



Analysis on Public Infrastructure Serbia

CREDITS

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This document has been produced as a part of the project “CSOs as equal partners in the monitoring of public finance“ which started beginning of 2016 and is implemented by a consortium of 10 organizations from 7 countries and will last for four years.

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

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

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

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INTRODUCTION

Main concerns:

Infrastructure investments aren't fulfilling their national economically cohesion and development goal since most of financial benefits are being concentrated in the hands of mostly foreign (and domestic) construction and consultancy companies that are implementing projects or are owners of most of technologies necessary for implementation of those projects and foreign banks financing those projects while Serbian public is bearing seriously expensive cost of capital, import of technologies and services and moreover expensive imported primary energy.

Criteria for selection of technologies and design of projects aren't in most of cases led by precaution principles and without orientation to internalization of external (both social and environmentally) thus leading to increase of environmentally and socially costs. Main concern of authorities advised by IMF, WB and EU are actually profitability of the projects thus sole sense of "public" being undermined thus leading to obvious and detrimental fall of public services, serious increase of cost of utilization per capita and exclusion of most of citizens from benefits of infrastructure. (more than 60% of citizens energy poor)

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Principle of real cost of utilization of infrastructure (especially in energy and transport sector) is not actually being considered as ground for change in pattern of development of infrastructure towards domestic, renewable energy sources as main and exclusive socially, environmentally and economically feasible source and INPUT for sustainable recovery of industry in Serbia.

Public is completely excluded from strategically discussion about the future form and design of national infrastructure.

1. TRENDS IN PUBLIC INFRASTRUCTURE

Serbia is in deep social and economically crisis. Main overviews of macro economically situation in Serbia¹ completely miss main point showing strong civilizational crisis that is Serbia facing, namely demographic and environmentally one. Serbia is constantly losing population in absolute terms in both negative birth rate (more than 35000 people dies than being borne every year) while in same time Serbia is losing about 50-60000 citizens yearly due to economically migration to the west.

In same time due its historically pollution and wrong design of main infrastructural systems Serbian citizens are exposed to one of most polluted environments in Europe. Citizens of Serbia are among most carbon intensive population in globe. In that Sense even though in absolute terms Serbia is minor GHG emitter it is disproportionally big emitter per capita.²

In same time while having serious and obvious hike of most destructive chronically diseases (especially cancer, cardiac diseases) Serbia is experiencing unheard of reduction of capacities of medical institutions, heavy austerity saving in medical sector and disastrous emigration of few hundreds or even thousand medical workers annually to global west (that is actually prescribing austerity measures to Serbia- wages freeze in medical sector, while in same time open heartedly vacuuming Serbian well educated and highly skilled medical personnel- especially Germany). In that sense Serbia is facing one of biggest socially problems since WWII that aren't at all tackled and for which Serbia do not has viable strategy for solving it.

Despite media and political attention completely fixated to the “economy” Serbian authorities and “experts” are not at all able to perceive some of most important negative indicators of social and economically development. Beside negative birth rate Serbia is among champions in one more painfully statistics and that is that Serbian “mothers” (mostly sharing responsibility with their “partners”) do abort between 120-200000 babies under excuse of hard economically situation. In such way sole substance of national development of future is undermined.

Serbian urban agglomerations are among most polluted in Europe while in same time globally “partners” including Germany, France, Italy, China are selling most polluting energy and transport technologies to Serbia under excuse of improvement of technologies. By “Improving” emissions from most polluting

¹ Including article IV discussions with IMF, Econonmic reform programs developed within the framework of structural dialogues with IMF and WB and EU and WB overviews and programs for Serbia

² https://en.wikipedia.org/wiki/List_of_countries_by_carbon_dioxide_emissions_per_capita

and destructive energy productions for **fraction of level prior to such** investments but by using billions of EUR ³with clear negative macro economically outcome on to the level of national debt and also on national economy.

Despite open opposition of civil society to such direction of development government and its corporate clients (especially foreign financial oligopoly and its corporate exponents) are blatantly continuing transfer of destructive energy technologies exposing Serbia to not sustainable energy and mining development selling extremely expensive technologies for extremely expensive loans locking Serbia in to un solvable technology and resource reliance.

Irony of this situation is that that Serbia attempts to develop even more sectors that eill. Such level of misunderstanding of main indicators of social failure of Serbia we can best present by “triumphant” reports of IMF, WB, EC and Serbian government about the increase of GDP, reduction of inflation, reduction of public debt, and reduction of unemployment while we in same time do not at all hear any word about demographically disaster that is happening while we speak. Yes it is naturally that you have reduced unemployment rate since you have almost 60000 less workers annually on market of labor.

Same is unfortunately happening with the false presentations of other social indicators like poverty that is constantly under reported to be less than 20% while we see that energy poverty rates are much higher than 50%. This numbers simply do not match. Even bigger problem is that serious numbers of actually employed citizens are actually under line of the poverty which is not considered as special problem related to catastrophic labor laws introduced by government of Serbia under auspices of EU and IFIs.

Serbia is facing most serious environmentally and climate change related issues that will for sure in middle and long term jeopardize any plans for sustainable development: Serbia is suffering between 100-200 mEUR annually from floods and draughts,⁴ it is exposed to at least 15000 landslides out which

³ Serbia needs to invest about 9 billion EUR in to future coal mines and new lignite based TPPs if it wants

⁴ Since 2000, Republic of Serbia was faced with several significant extreme climate and weather events which caused considerable material and financial damage as well as human casualties. Two distinct events were the 2012 drought and the 2014 flood. 2012 drought was particularly severe, contributing to reduction in yield of certain crops by 50%. Estimates show that droughts from 2000, 2003, 2007 and 2012 caused more than 3.5 billion EUR worth of damage, while the 2014 floods caused more than 1.5 billion EUR. Estimates show that material damage incurred by the forest fires in the period 2000-2009 was well above 300 million EUR.

The total damage caused by extreme climate and weather events, since 2000, exceeds five billion EUR and more than 70% of the losses are associated with drought and high temperatures. Second major cause of significant losses was floods., <http://www.serbiacclimatestrategy.eu/climate-change-strategy/>



about 1500 major active landslides that are jeopardizing whole settlements and infrastructure, it is having between 1,5 to 5 b EUR annually pollution costs from large coal based power plants, in same time Serbia is cleaning minor part of waste water and practically has minimal percentage of recycling of waste, Serbia does not have facility for long term solution of dangerous waste. More than 3,5m hectares in Serbia are under serious erosion due to acidification and lack of protective belts and forest surfaces.

Despite heavy investment in air quality monitoring it is almost completely dysfunctional. Most of places do not measure continuously quality in air thus producing fictive presentation about the real quality of air. In same time complex methodology of deciding about the spots for measuring and moreover constant outcry of authorities how expensive is to measure air quality and moreover directly misuse of budgetary funds collected due to pollution are leading to situation that citizens of Serbia are not protected, that it is impossible to prove systemic pollution and moreover that it is impossible to obtain COURT PROTECTION FROM THE POLLUTERS.

Systemic presentation that working places are in danger if environmentally measures are implemented leads to situation where even foreign operators are aligning their operations to common practices in Serbia. In this way **practically sense of environmental regulations to give right impulse for technologically improvement and transition to not polluting technologies and systems is completely undermined in Serbia.**

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All these issues and problems with enormous social, macro and micro economically consequences are not part of main macro economically discussions showing level of inability of main institutions of Serbia (ministry of finance and economy) and global ones (IMF, WB, EU IFIs and other) to understand and report on main issues that IF SOLVED actually show success and reality of macro and micro economically interventions (including sectoral ones).

With all those indicators Serbia is obviously in big need for infrastructural investment that should provide not only solution for listed problems but moreover provide establishment of new investment cycles, distribution of socially produced value and naturally resources, increase of added value of Serbian economy, provide hundreds of thousands of jobs, reduce import reliance in energy and transport sectors. Infrastructure as it is now proposed and promoted (in both energy, transport, environment, waste).



Looking at the direction in which Serbian authorities are directing main economically infrastructure development we should say that such long term structurally change will not happen since infrastructure is serving corporate interest of international corporate and banking sectors that do not allow that new industrialization with high profitability in domestic ownership to happen.

Restructuring demanded and promoted as “modern religious mantra” is not at all interested in environmentally footprint, socially impact and profile of future impacts of investments since main decision-making criterion is financial capital return.

Macro economy that does not takes as main goal improvement of social situation is wrong, dangerous and misleading.

In context of such social and environmentally collapse, investment in to the infrastructure is being promoted as one of main measures that should help Serbia and other countries in region to attract badly needed FDIs⁵ that are considered as among only solution for the domestic economically development that should provide attractive environment for foreign investors that in conjunction with heavily liberalized labor regulations, reduced fiscal burden, shortened bureaucratically procedures should provide solution for macro economically highly constrained country.

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As IMF is stating that: “quantity and quality of public infrastructure needs to be improved both through higher capital spending, and by better public investment management, with rigorous project selection and appraisal to ensure scarce resources and technical capacity are directed to projects with the highest returns.”⁶ Despite repeated attempts of civic activists to make aware ministry of finance and economy that environmentally externalities (present and future) do need to be counted in GDP as debt that should serve as main signal for revisiting main investment decisions and **rejection** of most destructive ones is completely ignored.

Serbian decision making do not accepts reasonable and realistic signals that present investment pattern is leading to increasing of pressure on social structure in Serbia and is increasing violation of human rights on life and healthy environment as defined in constitution of Serbia.⁷

⁵ Foreign direct investment,

⁶ <http://www.imf.org/en/News/Articles/2017/07/05/mcs652017-serbia-concluding-statement-of-the-mission-for-the-2017-article-iv-consultation>

⁷ Article 24 (right to life) and article 74 (right to healthy environment)

<https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/74694/119555/F838981147/SRB74694%20Eng.pdf>

For that reason we do consider that most of macro economically overviews and especially programs that do not put in to their center of focus radical change in these indicators as completely blind, dangerous and even misleading. Blind investment in infrastructure with clear focus on profitability as main measuring stick is highly dangerous for future sustainable development especially in majority of cases that cannot provide serious financial profitability, while in same time there are high public, common interest to have such infrastructure constructed, maintained etc. (local railways, local water cleaning, local RES energy sources etc).

In same time main programs for macro economically restructuring of Serbia, including ones that are listing main infrastructural interventions that should somehow magically increase domestic economically activity, provide increase of GDP, reduce public debt **are not at all looking on to the profile** (environmentally, socially economically) **of those investments** thus allowing for environmentally and climate damaging projects to get most of the points as real restructuring prospects.

⁸

Even more practices that do not change destructive profile of infrastructure are actually directly violating article 83 of Serbian constitution: “Entrepreneurship may be restricted by the Law, for the purpose of protection of people's health, environment and natural goods and security of the Republic of Serbia.” In the case of most important infrastructural developments that endanger human lifes this is not the case and authorities are actually allowing for further increase of danger for life of all the citizens of Serbia (especially energy sector and coal mining sector developments).

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Thus it is not by the chance that main infrastructural investments in Serbia are actually relying on continuation of reliance on fossil fuels (coal sector investments in energy, and highway projects in transport) Without in depth screening of sustainability of infrastructural projects proposed to affirm Serbian economically development we see that those projects will for sure lead to socially and environmentally and consequently inevitable economically decay and the structurally collapse of Serbian society and economy.

⁸ This is case in transport sector (in SEETO list) also in energy sector (infamous regional strategy of Energy community for south east |Europe)

1.1. Definition of Infrastructure

Infrastructure is being implicitly defined in law on public property as public good.⁹ As public good it is in property of State or local communities (if allowed by state) and as such are provided for nondiscriminatory access to all the citizens. As public good per definition it should be possible to all the citizens to participate in decision making related to the infrastructure development. Unfortunately, other laws and strategies, especially law on spatial plan, energy, transport and PPP do not align with this positive concept. In opposite these laws practically establish such framework that effectively disables public from direct and impeded participation in decision making.

Infrastructure is defined in number of laws, strategies and programmatic documents, but it would be rather hard to have one unified definition especially looking at the issue of public interest wasted in the so called “public interest”.

Process of defining of “Public interest” as such is not defined in any law and such situation is producing incredible problems with regards to attempts of NGOs, interested local communities, independent media, independent civic initiatives, independent experts, associations of experts and most importantly citizens affected by some of most notorious infrastructural projects and programs to actually intervene with some of most destructive projects and programs of “Public interest” that have being defined as such despite their clear social, financial or environmental negative sides.

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In national strategy for sustainable development good foundation is laid down that should be good measuring stick for any future development in form of principles given¹⁰ as leading principles of future development of Serbia that both environmentally sustainability¹¹ (polluter pays), integration of environmentally considerations in projects and programs¹² (Integration of environmental issues in other sectoral policies) but moreover open and democratic society – public participation in decision-making¹³ should be taken in to consideration whenever some program, project or policy is being developed.

Despite such principles laid down most of infrastructural developments in Serbia of our days are actually conflicting those principles leading to environmentally and social disaster while in same time leading to

⁹ Law on Public Property
(Official Gazette of the Republic of Serbia, No. 72/11)

¹⁰ http://www.un.org/esa/agenda21/natlinfo/countr/serbia/nsds_serbia.pdf,

¹¹ http://www.un.org/esa/agenda21/natlinfo/countr/serbia/nsds_serbia.pdf , page 14 environmentally sustainability, page

¹² Ibidem. pp 15

¹³ Ibidem. 15

promotion of private interest rather than public good and in same time leading to exclusion of public from decision making process.

Despite being defined as public good in and despite principles laid down in strategy for sustainable development public participation is completely restrained in both spatial planning regulations, regulations for energy sector, mining sector, transport sector etc. Public consultation is always considered as form of public presentation of already drafted versions of infrastructural projects.

Important characteristics of all the Serbian infrastructural programs is that they are heavily relying on already established forms of development without attempts to reverse and fundamentally change ruling concepts. Therefore, it is hardly surprise that Serbian infrastructural developments are mainly centralized in design and operation, that they are focusing on utilization of fossil fuels, that they are going after as large as possible investments in as few as possible installations (especially in energy and transport)

Definitions in different documents actually do respond to the needs of those documents- right to participated systematically violated

Despite presence in number of documents it is rather complex to understand what actually laws do define, how it considers ownership, right to initiate development of new infrastructure, moreover how these laws consider mechanisms for financing and decision making about the infrastructure- especially definition of needs for new infrastructure.

In that sense main law deciding about the public interest namely law on public ownership, law on Spatial plan of Republic of Serbia and line strategies planning infrastructural developments do not at all actually provide detailed enough methodology **how general public can actually participate in decision making**. With practice of decision making in mind we can easily say that public participation is actually only formal and nowhere actually seriously prescribed concept and that public is allowed only to limited opinion sharing about environmentally consequences of main ideas while real influence is practically impossible since government of Serbia by maliciously writing and reading of laws of Serbia actually gives itself, its politically interest, its corporative clients and financial oligopolies actually right to decide on infrastructural development in best interest of international financial oligopoly.

Only avenue for direct and guaranteed involvement of public with regards to the infrastructural projects and programs are actually Law on EIA and SEA that provide opportunity for public to give comments with regards to the environmentally consequences of proposed programs and projects but only in late

phases when alternatives are decided, technologies proposed, routes mostly decided and when government of Serbia already has different forms of pre-agreements with investors. Such situation practically does mean that despite clear obligation to involve public in as early as possible phases of discussions such right is violated in practically systematic way practically legalized by law on spatial plan, strategy for energy, strategy for transport etc.

In such situation it is practically impossible for public to participate in decision making and even more representatives of public that do consider that it should be naturally in democracy to discuss all the matters of public interest including development of infrastructure especially if such demand for discussion can in any way jeopardize private and corporate interest of ruling politically parties, managers of public companies or private interest of cartels closely cooperating with politically and financial authorities in all levels are **actually attacked in media and in person as the enemies of the state.**

Such attacks are direct consequence of silent **switch of private interest for public interest** in same time such attacks are naturally consequence of fear of rigid authorities that their positions will be endangered. Serbian politically parties (since 2000 like ways those after 1990) are considering **right to manage public good** (both anthropogenic and naturally) **like prey or catch.**

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Moreover, politically parties without ever involving in fundamental discussions about the new ways of development in different sectors of infrastructural development do not at all allow that new approaches that would reinforce equal regional development, de centralize decision making about the local public interest, focus on reduction of carbon footprint of country, reduce energy intake of economy and society (production and selling of energy is leading principle).

Guarantee for public participation should be definition of public property that should be under the rule of state of Serbia (its parliament) and as such should be in reach of public. Definition of networks in article 11 of law on public property that could be understood as most profound and essentially close to what could be understood as definition of infrastructure in traditional sense of word where legislator while defining “networks” is actually taking on to very complex task to define economically infrastructure that is serving as **“socially integrative preconditions for any development”**¹⁴ namely that the networks are : **“Not movable things with auxiliary things or sum of things that are aimed**

¹⁴ <http://www.nspm.rs/ekonomska-politika/da-li-završiti-ili-zaustaviti-privatizaciju-javnih-preduzeca.html?alphabet=l>

for flow of matter or energy and their distribution to the users or their transport to the users whose definition is provided by separate laws.”¹⁵

Such definition could be actually main guarantee for public participation since practically all the networks, naturally resources etc. are public good but in situation like it is in Serbia it is not possible to say that parliamentary control is really providing possibility for citizens in wide sense to participate in decision making. Formal democracy is not actually guarantee for real democratically process.

Government with its business clients do consider that it is having absolute right to decide on future development of all the infrastructural system, completely refusing de carbonized economically future of Serbia. Legal system of Serbia especially law on energy, mining, transport, spatial plan is actually providing levers to government that it actually has exclusive right to propose projects, programs and policies where public always LATE comes in to equation and practically never has opportunity to discuss strategically and concrete project solutions.

In that sense without serious and profound reconsideration of present directory of Serbian development it is clear that it will never align with low carbon approach of EU and moreover it will never establish sustainable foundation for local and regional integration of regions in Serbia, leading to complete demographically collapse and emptying of most of territory of country.

¹⁵ Article 11 point 1 of Law on public property, www.paragraf.rs/propisi/zakon_o_javnoj_svojini.html



Law on energy is implicitly defining infrastructure as electro energetically, system of Liquid petrol gas, oil or oil derivatives or district heating or cooling systems which is consisting of energetically objects mutually interdependent in such way to present single technologically system.¹

With regards to the legal status of infrastructure it is defined in law on PPP that "public infrastructure is object that is used publicly or is given for use or wellbeing of public (or group of persons or subjects to which is possible to access freely and which is predefined only in abstract sense)¹." In same law Infrastructure is implicitly considered as Public good in common usage which is possible to give to private operator under the different circumstances to manage it, to construct- operate- transfer (to public authority).

In Law on public ownership there is no explicit definition of infrastructure but there is definition of networks that is actually covering most of infrastructural objects in traditional sense of word. Networks, public goods (minerals, water, soil etc) and other objects with public good goals (hospitals, administrative buildings, schools etc) are also defined as public good, or public ownership, thus we see that this law implicitly defines all these objects as public good or infrastructure of public interest.

Network is defined as "Good of public interest" and "Good in general use" that are things that due their nature are aimed for use of all, and that (things) are as defined by law public roads, public railways, bridges, tunnels on public roads or railways, streets, squares, public parks, border crossings etc. Such Things can be given rights according to separate laws in form of concessions or lease.¹

Despite such rather clear definitions (mostly implicit ones) it is important to highlight that actually law on PPPs and law on spatial plan that actually champion private initiative of wealthy individuals and corporations with regards to initiation of changes in space of Serbia (namely construction of industrial or even infrastructural interventions do not at all foresee possibility that civic organizations, or even citizens initiate such interventions thus producing conflicting situation where practically wealthy physical and legal persons do have more voting power and bigger ruling capacity than citizens of Serbia.

1.2. Historically note about the Infrastructure in Serbia

Despite historically attempt to establish society in which every citizen will have say in planning future, in its essence situation was always leading towards stronger and stronger detachment of all the levers of power towards so called bureaucratic and technocratic “elites” which process is in our time became completely ideologically concentration of power over all the crucial economically and socially processes in fewer than ever, completely not accountable and not transparent hands.

This process particularly affects infrastructure. Complete legal system puts in hands of government of Serbia power over all the infrastructural systems thus opening space for not accountable and not transparent political and economically distorted and centralized decision-making system.

With all the negative process of depopulation of most of Serbia due to concentration of political power, population and most of production, services and administration in few main cities it is becoming one of most important things to establish such infrastructure that will enable beside movement of mater and energy (which not only in Serbia but moreover globally obviously do not restrict influential economically- military industrial complex and elites to overtake rule over resources and its distribution thorough infrastructure) also redistribution of economically and socially benefits (including establishment of new industrial sectors and new long term sustainable working places).

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Serbian infrastructure is product of booming development since World War II and as such presents of biggest achievements in material development in history of this region. In same time while attempting establishing of new system of social and economically relationships Serbia had as its priority development of all the infrastructure with goal to establish strong, self-reliant, export oriented, competitive and socially integrated system that would provide minimization of import reliance, technologically advancement and provision of all the necessary services.

Serbia that was very weak industrially and infrastructural in the end of Second World War have experienced explosive development in period between 1945 and 1990. System that have produced practically few decades of constant explosive and promising economically and socially growth and that graduated in to the liberal socialism with all the characteristics of the market economy (especially after constitutional changes in 1974) was not able to withstand global change in economically system (Thatcherism and onslaught of neo liberal paradigm) that started in period after decoupling of US\$ from the golden basis, first oil shock and sudden jump of interest rates that practically over-night exposed country to the high levels of debt.

As response to such global challenges Yugoslavia (and Serbia as its integral part) exposed to high pressures from hiking oil prices, increased interest rates especially since global crisis of 1974 Serbia (within Yugoslavia) oriented its economy towards further strengthening of all the sectors especially sectors of so called economically and communal infrastructure always orienting itself to establishment of as self-reliant as possible system that would provide for reduction of economically inputs and also reduce exposure to import of resources.

Important fact is that during economically reforms in 1980ties most of that time state of art infrastructure was constructed (especially in energy and transport sector) and that such economically development actually have brought down overall debt of Yugoslavia to about 12 b US\$ which was less than 15% of GDP of Yugoslavia (that stood at about 97bUS\$ which made Yugoslavia 33 economy globally).¹⁶

In today's globally completely changed socio- economically situation, where focus of society is completely redirected from welfare of every individual to commercialization of all the aspects of human life and increase of GDP growth with ideologically presumption that such growth will somehow magically pure some form of benefit to the lower classes of society even though all the evidence is showing that despite rather large investments in infrastructure (implemented by large international cartels thorough support of international financial institutions- IFIs and other creditors) such redistribution is just not happening – and that concentration of wealth and politically, socially and economically influence is being concentrated in few hands.

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Most of that infrastructure was constructed from own resources even though Yugoslavia debt was at the level of about 25% of GDP thorough 1980ties.

Serbia and countries in region are still living the heritage of infrastructure structure established in investment cycles of 1960ties- 1990ties. Overall design and approach in development of infrastructure was mostly focused on domestically available sources of energy (coal, hydro) that had a goal to support heavy industry in all the former Yugoslav republics. With attempt to establish good connections with the global North Yugoslavia also took strategically decision to provide energy and other important infrastructural technologies from the all the countries from Western and Eastern block (most notorious are Nuclear technologies and coal fueled electricity blocks practically purchased from most of biggest industrial countries). In same time it is important say that that country actually had developed system of transfer of technologies, and even though it was mostly under the license and banned for use in western

¹⁶ <http://ivanstat.com/gdp/yu.html>

world it enabled Yugoslavia (Serbia) to have significant number of necessary industries that actually have reduced overall price of development and have provided serious redistribution to most of citizens. With advent of idea of stricter and more reliant connection to both EU and middle east and other countries in Balkan during 1970ties and 1980ties Yugoslavia have started construction of core highway, high voltage and telecommunication networks using mostly loans from EIB and WB thus narrowing down its lack of road networks.

Main goal of restructuring dictated by Bretton Woods institutions is (as it was also during whole period of late Yugoslavia) actually privatization (of whole economy) and resources utilization, opening of economy and liberalization (transition to complete market economy) where market solves all social and economically issues (including health care, social care, pensions) and where private initiative and market forces decide about the design of all the infrastructural sectors and about the redistribution of socially produced value. In such situation and looking at the whole complex of laws and strategies regulating development of infrastructure we see that there is very limited opportunity for public to participate in its design, but even less to really benefit from such developments.

Most of investments in infrastructure in Serbia are actually ending in the hands of foreign corporations, domestic financial and political “elites” that are providing most of technology and services thus transforming these investments in multiple import activities since most of financial gains from the projects are actually being transferred back to the countries of origin of capital for investment. In same time such import oriented approach does not provide development of Serbian technologies and companies thus discouraging creation of business with higher added value and also with lower share of labor in socially produced and distributed value.

Even though such approach actually have led globally to the social and environmentally disaster that we are witnessing in our days most noticeably thorough obvious climate change disasters, millions of people pushed in to the migrations (due to different reasons but mainly resources related) and in completely disastrous concentration of global capital in literary few hands¹⁷ it is transformed in to the religious belief in countries of South East Europe that privatization and market economy and especially austerity measures will somehow miraculously establish some sustainable future for national economies.

¹⁷ <https://www.theguardian.com/global-development/2017/jan/16/worlds-eight-richest-people-have-same-wealth-as-poorest-50>

1.3. What about public interest?

Looking at the practice of proclamation of public interest it is clear that it is the most problematic, most confusing and practice that provides biggest space for government of Serbia and with it connected business interests, political interests of their political parties to treat public good (in both sense of natural resources, but also in sense of networks and facilities of public interest) to override domestic public and its democratically interest to participate in designing these projects.

Such bypass of democratically process is leading to systemic violation of right of public to participate in early phase of design of projects and programs, it leads to solutions that are benefiting mostly international financial and industrial cartels while in same time producing mostly environmentally, financially and socially damaging solutions and in same time even not providing significant opportunities for domestic companies to implement such projects thus leading to spiraling domestic debt, emigration of most productive clusters of population that are in Serbia being offered exclusively low paid and risky jobs with lower than livable wages.

1.4. Main promoters of infrastructural development in Serbia

Main promoters of Infrastructure in Serbia are beside national government of Serbia, IFIs that promote infrastructural development regulated by open market as single most important spending that could be allowed to Serbia in time of austerity measures, EC as promotor of liberalization, open market and integration of Serbian society and market in to EU politically space, and also other countries (PR China, Federation of Russia, Azerbaijan, Japan, Austria, Germany etc).

In Serbia close to € 700 million have been invested in environmental management since 2000 benefitting over one million citizens directly through the provision of better water and waste management services, cleaner air, safer chemicals but also indirectly through better overall regulation of the sector.¹⁸

EU funds have supported a mix of actions ranging from administrative capacity building and longer term strategic planning for the sector to investment in concrete pollution prevention and control measures in the energy sector and in enhancing service levels of waste and water utilities. Considerable

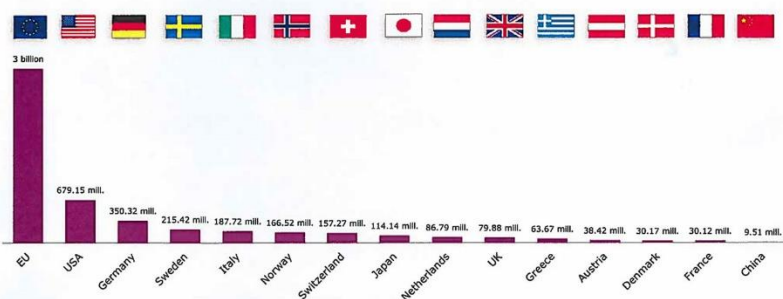
¹⁸ <https://europa.rs/eu-assistance-to-serbia/eu-and-serbia-15-years-of-partnership/environment-and-climate-change/?lang=en>

investment has also been provided for the upgrade of Serbia's environmental monitoring infrastructure for air and water.¹⁹

EU investments in Serbia²⁰

Donations to Serbia in the period 2000-2015

Committed grants for Serbia in period 2000-2015, amounts in millions €

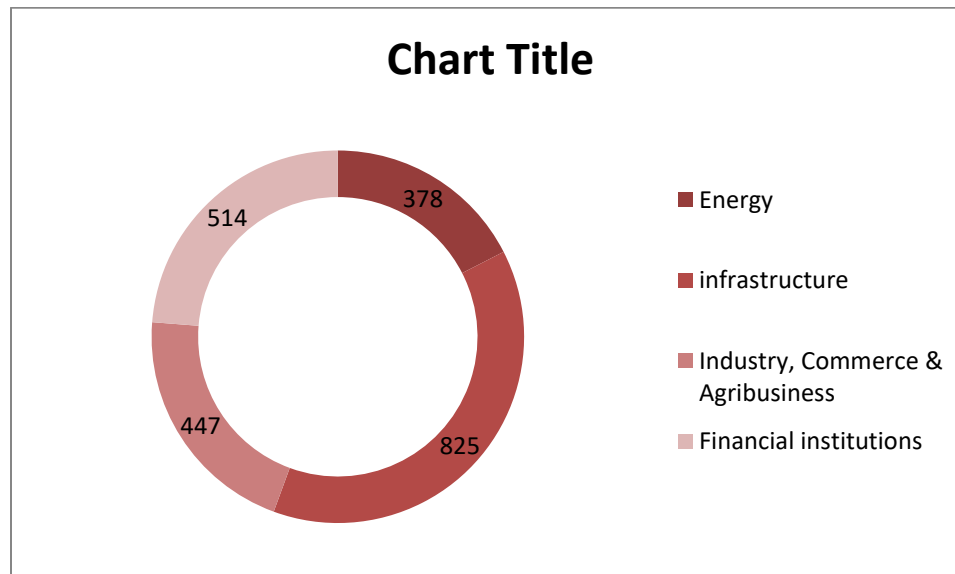


• Source: EU Delegation and ISDAACON IS, November 2015. ISDAACON system includes available data for the estimated aid in-flow in the period 2000-2015.
 • Data is provided by development partners. Total amounts relate to estimated grant assistance of selected development partners, not all active donors in Serbia
 • No data on Russian donations is available in ISDAACON.
 • Estimated aid in-flow does not refer to financial disbursement but estimated value of grants provided in services, goods, works and financial resources



TNS Medium Gallup
 Report prepared for Delegation of EU to Serbia
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EBRD investment in Serbia in mEUR²¹



¹⁹ Ibidem

²⁰ <http://europa.rs/eu-assistance-to-serbia/?lang=en#prettyPhoto/0/>

²¹ <http://www.ebrd.com/where-we-are/serbia/data.html>



EIB since 2000 provided funding for investment in Transport in Serbia in level of about 1,650 million EUR in Serbian transport sector

Investment in Sector of Transport since 2000:²²

EIB financed projects in Transport sector in Serbia, since 2000 in mEUR	Sector	Signed Amount
ROAD REHABILITATION AND SAFETY	Transport	€100,000,000.00
CORRIDOR X (E-80) MOTORWAY PHASE I	Transport	€265,000,000.00
BELGRADE CITY SAVA BRIDGE	Transport	€90,000,000.00
BELGRADE BY- PASS	Transport	€40,000,000.00
BELGRADE CITY SAVA BRIDGE	Transport	€70,000,000.00
CORRIDOR X (E-75) MOTORWAY	Transport	€384,000,000.00
BELGRADE BY- PASS	Transport	€60,000,000.00
GAZELA BRIDGE REHABILITATION	Transport	€33,000,000.00
ROADS AND BRIDGES REHABILITATION	Transport	€33,000,000.00
RAILWAYS REHABILITATION II	Transport	€80,000,000.00
ROADS AND BRIDGES REHABILITATION	Transport	€22,000,000.00

²² <http://www.eib.org/projects/loan/list/index.htm?from=2000®ion=3§or=2010&to=&country=RS> , obtained on May2nd, 2017



<u>ROADS AND BRIDGES REHABILITATION</u>	<u>Transport</u>	€5,000,000.00
<u>AIR TRAFFIC CONTROL</u>	<u>Transport</u>	€34,000,000.00
<u>EUROPEAN ROADS</u>	<u>Transport</u>	€120,000,000.00
<u>BELGRADE URBAN RENEWAL</u>	<u>Transport</u>	€90,000,000.00
<u>ROAD REHABILITATION</u>	<u>Transport</u>	€95,000,000.00
<u>RAILWAYS REHABILITATION</u>	<u>Transport</u>	€85,000,000.00
<u>URGENT TRANSPORT REHABILITATION</u>	<u>Transport</u>	€66,000,000.00
Total Amount		€1,672,000,000.00

EIB investment in energy sector of Serbia since 2000

EIB Investments in Serbian energy sector since 2000 in mEUR	Country or Territory	Sector	Signed Amount
<u>ELECTRICAL ENERGY MANAGEMENT SYSTEM</u>	<u>Serbia</u>	<u>Energy</u>	€4,770,400.00
<u>EMS ELECTRICITY NETWORK UPGRADING</u>	<u>Serbia</u>	<u>Energy</u>	€24,500,000.00
<u>EPS - POWER SYSTEM CONTROL</u>	<u>Serbia</u>	<u>Energy</u>	€22,000,000.00
<u>EPS ELECTRONIC METERS</u>	<u>Serbia</u>	<u>Energy</u>	€40,000,000.00
<u>GREEN FOR GROWTH FUND II</u>	<u>Serbia</u>	<u>Energy</u>	€2,500,000.00



POWER SECTOR RECONSTRUCTION	Serbia	Energy	€67,023,090.00
POWER TRANSMISSION NETWORK	Serbia	Energy	€5,177,500.00
Total Amount			€165,970,990.00

EIB investment in Energy sector since 2000, in mEUR	Country or Territory	Sector	Signed Amount
GREEN FOR GROWTH FUND II	Serbia	Energy	€2,500,000.00
EPS ELECTRONIC METERS	Serbia	Energy	€40,000,000.00
EMS ELECTRICITY NETWORK UPGRADING	Serbia	Energy	€24,500,000.00
EPS - POWER SYSTEM CONTROL	Serbia	Energy	€22,000,000.00
POWER SECTOR RECONSTRUCTION	Serbia	Energy	€67,023,090.00
Total Amount			€156,023,090.00

Investments in Schools of EIB since 2000- 2017

Name	Signature date	Signed Amount
SCHOOL MODERNISATION PROGRAMME	8.6.2010	50,000,000
SCHOOLS UPGRADING	11.5.2005	25,000,000
Total Amount		75,000,000

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EIB investments in schools in Serbia

Investment in clinical centers	Datum of projects	Loan in EUR
CLINICAL CENTERS	12.12.2008	70,000,000
CLINICAL CENTERS	8.12.2006	80,000,000
EMERGENCY HEALTH	30.10.2003	50,000,000
Total Amount		200,000,000

<http://www.eib.org/projects/loans/regions/enlargement/rs.htm?start=2000&end=2017§or=health>

1.5. Whose interest are being promoted in infrastructural development?

Goal setting of designing and implementing infrastructural systems is actually completely beyond the public participation and even the most interested public is constantly being avoided in all the phases of its planning.

Decision making about the essential infra structurally systems is completely detached from the democratically process thus directly leading to situation of captured state where private interest of corporations (mostly foreign) and domestic and foreign politically elites is being considered as priority criterion for deciding about the design of it. Does not matter that so called parliamentary representatives per definition should be democratically control mechanism championing and protecting public interest, common good.

Simply looking at the discussions related to the infrastructural development, speed with which such laws are discussed and depth in which parliamentarians are going is showing that they are not at all controlling the process but rather that they are just consenting with interests of corporations (foreign and domestic). Looking at the all the most important laws and strategies regulating development and operation of all the infrastructural sub systems we see that complete power over it is in hands of government of Serbia and its clients in form of public monopolies, foreign and domestic companies and IFIs that have maximum influence on agenda and ideology behind governmental policies and programs. In such circumstances we will show that without establishment of efficient mechanisms for involvement of public in most important strategically discussions about the future design and structure of infrastructure there will be no possibility to establish sustainable economically system in country that will respond to the challenges.

Infrastructure and economically system that is reliant on it ²³is highly reliant on fossil fuels, its highly import dependent (both technology and resources wise), socially economically and environmentally detrimental.

Beside that important role of such investments to help establishment of successful domestic companies is mostly not fulfilled. IFIs are having active role in dismantling domestic “operative” able to design

²³ Infra- structure actually means structure on which otherstructures (let call them SUPRA structures) are reliant or that are SubStantiating or Supporting whole economy and society. Term Infradstructure is coming from Military context of first usages of this word in France in 19th century where infrastructure was used for the military installations is in same time real reflection of core meaning that is defining infrastructure and that is that it is providing basis for other structures (fortifications in army)

and implement most challenging infrastructural projects that have being actively banned from most lucrative works during whole period of 2000- 2017, to such extent that none of infrastructural systems could be any more designed or implemented by domestic companies.

There are number of cases where IFIs have championed foreign companies despite clear quality of domestic offers for development of infrastructural projects with exclusive reason for such refusal due to ownership structure of domestic companies (public) even though price and quality was on the side on domestic companies. Even more Serbia was persuaded to award jobs one after another to companies that had significant delays, problems in implementing and even doubling and tripling of price for project.

Serbia is not anymore able to implement main infrastructural developments. If Serbia is planning to establish future sustainable economically activity it could be necessary that EU and IFIs support transfer of main technologies to Serbia with goal to reduce price of necessary environmentally, transport, energy, health and other infrastructural interventions. In same time such transfer will support massive integration of Serbian working population in labor market and also strongly support stopping of few time mentioned demographically collapse.

With such weakened productive sector Serbia is in such structurally weakness of primary importance where all the necessary infrastructural interventions in “real sectors” are “ imported” thorough most expensive technologies for cleaning of water, waste management, energy, transport, communications, health sector are completely being imported without even idea from government of Serbia to demand partial or complete transfer of technologies to domestic companies to enable them to develop all the necessary water cleaning facilities, maintain roads etc. In that sense it is clear that without such transfer Serbia will not be able to comply with demanding standards of EU without going deeper in to crisis of dept.

1.6. Transport policy mostly focusing on roads infrastructure of EU importance

Transport is heavily focused on to the development of roads and due to that Serbia is losing its battle for the sustainable transportation. Serbian railways are in very poor condition and only in recent times some major overhauls are being implemented. Despite that minor advancement roads and especially pan European corridors remain main interest of national authorities.

1.6.1. Status of transport infrastructure

The quality of the network of state roads (16,713 km, out of which 5,331 km of I category and 11,382 km of II category) **deteriorated in the period of 1990-2000 due to insufficient investments and maintenance.**²⁴

The overall road density, of 6.2 km per 1,000 inhabitants, considerably lags behind the EU-28 average (12.1 km)²⁵ The number of vehicles is increasing on I and II category roads and, in 2015, it was 39,335,582 (2.3 million vehicles more than in 2014).

The obsolete railway network enables quite modest passenger and freight traffic. Serbia has 3,739 km of railway network, out of which the total length of electrified tracks (without side tracks) is 1,275 km (the total length of tracks along electrified railway tracks is 2,263 km). The length of lines per 1,000 inhabitants amounts to 0.53 km, which is on the level of the average in the region. However, the passenger transport of 541 million passenger kilometres and the freight transport of 3.25 million freight kilometres are, judging by the volume, very much trailing behind the region.²⁶

Bearing in mind that on certain railway lines, in the previous period, traffic was suspended and that, because of complete technical unreliability and lack of safety, investment of funds in the maintenance of those lines would be economically unjustified and inefficient, the Government issued the Resolution giving consent on the Decision on Suspension of Public Transport of Passenger and Goods on a Part of Railway Infrastructure – lines of the total length of 430.5 km (OG 80/2016).

Despite obligation moral and legal to decrease transport footprint and especially to increase cohesion and accessibility of regions of Serbia it decides to close down railways that could serve as most important parts for establishment of new freight haul and cheap public transport for most poor regions of Serbia. Public good is public good since it serves more than just profitability purposes and as such it should have public support. Role of state is not to provide profits but to guard public interest which is in case of transport, energy and some other forms of infrastructure clearly not the case.

²⁴ ERP 2017-2019, p.73

²⁵ Ibidem p.74

²⁶ Ibidemp.74

Development of road infrastructure in Serbia (or rather transport infrastructure in general) is direct reflection of EU wide tendency to focus on large axis routes that are considered as crucially important for movement of goods and citizens towards main economically centers and much more expensive final products from those centers to periphery and EU neighbor and globally.

Only in recent years some bigger effort is conducted to reconstruct significant portions of local and regional roads while railways on local level are mostly neglected and there are even plans for closure of more than 800km of railways. **As IMF, WB and other IFIs** (simply being banks they cannot behave differently since they are pursuing interest of their oligopolistic funders not common good) pursue profitability (rentability) as single most important factor for accepting infrastructural projects for financing **therefore** most of local and regional roads and railways simply are not developed leading to more and more reliance on roads.

Complete submission of domestic need to establish better transport cohesion while in same time protecting environment, naturally values and social integrity is completely subdued to regional and pan European interest: **“Corridor 10 (road - railway) and Corridor 7 (the Danube as a navigable waterway) are the basis of the transport system in Serbia.** Both Corridors are parts of the Trans-European Transport Networks (TEN-T), which include road and intermodal transport, navigable waterways and sea ports and the European High-speed Rail Network. The SEETO organization, with headquarters in Belgrade, coordinates the cooperation in the development of the regional transport network (connectivity of the transport network of the Western Balkans and its inclusion in the European transport flows) and capacity building for implementation of investments.”²⁷

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Such approach is leading Serbia towards multiple not sustainability: a) feasibility of projects is benefiting foreign investors and EU as such while it is not providing real mobility and sustainability to most of territory of Serbia, b) concentration of population in urban areas with best developed infrastructure while local communities are suffering from lower development of infrastructure, c) Serbian focus on road sector projects is leading to decrease of railways, increase of consumption of fossil fuels, transition towards road sector directly contrary to climate friendly principles formally promoted by EU and Serbia, d) strong focus on road developments will led to further detriment of protected areas and valuable naturally spaces.

²⁷ Ibidem p.75

With goal to provide improvement of so called business environment transport projects in conjunction with tendency to maximize reduction of so called fiscal burden on businesses (custom free zones in Serbia near main EU TEN-T axis), liberalization of labor legislation (much more temporary jobs, labor work force leasing, ease of laying off of the workers), increasing subsidies for foreign businesses (for every opened working place up to 10000EUR) and moreover for free infrastructure for „investors“ plus different tax holidays for them such fixation of Serbian authorities to transport projects of common EU and regional (in sense of SEE region) is directly leading to demographically and economically downturn of Serbia (economically emigration from Serbia), serious increase of level of public debt, environmentally damaging projects.

In same time while focusing on EU priority axes and routes Serbia is taking expensive loans for construction of such projects that aren't actually bringing decentralized benefits in regions of Serbia thus producing double negative consequences: a) it is developing infrastructure for foreign competition, b) it is crowding out investments in to sustainable local infrastructure especially non road and public solutions, c) it is increasing import reliance (fossil fuels and road vehicles) thus bringing structurally impossibility for REAL macro and micro economically change towards long term sustainability.

In that sense and paradoxically one among main reasons for Serbian fixation on to the main highways (so called TEN-T projects) and railways that should somehow produce infrastructural guarantee for weakened and structurally not sustainable Serbian economy to somehow better integrate in to global markets and provide support for re industrialization should be considered as one of main reasons for high levels of debt of Serbia, moving of population in to the main centers of Serbia, drastically fall of quality of local infrastructure, plans for closure of hundreds of kilometers of so called not profitable mostly local railway lines (naturally two main axis and their direct connections to the main industrial centers are receiving main financial focus and support), and in the end emptying of hundreds of villages and small cities that are leading to the dramatically demographically downfall of Serbia.

Main reflection of such promoting of transport interests of European instead of domestic transport development is so called South East Europe transport observatory,²⁸ that serves as Hub for supporting prioritization, development, provision of financial and other needs and their implementation for main regional transport routes that should serve as factor of transport integration of SEE region and moreover as connection with the EU. SEETO serves as hub connecting EU, IFI and countries in region and helping

²⁸ <http://www.seetoint.org/projects/seeto-comprehensive-network-projects/eligible-for-funding/>

those in prioritizing projects for which EU IFIs and EU consider that are most profitable for common EU integrative process.

SEETO is providing criteria and technical support for development of projects to the level of maturity acceptable to main funders that should provide better inter connectivity, removal of transport bottlenecks in SEE region and towards EU. Sustainability in this context includes following criteria:

- Economic: the direct benefits as measured by Economic internal rate of return(EIRR).
- Regional: the project fosters regional cooperation in the transport sector.
- Environmental: the infrastructure improvements will not unduly damage the environment during construction or the operation of the facilities.
- Regulatory/technical: the investments will be long lasting and will not have to be repeated in the near and medium future. The regulatory set-up is such that the infrastructure will be operated and maintained effectively and efficiently.”²⁹

As clear from sole sense of word public infrastructure by such criteria most of national infrastructure simply cannot get priority status, while in same time such prioritization of international projects is actually undermining domestic transport developments. In same time with core network, SEETO is in line with need for better main streaming and even bigger concentration of power over decision making process in the hands of EU started promotion of so called flagship network of projects that is even more narrow list of axis projects that should somehow bring in politically and economically cooperation between countries in SEE region while in reality it is even more narrowing down availability of resources of national authorities to develop national transport networks.

Massive EU support for main highway routes is actually massively profitable to the EU industries and transport needs. Therefore, it is somehow paradox that Serbia self sacrificially develops much better connectivity for EU industries and trade by taking loans from same countries. Naturally such relationship is to some extent benefiting also domestic industries but with such significantly better status that FDIs are receiving in Serbia.

If domestic infrastructure is increasing exposure of country to imported energy, transport vehicles, if main transport projects are actually not developing local communities in Serbia, if it is grossly affecting protected areas and increases fragmentation of those, if it is not developing domestic construction

²⁹ SEETO Priority Projects rating methodology 13/07/2012, page 7

companies but mostly and almost exclusively foreign ones it is very hard to find any rational reason for such strong focus on such profile of infrastructure.

Whole paradigm of relying economically development on the development of the infrastructure to such extent to invest at least 25-30% of GDP if such investment is planed without environmentally and climate change considerations and without focus on to the development of national economy in the sense of harmonically development of all the regions with goal to have established infrastructure necessary for all the small and middle sized local communities that should be one among enablers of sustainable local communities in all the regions of the country is leading towards concentration of population in few biggest infrastructural best suited places and undermining prospect of future development.

1.6.2. Transport projects that are benefiting mostly foreign companies

Serbian transport projects actually mostly do not develop national construction operative. By complying to IFI and EU standards with regards to the open and non-discriminatory access of all the companies to the construction projects within Serbia is undermining its own transport development. It is clear that national transport policy and strategically approach is not discussed. Serbia do not have transport strategy since 2015 and also that one was discussed without serious public discussion.

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Such approach in tandem with lack of environmentally and wider national economically discussion is leading to situation where Serbian transport policy is completely serving EU common goals without really tackling main problems of Serbian transport sector: a) high environmentally and socially costs, b) increase of import reliance, c) transfer of most of transport including freight on to the roads, d) increased environmentally, climate and naturally damages.

In same time as already pointed number of projects in Serbia are showing how international cartels with close ties to IFIs and national political elites of their countries of origin can and are actually exercising political pressure on to the Serbia to provide for them very lucrative jobs with high return rate and also with clear mechanism of using international arbitrage to significantly multiply their income (profit from projects).

2. CASE STUDIES

Is it actually always private better than public?

2.1. Beska Bridge over Danube River on TEN-T corridor X		
Name of the project		Beska Bridge over Danube River on TEN-T motorway corridor X
Location of project		Motorway between Novi Sad and Belgrade, over Danube River
Short description		<p>Corridor X is considered by European authorities as one of main axis connecting central and west Europe with South east Europe and European periphery.</p> <p>Rehabilitation and upgrading, to motorway standard, of a 65 km section of road from Belgrade to Novi Sad and construction of a bridge across the Danube, together with support for the transformation of the Serbian Roads Directorate to a Public Enterprise.</p> <p>The investment supported by a review of institutional options for development of the motorway network, a programme for institutional strengthening to the Roads Directorate and further enhancement of road financing arrangements.³⁰</p>
Technical details		<ul style="list-style-type: none"> • THE BRIDGE made of pre stressed concrete across the river Danube near Beska is a part of the motor highway Beograd - Novi Sad - Subotica. The overall length of the bridge is 2,250 m and width 14.40 m. The bridge has three carriageways of the total width 11 m, and two footways 1.70 m wide each. • This bridge is a representative workmanship of the Yugoslav civil engineering. The entire structure of the bridge was determined by the heigh right hand bank and 51.5 m lower water flooded left and bank of the Danube.

³⁰ <http://www.ebrd.com/work-with-us/projects/psd/belgrade-to-novi-sad-motorway-project.html>



- In order to overcome a great difference of levels, the bridge was designed in one direction longitudinal inclination of 2.3% which is the greatest inclination on the whole highway. The bridge structure is divided in the main structure spanning the Danube and eight approach structures, one being on the right and seven on the left river bank.
- The main structure is the continuous girder over three spans 105 + 210 + 105 m with overhangs of 15 m on both sides. Box cross-section with two vertical webs is stiffened at every 9.00 m by cross frames. The cross section height ranges from 6.00 m in the centre of the main span to 11.00 m above its supports. The web thickness and the bottom slab thickness varies, depending on the static needs.
- § The bridge founding was done on 7 riparian structures on the left bank and one approach structure on the right bank with the use of Franci piles.
- § The main structure columns were founded in different ways:
 - river piers on caissons;
 - the pier towards the left bank on Franci piles dia. 50 cm;
 - the pier towards the right bank on the drilled piles system HW dia. 150 cm.
- § The main structure was constructed without scaffold applying gradual concrete casting with the cantilever method. The technology of cantilever method of building was for the first time used for the span of 210 m, with us and in the world. All cross



		section elements were performed with permanent tightening of the carrying cables according to the stakes of work. ³¹
The benefits of the project?		<p>Project is proposed to enable finishing of highway corridor X from Novi Sad to Belgrade including reconstruction of existing bridge over Danube River and also construction of parallel bridge next to existing one.</p> <p>The Project is contributing to the transition process by:</p> <ul style="list-style-type: none">• Supporting the transformation of the Roads Directorate to a Public Enterprise;• Introducing performance based maintenance contracts;• Ensuring measures to enhance road sector finance;• Reviewing the institutional options for developing the motorway network.
The costs of the project?		Total cost of Highway corridor X project including construction of Beska Bridge was 212 mEUR
Who is financing the project?		Project is being financed by EBRD, main user of resources was Road Directorate of the Republic of Serbia, a separate legal entity responsible for the construction, maintenance and management of roads in the Republic of Serbia.
Key actors		EBRD, EIB, World bank, Government of Serbia, 7 consortiums intending to construct bridge, among those best offer provided by “Mostogradnja” construction company ³²
Key problems with the project?		<p>Bridge was constructed by international construction cartel that used politically power to get financing for the works despite the fact that it had significantly worst offer for the project construction than domestic consortium.</p> <p>EBRD served as promotor of foreign corporation forcing domestic decision makers to accept weaker offer for works.</p>

³¹ <https://web.archive.org/web/20080831060234/http://www.yu-build.com/main/f/063/063.html>

³² <http://mostogradnja.rs/English/indexE.htm>



	<p>EBRD did not fulfilled same level of strict financial due diligence thus allowing that company with the suspicious business behavior gets the Job. “Alpine Mayreder” that got job was not able to pre screen risks of the project and it faced land slide on the Danube river right bank. Such weakness they didn’t admitted but demanded from Republic of Serbia significantly bigger amount for construction of Bridge. Case ended in front of international court of arbitrage where “Alpine” demanded more than 100mEUR for the project thus more than doubling the price for bridge. private company as not able to beat public company using legal tools but using ideologically pressure against public company thus showing that both EBRD do not actually support development of Serbian economy but foreign companies that are capturing domestic resources.</p>
Alternative solutions?	<p>Involving public in to the strategically discussions about the project alternatives and more transparency in awarding process would actually bring protection for the domestic company that would for sure implement project for much less money, without artificially increase of prices and also that would bring growth to the domestic companies (7 of those).</p> <p>Ideologically decisions based on blind promotion of private companies despite reason and clear economically interest of Serbia are bringing only economically downturn to Serbia.</p>

2.2. Case of Beska Bridge

In 2002 EBRD and EIB decided to support important project of finishing highway project on corridor X from North of Serbia to Belgrade including construction of new bridge over Danube River parallel to existing one near village of Beska.

As visible in EBRD official page overall ³³cost of project was envisioned at the **212m EUR** out of which about 50mEUR was envisioned for construction of new parallel bridge. In that time domestic companies

³³ <http://www.ebrd.com/work-with-us/projects/psd/belgrade-to-novi-sad-motorway-project.html>

hardly hit by economically and politically sanctions again Serbia during whole period of 1992-2000 had big need to restart their work on road, bridge and other infrastructures.³⁴

Via its Road Directorate "Putevi Srbije", the Serbian government opened the tender as the investor for Beska Bridge and has decided in 2006 to award bridge construction to the domestic consortium.

The tender was very rigorous and demanding. The requirements for the tender companies were high: financial turnover of more than EUR 50 million for the previous five years (practically it was obvious that EBRD is doing all the possible to exclude any of domestic companies since those were hardly hit with economically sanctions of international community); at least 200 meters of bridges constructed during the same period ("Mostogradnja" constructed new bridge in Novi Sad after bombing in 1999 in record time); the yearly production of more than 52,000 cubic meters of concrete and more than 10,000 tons of steel.³⁵

On top of this there was also the requirement to have more than EUR 8 million on the company's account. It was clear, however, that no one Serbian company was going to be able to match these high standards as a result of years of sanctions and unpaid debts by the state and publicly owned companies and enterprises. Such high demand Mostogradnja have fulfilled by obtaining banking guarantee for this job. For this reason seven domestic companies established a "National Consortium" consisting of **GP "Mostogradnja"** ³⁶as the leader, with the MIN holding company "Oprema", the Gosa Holding Corporation-Gosa "FOM" and "Gosa Montaza", PIM "Inzenjering", GP "Planum" and SZP "Zavarivac" as partners.

Even though it was clear that "Mostogradnja" and its partners are having serious background and that they have practically constructed all the bridges in Serbia previous to 2002 EBRD have refused to finance "Mostogradnja" due to rather dodgy formal reasons stating that EBRD have found difference in annually accounting reports of "Mostogradnja" that have been presented in case of Beska bridge and one project in Montenegro where "Mostogradnja" was subcontractor.

As the later history will show EBRD that championed foreign cartels in their attempt to get this job it didn't actually implemented same level of due diligence with those cartels which will later lead that

³⁴ http://www.lgb.at/cms/index.php?id=27&tx_lgbprojects_pi1%5Bbaustelle%5D=161

³⁵ Stability pact watch bulletin, 2006, No11

³⁶ <http://mostogradnja.rs/English/indexE.htm>

winner of Beska Bridge project actually was few years late caught in accounts fixing and other criminal misconducts.³⁷

Despite clear explanations from side of “Mostogradnja” company for such difference and even though “Mostogradnja” was able to find bank guarantees for its participation EBRD decided to support foreign company³⁸: “Alpine Mayreder” that started implementation of the project.

Project commenced two years later and after 3 years Bridge was finished. Aber³⁹ not so simply: namely Alpine was not able to estimate risks of the projects. Simply Alpine as famous constructor was not able to research soil around and in the Danube river and during construction of approaching roads to the bridge it faced land slide on shore and some other challenges that seriously increased price of project. Years later once Alpine bankrupted it became visible what criminal mechanism this company was using to destroy competition in Serbia and in such sense it became clear that EBRD was also promoting some illegitimate business interests that in the end have led to destruction of number of domestic companies and illegitimate increase of national debt due to manipulation of foreign companies.

During process that was ongoing in front of Paris court of arbitrage Public company “Putevi Srbije” was actually able to show that Alpine had much lower costs of construction and even though company Roads of Serbia accepted to cover at least some costs increase it was much lower than charged by Alpine.

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2.2.1. Manipulation as way of doing business

After 2006 and this infamous award of the project in Beska to the Austrian company this company have won number of tenders in Serbia, noticeably most of lots of Highway Corridor X project mostly financed by EBRD, EIB and World bank. What became clear in period after 2006 it was that “Alpine” is using criminal approach to provide during tendering procedures dumping price and then to charge high charges for much bigger real costs of infrastructural projects constructed in Serbia mostly by bringing state of Serbia to the international courts.

Alpina initiated the dispute at the International Chamber of Commerce Tribunal in Paris, requesting an additional payment of EUR 56.8 million for the works and a repayment of EUR 3.6 million, the amount

³⁷ www.balkaninsight.com/en/article/alpine-bau-s-balkan-black-hole-4

³⁸ http://www.b92.net/eng/news/business.php?yyyy=2006&mm=06&dd=14&nav_id=35281

³⁹ “But” in German

they had been deprived of based on penalties for being late in performing the works, from the Roads of Serbia.

In the first instance proceedings, the Dispute Board estimated and decided that the Roads should pay EUR 37.9 million in additional costs and also to repay for penalties for delays that have being charged to alpine.

The Roads didn't act in line with the first-instance decision and initiated a counter-claim for the same works on the Beska bridge, while expanding the procedure to include another two contracts pertaining to the rehabilitation of the old Beska bridge and the construction of toll spots at Kovilj, Beska, Maradik and Indjija villages and cities. The claims towards Alpina based on all three contracts amounted to EUR 22 million.

– Considering that the payment would be made from the bankruptcy estate, the maximum amount would be six to eight percent of the total claims, that is, only EUR 1.3-1.8 million – the Roads of Serbia have claimed in spring 2017.

The Roads have collected banking guarantees in the amount of EUR 5.2 million for the old bridge and the toll spots and retained EUR 1.2 million in other projects until the arbitration is completed. The total amount from guarantees and unpaid amounts is EUR 10 million.

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In same time this company became well known for long delays in implementing projects and moreover this company became well known that it is claiming practically in every of its projects seriously bigger amounts for works in front of international courts of arbitration.⁴⁰ Few years ago, when such cases started Alpine claimed at least 150m EUR only in claims above the value it offered during tendering process. We have no public statements of any of IFIs about such practice.

After years of arbitration in Spring 2017 finally decision was made by arbitration in Paris that Serbian “Putevi Srbije” will need to pay EUR 10.5 million to Alpina by the end of March 2018, as per the settlement reached by the Serbian company with the construction company from Austria, which is undergoing a bankruptcy procedure (“Alpine”). The signing of the agreement and settlement have actually put an end to all the agonizing disputes between these two companies related to the construction of the parallel bridge on the Danube at Beska village. The Roads of Serbia claim that it no longer has

⁴⁰ <http://www.blic.rs/vesti/ekonomija/alpina-dobija-poslove-iako-redovno-tuzi-drzavu/gznnzpx>

any business relations with Alpina, except for the payment to be made in line with the reached settlement.

2.2.2. Local bidder refused, works overpaid

Vice President of the Chamber of Construction Industry of Serbia, Goran Rodic, stated that there was a lot of controversy over the raising of the “twin bridge” on the Danube at Beska.

- a) Even though having better offer domestic consortium was refused
- b) After problems in implementation of the project alpine demanded more than 100% bigger amount for the project

Main questions are remaining:

- a) how was that possible that EBRD was not able even after repeated cases to see that Alpine is manipulative business,
- b) why EBRD and other IFIs are intentionally destroying domestic companies,
- c) Global experience is showing that without public sector investing in infrastructure it is impossible to establish viable economically framework simply because private has no interest to invest in to the long-term payback time, lower profitability projects and in relation to that, if foreign companies exclusively are being awarded most lucrative lots of transport projects how will domestic operative establish capacity to work on local and sub regional projects that are much less lucrative.

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Additionally, serious question remains why domestic companies do not sue government of Serbia and EBRD who have allowed such irregularities and who have practically destroyed domestic companies that were left behind without such important job. Important remark is that IMF, WB and other institutional investors in tandem with EU are actually demanding complete privatization of all the domestic companies. Even in 2015 “Mostogradnja” had no buyer interested.⁴¹

Simply looking at what was happening we see that EBRD strongly helped foreign cartels in putting aside domestic competition, in buying market and providing to foreign investors and foreign companies jobs that will provide massive profit margins, guaranteed stream of profit and also provide that foreign investors working thorough EBRD and other IFIs actually immediately get back their financial resources and later serious profits. What is named “investment in Serbia” is actually multiple profitability guaranteed by one of poorest countries in (geographically) Europe that do not benefir Serbian industry, hardly benefits domestic population and at all do not benefit Serbian environment.

⁴¹ <http://mondo.rs/a824904/Info/Ekonomija/Neuspesan-pokusaj-privatizacije-Mostogradnje.html>



Serbia got seriously increased public debt, lost number of very valuable companies, increased import and have even increased its reliance on the fossil fuel based road transport, while in same time Serbian railways are practically on the brink of collapse.

Looking on the case of Beska Bridge construction it is rather clear how foreign cartels are actually pumping national debt of Serbia, dismantling domestic industry and making it completely reliant on foreign technologies, capital and services.

2.2.3. What about bankruptcy of Alpine?

Even though under close but obviously distorted watch of IFIs “Alpine” that had all the formal and not formal support from same IFIs is now the clear case how private cartels using financial, politically and military force of their countries of origin are actually.

In June 2013 Alpine Mayreder bankrupted leaving about 15000 thousand employees without job and also number of half-finished construction sites all over the Balkans and in other locations.

One of main reasons for such massive bankruptcy was actually spiraling costs of its Balkan operations, maybe most noticeably the ones in Serbia with “An onslaught of legal action has followed the bankruptcy with allegations of embezzlement, accounting fraud, bankruptcy offences and failure to apply for insolvency in due time, all currently being investigated by prosecutors. “There is, however, no indication that Mr Aluta-Oltyan is among those being probed.

2.3. Decision making about the future of electricity sector of Serbia

Serbian electricity sector is product of industrial development from 1945 to 1990. Its main principles were to establish a) as much as possible as cheap as possible electricity for industrial consumption of Serbia, based on as much as possible domestic primary energy resources, b) universal access for all the citizens of Serbia (as integral part of Yugoslavia), c) development of all the republics of previous joint state to have as independent as possible and as well integrated as possible (united network and market) electricity networks, d) appropriating as much as possible necessary technologies for the production and transport of energy, f) reducing as much as possible reliance on import energy and technologically resources.

Main energy sources of joint state (for electricity production) were actually water, coal and those resources have being systematically explored, technologies followed for their as efficient as possible exploitation with goal to have as cheap and as reliable power generation for industry.

First serious researches of coal deposits in Serbia have being conducted in middle of 19th century, Coal mining in both today most important mining basins in Serbia, namely Kolubara and Kostolac mining regions, have started in similar period in late XIX century. Due to very near Danube river mining first started in Kostolac region in 1873, while in Kolubara mining started in 1896. Mining was for almost half century exclusively underground mining. Even though mining was revolutionized in 1950ties underground mining lasted in in both mining complexes as long as 1973 in Kostolac and 1974 in Kolubara mining complex.⁴²

Already in first decades of exploration and excavation of lignite in Kostolac underground mines production by large have exceeded Serbian demand for the coal mostly due to very good positioning of the coal and its high quality underground formation, especially thickness of the deposits. More than 90% of all the demand in Serbia was produced in Kostolac.

This coal was very important for the Belgrade thermal power plant named “light and power” that was constricted in 1920ties.

⁴² <http://www.nadlanu.com/pocetna/zivot/zelena-srbija/Istorija-za-ponos-Od-jamskih-rudnika-do-povrsinskih-kopova.a-240932.987.html>

2.3.1. First opening of the open cast mine in Kostolac mining region

During second world, in September 1943 , German forces have opened open cast mine in Kostolac: It was the first open cast mine (so called “daily mine”) in Balkan that was supposed to be connected with high voltage line with Bor copper mine.

2.3.2. History of Kolubara lignite mining

Existence of coal in the space that is now known as Kolubara mining basin is mentioned as early as year 1875. Interest for mining on industrial scale started in 1937 when thermal power plant with installed capacity of 12 MW that have supplied with electricity cities of Belgrade, Kraljevo, Kragujevac, Šabac, Valjevo, Jagodina, Čuprija and Lazarevac.⁴³

Historically production leap was achieved in 1952 when field A and field B in Kolubara mining complex was opened in vicinity of Barosevac village.

2.3.3. Modern time mining

Since the construction of last thermal power plants in late 1980ties and beginning of 1990ties Serbia is producing about 70% of its electricity from lignite that is being produced in the level of about 27-31mt annually. Almost all the excavated coal for electricity production is being produced in two main mining basins, namely Kolubara and Kostolac Basins. Large percentage reliance on coal was introduced in consecutive steps during 1960- 1990ties investment cycles when new mines and new thermal power plants have been constructed on systematically basis.

In same time during period after World War II Serbia has in detail explored most of its deposits – so called basins- thus very seriously providing knowledge about potentials and dynamically plans for future development of both mining and production of electricity. Speaking of basins we should highlight that those are spread over all the Serbia and that those basins are differing in quality, quantity and geologically profile, thus only on few of basins open cast mining is used while in other basins underground excavation is being utilized.

⁴³ <http://www.nadlanu.com/pocetna/zivot/zelena-srbija/Istorija-za-ponos-Od-jamskih-rudnika-do-povrsinskih-kopova.a-240932.987.html>

Who was deciding about the design of electricity sector?

It is clear that in both pre socialist and during socialist time STATE and small number of experts educated after WWII were the exclusive decision makers about the necessary developments.

State not only designed framework but it also proclaimed as part of “state socialist” paradigm (even though “self-management system” was according to constitution from 1974 in power) but it also established “naturally monopoly” over mineral resources (Both water and coal), energy generation capacities, energy networks, energy distribution etc. as we mentioned even though core principle of “self-management system” “social democracy” there was no chance that any member of interested [public (in villages and cities affected by these developments) let alone any other member of general public would be allowed to challenge or argue contra any of the proposed developments.

2.3.4. Modern time electricity system of Serbia

The electric power system is characterized as obsolete and having inefficient generation capacities (an average age over 25 years), as the consequence of long-term lack of investments in new energy capacities and preventive system protection. However, energy supply of Serbia is above the average in the region. In 2015, the total primary generation of energy amounted to 10.8 mill. Tonne of Oil Equivalent (hereinafter: TOE) – which is around twice more than the average of the countries in the region, while energy import of 5.578 mill.⁴⁴

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Serbia has about 8.4GW installed capacities in TPPs (5.17 GW coal together with Kosovo capacities) and about 2.835 in HPPs. Annually production of coal is at level of 40mt coal and about 100+mqubic tones of overburden excavated annually. It is having at least 2btonnes proven reserves and about 20btonnes in Kosovo. Strategically documents accepted by government of Serbia despite opposition of significant portions of populations most noticeably civil society, local communities and independent experts are envisioning utilization of coal in electricity production until at least 2060 with significant increase per annum from 2020 to about 45-50mt if new coal mining projects successfully implemented.

2.3.5. Period after 1990 and 2000

Did not brought heavily expected changes in to the way how energy sector is being programmed and what are the main principles for development of energy sector.

⁴⁴ ERP 2017-2019, p.72

Despite obvious evidence about the impacts of climate change and increased risks not only from energy sector but moreover FOR THE ENERGY SECTRO from increased and more violent numbers f climate events, moreover despite increasing pollution from the energy sector, more and more clashes of energy sector with local communities densely inhabited around all the main mine fields of electricity company of Serbia (EPS) it didn't at all entertained attempt to provide alternative scenario for development of energy sector.

Due such rigid situation number of civic initiatives was ventured to develop concept of new energy sector approach based on real needs and moreover based on realistic estimation of potentials of non-fossil fuel energy sources and their better utilization for increase of infrastructural and socio-economically distribution in all the regions of Serbia.

Such approach was accepted by authorities with high level of hostility and aggressive refusal without ever involving in to discussion. It is not strange that such hostility is exercised against proponents of non-fossil fuels distributed energy system since wasted interests of ruling elites and their financial and corporative clients are actually significantly in need for new large investments with guaranteed profits despite obvious reduction of financial feasibility of coal globally and moreover in Serbia.

2.3.6. Cost of BAU scenario for energy

Looking at the investment plans of EPS Serbian authorities envision more than 1.500 million EUR for environmentally compliance of its coal and hydro capacities, while in same time envision more than 3.200million EUR for opening of new coal mines. Apart of that it is expected that due to old capacities it is necessary to construct TPPs ranging to at least 2-3 billion EUR. Having all that in mind and knowing how long are construction times and return of capital periods and having in mind growing costs of borrowing for such risky projects it is expected that Serbia will increase its national debt for at least 30-40% of its GDP.

Beside that it is obvious that future technical and environmental standards and most noticeably ETS system will incur even bigger financial constraints to the Serbian capacities that will be running at risk of stranding costs and throwing it to the citizens of Serbia that are in growing numbers understanding that without strategically and democratically dialogue such long term obligation could not be perceived as legitimate and all of international promoters that are hoping to profit from such blind policy of Serbia based on not legitimate decisions will actually face danger of serious financial haircuts in future.

Serbia did not despite heavy pressure from CSOs and international CSOs and EP developed alternative scenario for development of energy sector thus showing ideologically and corporative rule over its policies and programs despite public outcry demanding independent, fact based and new circumstances reflecting policy dialogue.

2.3.7. Environmental infrastructure investments

Investments in regulation of Waste management, Water management, Air Quality and Climate Change, Industrial Pollution and Noise, Nature Protection and Forestry, Chemicals are most challenging problem, or complex of problems in Serbia. Despite more than decade long effort Serbia lacks reliable system for monitoring of air pollution, inspection system and moreover its system of legal enforcement is in rudimentary form with clear and systemic failure of court system to protect nature and to enforce standards accepted and regulated by legal system.

In that sense estimations about the financial needs for so called chapter 27 are mostly relative reliable and moreover one of biggest problems with this sector is that authorities do not at all envision systemic transfer of technologies necessary for compliance in all the listed sub sectors of environmentally management.

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One additionally problem is that even authorities do not at all understand that d environmentally standards are actually put in place to give right signals towards real sector including energy and transport pursuing it towards more protective measures, stringent standards and reduction of overall pollution, energy consumption and resource intake. In such situation it is rather ridiculous that we have environmentally authorities that are practically better lobbyist of dirty industrial, urban and infrastructural systems than.

By reducing demand over industries we are closed in vicious circle of corruption, not compliance, violation of law and constitution, corrupt inspectorates, corrupt court decisions and systemic violation of human rights. Such behavior is not characteristics of “domestic” subjects but moreover such approach is easily overtaken by foreign corporations but moreover by IFIs which easily accept “creative” reading of regulations, estimations of technologies and projects offered for financing.

Moreover such approach is heavily damaging Serbian macro economically, socially and technologically prospects: a) By avoiding stringent measures massive financial resources for penalties from polluters are systematically being denied from budget of Serbia, b) By demanding state guarantees for dirty



projects IFIs, Chinese partners, Japanese, German partners etc are actually showing that such projects aren't financially viable in long term thus transferring risks of stranded costs and environmentally damages on to the public of Serbia, c) Constant growth of medical expenditure in tandem with reduction of payments towards medical sector due to IMF/WB austerity measures leads to growing mortality and occurrence of hardest medical conditions in Serbia directly causing increase in number of deaths, d) Wrong legal signals postpone technologically transition toward green, low resource and low carbon technologies, e) scientific research is not supported since it is possible to avoid responsibility from utilization of outdated and dangerous technologies.

It is estimated that about highest cost will be in:

- Water sector amounting to €5.6 billion
- Waste sector with €2.8 billion
- Industrial pollution and noise sector with €1.3 billion
 - Accumulated Total Cost 10.584 BEUR (both investment and operational)
 - Total costs estimated 1400 EUR/capita (average 1150 EUR/capita in previous enlargement)⁴⁵

⁴⁵ http://www.evropa.gov.rs/Documents/Home/DACU/12/107/115/128/165/neas_n_pokimica.pdf

RECOMMENDATIONS

- Domestic legal framework needs serious overhaul that would provide that interested public is allowed to initiate changes in spatial plans, development strategies based on environmentally, socially, economically grounds.
- IMF and WB programs should take in to consideration environmentally, socially costs in their estimations of national GDP, in their promotion of infrastructural investments it should promote climate, socially and environmentally friendly investments as PRECONDITIONS for involvement, since projects otherwise are becoming problem NOT THE SOLUTION
- Legal framework should establish parliamentary mechanism that should serve as advisory body for parliament of Serbia especially when discussions about the strategically infrastructure are happening.
- Serbia should revise its strategically and legally document that did not mainstreamed main climate change, environmentally, socially and economically concerns with the regards to all the national infrastructural system that now do not provide serious ground for harmonically and equal development of all the regions of Serbia. (including revision of all the permits for energy and transport projects and their alignment with recent standards of EU)
- Regional discussion forums should be provided for revision of spatial plan of republic of Serbia that should happen in 2020 with goal to provide sustainable long-term plans for development of regions of Serbia
- Serbia should align its transport and energy infrastructure with climate goals of EU with regards to stepwise de carbonization
- Transfer of technologies should be enabled and EU should play active role in such process with goal to significantly reduce expected costs of infrastructural alignment of waste and sewage water management that are expected to be more than 10 billion EUR
- Right signals for introduction of new technologies and transition from fossil fuels based ones is impossible without development of system of monitoring of environment, and moreover without fully implementation of polluter pays principle that should serve as mechanism for regulating introduction of
- IFIs should not allow continuation of fossil fuel import based infrastructural development, in accordance with climate goals accepted by EU



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REFERENCES

