundations were underway. MANS obtained this information from "Monteput" based on the Law on Free Access to Information, number MANS 18/125387.

11 Contract on design and construction of the Bar Boljare highway, Smokovac-Uvač-Mateševo section, concluded on February 26, 2014 between the Government of Montenegro and the Chinese company China Road and Bridge Corporation, the contractor, while its parent company, China Communications Construction Company is stated in the Contract as the main contractor, with which the Framework Agreement on implementation of the entire Project has been concluded; the signatory of the Agreement on behalf of the Government was the then Minister of Transport Ivan Brajović, and on behalf of the Chinese company, vice-president Du Fei.

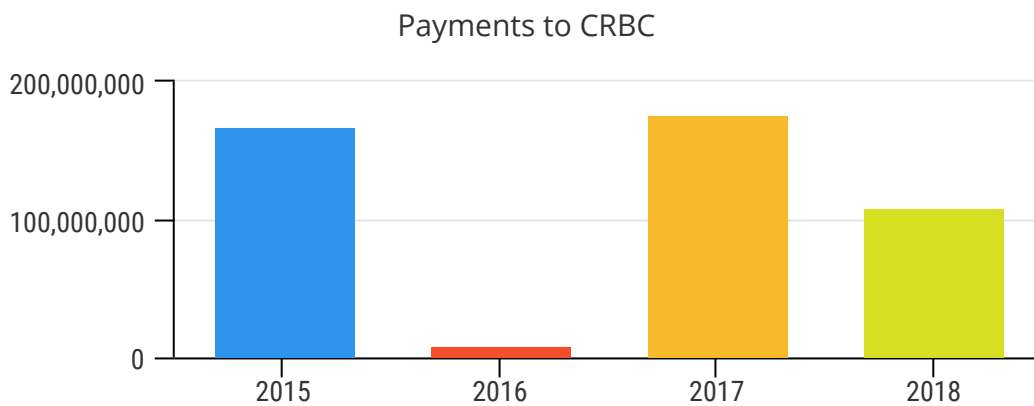
12 Article 8 of the FIDIC General Conditions (Commencement, Delays and Suspension) prescribes a number of situations where the Contractor may request an extension of the deadline for completion of work in case that delay took place or is about to take place, due to: change; a cause of delay giving an entitlement to extension of time; exceptionally adverse climatic conditions; unforeseeable shortages in the availability of personnel or goods caused by epidemic or governmental actions; any delay, impediment or prevention caused by or attributable to the Employer, the Employer's Personnel, or the Employer's other contractors. If the Contractor considers that he has the right to extend the deadline for completion, he shall inform the Supervisory Body thereof. The agreement between the Government and China Road and Bridge Corporation envisages that the approved request for extension of the deadline for the completion of works will be formalized through an annex to the Agreement.

13 Responses from the Ministry of Finance to MANS' requests addressed based on the Law on Free Access to Information, MANS numbers 18/118030-118033, 18/119756, 18/121480, 18/123263-123264, 18/124049, 18/124299-124300, 18/124803, 18/124788-124789, 18/125286-125287.



Dynamics of the construction and loan spending

By the end of 2016, CRBC received most of the construction permits, and more intensive works started, which were carried out to the greatest extent over the next two years. Higher dynamics of the work was accompanied by higher payments for works done, thus in 2017, 177.3 million was paid, and a year later, €108.8 million. [14]



Graph 1: Payments to CRBC for works in four years; source: Data from the Ministry of Finance

In January 2019, additional €24 million [15] for the works was paid to CRBC, thus the amount reached €488 million.

According to the budget of Montenegro for 2019, a total of €210 million [16] is planned for the construction of the highway this year. In addition, around 111 million will be withdrawn during 2020 as well, and the Ministry of Finance estimates show that the project will be completed by the end of that year. [17]

14 Payments for 2018 were calculated on the basis of official data provided by the Ministry of Finance to MANS on the basis of the Law on Free Access to Information. However, the media reported that the Ministry of Finance announced that in 2018, € 164 million was paid to Chinese CRBC; link: <https://kodex.me/clanak/180975/crbc-iju-isplaceno-pola-milijarde-eura>

15 Data from the SAP system for January 2019, received by MANS on the basis of the Law on Free Access to Information, MANS number 19/126234.

16 Law on the Budget of Montenegro for 2018 (Official Gazette of Montenegro number 87/18).

17 Document of the Ministry of Finance entitled "Montenegro Economic Reform Programme 2019-2021"; link: http://www.gov.me/naslovna/Program_ekonomskih_reformi_Crne_Gore/



Additional costs

In March 2019, the construction costs for Smokovac Mateševo section were at least a quarter higher than when they were contracted, i.e. by €203 million. The increase is the result of additional works worth 113 million and more expensive loan by 90 million.

“FORGOTTEN” WORKS

At the beginning of 2019, the government admitted that additional works on the Smokovac Mateševo section would be increased by at least €113 million.

Disputes between the Government and Chinese CRBC on additional works, which were not contracted under the project for Smokovac Mateševo section, started in 2015. [18] CRBC has initiated disputes, because the contract did not include the construction of Smokovac loop, regional roads on Veruša and Mateševo, as well as the construction of water supply and electricity network on the highway. These are all works necessary to bring the project of the highway into use.

The government kept the disputes with CRBC secret for three years, and only in the autumn 2017 Montenegrin public learned about the dispute on additional works [19]. A year later, the State Commission for audit of technical documentation confirmed that the construction of Smokovac loop, of water supply and electricity network and access roads was not contracted. [20]

At the beginning of 2019, the Government allocated part of the costs for the construction of the highway from the Budget, by granting state-owned company "Monteput" to take a loan in the amount of €32 million in order to build a system for permanent power supply of the Smokovac Mateševo section. [21] The built electricity infrastructure, in accordance with the loan dynamics, will later be bought by state energy companies. [22]

In the same period, the Government approved preparatory works for the construction of Smokovac loop [23] to the Ministry of Transport, while **in March 2019 it was announced for the first time that subsequent and unforeseen works would cost 10% of the value of the contract, i.e. €81 million.** [24]

However, according to the Contract on the design and construction of the highway there are three categories of additional works, of which an increase of 10 % is permitted for "unpredictable" and "subsequent works", but there is no upper limit for "unforeseen works". [25]

18 Information on activities related to the implementation of the Bar Boljare Highway Project, section Smokovac-Uvač-Mateševo, discussed by the Government of Montenegro at a session held on May 12, 2016, received by MANS on the basis of the Law on Free Access to Information, MANS number 16/92681.

19 Article on Vijesti Portal of September 29, 2017, under the title "Zaboravljena petlja koštaće nas još 30 miliona"; link: <https://www.vijesti.me/vijesti/ekonomija/zaboravljena-petlja-koštaće-nas-jos-30-miliona>

20 Statement by the President of the State Commission for audit of technical documentation, professor Mladen Ulićević who, at the round table organised by MANS regarding the project of construction of Bar Boljare highway, held on October 19, 2018 in Podgorica, stated among other things that the loop design is part of the contract with CRBC, and "why its construction is not foreseen as well, is not a question for me".

21 Work Plan and financial report of the Monteput for 2019, adopted at the Government session held on February 14, 2019, item 10; link: http://www.gov.me/sjednice_vlade_2016/109

22 Information on entrusting of works to the company "Monteput" LLC Podgorica, adopted at the Government session held on February 28, 2019, item 31.1; link: http://www.gov.me/sjednice_vlade_2016/111

23 Proposal for granting consent for carrying out preparatory works for the construction of a complex engineering facility - construction of phase I of Smokovac loop, adopted at the Government session held on January 17, 2019, item 29.1; link: http://www.gov.me/sjednice_vlade_2016/105

24 Statement by Montenegro's Prime Minister Duško Marković in Montenegrin Parliament on March 20, 2019; "The contract stipulates an amount of 10% for subsequent and unforeseen works amounting to €81 million, and it represents funds from which the construction of the first phase of works on Smokovac will be paid, construction of a water supply system for the local population and construction of a power supply system," Marković said, link: <http://www.gov.me/vijesti/197419/Predsjednik-Markovic-na-Premijerskom-satu-Za-izgradnju-autoputa-necemo-platiti-ni-euro-vise-od-ugovorenog.html>

25 Unpredictable works are related to changing of geological, hydrological and ecological conditions, and subsequent works are those that are not covered by the Main Project, but the Government as an investor requires for them to be carried out.



Additional costs

With 32 million expense of the "Monteput", this means that the Government now admitted an increase in the cost of the first section of the highway by 113 million. On the other hand, in its financial report for 2017, Chinese CRBC estimated cost overruns at as much as 144 million [26], but it is unknown what the overrun refers to. All this indicates that the cost of additional works could range from at least €113 to 144 million.

ADDITIONAL LOAN COSTS

Four years from the start of the implementation of the Project of highway construction, the costs of the Chinese loan are higher by €90 million due to exchange rate differences.

In the first four years, based on the Chinese loan, Montenegro has already paid € 26.8 million.

Fees and paid interests

The biggest risk of increasing the price of the first section of the highway is the Chinese loan taken in U.S. Dollars and without credit risk insurance. When it was concluded at the end of October 2014 in the amount of 944 million Dollars, the loan was worth around 750 million Euros [27]. In the meantime, the Dollar strengthened significantly and the Euro fell, so the record low was recorded at the end of 2016, when the loan price rose to as much as 906 million Euros or 156 million more than when contracted.



Graph 2: Euro and Dollar exchange rate for the period 30 October 2014 - 01 April 2019; source: European Central Bank

In the meantime, the Dollar has weakened and the Euro strengthened, so the price of the Chinese is about €840 million, which is 90 million more than when contracted. [28] This means that **four years since the start of the implementation of the Project of highway construction, its value has been increased by 90 million on the basis of the exchange rate difference between the Euro and the Dollar.**

26 Document "Notes to Financial Statements" by China Road and Bridge Corporation for 2017, published on the Tax Administration Portal, page 18 of the document.

27 On 30 October 2014, when the Loan Agreement with Exim Bank was concluded, the Euro was on average 1.2598, according to the European Central Bank's exchange rate.

28 At the end of March 2019, the value of the euro, according to the European Central Bank's exchange rate, was 1.1235 on average.



Additional costs

Value of the loan	Amount (in mil. eur)	Increase (u mil. eur)
On the day of signing	750	-
End of 2016.	906	156
March 2018.	840	90

Table 1: Growth of the Chinese loan

By the beginning of February 2019, the Government withdrew the amount of \$ 624.6 million [29] on the basis of Chinese loan, but despite the enormous currency risk, the hedge arrangement has not yet been implemented in order to reduce the risk of a loan taken in U.S. Dollars.

Back in April 2015, the Government considered the exposure of public finances to exchange rate changes based on the Chinese loan [30]. At that time, the Government noted that the uncertainty of the exchange rate between the Euro and the Dollar points to a highly sensitive market, with a high possibility of uncontrolled changes, unless protective measures are applied.

The Government then assessed that the realization of hedging, that is, protection against currency risk, could be implemented for a period of no longer than 10 years, which would have been initiated prior to the payment of principal of the Chinese loan, starting from 2021. [31]

However, by the end of 2018, the government did not implement this arrangement, and in December of the same year, the Ministry of Finance announced they were negotiating with four insurance companies about the conclusion of the hedge. [32] The Government never stated their estimate of the cost of a hedge arrangement.

Impact of the exchange rate differences on the loan amount

The loan of Chinese EXIM Bank, which was contracted in the amount of little less than \$ 944 million [33], was approved with a grace period of six years, which means that the payment of the principal starts from 2021. However, **in the period of the first four years on the basis of different credit costs, the Government of Montenegro has already paid € 26.8 million.** [34]

Thus, the loan processing amounted to € 2.3 million and was paid in February 2015. [35] €18.8 million has been paid in four years for interest, and additional 5.4 million for commitment fee. It is unknown what is the percentage for this commission.

Costs of currency conversion amounted to €117 thousand, and the fee to the Central Bank of Montenegro (CBCG) was €48.5 thousand.

29 The exact amount is \$ 624,651,544.32; MANS received this information from the Ministry of Finance on the basis of the Law on Free Access to Information, MANS number 19/126201-126202.

30 Information of the Ministry of Finance number 06-57/1 of April 29, 2015

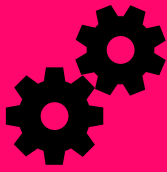
31 Ibid.

32 Statement by the Minister of Finance, Darko Radunović, in the Parliament of Montenegro during the debate on the Budget of Montenegro for 2019; link: <https://www.vijesti.me/vijesti/ekonomija/ne-mozemo-se-vise-zaduzivati-ni-za-autoput-nastavak-grade-privatnici>

33 Contract on the Preferential Loan for the Project for the construction of Bar Boljare highway, Smokovac-Mateševo section, concluded on October 30, 2014 between the Government of Montenegro, as borrower, represented by the Ministry of Finance, and Export Import Bank of China as lender; the signatory of the Agreement on behalf of the Government was the then Minister of Finance Radoje Žugić, and on behalf of the Chinese bank Vice President Li Ruogu.

34 The source is the data of the Ministry of Finance that MANS received on the basis of the Law on Free Access to Information.

35 Source: Information on the activities on implementation of the Bar Boljare highway project, section Smokovac-Uvač-Mateševo, discussed by the Government at a session held on May 12, 2016, received by MANS on the basis of the Law on Free Access to Information, MANS number 16/92681.

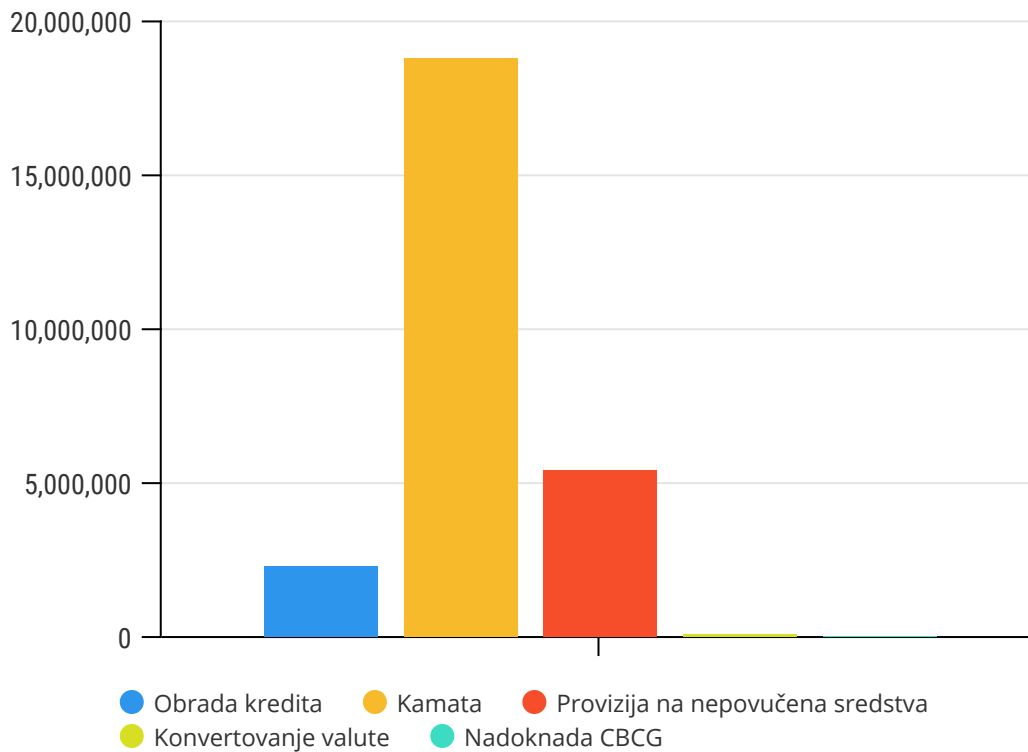


Additional costs

Loan processing	2.368.494,26
Interest	18.832.096,53
Commitment fee	5.464.749,45
Currency conversion	117.074,37
Fee to CBCG	48.593,69
TOTAL:	26.831.008,30

Table 2: Cost of the Chinese loan is 26.8 million

Cost of the Chinese loan/EUR



Graph 3: Most money paid for interest; source: data by the Ministry of Finance



Additional costs

COSTS OF MANAGEMENT AND CONTROL

Based on the information in possession of MANS and the assumed data, the management costs of the Project for less than four years amount to at least €15.2 million.

Costs of management include expenses for the Engineer as Supervisory Authority for two State Commissions in charge of documentation audit and control of works, as well as for the Special Organizational Unit within the state-owned company "Monteput".

The costs do not include additional expenses for the Ministry of Transport, which is responsible for the implementation of the Project of highway construction, or for the work of inspection bodies.

Consulting agreement

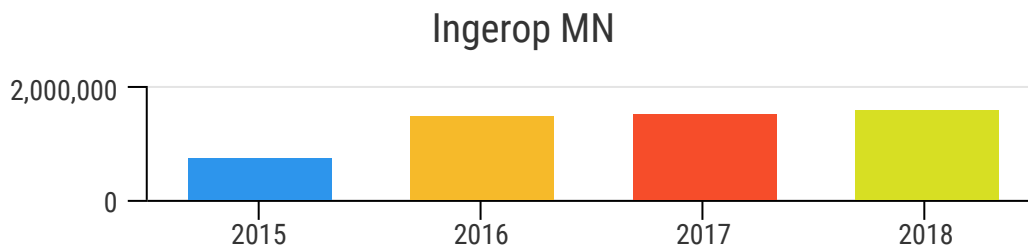
The supervisory authority, i.e. the Engineer which, on behalf of the Government as the investor, controls the work of the contractor, that is, the Chinese CRBC is a French-Italian consortium Ingerop Conseil & Ingenierie - Geodata Engineering, which founded the company "Ingerop MN" [36] in Montenegro.

The contract on providing consulting services was concluded at a fixed price of € 22.6 million, out of which 19 million is service fee and 3.6 million VAT. [37]. Fees for the project director and eight key experts over a period of four years amount to just over €6 million [38], while for the other 40 experts cost an additional €10.5 million. [39] At the same time, other lump sums, such as personnel mobilization, purchase of equipment and vehicles, communications or translation, were contracted at less than two and a half million Euros. [40]

In the accepted financial offer, French-Italian consortium stated that it intends to open a branch in Montenegro, through which it would trade the amount of €6.1 million, while the rest of the turnover of €12.8 million will be charged by the company Ingerop Conseil Et Ingenierie, based in France.

According to MANS data obtained from the Ministry of Finance, €5.5 million Euros was paid for four years to the company "Ingerop MN". Out of this, 800,000 was paid in 2015, in the next two years about 1 million and a half, and €1.6 million in 2018.

MANS is not in possession of the data on how much Ingerop Conseil Et Ingenierie in France was paid in four years.



Graph 4: Payments to "Ingerop MN" by years; source: Data from the Ministry of Finance

36 FIDIC rules, according to which the contract on the construction of the first section of the Bar Boljare highway was concluded, envisage the appointment of an independent Supervisory Authority-Engineer who will, on behalf of the Investor, control the work of the Contractor, consisting of the engineers of the appropriate profiles and other experts who are qualified to perform such obligations.

37 Contract on providing consulting services for supervision of design documentation and construction of the Bar Boljare Highway, Smokovac-Uvač-Mateševo section, based on the Contract on Design and Construction, concluded on September 11, 2014, for the total price of €22,639.988 in gross amount; the signatory of the contract on behalf of the Government of Montenegro was the then Minister of Transport and Maritime Affairs Ivan Brajović.

38 The exact amount is €6,068,529.

39 The exact amount is €10,484,262.

40 The exact amount is €2,472,409.



Additional costs

State commissions and Monteput

In addition to the Supervisory Authority, control over the implementation of the Project for the construction of the first section of the highway is carried out by two expert commissions formed by the Government, in charge of the audit of technical documentation and technical inspection of works [41], as well as state-owned company "Monteput" with special authorities for project management. [42]

According to data in possession of MANS, **the work of the Commission for audit of technical documentation for three years cost €1.6 million**, out of a total of 2.8 million. Out of that amount, €400 thousand was paid in 2016, 570 thousand a year later, and €638 thousand in 2018. [43]

MANS is not in possession of precise information about the cost of the work of the Commission for audit of technical documentation [44], but it is known that the payments to this Commission started back in 2015.

Bearing in mind that the four-year budget for this Commission is 2.8 million [45] and that it has completed over 90% of the audit of the Main Project of the Smokovac Mateševo [46] section of highway, it can be assumed that € 2.5 million was paid to it.

When it comes to "Monteput" company, the estimated cost of the Special Unit in charge of the Highway Project for four years is € 5.6 million, and official data are not available [47], despite the fact that the Decision on the establishment of this Special Unit [48] stipulates that the work plan and financial plan must be specifically stated in the framework of the work plan and financial plan of "Monteput".

41 These two commissions are composed of a total of 51 domestic experts or representatives of state institutions and are directly responsible to the Ministry of Transport and the Ministry of Sustainable Development and Tourism (Official Gazette of Montenegro No. 20/15, 30/15 and 44/17).

42 Contract on performing management tasks over the Project for the construction of the Bar Boljare highway, section Smokovac-Mateševo, number 01-6099/1 of 12 November 2014, concluded between the then Minister of Transport and Maritime Affairs Ivan Brajović and the then Executive Director of "Monteput" Podgorica Osman Nurković, who is now the Minister of Transport.

43 Source is the data from the SAP system according to which expenses from the State budget for 2016, 2017 and 2018 are electronically recorded. The data are presented with the budget unit Ministry of Sustainable Development and Tourism, on the programme: Commission for technical audit of works. MANS obtained this information on the basis of the Law on Free Access to Information.

44 MANS requested data from the Ministry of Finance and the Ministry of Transport and Maritime Affairs on payments for all four years based on the Law on Free Access to Information. The Ministry of Finance rejected the request, claiming that it was not in possession of the information and with the explanation that "requests for payment made by the line ministry without the original documentation on the basis of which payment requests are submitted to the State Treasury". The Ministry of Transport and Maritime Affairs did not respond to the requests of MANS, thus, legal proceedings are underway due to the "silence of the administration".

45 According to the Rulebook on the allocation of funds for the work of the State Commission for audit of technical documents for the construction of the Bar Boljare Highway, the priority section Smokovac-Uvac-Mateševo, number 01-2744/1 of 26 June 2015, the amount of funds required for the work of the said Commission is €2.833.520,74. The payment of funds to the members of the State Commission is done by the Investor, on the basis of the Bill of Quantities submitted by the chairman of the Commission, while the remuneration for the work of the members of the Commission is determined in proportion to the participation of the respective area in the overall project, or on the basis of the actual scope of engagement of each member. The Rulebook was signed by the President of the Commission, Prof. Dr. Miladen Ulićević, and on behalf of the investor, the then Minister of Maritime Affairs and Transport, Ivan Brajović.

46 The Work Plan and the financial report of "Monteput" for 2019, adopted at the Government session held on February 14, 2019, item 10, link: http://www.gov.me/sjednice_vlade_2016/109

47 In the financial report of "Monteput" for 2017, only the cost of the Special Unit in charge of the Bar Boljare Highway Project in the amount of € 1.4 million is presented, so the estimated cost is calculated based on the available data for that year.

48 Decision on the Establishment of the Limited Liability Company "Monteput" Podgorica (Official Gazette of Montenegro No. 76/05, 68/09 and 33/14) and the Decision on the Establishment of the Business Unit for Management of the Project for Construction of the Bar Boljare Highway (Official Gazette of Montenegro No. 35/14).



Additional costs

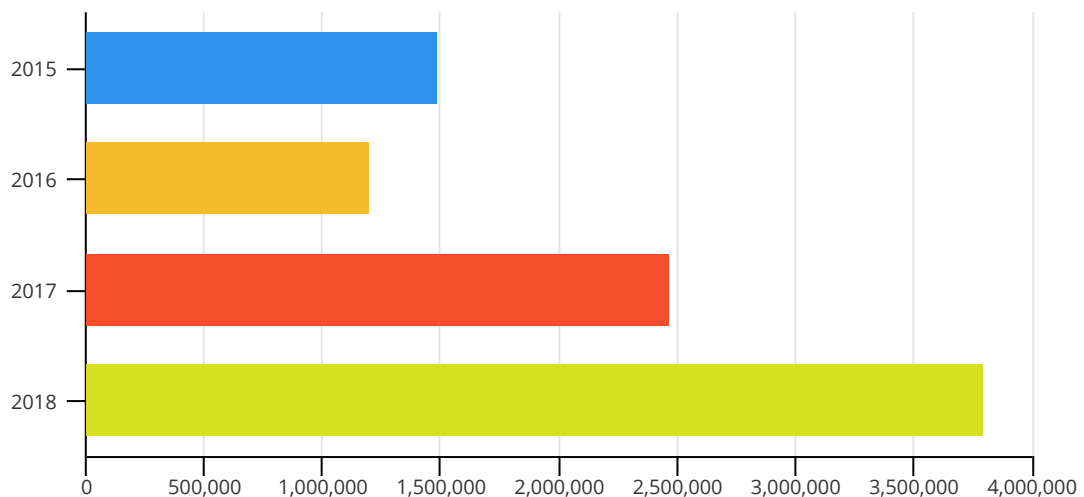
Troškovi upravljanja	Predviđeni iznos	Isplaćeni iznos
Inženjer - Konsultant	19 miliona	5,5 miliona [49]
Državna komisija za reviziju tehničke dokumentacije	2,8 miliona	2,5 miliona [50]
Državna komisija za tehnički pregled radova	2,8 miliona	1,6 miliona
PJ Monteput	5,6 miliona [51]	5,6 miliona [52]
UKUPNO	30,2 miliona	15,2 miliona [53]

Table 3: Project management costs of at least 15.2 million

EXPROPRIATION COSTS

In four years, almost nine million Euros has been paid from the state budget for costs of expropriation, i.e. compensation to citizens whose land where the route of the future highway will pass was taken. [54]

Expropriation



Graph 5: Nearly nine million paid for expropriation; source: Data from the Ministry of Finance

Thus, about 1.5 million was paid in 2015, 1.2 million a year later, and by 2017, 2.4 million was paid, while in 2018, this sum amounted to €3.8 million.

49 This amount was paid to the company "Ingerop MN" in Montenegro, but it is unknown how much was paid to the Consortium in France.

50 Estimated amount calculated on the basis of the available data on the completed work in the volume of at least 90% of the agreed price.

51 Estimated amount calculated on the basis of the available data.

52 Ibid.

53 This amount does not include payments in France to the Consortium responsible for monitoring the Highway Project.

54 Source is the data from the SAP system according to which expenses from the State budget for 2016, 2017 and 2018 are electronically recorded. The data are presented with the budgetary unit of the Ministry of Transport and Maritime Affairs, on the programme: Bar Boljare highway project. MANS obtained this information on the basis of the Law on Free Access to Information.



Subcontractors

Almost half of the money for construction of the first section of the highway, i.e. less than €400 million Euros will receive subcontractors. Only one domestic company, "Bemax", has contracted deals worth one-third of the contracted price of the first share, i.e. 235 million.

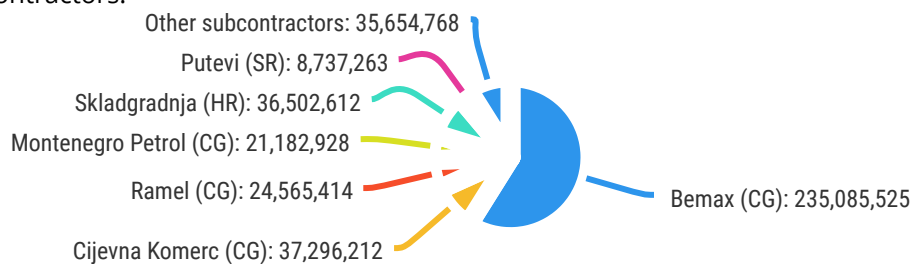
Four Montenegrin companies, to which 80% of subcontractor contracts apply, are exempted from €25 to 30 million of VAT on goods and services related to the construction of the first section. Precise calculation is not possible because more detailed information was declared classified.

VALUE OF CONTRACTS WITH SUBCONTRACTORS

The obligation of CRBC was to entrust subcontractors with at least one-third of the work on the construction of the first section, but by the end of 2018 they contracted works worth almost half of the total price, i.e. little less than €400 million. Most of the money was given to only one company - Bemax, which made contracts worth a third or more than €235 million.

The contract on the construction of the first section stipulates that CRBC will engage domestic companies as subcontractors, in the range of at least 30% of the contracted price, i.e. €242 million. [55]

According to the official data, the value of subcontracting contracts amounted to €399 million by the end of 2018, which is almost half of the contracted price of the first section of the highway. [56] As much as 91% i.e. 363 million of that amount was contracted with six subcontractors.



Graph 6: Value of contracted work with subcontractors; source: data by "Monteput"

The company Bemax, with whom CRBC has concluded subcontracting agreements for the price of €235 million, has the highest contracted value of the business, which is 29% compared to the total contract price for the first section, i.e. 59 % of the value of all subcontracting contracts.

In second place is "Cijevna Komerac" from Podgorica with €37.2 million, the third is "Skladgradnja" from Split with 36.5 million, followed by "Ramel" from Nikšić with contracted value of works of 24.5 million. In the fifth place, according to the value of subcontracting contracts, is "Montenegro Petrol" from Podgorica with €21.1 million, and the sixth is the company "Putevi" from Užice with €8.7 million.

The Chinese company CRBC pays the subcontractors directly for performed works, but MANS is not in possession of data on these payments. [57]

55 This obligation is stipulated by the clause 4.4 of the Contract on Design and Construction of the Bar Boljare Highway, Smokovac-Uvač-Mateševo section, which is concluded under the General Conditions of the FIDIC Yellow Book. According to the procedure, the Chinese CRBC assigns the subcontractor and then requests the approval of the Ministry of Transport. When it gets approval, then it can approach the conclusion of the subcontracting agreement.

56 These data are calculated on the basis of the abstract of the contracts submitted by the state company "Monteput" to MANS on the basis of the Law on Free Access to Information. These are short forms or contract terms with only four provisions, which define contract signatories, price and job description, as well as the deadline. Compared to the MANS First Report on the Construction of the Bar Boljare Highway, published in October 2018, the value of subcontracting contracts was reduced by about five million Euros, mostly thanks to the fact that CRBC decreased the value of one of the earlier contracts with the Split-based company "Skladgradnja" by approximately same amount.

57 State-owned company "Monteput" claims that it does not have this data, and the Ministry of Transport and Maritime Affairs has declared them classified information.



Subcontractors

EXEMPTING THE SUBCONTRACTORS FROM VAT

The four largest domestic subcontractors are exempted from €25 to 30 million of VAT on goods and services related to the construction of the first section, but a precise calculation is not possible because more detailed information was declared secret.

According to official data [58], four domestic companies "Bemax", "Cijevna Komerac", "Montenegro Petrol" and "Ramel" realized in four years the turnover of goods and services that was exempted from VAT payment in the amount of about €151 million.

Total turnover shown through the official data submitted to the Tax Administration, i.e. through monthly reports on the used control stamps of the Chinese CRBC, is presented in the amount of €424 million, thus, the four domestic companies made slightly less than one third of the total turnover, i.e. 36%.

Company	Amount (in millions eur)
Bemax	84,4
Cijevna Komerac	36,2
Montenegro Petrol	22,6
Ramel	8
TOTAL:	151 milion

"Bemax" received most of the money, nearly €85 million, "Cijevna Komerac" 36 million, "Montenegro Petrol" 23 million and "Ramel" about €8 million.

Detailed data on turnover and types of services are unknown because the Tax Administration has declared this type of information a tax secret. [59]

Therefore, it is not possible to accurately calculate the amount of VAT that is not charged, as various VAT rates are applied to different goods and services. If the same 19% VAT rate, which was valid before the beginning of 2018 when it rose to 21%, were applied to the full amount, the state would have exempted these companies from over €28 million.

58 Monthly reports on the used control stamps of the Chinese company China Road and Bridge Corporation, submitted to the Tax Administration, received by MANS on the basis of the Law on Free Access to Information.

59 On the basis of the Law on Free Access to Information, MANS is continuously asking for decisions on VAT exemption in relation to the project for the construction of the first section, but the Tax Administration declares this type of information as tax secret.



Subsidies

Since the beginning of the construction of the highway, CRBC has been exempted from payment of a fee of at least €140 million, of which over 100 million is for VAT, 36 million for customs, and around 5 million for excise taxes on fuel. The total amount is considerably higher, because this calculation does not include all subsidies, as state institutions continue to hide many data.

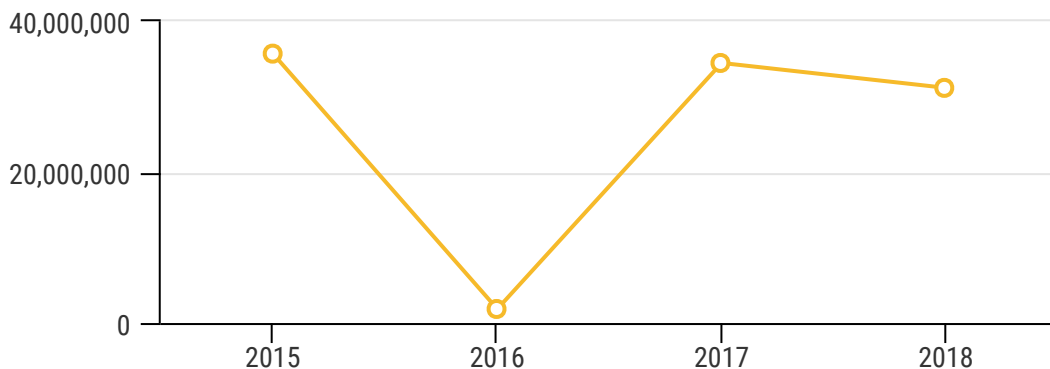
For implementation of the project of construction of the highway, VAT is not paid on goods and services related to the implementation of the highway [60], customs duties on building materials, equipment and installations for the highway [61] and fees for technical building blocks. [62] In addition, contractors are also subject to the refund of part of the excise tax on fuel [63], while CRBC is exempted from paying taxes and contributions on earnings of foreign employees engaged in the project. [64]

EXEMPTION FROM VALUE ADDED TAX

According to the information submitted to MANS by Tax Administration, it can be concluded that by December 2018, **the amount of VAT exempted for the implementation of the project of construction of the highway section reached a sum of €103.2 million.**

The Tax Administration submitted to MANS a tabular presentation showing the total cash sums for the Chinese company CRBC at monthly levels, with a tax rate of 0%. [65]

In three years and eleven months, VAT rate of zero percent was shown on the total amount of € 527.5 million. When VAT rate is applied to that figure, which was 19% in Montenegro before the beginning of 2018, and since that year it was increased to 21%, the amount of VAT exempted amounts to €103.2 million.



Graph 7: The amount of unpaid VAT by years; source: Tax Administration data

60 Article 16 of the Law on the Bar Boljare Highway stipulates that the Value Added Tax shall be paid at a rate of 0% on the turnover of products and services intended for the construction of the highway constructed by the contractor, or this shall be realized for the contractor for the construction of the highway.

61 Article 42 of the Law on the Bar Boljare Law stipulates that they are exempt from payment of customs duties for: 1) construction material intended for the construction of the highway; 2) equipment intended for installation in the highway facilities and for construction of the highway; 3) equipment intended for installation in the highway facilities and for the construction of the highway imported into Montenegro by the contractor for the construction of the highway.

62 Articles 14 and 15 of the Law on the Bar Boljare Highway stipulate that the contractor engaged in the construction of the highway may use the technical and construction stone it obtains in the process of carrying out the works on the construction of the highway and carry out the production of technical and construction stone exclusively for the purpose of constructing the highway, without fees; the required amount of technical-construction stone and borrow pits from which production will be carried out shall be determined by the main project of construction of the highway; on the procedure of using and production of technical-construction stone that is in state ownership, the provisions of the law regulating concessions shall not be applied.

63 According to Article 30 of the Law on excise taxes, during purchase of gas oils used as motor fuel for industrial and commercial purposes, the contractor of works that uses these oils to perform the works on the Bar-Boljare Highway Project, shall be reimbursed part of the excise tax above the amount of €169 per 1,000 litres and the subcontractor shall exercise the right to be reimbursed an excise part above the amount of €259 per 1,000 litres; the amount of the realized right to reimbursement for subcontractors cannot exceed the amount up to 1.5% of the realized turnover during the year on that basis.

64 Article 10 of the Law on Personal Income Tax stipulates that the tax rate of personal income tax shall be 9% of the tax base, and exceptionally to personal income which is above the average gross salary earned in the previous year in Montenegro according to the data of the authority responsible for statistics (average salary), the rate of income tax shall be 11% to the amount of income above the average salary.

65 On the basis of the Law on Free Access to Information, MANS requested from the Tax Administration total amounts of VAT exemption under the Law on the Highway individually per months for 2015, 2016, 2017 and 2018; MANS numbers 18/124919-124922 and 19/125768.



Subsidies

Exemption from import taxes on equipment

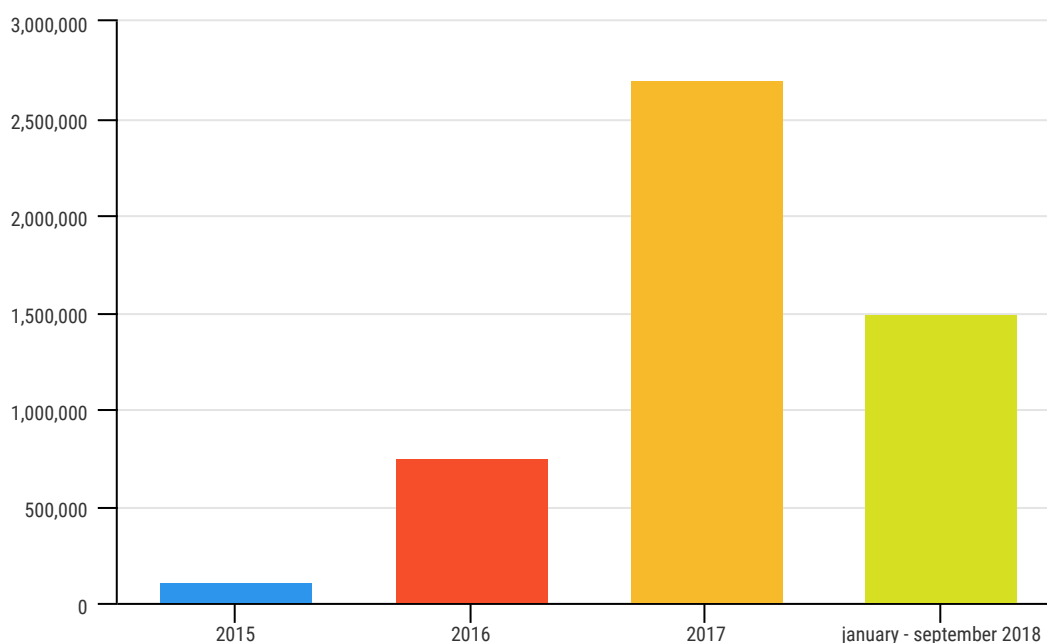
The Customs Administration refuses to provide information on the value of customs exemption for the implementation of the project for the construction of the section of the highway, and according to publicly available information, by December 2018, expenditures of exemption from customs amounted to about €36 million. [66]

This information was announced by the Minister of Finance in Montenegrin Parliament, answering the question of MPs. In 2015, the exemptions amounted to 9.48 million, a year later to 5 million, they amounted to 11.8 million in 2017, and in 2018 by the beginning of December, they amounted to €10.3 million. [67]

Reimbursement of excise taxes on fuel

According to official data, **in three years and nine months**, i.e. from the beginning of 2015 to October 2018, **around five million Euros [68] for paid excise taxes on fuel was reimbursed to Chinese company CRBC and domestic subcontractors.** [69]

In 2015, €109 thousand was reimbursed, 750 thousand a year later, in 2017, the sum reached 2.7 million, and in the first nine months of 2018, reimbursement of fuel excises amounted to about €1.5 million. In addition, **in the first quarter of 2018, contractors demanded an additional €800,000 and these requirements were processed.** [70] MANS does not have data on the amount of refunds paid in the last quarter of 2018. [71]



Graph 8: Excise tax refunds by years; source: Data from the Customs Administration

66 Article in the daily "Dan" of December 14, 2018, under the title „Podizvođače oslobodili 112 miliona PDV-a i carine“; link: <https://www.dan.co.me/?nivo=3&rubrika=Ekonomija&clanak=675202&najdatum=2018-12-13&datum=2018-12-14>

67 Ibid.

68 The exact amount is € 5.056.442,10, and MANS obtained these data based on the Law on Free Access to Information requested from the Customs Administration, MANS number 18/125480-125484.

69 According to Article 30 of the Law on excise taxes, for the purchase of gas oils used as motor fuel for industrial and commercial purposes, the contractor of works that uses these oils to perform the works on the Bar-Boljare

70 The exact amount is €803,127.18, and MANS got these data under the Law on Free Access to Information requested from the Customs Administration, MANS number 18/125480-125484.

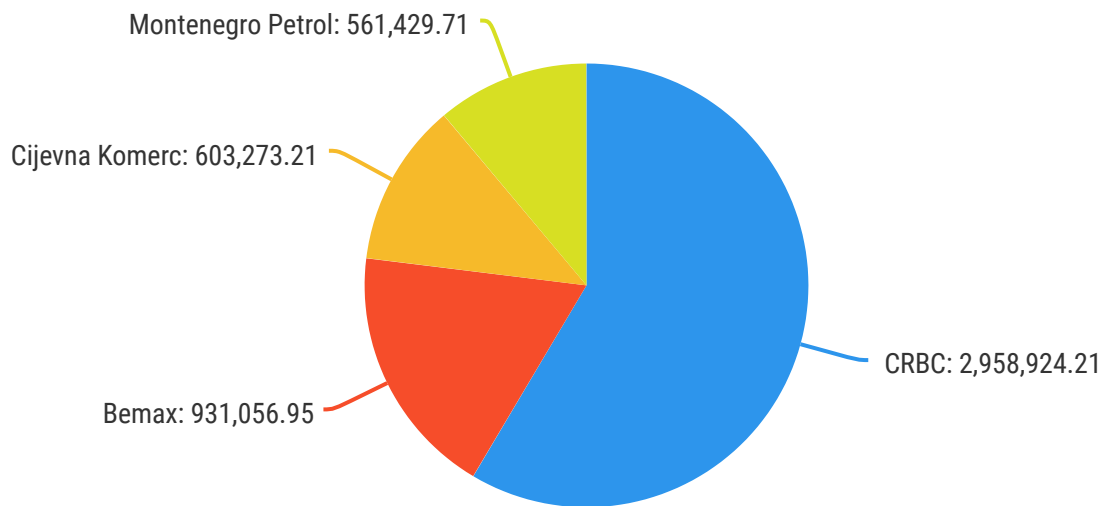
71 MANS requested this information from the Customs Administration on the basis of the Law on Free Access to Information, but at the time of drafting this report, they were not delivered.



Subsidies

When it comes to individual companies, almost three million Euros was reimbursed to CRBC, which is about two-thirds of the refund of excise taxes. 931 thousand or one fifth of the amount was reimbursed to the subcontractor "Bemax" from Podgorica, €603 thousand to "Cijevna Komerc" from Podgorica, and 561 thousand to "Montenegro Petrol" from Podgorica. Two other companies had negligible amounts of refunds on excise taxes on fuel. [72]

In the third quarter of 2018, CRBC claimed €580,000 for the refund of excise taxes, and "Bemax" 220,000. MANS is not yet in possession of information as to whether the Customs Administration approved these requests.



Graph 9: Overview of the major companies which received a refund

72 € 1,048 was reimbursed to company "Kodar Energomontaža" from Podgorica, and 710,02 to company "Ramel" from Nikšić.



Impact on the environment

Prior to beginning of the highway construction, no adequate assessment was made of the state of the plant and animal life, including some protected species. Many environmental protection measures prescribed by strategic documents are not adequate, and some important guidelines have been abolished by subsequent government decisions. Current route of the highway was selected as the most favourable, and the costs of environmental protection are not included in the calculation.

Practice shows that these costs are enormous. The construction of the highway has had a very negative impact on the protected river Tara. The landscape has been completely changed, the riverbed and the river flow have been relocated. Parts of the road of the future highway and the number of temporary and permanent bridges are being built in the riverbed. Part of the construction waste is deposited on the very bank of the river, which at some locations it is polluted by the untreated wastewater from the construction site.

All this has had a very negative impact on plant and animal species, rehabilitation process will last for a long time, and the damage may be irreversible.

ANALYSIS OF PLANNING AND STRATEGIC DOCUMENTATION

The analysis of the planning and strategic documentation shows that there are no necessary data on the state of the plant and animal life, including some protected species, because an adequate assessment was not made before the drafting of these documents. The highway route was selected as the most favourable because the costs of environmental protection and rehabilitation are not included in the calculation. Some important environmental protection measures from strategic documents have been changed by planning documents and decisions of the Ministry of Sustainable Development and Tourism.

Publicly available strategic and planning documentation of the Bar - Boljare highway shows that the project will increase ecological load, especially when it comes to: pollution of soil and water, harmful noise levels, negative impact on fauna and flora and air pollution. [73]

The actual intensity and type of impact on the environment is difficult to determine because there is **no publicly available Strategic Environmental Assessment (SEA) for the Detailed Spatial Plan (DSP) of the highway**. As the SEA provides guidance for further action, it was necessary that all documents, starting with the Environmental Impact Assessment Study (EIAS) and so on, to comply with it.

The Impact Assessment Study contains contradictory information [74] and is made only on the basis of literature data of which some are older than half a century. From it, it can be seen that the zero state was not done or was not publicly available for: water habitats, quality and resources of groundwater, vegetation, state of forest, amphibians and reptiles, fish fauna, bird fauna and migratory birds, socio-economic analysis, human health and security and cultural-historical goods.

In order to gain a clear picture of the impact of the construction of the highway, it is necessary to accurately determine the existing situation and conduct a permanent annual monitoring of vegetation, large mammals [75], migratory birds, amphibians and reptiles, fish, phyto- and zoobenthos - during and after the construction of the highway. It is also necessary to determine the status of the population of 25 taxons that have the status of national protection.

73 Excerpt from the Analysis of the Planning and Strategic Documentation of the Bar - Boljare Highway - Environmental Impact (CZIP, March 2019) and the Analysis of the Environmental Impact Assessment Study - Smokovac - Mateševo section (Montenegrin Ecologists Society - CDE, December 2018)

74 In "Location description" section of the Study, it is stated that there are no significant species, both nationally and internationally protected, while in the part "description of possible significant environmental impacts" it is indicated that there will be a permanent devastation of internationally significant habitats.

75 Monitoring of large mammals / game - during and after the construction of the highway, since there are no planned eco-corridors along the highway route



Impact on the environment

In addition, continuous monitoring of channelled collecting and disposal of contaminated atmospheric water from the pavement surface, purification of collected atmospheric waters from suspended solid particles of oil, fuel and other precipitated pollution should be carried out.

Preparatory works on the construction of the highway are not the subject of this study. This puts into question the purpose of creating such document, which aims to assess the impact of the entire project on the environment, not just one part of the project.

Finally, **the route defined by the project is rated as the best option** because the calculation does not include the cost of the measures to be taken to return the environment to normal after completion of the project, and to maintain it at a satisfactory level during the exploitation phase. Planning in an ecological way from the very start would only slightly increase the price, but certainly, it was economically much more cost-effective option in the long run.

All these shortcomings of the Study and the problems that arise from them were further circumvented by the beginning of the construction of the highway itself in May 2015, before the agreement was approved in December 2015. Thus, the Law on Environmental Impact Assessment was violated, which defines that performing of works cannot begin without the consent of the study that forms an integral part of the documentation on the basis of which the building permit is issued. [76]

On the other hand, some of the items in the Study are not respected in other documents, or in the conduct of institutions. For example, the Study foresees that it is forbidden to change the river flow, while the project of regulation of the river Tara River is elaborated in the Main Project.

Also, the Study foresees that in the case of the construction of river crossings (Tara, Morača) it is necessary to take all measures to prevent water leakage and pollution. The Ministry of Sustainable Development and Tourism issued a building permit for the construction of the highway with an EIA that did not correspond to the actual situation on the ground. The amendment to the Study or the fitting of the Main Project into the guidelines of the Study was not required.

EIA for the highway states that the designated landfill sites are not acceptable because they are foreseen in the streambeds. Although not approved in the Compliance to EIA, the Ministry of Sustainable Development and Tourism issued a construction permit for landfill III-13, which according to the Study covers a surface of 27.825 m² and the size of 330.000m³

IMPACT ON THE ENVIROMENT

The construction of the highway has had a very negative impact on the Tara River, which is under a special regime of protection due to its natural beauty. The landscape has been completely changed, the riverbed and the river flow have been relocated. Tara and some of its tributaries are contaminated with wastewater from the construction site, and part of the construction waste is deposited into the riverbed and on the banks of the river.

Tara River, as a natural good of special value of world importance, is double registered in the World Heritage List of UNESCO. The Tara River Canyon is protected by the Convention on the Protection of the World Cultural and Natural Heritage, while the Tara River Basin is a part of the network of biosphere facilities within UNESCO's "Man and Biosphere" programme (MAB).

76 Law on Environmental Impact Assessment, Article 6: "The holder of a project for which a mandatory environmental impact assessment or a project for which a decision has been made on the need for an environmental impact assessment or a decision not to require an environmental impact assessment, may proceed to implementation of the project without the consent of the competent authority on the impact assessment study or the decision that no environmental impact assessment is required" and paragraph 2 of Article 18 of the Law on Environmental Impact Assessment: "The study and approval of the study is an integral part of the documentation required to obtain a permit, approval or consent to start a project or obtain a use permit".



Impact on the environment

Tara River is especially protected by the Declaration of the Parliament of Montenegro in 2005, which permanently prohibits any interventions or works in the canyon of this river. In this area there is a significant concentration of endemic plant and insect species, and in the canyon itself there are over 80 known caves that have not been explored in detail until now. The canyon and the Tara River have met even three conditions to become part of the world heritage of UNESCO's natural resources, which are a geological, hydrological and biological phenomenon.

The Environmental Impact Assessment Study of the highway prescribed that the Ministry of Transport and Maritime Affairs and CRBC must quarterly examine the quality of the water coming into contact with construction of the highway, and to share this information with the public, which was not done. [77]

Instead, information on environmental impact was provided almost exclusively by NGOs during the past year [78], while the Ministry classified many documents as secret. [79]

Relocation of the Tara riverbed

Sections of the future highway road and a number of temporary and durable bridges are being built in the Tara riverbed. In the upper course, the river is no longer recognizable, and the obligations of protection of this part of the river defined by the UNESCO program "Man and Biosphere" have been drastically violated. Official data shows that interventions were done exclusively for the purpose of construction of bridges, rather than protection of the locals and their property from flooding.



The Environmental Impact Assessment Study for the priority section of the highway [80] and the Strategic Environmental Assessment done for the Detailed Spatial Plan for the Bar - Boljare Highway [81] expressly forbid the alteration of the Tara river flow due to its status of the protected area.

In spite of this, during the works on the bridges "Tara 1" and "Tara 2", the open route and the future Mateševu loop, the Tara riverbed was devastated. [82] The footage testify to the fact that the riverbed was channelled, dug up, narrowed, with unrecognizable banks and deposited construction waste, in a length of slightly more than eight kilometres. Satellite images show that the river flow has changed compared to the state before the start of the works. Some parts of the road of the future highway are being built in the riverbed itself by filing in huge amounts of sand and stone, and in the basin there are also pillars of bridges of the future Mateševu loop.



Izmještanje korita i rječnog toka Tare

77 p. 388 Environmental Impact Assessment Study for the construction of the Bar - Boljare highway, Smokovac - Mateševu section from August 2015

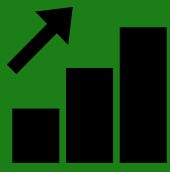
78 MANS and environmental organizations Green Home, the Center for Protection and Research of Birds Center for Protection and Research of Montenegro - njihov naziv sa site-a, OZON, Breznica and Durmitor Development Center, have been monitoring the impact of the construction of the highway on the Tara River and the area under the special protection of the UNESCO programme "Man and Biosphere".

79 Read more in the chapter Access to Information

80 <http://barboljare.me/wp-content/uploads/2018/03/Elaborat-procjene-uticaja-na-zivotnu-sredinu.pdf>

81 <http://barboljare.me/wp-content/uploads/2017/09/Predlog-DPP-autoputa-Bar-Boljare-15.10.2008-za-Sluzbeni.pdf>

82 Video footage made by drone is available at :<https://www.youtube.com/watch?v=MfAwRScjaQI>



Impact on the environment

Despite the continuous reassurance of officials from the Ministry of Sustainable Development and Tourism that this is not about the change of the riverbed, but only about its regulation in order to protect the local population and property from torrential flow and flooding of the Tara River, official documentation denies this. In the main project of the regulation of the Tara River [83], developed by CRBC, it is said that the regulation of the river is necessary in order to reduce the pressure that torrential flowputs on the columns of the bridges "Tara 1 and 2" and the columns of the future Mateševoloop.

The precise route of the priority section Smokovac - Mateševo is defined by the main project for this section, while the construction of bridges on Tara and Mateševo loop is determined by the Main project for the subsection 4.4.1.

These documents were declared by the Ministry of Sustainable Development and Tourism as trade secret, so it is not possible to determine whether the works were carried out in accordance with the plans, or the contractor violated the foreseen limitations.

The Environmental Impact Assessment Study states that part of the highway route from Veruša to Mateševo passes through the area of the Tara River basin protected by the UNESCO programme "Man and Biosphere", violating the Convention on the Protection of the World Natural Heritage. [84]

Improper disposal of construction waste

On the very bank of the Tara River there is a series of construction waste landfills, although this was strictly forbidden by the Environmental Impact Assessment Study. The Ministry of environmental protection decided to use this material for the regulation of the Tara River and legalize the disposal of waste that the Chinese company started even before that decision.

Upstream from Jabuka, on the left bank of the Tara River, there are a series of five or more landfills that exceed the height of six meters in relation to the local road and the riverbed. [85]



Illegal disposal of construction waste on the banks of the Tara River

In addition, the sources of the tributaries of Tara, river Lijevorečica and stream on Pajkov vir, were endangered by heavy construction work and mining. In the case of Lijevorječica River, heavy machinery was paving the route in the vicinity, and in the upper course, the riverbed was filled with stone, construction and other types of waste.



Devastation of Lijevorečica and stream on Pajkov vir (March 2019)

83 <http://www.mans.co.me/wp-content/uploads/2019/04/BBC150OD104GL03.pdf>
84 <https://www.slobodnaevropa.org/a/autoputem-kroz-korito-tare/29570412.html>
85 Footage of the landfill: <http://www.mans.co.me/deponije-ili-regulacija-tare/>



Impact on the environment

Composition of the deposited materials is the excavation from tunnels and related works i.e. gravel, clay, soil, crushed stone, which are unacceptable for landfilling, filling or any regulation from the aspect of biodiversity protection, since the composition and structure of the materials are dramatically different from the existing (natural) one.

Mixing of deposited construction waste with earth excavation is not permitted by the Law on Waters and the Law on Waste Management, and precisely such material covers the whole river bank, in some cases in the length of more than 20 meters.

The Environmental Impact Assessment Study for the construction of the Bar - Boljare highway, Smokovac - Mateševo section, strictly forbade "to deposit excess material from excavation into the riverbed, river bank and agricultural land". [86] According to the same document, 14 sites on which special landfills – dumps should be opened were envisaged.

Near the Tara River, there should be two landfills, at the locations of Trebišnjica and Jabuka. [87] In addition to the Study, the removal and disposal of tunnel excavations at these locations was also envisaged by the Construction Waste Management Plan, developed in 2015 by CRBC. [88]

However, these two landfills were never open [89]. The Ministry of Sustainable Development and Tourism justified such practice with the need to regulate the Tara River basin, although the aforementioned study explicitly prohibited the disposal of excavated material on the banks of the river.

In accordance with this, the Plan of Regulation of Tara River was also adopted in September 2016, which envisages securing the riverbed so that the water would not later threaten the built pillars of bridges Tara 1 and Tara 2. [90] This document was completely contrary to the Study.

In October 2018, the Ministry of Sustainable Development and Tourism of Montenegro (MSDT) adopted a new Urban Waste Management Plan, which no longer mentioned the landfills described under the technical name "IV-17" and "IV-18", and it is noted that all the material that was to be deposited at these landfills would be used to regulate Tara. [91]



Position of the planned landfill in relation to "riverbed regulation"

However, images from the Google Earth platform showed that CRBC disposed the excavated material on Tara banks in August 2018, before it was foreseen by the new Waste Management Plan.

On this basis, the question arises whether MSDT in this way helped CRBC save money by not transporting the material to the designated sites, building and providing landfills and access roads, for which regulation served as justification.



Position of the planned landfill in relation to "riverbed regulation"

86 p. 355 of the Environmental Impact Assessment Study for the Construction of the Bar - Boljare Highway, section Smokovac - Mateševo

87 p. 197 of the Environmental Impact Assessment Study for the Construction of the Bar - Boljare Highway, section Smokovac - Mateševo

88 Construction Waste Management Plan no. ET/008-02/2015-V7 of 18.06.2015

89 Footage available at: <https://www.youtube.com/watch?v=Q1ZZTvk5G4>, <https://www.youtube.com/watch?v=kM65LjHzp6c>

90 Plan of regulation of the Tara river, September 2016

91 The Construction Waste Management Plan of September 2018, to which the Environmental Protection Agency gave its consent UPI-101/2-03-84/2 of 07.11.2018, p. 19



Impact on the environment

Wastewater discharge

In some locations, during 2018, wastewater from the site was discharged into the Tara River and its tributaries without any purification.



Location where the waste water was poured into Tara (Camp Jabuka, November 2018)

For example, at the end of 2018, wastewaters from the Jabučki krš tunnel site went untreated straight into Tara. Although the pipes for drainage of waste water to the purification plant were located next to the site, the images showed that the water with which the concrete mixers were rinsed went directly into the river. [92]

That this was not an isolated incident is proved by the reports of the Institute of Public Health and the Institute for Hydrometeorology and Seismology.

According to these reports, during 2017 and 2018, in as many as 26 cases, the water sample was defective.

In addition to Jabuka stream, the tests were carried out at other locations as well, and some of them showed that there is a problem with the treatment of wastewater through the installed purification collectors.



Tara River muddy from the construction site wastewater (Jabuka stream, November 2018)

Impact of the construction on biodiversity and water quality

The construction of the highway has had a very negative impact on the species of trout and the wildlife of Tara River, as showed by the research done for the needs of the "Natura 2000" project. The recovery process will take a long time, and it is hard to expect it to return to its original state.

Ichthyological research for Natura 2000 project was carried out in July 2018. Their report states that in the downstream part of Tara, due to continuous contamination of water, trout and other autochthonous species fish were killed, while at the same time, in the investigated part there were no juvenile fish. [93]

The assumptions on critical endangerment and complete deletion of fauna on the bottom of the examined parts of the stream have been confirmed through the Report on the assessment of biological monitoring of the zero state of the aquatic ecosystem of Tara River with monitoring for the period 2017 and 2018. The results of the report showed that the number of species of the macroinvertebrate community (fauna of the bottom of the river) in 2017 was 924 ind/m², while in 2018 the number dropped to below 50 ind/m².

The report also confirms that the diversity is also significantly reduced, and that most of the groups of species were not registered in the survey in 2018. There were no species recorded in the underground fauna, which shows that the impact of the works is alarming and that the rehabilitation process will last for 10 years and more, and it is difficult to expect it to return to its original state.

Zero state or monitoring of endangered aquatic species (fish, living organisms of the bottom) has not been done, while in the professional circles it is assumed that their number is significantly reduced due to their exceptional sensitivity to the change in natural conditions.

92 Footage of discharging of wastewaters into Tara <https://www.youtube.com/watch?v=IN9QaqtFWRw>

93 Monitoring report from the field mission within the project Establishment of Natura 2000 Network in Montenegro (author: MA Danilo Mrdak, 2018)



Control and monitoring

The State Commission for Technical Inspection pointed out to series of omissions and violations of procedures during construction, but there is no information on the responsibility of the contractor for such actions.

Inspections have rarely carried out controls, and did not notice violations of laws during the construction of the highway, even when other state institutions found irregularities in the same locations.

The control hearing in the Parliament of Montenegro did not lead to improvement, and there was no response to the criminal charges from the State Prosecutor's Office regarding devastation of the Tara River.

TEHNICAL OVERVIEW OF WORKS

The State Commission for Technical Inspection pointed to a series of omissions and procedural breaches during construction of bridges and several other facilities within the highway, but there is no information on the consequences for the contractors.

In mid 2015, the Government of Montenegro appointed an Expert State Commission for technical inspection of works on the construction of the Bar-Boljare highway, i.e. the priority section Smokovac - Mateševo. The mandate of the commission, which has 27 members, is to carry out a technical review of the works on the said section, to make reports on it and to inform the Ministry of Sustainable Development and Tourism, the Ministry of Transport and Maritime Affairs and Monteput - Business Unit for managing the project for the construction of the Bar - Boljare highway.

During the last year, the State Commission noted that when building bridges "Tara 1" and "Tara 2" and several facilities on Mateševo loop, CRBC did not comply with the construction procedures.

"The concrete project [94] and the construction methodology of the pillars of the bridge Tara 2 have not been officially adopted - approved by Engineers/Supervision, although pillars are under construction," it is stated in one of the commission's September 2018 reports.

This was just one of the cases recorded by the Commission during the past year, when in the period from March to November it adopted a total of 54 reports on the construction of this highway subsection.

The problem with the concrete that is being built was repeated in several commission reports stating that CRBC did not present the concrete project, that there was no result of the ongoing testing of concrete and metal framework, and that there was no evidence of the origin of materials built in on the construction site.

In only few reports, the Commission noted that the construction works are carried out in accordance with the procedures, and on that part of the highway route the contractor was CRBC, while the subcontractor was "Skladgradnja" from Split. It is a section of the highway whose construction was previously problematic due to the impact on the Tara River.

94 The project of concrete construction, according to the valid regulations of the Ministry of Sustainable Development and Tourism, contains technical description, calculation of the load capacity and usefulness of the concrete structure and a program of quality control and assurance. In cases where a construction product is delivered without a declaration of performance and marking in accordance with a special regulation, it cannot be installed into the concrete structure.



Control and monitoring

One of the most common remarks by the commission was that CRBC did not present solutions on the selection of the chief engineer, nor the decision on the selection of responsible engineers for individual phases of construction. The commission's data show that the geological reports were not signed by the supervising engineer, but by a person who did not have this authorization, which was why the members of the commission repeatedly drew attention to the need for this practice to change.

The State Commission also made negative findings regarding construction works near Tara. Thus, on several occasions, the contractor was suggested to carry out the re-compaction of the material within the construction of the ramp on the Mateševu loop, because the tests did not meet the required results.

There is no information as to whether and what measures were taken by the Ministry of Transport and Maritime Affairs as an investor in order to sanction the contractor, Chinese company CRBC.

RESPECT FOR LABOUR RIGHTS

The Labour Inspection found that one of the major subcontractors did not pay salaries, taxes or contributions, but only after filing the complaint, when the company's management had already left the Country.

One of the companies that worked as a subcontractor in the controversial sub-section of the highway where the devastation of the Tara River was recorded is "Skladgradnja" from Split. [95] Until the moment of withdrawal from the work of the construction of the highway, this company signed subcontracting contracts with CRBC worth as much as €42 million, but it is unknown how much they were finally paid, because all the documentation on these payments was declared secret.

Despite significant funds that this company incurred by participating in the construction of the priority section of the highway, employees of this company complained last year that "Skladgradnja" had not been paying salaries for months as well as taxes and contributions. MANS therefore sent an initiative to the Labour Inspection and proposed to supervise the implementation of the Labour Law, and as well as take all legal actions in order to eliminate any irregularities detected and to align the operations of "Skladgradnja" with the regulations.

The Labor Inspection control confirmed that this company violates the laws and regulations, no longer performs works on the highway, and that the company's management had left the Country.

Despite promises to meet legal obligations, there is still no confirmation of this, as well as whether the Labor Inspection in any way sanctioned the owner of this company.

Predmet kontrole: isplata zarada poreza i doprinosa
Pregled izvršio/la: Sonja Rakonjac

Pregledu prisutan-na:

Zapisnik se sačinjava na licu mjesta u kontrolisanom objektu.

Pregledom konstatovano:

Dana 9.11.2018. godine u 13:00h izlaskom na lice mjesta konstatovano je da su poslovne prostorije DGO SKLADGRADNJA MONTENEGRO koje se nalaze u Kolašinu na adresi Trg borca bb zatvorene. Poslodavci se na dan inspekciskog nadzora nalazio u Hrvatskoj. Od Zorice Milišinić koja je obavljala poslove administrativne radnice dobila sam broj telefona direktora u Hrvatskoj Siavena Žužu kojeg sam telefonskim putem pozvala i došla informaciju da trenutno ne izvode radove na Auto putu, da će poreza i doprinosa izmiriti iz poreskog kredita, a obaveze prema zaposlenima do kraja mjeseca o čemu će obavijestiti inspektoriku kako bi sačinila zapisnik.

Inspektor rada za
objast radnih odnosa i
zapoštavanja
Sonja Rakonjac

Finding of the Labour Inspection on the control of LLC Skladgradnja



Control and monitoring

PROTECTION OF THE ENVIRONMENT

Despite obvious evidence of negative environmental impacts, the Ecological and Water Inspections claim that the contractor works in accordance with the project and issued consents. These inspections did not notice the contamination of water during field trips, although the Public Health Institute stated that there was constant pollution by wastewater from construction sites in some locations.

As a result of field monitoring, MANS and partner organizations have submitted several initiatives to Environmental Inspection and Water Inspection due to registered space devastation. Thus, the initiatives were submitted due to devastation of the Tara riverbed and the discharge of wastewater from the construction site directly into the river flow near the construction camp Jabuka.

The only answer from the Water Inspection was that "works are performed in accordance with the Main Project", and the document was declared secret by the institutions.

When it comes to Environmental Inspection, the response to the initiative that reported the devastation of the Tara river basin was that the contractor should act in accordance with the issued agreements, and that during the field visit, no contamination of the river or its tributaries was noted.

On the other hand, reports from the Public Health Institute on the periodic measurement of Tara pollution in the area where contact is made with the construction site of the highway showed that there is continuous contamination of wastewater from the construction site, and that the samples in most cases do not meet the legally prescribed values.

It is unknown whether any inspection verified these reports because their work on controlling the construction of the highway was declared trade secret. [96]

In addition to reporting the devastation of the area in Jabuka, partner organizations also reported the devastation and pollution of the source of the river Lijevorečica and the stream on Pajkov Vir at the beginning of this year as well as the deposit of various construction and other waste outside the landfills.

Until the moment of conclusion of this publication, the competent inspectors did not inform the applicants whether inspection was carried out in the mentioned locations.



Control and monitoring

TAX CONTROL

Since the beginning of the construction of the highway, the Tax Administration has only once controlled the contractor CRBC, and stated that it did not carry out special inspection supervision over subcontractors.

In four years, only one tax control was carried out in relation to the main contractor, Chinese company CRBC, but the Tax Administration declared the data on the inspection carried out by the Tax Administration secret. At the same time, the Tax Administration also did not perform control over sub-contractors.

The project for the construction of the highway section officially began in May 2015, and the Tax Administration only a year later conducted an inspection of the operations of the main contractor CRBC, which covered the period from the beginning of April 2015 until the end of 2016.

In 2017 and 2018, when the construction of the highway was the most intensive, and thus the volume of financial transactions the largest, the Tax Administration did not conduct any control. [97]

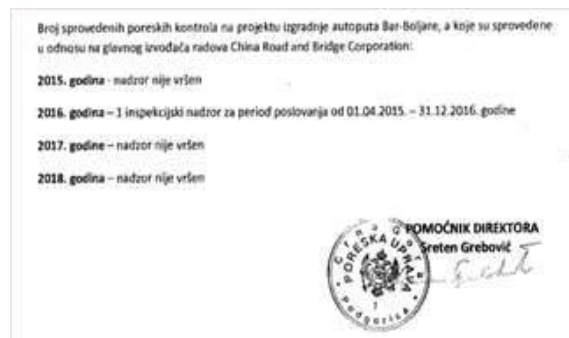
The Tax Administration declared the record of the conducted inspection supervision in 2016 tax secret, so it is unknown what were the findings of the conducted inspection procedure, or whether the business of CRBC was legal.

The Tax Administration has stated that it does not conduct special inspection controls in relation to the companies engaged in the construction of the highway. [98]

This is especially important given the number of subsidies enjoyed by these companies, which, in addition to the work on the highway, are carrying out several other major projects as well.



Tax Administration's response on the number of controls carried out



Tax Administration's response on the control of one of the subcontractors engaged on the highway

97 The Tax Administration's response at MANS's request based on the Law on Free Access to Information
98 MANS requested information from the Tax Administration on the controls carried out in relation to the local subcontractors „Bemax“, „Cijevna Komerc“, Montenegro Petrol“ and „Ramel“.



Control and monitoring

CONTROL FUNCTION OF THE PARLIAMENT

The Control hearing in the Parliament of Montenegro did not lead to the improvement of any issues related to the construction of the highway.

Partner environmental organizations Ozon, Breznica and Green Home, the Center for Protection and Research of Montenegro, submitted to the Parliament's Committee for Tourism, Agriculture, Ecology and Spatial Planning an initiative for the Control hearing of the Minister for Sustainable Development and Tourism and the Minister of Transport and Maritime Affairs due to devastation of the Tara River. The ministers, however, did not show up at the Control hearing, instead, authorized representatives of their ministries were present.

During the hearing, representatives of State authorities acknowledged that the construction of the highway has an impact on the environment, but also continued to claim that such type of work was foreseen by the project, and that the remedial measures would successfully remedy all the consequences on the ground.

STATE PROSECUTOR'S OFFICE

There was no response from the State Prosecutor's Office to the criminal charges due to the devastation of the Tara River.

At the end of October last year, MANS and partner ecological organizations filed a criminal complaint against the responsible persons in the Ministry of Maritime Affairs and Transport, Ministry of Sustainable Development and Tourism, Environmental Inspection and Water Inspection, members of the Commission for supervision of works on the highway and CRBC itself.

The complaint was submitted due to the registered devastation of the Tara River, and they are suspected for abuse of office, non performing the duty of supervision, and causing pollution of the environment.

Along with the complaint, the State Prosecutor's Office was provided with all the footages made so far, which testify to the extent of devastation of Tara. Until the conclusion of this publication, there was no publicly available information that the State Prosecutor's Office undertook any activities in the processing of those responsible for the devastation of the Tara River.



Access to Information

Since the start of negotiations with the Government in Beijing and CRBC, the Government of Montenegro and the Ministry of Transport have refused to provide most of the basic information regarding the construction and financing of the highway. Numerous information on payments, subsidies, compliance with deadlines and controls were declared trade secret based on the decision of the Ministry of Transport and Maritime Affairs. [99]

After publication of data on the devastation of the Tara River, the institutions started to declare even data on the state and environmental protection measures as trade secret, although Montenegro ratified the Aarhus Convention that guarantees citizens the right to access to such information.

Data on the inspection supervision and established violations of laws were declared secret because their publication would "cause harmful consequences that are greater than the public interest". Therefore, the public cannot know how, for example, environmental protection measures on the Tara River are being implemented.

According to the interpretations of the institutions, even the project of the highway is secret, because thus its safety is protected, so very few know where exactly the route goes and what is really envisaged, and what is the illegal destruction of the environment of the protected area of the Tara River.

CLASSIFIED INFORMATION ON THE ENVIROMENT

Monteput rejected several requests made by MANS at the end of 2018, by explaining that, according to a decision, the information requested had been marked with a degree of secrecy "internal".

Monteput refused to submit all monthly reports from CRBC regarding complaints of local population envisaged by the Environmental Impact Assessment Study of Smokovac-Matešev section. The Programme with measures to mitigate the impact on the Tara River during the construction, which is related to the collection and treatment of sanitary wastewater in the subject area, developed by CRBC at the request of the Environmental Inspection, was also declared secret.

They also did not submit the Action Plan for Protection of Tara or the Conceptual Design for regulation of the Tara River on the Uvač-Matešev line, with a view to stabilizing the slopes using excavated material from the Smokovac-Matešev section.

Also, the request for submitting of all CRBC reports related to the works on construction of the section 4.4.1 of the Bar-Boljare highway, Smokovac-Matešev section, the report on the implementation of environmental protection measures on the Tara river, as well as the reports of Monteput and the consortium Ingerop-Geodata regarding the works on that subsection.

99 Detailed information is provided in the MANS' First Report on the Construction of the Highway, <http://www.mans.co.me/wp-content/uploads/2018/10/IzvjestajAutoputMN1.pdf>



Access to Information

SECRET INSPECTION CONTROL

In spite of legal regulations that define the inspection supervision as public [100], the Administration for Inspection Affairs rejected several requests sent by MANS at the end of last year referring to the trade secret and adverse consequences that would, as they claim, be greater than the public's interest in knowing.

Thus, access to copies of all documents issued by the Inspections within the Administration in connection with the construction of a sub-section of the highway extending along the Tara river bank was denied. Also, the Administration refused to provide copies of all the records that were issued by the Inspections regarding the construction of that subsection, stating that the publication before the completion of the project would not be in accordance with the applicable regulations and laws according to which the project was designated as a business secret.

The response also stated that the publication of the requested information would cause harmful consequences that are greater than the interest of the public.

Access to copies of the Report on the implementation of environmental protection measures on the Tara River, where works on sub-section 4.4.1 and all conclusions on the imposing of fines noted by the Ecological Inspection during the inspection supervision carried out on that site, was also denied.

The Administration claims that, apart from having harmful consequences, the publication of these reports before the end of the proceedings would be unlawful.

The Administration had the same explanation for failing to provide copies of all requests for misdemeanors submitted by Water Inspectors and environmental inspectors to the competent courts on the basis of established irregularities at the site of the subsection 4.4.1

SECRET HIGHWAY PROJECT

In February this year, the Ministry of Sustainable Development and Tourism refused to deliver to MANS copies of the **main projects** of all subsections of the Bar-Boljare highway.

They explained that in this way they are ensuring the protection of the highway safety, because disclosing would result in harmful consequences that would be greater than the public's interest to know.

The Ministry refuses to publish the **Main Project of the Highway**, which MANS has requested several times, which is why the procedure before the Administrative Court is in progress.

The Main Project defines the route of the highway, as well as characteristics of certain facilities that directly affect the environment, especially the Tara River. In all cases where the devastation was apparent, the institutions claimed that the works were in line with the project [101] that is hidden from the eyes of the public.

100 "Inspection control is public. When it comes to the protection of life and health of natural persons or the serious harm to the public interest, the inspection body shall be obliged to inform the public about the facts and irregularities established in the procedure of inspection supervision", Article 8 of the Law on Inspection Control.

101 Read more in chapter Control and monitoring



Plans for new section

Preparations for the second section of the highway are under way, an expert negotiation team of the Government was formed, and a Memorandum of Cooperation was signed with the Chinese company that works on the first section, and after announcement by the Government that the project will be implemented on the principle of private-public partnership, CRBC announced they are ready to submit such an offer. The Government, however, claims that the Chinese company is not favoured and publicly invites all interested parties to apply.

Negotiations take place behind closed doors, the Government does not show the slightest intention to consult the public on the manner and conditions for the construction of the second section, and many important data are only available to the Government and CRBC because they have been declared trade secret.

In the beginning of March 2018, the Government decided to establish an expert negotiating team composed of 16 experts and representatives of state bodies, which is in charge of preparing the continuation of the construction of the Bar Boljare highway. [102]

Continuation of the construction of the highway includes the section Mataševo-Andrijevica and the bypass around Podgorica [103], and the Government applied for the Western Balkans Investment Framework (WBIF) for allocation of grants for the preparation of preliminary projects and the environmental impact assessment study.

Below is a table of stage realization of the Project for construction of the Bar Boljare highway, presented by the Government, referring to the Detailed Spatial Plan of the highway.

I faza	Smokovac - Mateševo
II faza	Mateševo - Andrijevica i obilaznica na potezu Smokovac - Tološi - Farmaci
III faza	Andrijevica - Boljare
IV faza	Podgorica - Đurmani

Ten days after the adoption of this information, the Government and Chinese CRBC signed a Memorandum of Cooperation to continue the construction of the second section of the Bar Boljare Highway on the principles of private-public partnership. [104] According to the document, the two parties expressed interest in the construction of the Mateševo-Andrijevica section as well as Andrijevica-Boljare section and agreed to form a joint group that would coordinate joint activities.

The Memorandum emphasizes that CRBC has extensive experience and resources for the implementation of infrastructure projects on the basis of private-public partnership and is committed to extensive cooperation with local construction and other companies. Despite the fact that the interest of the Chinese company does not prevent and limit other interested parties to express their interest in the project of second section, the impression is that the CRBC is favoured by the memorandum, especially considering that it is already building the first section and that it could obtain certain information related to the complete project of the Bar Boljare highway, which includes the construction of three separate sections. [105]

102 Information on the need for the formation of the Expert Negotiating Team in connection with the continuation of the implementation of the Bar Boljare Highway project, which was held at the session of the Government of Montenegro on March 8, 2018, item 38.2; link: http://www.gov.me/sjednice_vlade_2016/67

103 Line Smokovac-Tološi-Farmaci.

104 Memorandum of Understanding and Cooperation for the Project for the Construction of the Bar Boljare Highway on the principles of private-public partnership, concluded on 23 March 2018 between the Government of Montenegro, represented by the Ministry of Transport and Maritime Affairs, and China Road and Bridge Corporation; The Memorandum was signed by the Minister of Transport Osman Nurković on behalf of the Government, and on behalf of the Chinese company, by its Technical Director, Sun Yaoguo.

105 This in particular applies to planning documents for other sections of the Bar Boljare Highway Project.



Plans for new section

In November 2018, the Government announced that a part of the second section from Mateševo to Andrijevica would cost €273 million and announced that it would apply for part of funds of the European Union in the amount less than €55 million in order to receive them as grants. [106]

According to the explanation of the Ministry of Transport [107], the Government's priority is to prepare a new section of the highway while the first section Smokovac Mateševo is under construction. Immediately after the completion of the first section, construction of the route Mateševo Andrijevica would begin.

However, it is indicative that the Government has not yet coordinated the contact point for the highway project with Serbia, that is, the place that would be the point of completion of the highway in Montenegro and the start point of the highway in Serbia. In that sense, in July 2018, the Ministry of Transport of Montenegro and Serbia signed a Memorandum of Cooperation in Infrastructure Projects [108], on the basis of which the contact point of the highway between the two countries should be harmonized.

By the beginning of 2019, the domestic public has been unaware whether any company, apart from CRBC, expressed interest in the construction of the highway towards Andrijevica.

Although the Ministry of Transport [109] announced that all interested entities are publicly invited to express their interest and propose their conditions and models for implementation of other sections of the Bar Boljare highway, on the principles of private-public partnership, and with respect to the principles of equal treatment, free competition and non-discrimination, the impression is that CRBC will get this job. This is also supported by the visit of CRBC delegation to Montenegro's officials in March 2019, when they announced that they are ready to offer the financing of the section towards Andrijevica according to the model of public-private partnership. [110]

Shortly after this visit, Montenegrin media reported one of the possible options of partnership with CRBC for construction of other section is for the company to get the right to charge tolls for both sections for 20 years. [111] According to these allegations, the price of a toll could be around € 4 with VAT, and the government would allow CRBC to charge from the toll the construction cost, understandable interest rate and the costs of maintaining and managing the highway. Other options such as monopolies on gas stations, restaurants and resorts along the highway are also possible.

106 Information from the session of the National Investment Commission of the Government of Montenegro, held on November 21, 2018; link: <http://www.gov.me/vijesti/193913/Nacionalna-investigaciona-komisija-dala-saglasnost-na-aplikaciju-da-ll-dionica-Autoputa-bude-sufinansirana-sredstvima-EU.html>

107 Report on the work of the Ministry of Transport for 2018, held at the government session on March 14, 2019, item 27, link: http://www.gov.me/sjednice_vlade_2016/113

108 Memorandum of Understanding and Cooperation on the Implementation of Infrastructure Projects between the Government of Montenegro and the Government of the Republic of Serbia, signed in Podgorica on 23 July 2018 by the Ministers of Transport of Montenegro and Serbia Osman Nurković and Zoran Mihajlović; the decision to publish the Memorandum was published in the Official Gazette of Montenegro - International Contracts No. 10/18 on October 11, 2018.

109 Ibid6

110 Article on Vijesti Portal of March 8, 2019 under the title "Đukanović zadovoljan dosadašnjom dinamikom radova na gradnji autoputa"; link: <https://www.vijesti.me/vijesti/ekonomija/dukanovic-zadovoljan-dinamikom-dosadasnjih-radova-na-gradnji-autoputa>

111 Article on Vijesti Portal of March 26, 2019 under the title "Kinezima naplatne rampe ako izgrade i drugu fazu autoputa"; link: <https://www.vijesti.me/vijesti/ekonomija/kinezima-naplatne-rampe-ako-izgrade-i-drugu-fazu-auto-puta>



OTHER SIGNIFICANT PROJECTS

During 2018, procedures for the protection of several sites of international importance, such as the Kotor area, Solana Ulcinj, Skadar Lake and Buljarica, have not been completed, which contributes to their further devastation and endangering of the protected status.

The Government included the project of building hydroelectric power plants on Morača in the list of infrastructure priorities, and then received a concrete offer from a Chinese company. This project was criticized by numerous international organizations and experts, but the Government's interest in its implementation was increased due to the possibility of exporting electricity to Italy via an undersea cable.

The impression is that the Government, for the time being, has given up the construction of the second block of the Thermal Power Plant in Pljevlja and instead has begun reconstruction of the existing facilities in order to extend their lifetime.

ENDANGERED AREAS OF SPECIAL IMPORTANCE

The Government and other institutions did not adopt planning and other documents of key importance for protection of the endangered areas of the Kotor area, Solana Ulcinj, Skadar Lake and Buljarica. In all these cases, delaying the resolution of problems essentially means waiting for the devastation of these areas to reach a level when there is nothing more to protect.

Protected area of Kotor

Key planning documents have not yet been adopted and updated to solve the issues that may cause the area of Kotor to be removed from the UNESCO World Heritage List. The concepts of plans that were so far available to the public are of extremely poor quality, and the impact assessment on heritage had been made before regulations and were adopted in this area.

Natural and cultural-historical area of Kotor has been on the UNESCO World Heritage List since 1979. Since 2003, UNESCO World Heritage Committee, through its decisions, has warned of the **risk that excessive and uncontrolled urbanization can have on an exceptional universal value of the area of Kotor**, in particular through decisions made from 2014 to 2018.

Heritage Impact Assessment - HIA

Based on the decisions of the World Heritage Committee [112], Montenegro was required to undertake a comprehensive HIA [113] study for the entire area of Kotor and HIA for the bridge on Verige and Glavata, as well as to deliver them to the World Heritage Center by 1st December 2017. HIA for the Kotor area was led by Faculty of Architecture, and this document was adopted by the Government on November 10, 2017. The Faculty of Architecture did not have the appropriate permission to create a Study of the Heritage Impact Assessment and the Natural and Cultural and Historical Area of Kotor, by which the Government is trying to prevent the United Nations Educational, Scientific and Cultural Organization (UNESCO) from taking this town down from the list of world cultural and natural heritage. [114]

112 <http://whc.unesco.org/en/decisions/6719>

113 Study on the Impact Assessment on World Cultural Heritage. Impact assessments on the world - cultural heritage are binding to all planning documents and infrastructure and construction projects, i.e. all interventions in the area that could endanger the universal value of the world's natural and cultural and historical area.

114 EXPEDITIO and MANS conducted a research on the legality of the HIA developing process for the Kotor area. www.vijesti.me/vijesti/arhitektonski-fakultet-bez-konzervatorske-dozvole-procjenjivao-kotor



OTHER SIGNIFICANT PROJECTS

When drafting of HIA began, there was no such type of document in Montenegrin laws because HIA is a relatively new instrument, and the guidelines that we should follow are the international guidelines of ICOMOS. In Montenegro, HIA was introduced only in late February 2018 by the Law on Amendments to the Law on the Protection of the Natural and Cultural-Historical Area of Kotor [115], but it is not clearly defined who can make HIA.

Reactive Monitoring Mission of UNESCO/ICOMOS World Heritage Center

From 29th October to 2nd November 2018, the Joint Reactive Monitoring Mission of UNESCO/ICOMOS World Heritage Center was visiting Montenegro, which was to examine the situation of the Kotor area and make recommendations for further activities. During the mission's stay, a series of meetings with institutions and representatives of the non-governmental sector was organized. [116]

The Reactive Monitoring Mission Report was delivered to all who met with mission members at the end of February 2019 by the Montenegrin National Commission for UNESCO. Since this document has not yet been officially posted on UNESCO's website [117], EXPEDITIO has addressed the UNESCO World Heritage Center with the request to allow the setting up of the Report on our site and make the document available to the public.

Spatial and urban plan of the Municipality of Kotor

At its session held on December 20th 2018, the Government of Montenegro adopted the Decision on the Development of the Spatial and urban plan of the Municipality of Kotor [118]. **The Ministry of Sustainable Development and Tourism [119] previously organized participation of the public** in the period from January 24 to February 24, 2019. The concept of the Spatial and urban plan of the Municipality of Kotor was published on the Internet. [120]

This concept does not represent a basis for the quality development of the Municipality of Kotor, which in large part also covers the area of World Heritage. The concept of the plan has too many methodological and substantive omissions, it is a set of inconsistent opinions, uncritically taken extracts from other documents and plans that together make up for one non-functional whole. [121]

The draft of the Spatial and urban plan of the Municipality of Kotor was made [122], and it was given to the opinion of the institutions. When the Government adopts this document, it will send it to UNESCO, after which it will organize a public hearing. [123]

115 "Official Gazette of Montenegro, number 13/2018" of 28.02.2018

116 Representatives of EXPEDITIO and the Society of Friends of Boka Heritage, who presented their views on all issues related to the protection of Kotor area, attended the meeting with representatives of NGO sector, which was organized on October 31, 2018.

117 <http://whc.unesco.org/en/list/125>

118 "Official Gazette of Montenegro" number 82/18, the Government also adopted the Decision on determining the manager of the Spatial-Urban Plan of the Municipality of Kotor and the amount of compensation for the manager and expert team for development of the spatial-urban plan.

119 Pursuant to Article 27 of the Law on Spatial Planning and Construction of Facilities ("Official Gazette of Montenegro", No. 64 / 17,44 / 18 and 63/18)

120 http://www.mrt.gov.me/rubrike/javna_rasprava/195552/Prethodno-ucesce-javnosti-sa-ciljevima-i-svrhom-izrade-Prstorno-urbanistickog-plana-Opstine-Kotor.html

121 Comments of the NGO Expeditio to the Concept of the Spatial-Urban Plan of the Municipality of Kotor http://www.expeditio.org/index.php?option=com_content&view=article&id=1993:komentari-na-koncept-pup-a-opstine-kotor&catid=81:novosti&Itemid=410&lang=sr

122 According to the information we received at the session of the Management Board for the Kotor area

123 It is planned for a round table on SUPto be organized in the framework of this public debate, which we believe will take place by the summer.



OTHER SIGNIFICANT PROJECTS

Management Plan of the Natural and Cultural-Historical Area of Kotor

Based on the Law on the Protection of the Natural and Cultural-Historical Area of Kotor, the Kotor area is managed in accordance with the Management Plan of Kotor, and in order to coordinate the execution of tasks of protection, conservation and management, the Government formed the Management Board of the Kotor area.

The Management Plan of the Natural and Cultural-Historical Area of Kotor [124] was adopted by the Government in December 2011. It was designed for a period of 15 years, with the obligation to carry out its audit every three years. However, the audit of the Management Plan has not been implemented so far and is finally planned for this year.

The new Management Council of Kotor was appointed on September 14, 2017 [125]. At its session [126] held on February 22, 2019, the Council decided to form a team for the development of the Management Plan, which should coordinate this process. [127]

124 The Management Plan is a strategic document aimed at ensuring effective protection and improving the significance of the World Heritage area through the establishment of a comprehensive management mechanism.

125 The representative of EXPEDITIO is a member of this Council.

126 Pursuant to Article 10 of the Law on Protection of the Natural and Cultural-Historical Area of Kotor (2018), the Council's competencies include the coordination, preparation and implementation of the Management Plan.

127 The representative of EXPEDITIO will also be part of the working team, so this process will be monitored, and a round table regarding the Management Plan will be organized in the following period



OTHER SIGNIFICANT PROJECTS

“Solana” Ulcinj

Legal framework necessary for "Solana" Ulcinj to be protected is yet to be completed, although important planning documents, which do not envisage the construction of tourist facilities, have been adopted. The ownership issue over "Solana" has not yet been resolved, and a new tender was announced for the sale of the company's property, including a portion of the state land.

In the European Commission Report for Montenegro published on April 17, 2018 [128], the protection of "Solana" Ulcinj was repeated once again as an urgent measure that must be fulfilled within Chapter 27 and further accession and continuation of negotiations in the field of environmental protection.

A day later, at the CZIP conference [129], the Minister of Sustainable Development and Tourism committed to submit a study on protection for further procedure to the Municipality of Ulcinj within a month. [130]

The study of the protection of "Solana" Ulcinj, created in the autumn 2017, was finally adopted at the session of the Government in October 2018, after which it was forwarded to the Municipality of Ulcinj for further procedure.

On January 31, 2019, the Municipality organized a central public debate and drafted a Proclamation act, and forwarded the Decision to the Ministry and the Commercial Court on granting consent before voting in the local parliament. Although the process of protection is in its final stage, it is still unknown when the session of the Parliament of the Municipality of Ulcinj will be scheduled. The voting on this decision in the Parliament of Ulcinj will represent a significant burden on the local budget in terms of financing the protection of the saltworks.

Previously, the Ministry of Sustainable Development and Tourism organized a discussion on the Special Purpose Spatial Plan for the Coastal Zone. [131] During the presentation of the plan, it was confirmed that there will be no changes in relation to the content of the Local Spatial Urban Plan that recognizes "Solana" as a future protected area. The first draft of this spatial plan contained a very problematic definition: 1500 beds in the area of "Solana" Ulcinj.

The Parliament of Montenegro officially adopted the Special Purpose Spatial Plan for the Coastal Zone on 27th July, 2018. This plan provides further protection of "Solana" and it is foreseen for this space to be used for the industrial zone, nature park and the future Ramsar area, a wetland habitat of international importance, which eliminates the possibility of construction.

Chapter 27 was officially opened on December 10, 2018, and the protection of Ulcinj "Solana" was set as a final benchmark and a condition for Montenegro's accession to the European Union.

In mid-March this year, the Insolvency Administration issued a new, 15th public call for the sale of Bajo Sekulić's insolvency property, including 15 million square meters of land not owned by the company. By this, the practice of selling the property that the company had just for use while concessions for the exploitation of salt were active once again repeated.

The data in the state land registry show that the only owner of that land is the State of Montenegro, due to which MANS and partner ecological organizations filed criminal charges against the Insolvency Manager of the company "Bajo Sekulić".

128 https://eeas.europa.eu/sites/eeas/files/country_report_montenegro_2018.pdf

129 4th International Conference on the Protection of "Solana" Ulcinj, was held on April 18, 2018 with 100 participants, representatives, international organizations, civil sector and relevant institutions of importance for further protection process. The Conference was attended by the representatives of the Embassy of Germany, Austria, Greece, Italy, Slovenia, Croatia, Bosnia and Herzegovina and Northern Macedonia.

130 https://www.euronatur.org/fileadmin/docs/projekte/Saline_Ulcinj/Conclusions_4th_Conference_Salina_Ulcinj.pdf

131 Discussion in the Municipality of Ulcinj was held on May 29, 2018



OTHER SIGNIFICANT PROJECTS

Skadar Lake

At the end of September 2018, the Government withdrew the plan for Skadar Lake from the Parliamentary procedure following a complaint by the NGO sector that the proposed solutions would destroy this protected site. However, lower-order plans based on which a decision was made to build a major tourist complex in the heart of the national park are still in force.

In September last year, the Government of Montenegro submitted a draft plan for the National Park Skadar Lake to the Parliament for adoption, which in its solutions still left the possibility of part of the national park being devastated by urbanization. Several environmental NGOs complained to the Secretariat of the Bern Convention [132], after which, according to the recommendations of the Bern Convention, Montenegro's Government was unambiguously urged to suspend the further development of the tourist complex Porto Skadar Lake and Bijelo selo (tourist settlement "Mihailovići"), i.e. Biški rep Bay, where major tourist complexes are planned. [133]



Planned Skadar Lake complex

The Ministry of Sustainable Development was requested to postpone the process of adopting the spatial plan until a detailed map of the habitats are drafted for the Mihailovići zone, the Poseljanski Bay, Biški Rep, the confluence of Rijeka Crnojevića, Bazagurska matica and islands Liponjak and Galići, and the types of habitats on the lake are classified in accordance with the EUNIS habitat classification and NATURA 2000 sites with a focus on wetland habitats.

Recommendations requested audit of the Spatial Plan Draft for the Skadar Lake National Park so that the area of the Biški rep, Rijeka Crnojevića, Liponjak and Galić is designated as the Zone I area, i.e. to include it in the strict protection regime without construction activity. In this zone should also be included a 300 m wide belt around the island and underwater sources.

At the end of September last year, the Government of Montenegro officially withdrew the plan proposal for the National Park Skadar Lake from the parliamentary procedure. Nevertheless, lower-order plans (National study of the location "Mihailovići"), based on which the green light for the Proto Skadar Lake project has been given, remain in force.

132 Bern Convention - Convention on the conservation of wild and migratory species through which EMERALD sites are established, the majority are also included in NATURA 2000 habitats which imply the implementation of a strict and legally binding regime in the EU. On 30 November 2018, 38th Session of the Standing Committee in Strasbourg, a decision was made on the complaint filed by the Green Home and Informal Citizens' Association of Virpazar to the Bern Secretariat.

The official recommendations of the Bern Convention are available at: <https://rm.coe.int/recommendation-on-the-development-of-a-commercial-project-in-skadar-la/native/16808e95c7>
133 The report of an expert mission made by the representatives of the Bern Convention and RAMSAR Development Convention in the National Park Skadar Lake, after visiting the site in June 2018, is available at <https://rm.coe.int/on-the-spot-appraisal-for-the-possible-file-development-of-a-commercial/16808e95de>



OTHER SIGNIFICANT PROJECTS

Buljarica

During 2018, a new legal solution was adopted that allows the Government to sell or lease the land belonging to private owners. That was precisely the key obstacle in the Government's previous attempts to valorize the Buljarica site.

After the tender for sale and leasing of land in Buljarica failed in 2016, the Government officially did not seriously consider announcing of a new tender.

One of the key reasons for the cancellation of the last tender was unresolved property-legal relations at the Buljarica site, and the resistance of private owners to sell their land at the price set by the Government, not by the free market.

However, at the end of 2018, the Law on Expropriation was adopted that allows the Government to dispose of private property and make it available to a third party, regardless of whether the owner of the property is satisfied with the compensation for land determined by the Government. [134] The same law stipulates that a citizen may seek legal protection before the judicial authorities, but that this does not postpone the decision on the state's entering into his possession.

The government proposed a similar law in 2015, but it was withdrawn after strong criticism from the international community and even some Montenegrin institutions. Three years later, MPs of the ruling party proposed almost the same text of the law, but thus avoided the public debate that the Government, as the proposer, would have to organize. [135]

Such legal solution may once again raise interest in valorisation of the Buljarica site, since the Government can now offer for sale or lease the land belonging to private owners.

134 Vijesti, Predložen zakon kojim želje investitora postaju javni interes, October 27, 2018
<https://www.vijesti.me/vijesti/predlozen-zakon-kojim-zelje-investitora-postaju-javni-interes>

135 Ibid



OTHER SIGNIFICANT PROJECTS

MAJOR ENERGY PROJECTS

During 2018, the Government did not undertake any activities related to the Construction of the Second Block of the Thermal Power Plant in Pljevlja that has been announced for years, but rather focused on the reconstruction of the existing First Block.

Despite the strong criticism of relevant international organizations and experts, the issue of building hydroelectric power plants on Morača was re-launched at the beginning of this year, when the government placed the project into its priorities, and shortly after received a concrete offer from a Chinese company.

Thermal Power Plant Pljevlja

For years, the Government has been advocating the construction of the Second Block of the Thermal Power Plant in Pljevlja, despite the strong criticism by the civil sector and a part of the expert public that it is economically unprofitable and with far-reaching negative consequences for human health and the environment. Nevertheless, it seems that in 2018 there has been a "halt" in this plan, so the Government and EPCG intensified their activities in connection with the reconstruction of the existing First Block of the Thermal Power Plant.

In March 2018, the Agency for Nature and Environment Protection issued an integrated license for the operation of the First Block of the Thermal Power Plant [136]. The license limited the operation of the Thermoelectric Power Plant to a total of 20 thousand working hours for a period of five years. [137]

During that period, EPCG plans to implement a project for the ecological reconstruction of the Thermal Power Plant in the period from, after which the plant would operate in accordance with the European directives. [138] EPCG has projected the operation of the existing Thermal Power Plant by 2043, when it would begin its dismantling. [139]

EPCG planned to spend over €40 million for the reconstruction of the First Block, and an additional 19 million for continued use and phase reclamation of the Maljevac landfill.

In the same month in which it received an integrated license for the work of the First Block of the Thermal Power Plant, EPCG concluded with the German company Steag Energy Services the contract on the Preliminary project of ecological reconstruction [140], which should be the basis for the development of the main project and the works. [141]

136 Decision on issuing an integrated license for the operation of the entire facility of TPP Pljevlja and performing activities of electricity and heat production at the location Kalušići in Pljevlja, issued by the Agency for Nature and Environment Protection on March 22, 2018; epa.org.me/wp-content/uploads/2018/04/Rje%C5%A1enje-o-izdavanju-integrirane-dozvole.pdf

137 The limitation was adopted in accordance with the Decision of the Ministerial Council of the Energy Community No. 2016/19/MC-ENC on the approval of the exemption of the plant of compliance with the limit values of the emission established by the Directive 2001/80/EC of the European Parliament and the Council, adopted by the Government of Montenegro by the decision No. 07-3236 on November 2, 2017

138 Directive 2010/75 of the European Union on industrial emissions.

139 EPCG data submitted to the Agency for Nature and Environment Protection on October 3, 2017, number UPI-101-1556/1-02-2231/6.

140 Public Procurement Contract for creating of the Preliminary Design Project for the Environmental Reconstruction of the Pljevlja Thermal Power Plant I No. 1277 of March 27, 2018, concluded between Electric Power Company JSC Nikšić and Steag Energy Services GmbH; the contract was concluded for the amount of €664,290

141 EPCG announced the tender for creating of the Preliminary Project for Environmental Reconstruction of the Thermal Power Plant on December 25, 2017



OTHER SIGNIFICANT PROJECTS

Under the contract, German company committed to prepare within seven months the Preliminary project of ecological reconstruction of the First Block, as well as the Environmental Impact Assessment Report, and at the same time to prepare tender documents for the main project and the works. By the end of last year that work was not completed.

In the meantime, EPCG revealed that the German company was given task to design ecological plants at a full power of 300 MW [142], after the company had previously been asked to determine the exact capacity of the boiler plant.

Hydropower plants on Morača

Despite the strong criticism regarding the planned construction of hydroelectric power plants on Morača, at the beginning of the year, the Government again put the project on a list of infrastructure priorities. Shortly afterwards, a new offer from a Chinese company was announced, which had previously expressed interest in the project.

At the beginning of this year, Construction Plan for hydropower plants on Morača were placed on the list of priority infrastructure projects of the Secretariat for Development Projects, despite the recommendations of renowned international organizations for the Government to give up this project. [143]

At the end of last year, two largest environmental organizations from Europe, Riwervatch and EuroNatur, published the Eco-Masterplan for Balkan Rivers [144], in which they recommend for hydropower plants not to be built on Morača due to its hydrological and biological values.

“Morača River itself is a highlight in the Balkans, but what makes it even more unique is its connection to Lake Skadar, the largest natural lake on the Balkan peninsula. About 33 endangered fish species live in the river/lake system. Even the lake species are dependent on a functioning and free-flowing Morača” – it is stated in the document.

The value of the project for the construction of HPPs on Morača, according to the document of the Secretariat for Development Projects, is about half a billion Euros. The Government is also forcing this project due to the fact that the production from these hydroelectric power plants can be exported to Italy via an undersea cable.

According to the media [145], several days before the conclusion of this report, the Chinese company Norinco submitted to the Government a technical and commercial offer for the construction of eight cascade hydropower plants, five on the main stream of the Morača River and three on its tributaries.

That company sent a technical proposal for the construction of power plants four years ago. The Czech offer for the construction of the second block of power plants in Pljevlja was ongoing at the time, which in the meantime fell through, as well as the idea to build hydropower plants in cooperation with the Italian company A2A, which owned EPCG.

Earlier, the Directorate for Energy stated that, besides the Chinese company “Norinco”, Turkish “Beretek”, Slovenian-Turkish consortium, and another company from China, “Power China” [146], showed interest.

As early as in December 2016, the Commission for evaluation of technical offers for Morača HPPs was established, but the public has no information on its work.

142 Statement by the Director of "Termoelektrana" Pljevlja, Vladimir Šestović, published in the newspaper "Elektroprivreda" No. 386, December 2018, www.epcg.com/sites/epcg.com/files/multimedia/gallery/files/2014/04/386_web.pdf

143 Article on Vijesti Portal published on January 19, 2019; link: <https://www.vijesti.me/vijesti/drustvo/vlada-ne-odustaje-od-he-na-moraci>

144 <https://balkanrivers.net/sites/default/files/Eco-Masterplan%20for%20Balkan%20Rivers-PRESS-REVISION%201-2018%20November%2026-WEB.pdf>

145 Article on Analitika Portal published on March 12, 2019; link: <https://portalanalitika.me/clanak/328394/norinco-bi-da-gradi-osam-elektrana-na-moraci-vrijednost-projekta-makar-pola-milijarde-eura>

146 Article on the Radio Free Europe portal published on May 5, 2016; link: <https://www.slobodnaevropa.org/a/misteriozni-plan-za-potapanje-moraca/27717710.html>