



18 July 2010

Report from fact-finding mission on Corridor Vc motorway, Bosnia and Herzegovina, 23 - 25 February 2010

Introduction

On 23-25 February 2010 Bankwatch's Balkan and EBRD Co-ordinators together with colleagues from the Banja Luka-based Center for Environment and Sarajevo-based Ekotim undertook a third visit regarding the Corridor Vc motorway in Bosnia and Herzegovina.

The aims of the visit were to:

- Obtain updated information on the proposed changes to the route at **Blagaj and Pocitelj** which were proposed in summer 2009 but which had stalled due to political issues.
- Understand what progress has been made in establishing the **Prenj National Park** and how this may impact on the plans to build the motorway in the area.
- Assess the impact of the motorway, if any, on the **Kravice waterfalls**.
- To find out more about the possible **public-private partnership** (PPP) aspect of the project.

Meetings were held with the following stakeholders:

- Mr Namik Kupusovic, Corridor Vc Project Coordinator, Bosnia and Herzegovina Ministry of Communications and Transport
- Ms Suada Numic Expert Advisor for Environmental Permits and Ms Zineta Mujakovic Expert Advisor for Protected Areas, Federal Ministry of the Environment
- Eko akcija, Fondeko (NGOs) and Green Visions (eco-tourism company)
- Ms Hanka Musinbegovic, Deputy Minister for Spatial Planning, Federal Ministry for Spatial Planning and Mr Hajrudin Srna, technical assistant
- Mr Erdal Trhulj, General Manager, Motorway Directorate of the Federation of Bosnia and Herzegovina
- Mr Josip Polic, Operation Leader for Corridor Vc, and Damir Cosic, Associate Banker, EBRD
- Mr Ivan Mihaljevic, Kravica Waterfalls Ecological Association, Ljubuski
- Mr Nihad Jasarevic, co-ordinator of Blagaj NGO coalition

We would like to thank all those who were willing to meet with us to discuss these issues and provide us with the relevant documents on the project. It is clear that not all stakeholders will agree on all aspects of the project and that the issue has become unnecessarily politicised, yet this must not be allowed to detract from the ongoing discussions on the very real environmental, social and cultural impacts of the motorway. With this in mind we especially appreciate the openness of the State and Federal authorities to discuss the project and appreciate the work that has been undertaken so far with the aim of decreasing its negative impacts.

The report from this visit appears with a delay due to time spent obtaining and examining the technical documentation for the project and takes into account changes which have occurred since then but which do not significantly seem to have changed the situation regarding the disputed sections of the route.

Blagaj and Pocitelj

As discussed in our previous reports, there have been demands from local people and cultural figures to change the proposed routing of the Corridor Vc at Blagaj and Pocitelj due to visual impacts on tentative UNESCO cultural monuments, impacts on scarce agricultural land and possible barrier effects on the community at Blagaj. Although these have become the subject of unnecessary and unjustified political wrangling we firmly believe that there are important issues surrounding the

routing at these sites, which do need to be addressed. **In this context we welcome the progress that has been made during the last few months in examining possible new variants for these areas.**

It has been argued by some that alternatives are a) not necessary because the impacts at Blagaj and Pocitelj are not serious and b) that the alternatives have already been studied at earlier stages of the project and dismissed as having too many flaws, so it was decided to examine these claims in more detail.

Having visited the sites repeatedly we cannot agree that the impacts at Blagaj and Pocitelj are not serious. Perception of visual impact will always be somewhat subjective and subject to disagreement, however these impacts have long been identified, but are only now being addressed. Already at the stage of carrying out the Technical Study for the project, Blagaj was identified as an important cultural site¹. Being routed within a distance likely to severely visually impact on Blagaj was not automatically regarded as exclusion criterion for the route, but was mentioned as a possible limiting factor for the variant closest to the source of the Buna in Blagaj.

It is important to note that Blagaj's heritage value is not limited to the source of the Buna, which according to the EIA is 1.9 km away from the route², but comprises a whole range of culturally valuable buildings and the River Buna as well. The cultural aspect of the motorway's impact on Blagaj was not even mentioned in the Environmental Impact Assessment, which instead merely notes the importance of the Buna source and suggests some unidentified protection measures.³

At Blagaj there is the additional issue of agricultural land and the potential barrier effect of the motorway. In the Technical Study all zones were graded according to various criteria including the amount of agricultural land that would be affected, however this was only one of many criteria having an impact on the outcome.

The variant which would have run closest to the source of the Buna in Blagaj was excluded as being unfavourable on both hydrological and geological-engineering grounds, however other variants running nearby were seen to be more favourable than variants to the west of the River Neretva. **However, no variant on the Podvelez plateau was examined at that time or later in the Multicriteria Analysis or EIA. We regard it as a very positive development that this option is now being considered, although it is unclear why no such variants were considered at an earlier stage.**

During the Technical Study stage, none of the variants included the bridge over the River Neretva downstream of Pocitelj that is now proving to be so controversial. The variant including the bridge was introduced afterwards for the Multicriteria Analysis and no other nearby potential river crossing sites were examined at that time. **The visual impact issues at Pocitelj were mentioned in the Environmental Impact Assessment⁴, but nothing was proposed on how to resolve this in the document.** The issue was raised during the public hearings on the project in 2006, summarised in the Public Consultation and Disclosure Plan as follows:

"Public consultation meeting in Mostar brought to attention the planned bridge and its potential impacts on the Pocitelj old town which is being considered as a future UNESCO heritage site. It also indicated negative impacts of the planned bridge on Pocitelj landscape. Designers gave explanation that the bridge was out of the II

¹ Institut Gradevinarstva Hrvatske d.d., Tehnička Studija Autoputa Na Koridoru Vc Mostar Sjever - Južna Granica, Februar 2005, p.104

² Institut Gradevinarstva Hrvatske d.d., Environmental Impact Study Corridor Vc Lot 4, Mostar North - Southern border, date unknown, p.64

³ Institut Gradevinarstva Hrvatske d.d., Environmental Impact Study Corridor Vc Lot 4, Mostar North - Southern border, date unknown, p.88

⁴ Institut Gradevinarstva Hrvatske d.d., Environmental Impact Study Corridor Vc Lot 4, Mostar North - Southern border, date unknown, p.15 and 119

buffer zone, that all protective measures had been included and that a special attention would be paid to the future bridge construction. The public would be informed thoroughly on all that because of the significance of the Old town of Pocitelj for the region.”⁵

This reflected an underestimate of the importance of visual impacts that cannot be mitigated but have a huge impact on people's perception of a place. **Even though these concerns were not adequately addressed at the time of the EIA process, we regard it as a very a positive development that a bridge 1.1 km north of the Pocitelj Old Town is now being considered, which would not have a serious visual impact on the Old Town.** At the time of the visit this option still needed further research, and of course it needs to be ensured that there will not be negative impacts on local people.

The plan now is to proceed with construction on the non-controversial section from Zvirovici to Bijaca, where there are no households to be expropriated, while the alternatives for Blagaj and Pocitelj are researched further and final decisions are reached.

Planned Prenj National Park

The Central Dinaric Arc has 308 registered endemic species and out of these 44 are present only in the Prenj-Čvrsnica-Čabulja area. For this reason it has been called the Prenj Endemic Centre.⁶ As recently as 2009 research was published establishing the presence of a newly documented species on Prenj - the Prenj salamander (*Salamandra atra Prenjensis*). According to many local experts, Prenj satisfies the conditions for UNESCO inclusion and should be nominated for inclusion in the Natura 2000 network when BiH develops its list of sites to be protected.

Just as the inclusion of Blagaj and Pocitelj on the UNESCO tentative list provided impetus to calls to change the route of the motorway to protect their cultural value, it appears that the plans to establish the Prenj National Park and to protect the area through other means may not adequately have been taken into account during the project development process for Lot 3. The majority of the route would go through tunnels and on viaducts, which is seen to diminish its impacts, however it was made very clear during the meetings that if a National Park is declared then the motorway cannot go there and a new EIA would need to be carried out if there is a change in the route.

Several activities being undertaken which should lead to the National Park being established whenever funds are available. A law on establishing the National Park has been drafted but requires the nature protection fund to be established before it can be approved, so that the means to implement the law will be available. It also requires changes in the spatial plan to be carried out before the law can be approved.

In too many cases in transition countries, conflicting objectives of infrastructure construction and nature protection have resulted either in whole areas being denied protected status because of plans for construction there (eg. omissions in the Bulgarian Natura 2000 network due to planned ski resorts) or else the protection process being conducted in parallel with the construction process and the outcome being merely a matter of chance about which process finishes first.

We would therefore highly recommend that this issue is approached in a more coherent way in this case, with discussions between the relevant stakeholders starting as early as possible about how to resolve the issues satisfactorily. It is likely to take many years to access financing for the more difficult sections of Lot 3 but the sooner the issues are taken into account, the better.

⁵ Bosnia and Herzegovina Corridor Vc Motorway: Public Consultation and Disclosure Plan, updated version April 2008.

⁶ Agency for the the protection of cultural-historical heritage of Bosnia and Herzegovina: Study on the impact of forestry on biologically sensitive areas of BiH, Sarajevo, June 2001.

Kravice waterfalls

The Vc is planned to cross the River Trebizat approximately 500m downstream from the Kravice Falls, which are protected as a geomorphological monument of nature, and having heard varying perspectives on whether the motorway will affect the waterfalls or not, it was decided to visit in person and try to assess the situation. The Environmental Impact Assessment mentions possible impacts in case of accidents but does not mention noise or visual impacts.⁷

The clearest outcome was that there will not be any serious noise impact as the falls themselves would drown out any sound from the motorway. The question of visual impact is less clear, as it was only possible to estimate where the road will run. As there is to be a viewpoint on the motorway,⁸ it seems that the motorway will be somewhat visible at least from nearby the falls if not from the falls themselves. However this does not seem likely to cause a serious impact.



View downstream from above the Kravice Falls towards the location of the motorway crossing.

Public-private partnership (PPP)

It has frequently been mentioned that some sections of the Corridor Vc may be built using a public-private partnership model. This is of concern to Bankwatch as there have been very mixed experiences with motorway PPPs in central and eastern Europe and even those hailed by PPP proponents as successes seem to have come at a very high price to public budgets.⁹

An EBRD-funded feasibility study has recently been undertaken by Atkins consultants. According to the discussions during the visit it shows that most of the route would not be feasible for a PPP. The only feasible section is seen to be the southern section from Pocitelj to the southern border, plus a smaller section north of Zenica. These could be combined with operation of state-financed sections to increase the concessionaire's income.

The involvement of the IFIs in any PPP process would help to ensure the transparency of the tender procedure, however there are other reasons for concern. If a toll is charged on the relevant sections the concessionaire's income will be dependent on the volume of traffic, and experience in many central and eastern European countries has proven that it is extremely difficult to predict the level of traffic. This has led to either concessionaires obtaining guarantees from the state that it will top up their income if it is less than expected, or to arrangements involving availability fees, in which the state pays the concessionaire rather than the motorway users doing so. Either way, after the

⁷ Institut Gradevinarstva Hrvatske d.d., Environmental Impact Study Corridor Vc Lot 4, Mostar North - Southern border, date unknown, p.17 and 119

⁸ Institut Gradevinarstva Hrvatske d.d., Environmental Impact Study Corridor Vc Lot 4, Mostar North - Southern border, date unknown, p.42

⁹ For more on Bankwatch's concerns on PPPs, see our November 2008 study Never Mind The Balance Sheet at bankwatch.org/documents/never_mind_the_balance_sheet.pdf

construction is finished there is almost no risk transferred to the private sector, as the operation of a motorway is not an especially complex matter so performance targets are not difficult to fulfil.

PPPs are often perceived as an additional source of financing, however they only spread the financing out over a longer period in a kind of 'build now, pay later' process. In the end it is still the BiH authorities or road users who will pay for the PPP, and it should not be assumed that a PPP is affordable if standard public procurement is not. If a public-private partnership is still being considered for the Corridor Vc we would recommend the BiH authorities to critically examine the idea and if it decides to proceed nevertheless, to make maximum use of independent expertise to avoid the mistakes made by others.

Conclusions

We would like once again to thank all those who took the time to meet with us during the visit in order to discuss these important issues. It is heartening to see that there has been significant movement forward since our last visit in September 2009. The progress made on assessing the alternatives for Blagaj and Pocitelj are very much welcomed and we await the results with interest. The alternatives for both sites look promising, however at the time of the visit they still needed further research, and it is important that they should not bring negative impacts for the local population. Likewise the decision to proceed with the Zvirovici to Bijaca section in order to relieve the pressure on the decision-making process for the disputed sections is welcome.

Concerning the mountainous section of Lot 3 it is understandable that more attention is now focused on Lot 4 and the flatter sections of Lot 3, which are to be built sooner, however it is recommended to start to look for solutions for the motorway which would better take into account the plans to establish the Prenj National Park, and to include a wide range of stakeholders in doing so. In order to for us to contribute to this a more refined understanding of the natural value of the area and the various proposals examined for the motorway and the reasons for their dismissal would be needed.

As the visit to the Kravice Falls has not confirmed any serious visual or noise impact, no further examinations will be undertaken on this section unless new evidence comes to light.

Concerning the idea to use a PPP model for some sections of the Corridor Vc, the consultants appear to have concluded that this have limited feasibility. However, if the BiH authorities nevertheless wish to proceed with the idea, it is advised to look very critically at the mistakes made by others.