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“Balkanka” Association, Sofia, Bulgaria  
“Nature has all the time in the world, we do not”.

**Dear Mr. Clark, dear Mr. Moore, dear Mr. Boyd-Carpenter,  
Dear friends,**

This letter is to inform you about a recent development in the case of VEC Svoge /or the Sreden Iskar Cascade/, which is a project developed with the financial support of the EBRD in the Iskar River Gorge near the town of Svoge in Bulgaria.

A journalist investigation was recently carried out to identify the actual benefits for the local community together with the impacts on biodiversity in the Iskar Gorge after more than ten years of operation of the first hydro units in the Cascade. The expected impacts on nature were proven to be insignificant and negligible in all the studies and assessments preceding the project implementation to meet the actual bank's ESP requirements at the time. At the same time huge economical merit for the municipality was also expected, thus sustainable development of the entire region was beyond doubt at the very start of the project...

Now here is the result of the most popular National Radio Station - Programme Horizont investigation. It was broadcast in morning block prime time on May 16th 2018:

<http://bnr.bg/horizont/post/100971411/ribolovci-i-kaakari-izlizat-na-protest-utre-s-nastoavane-da-se-spre-s-unishtoieniето-na-rekite>

**Sorry, it is in Bulgarian**, but we will translate the important statements for you hereafter.

Before we get studying its current *modus operandi*, here is a short history of the VEC Svoge project:

It started as a joint venture between an Italian company - Petrovilla /holding 90%/ and the Svoge Municipality /holding 10% of the shares/. Since the very beginning of the project there is no profit declared by the operator and the Svoge Municipality has not received any dividends for its share whatsoever.

Somewhere in 2016 the Italian investor has given up on the project's third stage of four HPP and decided to merge the VEC Svoge Company with its existing five HPPs in operation into the mother company "PVB Power Bulgaria". This would have left the Svoge Municipality with a small share of only 1.5 percent in the joint enterprise.

It must also be stressed that the municipality has contributed most of the plots along the river and that the investments in the existing five HPPs are estimated to have reached around **130 million BGN** /75 million EURO/

**Source of the information:**

[https://www.capital.bg/biznes/kompanii/2016/08/30/2819409\\_vec\\_svoge\\_zamraziava\\_investicii\\_i\\_se\\_preobrazuva/](https://www.capital.bg/biznes/kompanii/2016/08/30/2819409_vec_svoge_zamraziava_investicii_i_se_preobrazuva/)

Now, from the radio interview with the deputy mayor of Svoge in the first link it

becomes clear that the municipality has transferred its share to the Italian company for only 3.6 million BGN in 2017.

**And here is the first question** - 10% of the original 130 million BGN investments mean 13 million, is that correct? Not counting the assets the municipality has contributed - we are not sure whether we understand finances right, but 3.6 million BGN is more than three times lower a price than 13 million always.

One way or the other, the fact is that the municipality was left with no choice otherwise it would have owned 1.5 percent of an enterprise that declares no profit and pays no dividends at all, which means holding 1.5 percent of nothing.

**Thus the overall and only benefit for the municipality from the adventure is only 3.6 million BGN /1.8 million EURO/** which has to be compared to the loss of those plots along the river that were used before the implementation of the hydro project for all kind of river related and recreational tourism - kayaking, rafting, fishing etc., which are now lost forever. In order to calculate the overall social benefit, the above profit should also be compared to all the other benefits declared by the local people in the following radio interviews.

Getting back to the journalist investigation - at first it must be stressed that the Bulgarian National Radio is following the highest journalist standards possible, always seeking to cover all opinions and angles of the problem they are investigating, hence the picture exposed cannot be considered a matter of manipulation, it only shows the facts. It is not like we are taking interviews with our kind of people and it is not like the investor is reporting to the bank that everything is fine - if he still submits reports, or has done so in the past. The National Radio Station investigations are absolutely fair and independent.

In the second place it must be pointed out that the investigation started with a visit at the Prokopanik HPP, which is the first power plant of the cascade on the way from Sofia to the town of Svoge - the exact location is less than a kilometer away from the town of Svoge. At the moment of the visit the Iskar River was running wild like hell, due to the melting of the snow high in the mountains and to the heavy rainfall in the previous days. Much to our surprise the water was running over the barrage and out of everywhere else, but through the fish pass. And this is happening during the spawning period of fish in the Iskar River when fish is striving to migrate upstream to spawn. Here is the proof - watch the pictures and videos uploaded on our hydropower monitoring platform, please:

<https://dams.reki.bg/0227-dam/2018-05-14>

We were surprised because our previous checkups have shown better performance of this HPP even during low water, when some water was still running through the fish pass. Pitifully, it is obvious now that the fish pass is blocked and we had to change our assessment of this particular HPP on our monitoring platform from positive to negative immediately. Blocking fish passes is always done in order to let all the water run through the turbines - it is a common practice here in BG. It is always done during low water, but the operators do not bother to remove the plugs in the rest of the time.

So it is clear that the Prokopanik HPP is violating the terms set in the Water Permit and all the relevant legal regulations to discharge the so called E-flow through the fish pass. Violation of the E-flow is a fact even during high water, even during the migratory period of the fish.

An inspection by the competent Danube River Basin Directorate/BDDR/ was carried out immediately after our signal, but it did not discover any infringements on

the E-flow whatsoever, which is not a surprise to anyone, never mind that BDDR was warned that there are three witnesses watching the fish pass and there is no water running through, regardless even of the video that we have shot. This is another common practice of the Basin Directorates here - to cover breaches of the law, which explains why there are so many violations and no one is following the law. The inspection was done in the presence of the operator, but we were not invited...

And now let's get back to the interviews in the National radio investigation. We will include here the translation of the most interesting statements of local people and the deputy mayor of the municipality, but it will be best if someone listens to the entire broadcast to be sure that we are not missing or manipulating something.

In minutes of the radio reportage here are the reporter's questions and the local people answers or comments, discussing up to date "benefits" for the local community:

**Minute 02:01** - local woman from the Iskar Gorge:

*Every next hour our electricity is stopped, our electrical appliances are getting spoiled, nobody is covering the damages. There is no one to complain to...*

**Minute 02:17** - a bunch of local women discussing a small hydro that was planned on their very small local river, tributary to the Iskar River in the gorge:

*There is just so little water in our river. They started digging the channel and left it unfinished...*

**Minute 02:42** - the local leader of the resistance against the same small hydro Borislav Ditchev:

*I learned by accident from my neighbors. There was no public consultation, all the necessary permits were issued by the state authorities and a few foundations of the power house were done, on a river that has water running in it somewhere until June...*

*And on such a small river a hydro project has started due to bad planning in breach of the law...*

And here are the citizens of the town of Svoge discussing the Sreden Iskar Cascade:

**Minute 03:45** -

Question - *what is the profit for the municipality?*

Answer - *You are not taking picture of me, are you?*

**Minute 03:50** -

Question - *are the citizens happy with the hydro?*

Answer - *they are not! Someone privately is getting something, but there is nothing for the municipality...*

Question - *but why are you afraid to talk?*

Answer - *because these are mafiots that are running the whole place.*

**Minute 04:04** - local woman:

*The price for green energy is included in the invoices. Electricity gets expensive enough... Someone is gaining profit but it is not known who that is.*

**Minute 04:15** -

Question - *Do you think that there are infringements from ecological point of view?*

Answer - there sure are, but it is known by the people that have done this. At the very least there is pollution and so on.

Question - And is there drying of the river in the summer time?

Answer - the water stops running from time to time...

**Minute 04:32 -**

Question - how do you explain to yourself the fact, that people are afraid to talk about these problems, what scares them?

Answer - numerous dependencies at local level and people somehow do not feel protected. For example - if they express an opinion, nobody will protect them against unfavorable consequences from the people that have the power around here.

**Minute 04:58 -** local woman from Svoge

*From what has been constructed I have the feeling that the ecology around the town and in the gorge was harmed. There is such pollution, all that garbage. It's terrible.*

Question - do you find that the fish is less in the river now?

Answer - definitely. Not to talk about its quality - I wouldn't eat such fish from the river - that's an absurd. It is not only about the silt, the waters are colored, the accumulation, it's horrible... And the stench of stagnant water that is spread around, the mosquitoes and everything else there is...

**Minute 05:28 -**

Question - the municipality has gained no profit and has already sold its share?

Answer - perfect! And we are suffering the negatives...

And here comes the deputy mayor of the town of Svoge discussing the Sreden Iskar Cascade:

**Minute 05:53 -**

*The Svoge municipality has had 10% of the enterprise with Petrovilla. Last year, together with the municipality council, decision was taken that the share should be sold. It was offered to our partners... In a procedure five - six months long, a tender was announced of course, and our share was sold out. With this the Svoge municipality participation in the project has come to an end.*

*We consider our participation extremely useful and fruitful, because the Sreden Iskar Cascade was the best project of the EBRD. The project reached about 120 million BGN, five big dams were built, tourist' zones were formed around them, spots for anglers, incoming and outgoing infrastructure...*

*Because I deal with the emergency problems too - now there is no option for the Iskar River to flood large territories, because we can control the water through these dams and the risk for local people is reduced by far. For me this is one of the extremely successful projects...*

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End of quotes. The second half of the broadcast continues with an interview with Mr. Lyubomir Kostadinov - an eminent river conservationist, who is discussing the problems included below.

**Note - the deputy mayor of Svoge is wrong on the following issues:**

1. There is only one tourist zone, not five, and it is with limited access, only for connected people. Possibly the deputy mayor of Svoge is happy to fall into the list of people that are welcome to the zone.
2. In the last years a huge amount of anglers went away from the area. Fishing around there today is not comparable to the times before the cascade was built, when the river was full of life. Things are only getting worse now due to the

eutrophication processes in the lakes and to the blocked migration.

3. The area has never had problems with floods due to the steep river banks. Five consecutive small dams full of silt are not a solution, they are The Problem for floods. We really hope that future does not prove us right on this particular issue.

### **Conclusions:**

1. It is obvious now that the municipality officials are quite happy, while the local community is definitely not. We really believe that the EBRD social policy is not aiming only at the mayor's prosperity and happiness, but at the improvement of the local people state of life. It is clear that in the Sreden Iskar case something with the bank's ESP went very wrong and the damage caused cannot be repaired, neither can the biodiversity loss in the area and in the river be reversed.
2. If only some municipality officials are satisfied with certain undertaking and the vast majority of local people are suffering from its adverse impacts, with the "competent" state authorities doing nothing, that is a clear sign of huge corruption involved.
3. The river's self cleaning ability is absolutely compromised. This is a problem for all the power plants, but especially for the first HPP of the cascade - Prokopanik, because the barrage catches water that comes polluted to some extent and accumulates the toxic silt with the subsequent problem of eutrophication, due to biogenic and chemical contamination.
4. Future problems are expected only to increase. That goes especially for the silt accumulation, the stench, the water contamination, the quality of groundwater, the quality of the air during low water, the mosquitoes and the other insects and so on. These are issues that will inevitably affect local peoples' health in the years to come.
5. The law is not followed at all - the operator is violating the requirement on the E-flow discharge even during high water, even in the migration period of fish.
6. **But the most scaring thing of all is that the local people are afraid to talk.** There is only one man standing with his name in the above interviews and there is surely a reason why the rest refuse to tell their names. Many of the locals were afraid and refused to even talk about your bright and shiny project, dear friends from the EBRD - it was among your Best Projects according to the mayor if I remember right, wasn't it?
7. In the face of having only 1.5 percent of something that declares no profit at all, the municipality was quite happy to sell its share for a price several times under the price of the actual actives the municipality has contributed in the joint enterprise and the mayor is obviously even happier with that. Local people end up with their poor living along a nearly dead river, with the pollution, with no options for any kind of river related tourism and the reduced quality of life. They can't even bath in the Iskar River anymore! Was any of these benefits predicted and foreseen by the highly paid all kind of experts in all those studies and assessments that were prepared prior to the project implementation? What do the "experts" say about these problems in the project's Environmental Impact Assessment (EIA) and in the Appropriate Assessment?
8. **Based on the above, will the EBRD hold anyone responsible?**

We are pretty sure that the bank should dig in the bank's own backyard to find someone responsible, but we can also be of some help by pointing out the entire EIA/AA team and especially the leading EIA expert - her name is **Rositsa Nikolaeva** and she is famous around here for her leading role in such kind of assessments. There are quite a lot of them, always of the same quality, always with the same devastating result.

There is something more about the VEC Svoge case - a report, prepared by a special parliamentary commission in 2015, composed to investigate the RES development and operation due to the sector's bad fame, brought other accusations against the project, which can be found here:

[https://www.capital.bg/politika\\_i\\_ikonomika/bulgaria/2015/07/30/2582801\\_valeri\\_sim\\_eonov\\_obvini\\_zelenite\\_centrali\\_i\\_erp-tata\\_v/](https://www.capital.bg/politika_i_ikonomika/bulgaria/2015/07/30/2582801_valeri_sim_eonov_obvini_zelenite_centrali_i_erp-tata_v/)

The findings in the report were, however, swept under the carpet, which is not a surprise in the most corrupt EU Member State in which the energy sector is the most corrupt sector of all.

And still another issue - in an earlier communication this year together with CEE Bankwatch Network we have informed the EBRD that all the HPPs here in Bulgaria, including VEC Svoge, do not hold concession contracts with the state allowing the construction of the hydro units in the riverbeds which are considered public state property acc. to the Water act. If we add this violation of the law to all the Sreden Iskar project's "beneficial" consequences to the environment and to the local community in the Iskar Gorge, a question arises immediately:

### **Is this project really pronounced Best Project of the EBRD?**

If it actually is, this is worrying to us what the Second Best is worth!

In the end of this section we will stress this once again - the Bulgarian National Radio (BNR) has the highest rating here, because it is following the best standards of investigation, covering all angles possible. And small people here believe the BNR reporters that anonymity is guaranteed. If the EBRD management does not believe in what the local people say - come here and see yourselves! But have in mind that no one of the locals will ever answer any of your questions because they don't know you and because they are afraid. And do not warn the operator or the municipality in advance before you come, otherwise it will be easily arranged that a lot of people will be waiting to convince you everything is fine. Come here alone and try to get some answers!

The EBRD decision makers obviously have another option by the way - to keep believing in the operators' regular reports if such are still conveyed. Paid by the operator or by the bank, this kind of feedback will only hold results which are desired by the bank to keep its conscience clear, rather than the truth. And all of you should also know that everybody here is now aware who is responsible and none of those who are involved will ever be forgotten.

But, after all, was it the EBRD that operates with the public finances collected among all the European taxpayers, meaning that a very small part of these finances comes out of the pockets of the poor local people living in the Iskar Gorge? If so - then the bank's decision makers owe some action at some point. And rest assured - the later the action would come, the harder the public reactions will be, because the situation caused by the EBRD "Best" investment project in the Iskar Gorge will not get any better in the future, it will be only getting worse! And national media interest will not fade away, we promise to take care of that!

### **Aim of this letter:**

Dear friends from the EBRD,

**Please do not consider this letter as a complaint, because it's not.** We do not believe in such complaints and we do not believe that the management of the bank will ever come to admit that a very wrong investment has been made.

We are also aware that in October 2013 a report regarding the same VEC Svoge project was conveyed by WWF to the local representatives of EBRD in Bulgaria as well as to EBRD board members. The document is pointing out infringements of the legislation during the implementation of the Project as well as shortcomings in the Environmental and Social Impact Assessment report which, pitifully, it is no longer available on the EBRD site:

<http://www.ebrd.com/work-with-us/projects/psd/vez-svoghe-mini-hydro-project.html>

The link to the EIA is still available, but it is not working.

According to WWF's report not only the local economy is not reaching prosperity as a result of the Project's implementation, but local community is also suffering by losing the river as a valuable agricultural and tourist asset (water related sport and angling), which is now confirmed 100% by the National radio investigation.

The fact that another reputable international environmental organization prepared and submitted such report with no subsequent result is another reason why we are not quite enthusiastic to file any complaint with the bank. And yet another reason is that we are not too good with complaints forwarded to banks, unlike our huge experience with DG Environment of the EC.

By the way, this letter is also shared with our friends from CEE Bankwatch Network - if they find some grounds to lodge a complaint with the relevant complaint mechanism of the EBRD, they are very welcome to do that.

But we have huge experience with the preparation of complaints to the European Commission. Nine consecutive pieces lodged with DG Environment have brought the hydropower issues here to an EC Pilot application in midsummer of 2017 and the infringement procedure is inevitably on its way. It will be announced very soon after the end of the Bulgarian EU presidency. Rest assured please, the Sreden Iskar case is one of the keystones in our complaints, due to the deficiencies in the project's EIA, especially the poor cumulative effects consideration and assessment. The first benefits have started to emerge early in 2008 when the Lakatnik HPP managed to discharge thousands of cubic meters toxic silt that killed the entire river life some 30 kilometers downriver - in a Natura 2000 Habitats Directive site, designated to protect priority habitat types along the river and priority river species.

And we now find that, based to the above BNR journalist discoveries for the devastating impact on local people wellbeing, a complaint to DG Regional and Urban Policy of the EC will be quite an appropriate thing for us to go for. Such complaint must be prepared and lodged and we will be happy to take action very soon.

While this is not a complaint to the EBRD, we are still hoping for some reaction of the bank. We will be very thankful if some sort of checkup and verification of the problems that we raise will be carried out, keeping in mind that the local people will be afraid to talk in an official inquiry. Whatever the EBRD decides to do or not to do, we will be happy if we get informed.

Based on our experience so far, we can also guess that a possible EBRD answer to this letter could be that the undertaking was financed under some old revision of the bank's ESP /possibly the 2003 version/ and that today the EBRD social policy regulations are much more stringent.

We are pretty well aware of that fact, but this cannot be an excuse! Devastating impact has been done - who cares under which revision did it happen? Therefore we don't actually need an answer based on versions or revisions - on one hand because the damage must have been taken into consideration before those 130 million BGN have been wasted, no matter the version of the ESP. And on the other hand - that project is among the best of all the EBRD has financed at the time,

according to the deputy mayor of Svoge. Best projects are expected to be way ahead of their time and if the predicted beneficial consequences to social development have failed to appear, then someone has to bear responsibility for that.

It is also obvious that the due diligence mechanisms of the bank do not provide any guarantee for the implementation of EBRD's internal ESP, which is further compromised by the obvious fact that no subsequent control is carried on. This is totally unacceptable, if old ESP versions are used as an excuse for failures that are appearing today and no one will be held responsible, not only for the wasted funding, but especially for the poor investment's devastating impact! The lack of an appropriate control is another huge problem and if the EBRD cannot control the things it does, they'd better not be done at all.

**And most importantly - some measures to reduce the damage must be undertaken now!** If the EBRD management decides to take some steps in this direction, we will be much obliged to get informed. We promise media interest growing fast, therefore any actions to improve the reputation of the bank will be welcome, only if such actions come on time.

**But the biggest issue we are aiming at with this letter** is actually the modern approach of the EBRD towards financing of such hydropower projects in the future - we are aware that some amendments in the bank's ESP were recently adopted, or will be adopted very soon. Then, here we have a perfect case to be assessed under the brand new ESP revision, like a kind of fitness-check of this new version. If the checkup of the Sreden Iskar project carried out under the new ESP still shows that this project is a good one - then the new policy should be revised time and again until it gets the right answer, namely that this project is a very bad one and it shouldn't have been financed in the first place.

Furthermore, we checked the previous revisions and weren't able to discover recommended actions when it's proven that the bank has happened to finance the local Mafia and local people are afraid to even talk about such "fruitful" investment and about the damage on environment and on their lives. So if the modern ESP revision doesn't hold recommendations, advising what has to be done now in a case like this, we are afraid that the revision should be re-revised.

**Finally and most importantly** - we've heard rumors recently from our friends from all over the Balkans that the EBRD is preparing for each country in the Western Balkans some kind of Master Plan at national level for "sustainable" development of small hydro. In a previous communication with EBRD management we had the chance to share several video clips displaying how "sustainable" can hydropower be in our region. For those who don't remember, here are the same very short videos again, out of hundreds that we have uploaded on our monitoring platform:

<https://www.youtube.com/watch?v=0mz1nGqJ4cw>  
<https://www.youtube.com/watch?v=Fq4ZVHpifyA>  
<https://www.youtube.com/watch?v=7nlQp272qNs>  
[https://www.youtube.com/watch?v=OJxOwJP\\_w50](https://www.youtube.com/watch?v=OJxOwJP_w50)  
<https://www.youtube.com/watch?v=yPAskCMI8KI>  
<https://www.youtube.com/watch?v=4ToGKuEINKY>  
[https://www.youtube.com/watch?v=bXtPIM\\_9n\\_k](https://www.youtube.com/watch?v=bXtPIM_9n_k)  
[https://www.youtube.com/watch?v=4ZcSDw\\_5cYY](https://www.youtube.com/watch?v=4ZcSDw_5cYY)  
<https://www.youtube.com/watch?v=3UJOIONNOPY>  
<https://www.youtube.com/watch?v=7ea2k7OrZJU>  
[https://www.youtube.com/watch?v=zk8hcF\\_QiE0](https://www.youtube.com/watch?v=zk8hcF_QiE0)



Obviously, the Sreden Iskar case of destroyed nature and damaged local people's life and wellbeing is not exemption. It is a common practice in all the hydropower projects here in Bulgaria and in the Balkans. That is the reason why hydropower is a dirty word around here nowadays.

So we hope that this letter will help the EBRD management reconsider any future plan or project not only in Bulgaria, but in the rest of the Balkan states as well. And if that goes for any direct investments of the bank which are visible and transparent, the more it goes for those invisible investments that are passing through all kind of financial intermediaries the EBRD is hiding behind. We were so disappointed with the bank's refusal to provide us with the information for the HPPs in Bulgaria financed through intermediaries, but now we find that secrecy is only normal since such investments must be something the EBRD should not be proud of, judging from the "benefits" of the Sreden Iskar case.

In the very end - we really hope that this letter will help the EBRD decision makers get convinced - the other name of hydropower in our region is Corruption - it is the only "sustainable" thing that goes with hydropower hand in hand around here. Small hydro in Bulgaria has negligible contribution to the electricity production mix - less than 2.0 percent, but it is working during low water, drying up the rivers to the bottom in violation of the law. If the law is followed in dry periods and the E-flow is discharged into the riverbeds, the contribution will be less than 1.0 percent on an annual basis. It depends also on the rainfall which, in the light of climate change, is less and less reliable and the river ecosystems are getting more and more sensitive and vulnerable to the warming and will require much more water in the future to survive. And the last wild rivers in Europe can be used in a much more sustainable way like all kind of river related tourism, instead of being killed for hydropower.

The European banks should also know that people on the Balkans are already aware of the hydro issues and are starting to unite in order to oppose the intentions for further river destruction. More can be learned about it by watching the following press conference, which was held in Sofia on May17th - the day of the EU-WB6 Summit, with the participation of several organizations from different Balkan countries - it is translated in English:

[http://www.bta.bg/bg/live/show/id/0\\_mccwijvs](http://www.bta.bg/bg/live/show/id/0_mccwijvs)

Finally - hydropower has nothing to do with local development and is only killing nature for the miserable profit of those connected individuals who have the power of the day. We find that the mistakes that happened to be done in our country must not be multiplied in the rest of Balkan states by any means. This is still an area in Europe possessed by corruption where small local people are afraid to talk, in the 21st Century, even in an EU Member State!

That is why we have one more message to the EBRD, to all the rest EU financial institutions and to the European Union itself:

**Stop killing nature here and quit financing the Corruption in the Balkans!**

Thank you in advance for your kind understanding and cooperation.

*"Nature has all the time in the world, we do not".*

Representative:

  
/dipl.eng. Dimitar Koumanov/  
Member of the board

Sofia, Bulgaria  
23.05.2018