



**Centar za ekologiju i održivi razvoj (CEKOR)**  
Center for Ecology and Sustainable Development  
CEKOR, Korzo 15/13, 24 000 Subotica, SERBIA  
Fax: 381 (0) 24 523 191, [www.ckor.org](http://www.ckor.org) M: +381 60 3131937  
[djnatasa@yahoo.com](mailto:djnatasa@yahoo.com)

20 September 2013, Subotica

Ms Enery Quinones  
Chief Compliance Officer, EBRD  
One Exchange Square  
London EC2A 2JN, United Kingdom  
[compliance@ebrd.com](mailto:compliance@ebrd.com)

Dear Ms Quinones,

Last week on Monday 09 September, Serbian media reported that early that day the police had arrested former director of the Kolubara Mining Basin Nebojsa Ceran and former financial director Ljubisa Nekic, businessman Radoslav Savatijevic, and several other individuals. The arrestees are suspected of fraud in land expropriation proceedings around the Kolubara mine.

Although the arrests are recent, the issue has been in the public eye for some time, not least as Minister of Energy, Development and Environmental Protection Zorana Mihajlović highlighted already in January that Kolubara is “mired in crime and corruption”. She explained that, among other forms of corruption, Radoslav Savatijević, member of the Managing Board of EPS was given EUR 1.2 million by the board as compensation for his house in the village of Vreoci, that was to be expropriated as room was being made for a new strip mine. The value of the house was appraised at an astonishingly high EUR 3.4 million. She noted that the advance payment was made based on the EPS board's decision, without a decision on expropriation, and based on a directive written by then Director General of the Mining Basin Kolubara Nebojša Čeran. She also stressed that Savatijević's house was in fact located far from the second priority zone, and that it would not be up for demolition for at least the next seven years, if ever, and that Savatijević did not have the house registered as his address of residence, and thus should not be eligible for expropriation compensation.<sup>1</sup>

Given that the EBRD's **EPS II** project approved in 2003 and the ongoing 2011 environmental improvement project have involved resettlements around the Kolubara mine, we would like to ask you the following:

- Has the Chief Compliance Officer examined the allegations made by the Serbian authorities regarding the expropriation?
- How does the EBRD see the relationship between its EPS project and the newest round of arrests? Is the bank convinced that the arrests do not relate to incidents which took place under the auspices of the EPS II project, and that planned recipients of compensation in the EPS II project were not disadvantaged because of the irregularities which are alleged to have taken place?

As you know, this is not the first case of corruption in Kolubara. Dragan Tomic, former director of the Kolubara coal mine in Serbia and four others have been charged with of abuse of power and of damaging the Kolubara budget 2004 and 2008. They allegedly signed a series of contracts with Inos sirovine Lazarevac through which Inos purchased 5.8 million kilograms of scrap metal from Kolubara at prices ranging from 30 percent to 56.25 percent of actual market price, causing around USD 650 000 damage to Kolubara's finances.

Together with 27 others, in April 2012 Tomic was also charged with embezzling USD 11 million

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<sup>1</sup> [http://www.b92.net/eng/news/business.php?yyyy=2013&mm=01&dd=24&nav\\_id=84324](http://www.b92.net/eng/news/business.php?yyyy=2013&mm=01&dd=24&nav_id=84324)

from Kolubara between 2006 and 2007. Tomic allegedly paid private companies for unnecessary mining equipment and services. Kolubara was overcharged for the number of hours put in by the private companies, and Kolubara executives did not follow appropriate public procurement procedures.

From our previous communication with you we are aware that the EBRD considers that the issues here did not take place within any EBRD-financed projects and that sufficient action had been taken to ensure that such malpractice would not happen again. Nevertheless given the EBRD's long-term co-operation with EPS at the Kolubara mining basin through the Emergency Power Reconstruction Project, the EPS II project and the Kolubara mine environmental improvement project, we would like to ask whether the bank, in the light of the diverse and increasingly numerous allegations of corruption at Kolubara, is indeed taking any additional measures to examine management practices at the mine?

Thank you for your time, I look forward to your timely response,

Yours sincerely,  
Nataša Đereg, director  
CEKOR

A handwritten signature in cursive script, reading "Đereg Nataša".