

|  |
| --- |
| Republic of Serbia |
| GOVERNMENT OF THE REPUBLIC OF SERBIA |
| ANTI-CORRUPTION COUNCIL |
| 72 No: 023-00-1478/2022 |
| 18 February 2022  Belgrade |

**PRIVATISATION OF THE JAROSLAV ČERNI WATER INSTITUTE**

**TABLE OF CONTENTS**

[**1.** **INTRODUCTION** 0](#_Toc112590370)

[**2.** **ACTIVITIES AND ORGANISATIONAL STRUCTURE OF THE JAROSLAV ČERNI WATER INSTITUTE** 3](#_Toc112590371)

[**3.** **ASSETS OF THE JAROSLAV ČERNI WATER INSTITUTE** 5](#_Toc112590372)

[**4.** **THE VALUE OF THE JAROSLAV ČERNI WATER INSTITUTE** 5](#_Toc112590373)

[**5.** **PROCEDURE OF PRIVATISATION OF THE JAROSLAV ČERNI WATER INSTITUTE, BELGRADE** 21](#_Toc112590374)

[**6.** **EXPERIENCES OF COUNTRIES IN TRANSITION WITH PRIVATISATION OF WATER MANAGEMENT COMPANIES AND INSTITUTES** 24](#_Toc112590375)

[**7.** **CONCLUSIONS** 26](#_Toc112590376)

[**8.** **RECOMMENDATIONS** 33](#_Toc112590377)

# **INTRODUCTION**

Since the very beginning of the civilisation, the issue of water as a natural resource was a prerequisite for well-being of every existing community, in terms both of solving problems related to water and putting this natural resource under control for the sake of well-being of the community as a whole. Development, flourishing and collapse of civilisations were directly related to proper and reasonable utilisation of water resources.[[1]](#footnote-1)

Proper and reasonable utilisation of water resources of each community entails respect for several principles that need to be fulfilled all together for the purpose of protection, as well as of the prosperity of a society.

First of all, it is the fact that the water is an irreplaceable substance because without it we cannot live, and that the water is public good, belonging to everyone, which is a postulate established in the Roman law (*Flumina omnia publika sunt* – All rivers are public).

The third principle is based on the democratic disposal of water resources and implies the direct impact of users or consumers on decision-making, which is directly related to the fourth principle, which entails uniform and integral management and maintenance of water regime in which all stakeholders should participate, including the general public.

In addition, reasonable and proper utilisation of water resources is not territorially limited to one community, and that is the ground for the next principle established by the Helsinki Convention on the Protection and Use of Transboundary Watercourses and International Lakes of 17 March 1992, which introduces a binding framework for the protection of surface and ground waters if catchment area includes several countries, and that protection shall be implemented through prevention, control and ecologically sound water management. With the passage of time, due to technological development, nature protection also became an indispensable principle that declares water as an integral and irreplaceable part of the nature, and not only as a natural resource but also as a heritage,[[2]](#footnote-2) and for the implementation of that principle European Community adopted the Directive on the water management policy.[[3]](#footnote-3)

As an element of the environment, water is present in every aspect of our life, without which our quality functioning and survival is impossible. Although water has become the most important natural resource, the way we use it and how we treat it is the matter of concern, so the water resources management and the protection of water quality shall be one of the priority areas of environmental protection.

Water management shall not endanger human health, fauna and flora, natural and cultural goods, and wealth, nor the predicted water regimes, and the importance of water resources management and protection of the water quality is the very reason why managing them in an irresponsible manner shall not be allowed.

Anti-corruption Council believes that it is necessary to look at these priorities in the context of the privatisation of the only State institute for water management in our country, whose importance, reputation, and scientific and research work far exceeded the borders of our country.

In March 2002, the Government of the Republic of Serbia adopted the Decree on determining the water management basis of the Republic of Serbia[[4]](#footnote-4), and it is the first planning document of the highest level in the field of waters in the Republic of Serbia as an independent state, which defines the further strategy for the development of water management infrastructure and water management policy.[[5]](#footnote-5)

The water management basis was drafted by the Jaroslav Černi Water Institute (hereinafter referred to as ‘Jaroslav Černi’) and it is the basic planning document in the field of waters, which lays down the basic strategy for water use, protection against waters and water protection in the territory of the Republic of Serbia, which is considered as unique water management area.

According to the Law on Waters of the Republic of Serbia, waters are a natural goods owned by the Republic of Serbia and, in accordance with the provisions of Article 5 of the Law on Waters, cannot be alienated from public ownership.[[6]](#footnote-6)

Water management includes a set of measures and activities aimed at maintaining and improving the water regime, providing the necessary quantities of water of the required quality for different purposes, protection of waters from pollution and protection against the adverse effects of water.

One of the most important principles on which water management is based is the principle of sustainable development, which implies that water management must be carried out in such a way that the needs of current generations are met without jeopardizing the ability of future generations to meet their needs, that is, that the use of water must be based on the long-term protection of available water resources in terms of quantity and quality.

In addition to the principle of sustainable development, water management is also based on the principle of integrity in terms of processes in nature and respect for ecosystem; the principle of unity in management of the water system and/or water management in order to achieve maximum economic and social effects; the principle of ensuring protection against the adverse effects of water; the principle that anyone who uses a water assets and a water object as a good of general interest shall pay a real price for its use; the principle according to which anyone whose activities cause water pollution is obliged to meet costs of measures for pollution abatement; the principle of public participation, according to which the public has the right to information about the state of water and the work of competent authorities in the field of waters, as well as the right to be involved in the processes of drafting and adopting water management plans and to control their implementation, and finally the principle of acknowledging the best available techniques, where the best known and available techniques, which are the state-of-the-art achievements in certain areas, must be applied in water management. All the mentioned principles are incorporated into the Water Management Strategy until 2034 as a planning document that lays down the long-term trends in water management in the Republic of Serbia.[[7]](#footnote-7)

The activity within which water management is carried out is water activity. Water activity is an activity of general interest that includes the regulation of watercourses and protection against the adverse effects of water, the regulation and use of waters and protection against pollution, and it is carried out in a way that ensures the sustainable use of water, protects, and improves the aquatic and coastal ecosystems, reduces the adverse effects of floods and drought, and reduces the harmful effects of climate change.

Particular attention shall be paid to the protection against the adverse effects of water, which includes the implementation of various works, facilities, measures, and other activities aimed at rational protection of people, natural and man-made material goods and resources from floods and water erosion.

Provision of Article 45 of the Law on Waters stipulates that the protection against the adverse effects of water includes measures and works for protection against flooding by external and internal waters and ice, protection against erosion and flash floods, and rectification of the consequences of such impact of waters.

Floods are among the biggest natural disasters, and lately, due to an increasing manifestation of climate change, the risk of floods is much higher than before. Due to their frequency, the importance of flood prevention in our country has been increasing in recent years.

The frightful effects of floods are primarily reflected in endangering people's lives and their safety and in causing damage to property, infrastructure, and economic activities. In addition, floods can have a very harmful effect on human health and the environment.

The catastrophic floods that took place in May 2014 in the Republic of Serbia, which were the result of extreme hydro-meteorological conditions, caused enormous damage and human casualties. According to the data of the State Audit Institution from the Report “Flood Prevention in the Republic of Serbia”, it is stated that in May 2014 alone, the 24 most affected municipalities in the Republic of Serbia suffered material damage in the amount of about 1.5 billion euros, and that for each dinar invested in flood prevention, damages can be reduced in range of 3 to 9 dinars.

Pursuant to the Constitution of the Republic of Serbia, the system of protection and improvement of environment, which includes water, as one of the most important compartments of the environment, shall be organised by the Republic of Serbia. At the same time, the highest legal act guarantees the right to healthy environment and the right to timely and full information about the state of environment.[[8]](#footnote-8)

The Law on Waters lays down the legal status of waters, integrated water management, management of water land and water facilities, sources and methods of financing water activity, supervision of the enforcement of that law, as well as other matters significant for water management.

The 2010 Law on Waters[[9]](#footnote-9) stipulated that **water is a** state-owned **good of general interest**, but the status of water was changed by the 2016 Law on Waters[[10]](#footnote-10) **and waters are no longer specified goods of general interest but as natural goods**.

Natural goods and goods of general interest are issues of public property, regulated by the Law on Public Property[[11]](#footnote-11), which stipulates that publicly-owned goods of general interest are objects specified as goods of general interest by the law (agricultural land, forests, forest land, water land, water objects, protected natural goods etc.), and shall be subject to a special protection.

Natural resources are, inter alia, waters, watercourses and their sources, groundwater resources, geothermal and other resources and other goods that are defined by a specific law as natural resources, that may be subject to concession or use and/or exploitation rights in accordance with a specific law.

The Law on Public Property also provides that goods of general interest shall be managed conscientiously, lawfully and taking into account exclusively public interest, while the manner and conditions of exploitation and management of natural resources shall be regulated by a specific law.

**Change of the status of waters in the Republic of Serbia, made by the 2016 Law on Waters, when water was specified as a natural resource instead as a good of general interest that is subject to a special protection, enabled exploitation of water resources, awarding concessions and entitlement for water use.**

# **ACTIVITIES AND ORGANISATIONAL STRUCTURE OF THE JAROSLAV ČERNI WATER INSTITUTE**

The legal predecessor of the Jaroslav Černi Institute was the Hydrological Institute within the Serbian Academy of Sciences and Arts, founded in 1947, as well as the Hydraulic Laboratory within the former Ministry of electric power industry of the Federal National Republic of Yugoslavia. After the establishment of these institutions, an integration and merger with other institutions took place, as well as status change, and new institution was renamed Office for Hydroelectric Energy in 1950 and Hydrotechnical Institute Engineer Jaroslav Černi in 1953.

It was established as a scientific research organisation Jaroslav Černi Water Institute under the Decree of the National Republic of Serbia Executive Council enacted on 11 December 1958, by merger of Hydrotechnical Institute Engineer Jaroslav Černi and the Institute for Water Management of the National Republic of Serbia.

The Institute, as a leading scientific and research organisation in the field of waters in Serbia and the region, operates by carrying out a very wide range of activities. The key activity of the Institute, that includes different types of research in the field of waters and the environment, is carried out in several laboratories, including the chemical and biological laboratory of the Institute, which is accredited for the sampling and testing of water, sediment, and soil.

In addition, experts from the Institute conducted many strategic environmental assessments and environmental impact assessments, among others, the multidisciplinary program of monitoring and measurement of the effect on the environment of hydropower plants Đerdap I and Đerdap II, where the reports of the Institute were the basis for issuing a water permit for the operation of this system.

Based on the research and studies of waters that the Institute carried out on the territory of Yugoslavia, the most important hydrological objects and systems in this area were built within the projects in which the Institute participated, for instance, the hydropower plants and navigation system Đerdap, the Danube-Tisa-Danube hydrosystem. etc.

Experts from the Institute are involved in the activities of defence against floods and ice, embankment breaches, dam demolitions, and after such events, they carry out analyses on the basis of which they submit proposals related to remedying of damage and solutions that would prevent such events in the future. At the same time, the Institute participates in operational plans for defence against floods, and it is in charge of ice monitoring and urgent research works and the development of solutions for urgent remedial works.

The Institute actively participates in solving water supply problems, determines the capacities of water sources, conducts water quality analyses, provides services in the field of design of hydrotechnical structures for dams, water systems, water sources, plants for collection and purification of drinking water, waste-water treatment plants, hydropower plants. The institute also provides engineering services, carries out tasks that require experience in solving irrigation and drainage problems, as well as environmental protection activities.

As mentioned above, one of the activities of the Institute is the preparation of strategic and planning documents in the field of waters and flood risk management, and, inter alia, Water Management Basis of the Republic of Serbia, preliminary flood risk assessment for the territory of Serbia, as well as hazard and risk maps were prepared by the Jaroslav Černi Water Institute.

In the period of transition in 1990s, Jaroslav Černi Water Institute was organised as an unlimited liability stock company on the basis of the Decision on organising socially owned company as a mixed ownership stock company.

Under the Law on Enterprises, the Company was reorganised and became a joint stock company, which was entered in the register of the Commercial Court in Belgrade, and later, in 2005, under the Law on Registration of Business Entities, the Company was entered in the register of the Agency for Business Registers in Belgrade.

On the basis of the Decision from 2007, the Company was accredited by the Ministry of Science as a research and development institute. The founder of the Company is the Republic of Serbia, and the Government of the Republic of Serbia, by Conclusion 05 no. 46-49502007 of 13 September 2007, established that the share of state property in the funds used by the Jaroslav Černi Water Institute shall be 92% of the capital, while 8% consists of private capital.

With the Republic Directorate for the Property of the Republic of Serbia the company signed the Agreement No. 46-215/06 of 26 August 2007 on the share of state property in funds used by the Jaroslav Černi Water Institute.

In 2013, by the decision of the Board of Directors of the Company, a business unit called Jaroslav Černi Business Unit, Republika Srpska was established in Bosnia and Herzegovina, and was entered in the court register at the District Court of East Sarajevo.

The management bodies of the Company are the General Meeting, the Board of Directors, and the Managing Director. The General Meeting of the Institute consists of owners of state-owned and private capital with 11 members, where ten members are representatives of state-owned capital, while one member of the General Meeting is a representative of private capital.

The Board of Directors consists of seven executive directors, and one of them acts as the Managing Director. Executive directors are appointed by the General Meeting for a four-year term of office, which shall be renewable.

In the period until 2015, the Company was functioning and was organised in such a way that the members of the General Meeting were the Company's employees, and then, on the basis of the on Conclusion 24 no. 119-3129/15 of 26 March 2015 the Government of the Republic of Serbia appointed four representatives of state-owned capital.

On November 5, 2015, the newly elected members of the General Meeting of the Company adopted the Decision no. 3396/2 on the appointment of seven executive directors of the Company as members of the Company's Board, and after that also the Decision no. 3396/3 on the appointment of the Managing Director.

There are 235 employees in the Institute, out of which 17 have a PhD, 13 have a master’s degree, 136 have a university degree, 10 have a college degree and 59 persons are without higher education.

# **ASSETS OF THE JAROSLAV ČERNI WATER INSTITUTE**

The assets of the Jaroslav Černi Water Institute consist of intangible assets in the form of multi-year software licenses and other rights, immovable property such as building land, buildings, plants, equipment, advances for fixed assets, long-term financial placements, i.e., share in the capital of subsidiary legal entities, stocks of the materials, spare parts, paid advances for stocks and services, sales receivables, receivables from specific works, cash assets. On the basis of the above-mentioned Agreement No. 46-215/06 on the share of state property in funds used by the Jaroslav Černi Water Institute, that the Company concluded with the Republic Directorate for the Property of the Republic of Serbia, it was confirmed that the share of state property in the assets of the Institute shall be 92% of the capital of the Institute. Accordingly, it comprises right to use immovable property owned by the Republic of Serbia, existing on the cadastar parcel 7821 registered in the Cadastral Municipality Rakovica, land register folio no. 566, namely the building of the hydraulic laboratory, buildings of the pavilion B and pavilion A, as well as other immovable property, movables that are parts of the ‘special equipment’, cash assets and securities.

According to data from the Company’s 2015 books, the area of building land used by the Jaroslav Černi Water Institute covers total area of 4 ha, 28 ares and 62 m2, located on the casdastar parcel 782, registered in the real estate folio in the land register No. 497 CM Rakovica.

Jaroslav Černi Water Institute, in accordance with the Law on Planning and Construction, submitted to the Republic Geodetic Authority, the Real Estate Cadastre Administration of Belgrade request for the conversion of the right of use on the mentioned urban building land into ownership and the registration of the right of ownership in favour of the Company in 2016.

As regards buildings of the Jaroslav Černi Water Institute, the Company has the right to use the following buildings: laboratories, Hall – laboratory buildings, buildings of the pavilions A and B and other buildings.

# **THE VALUE OF THE JAROSLAV ČERNI WATER INSTITUTE**

As regards the value of the Company, first of all, it has to be emphasized that it is, on the one hand, immeasurable, bearing in mind the importance of this Institute as a leading scientific and research organisation in the field of waters in the entire region, which has incorporated its knowledge and expertise, from its foundation until today, in all the most important domains of water activity in the Republic of Serbia.

On the other hand, the value of intellectual property and scientific and research work in the past period, since the very founding of the Institute as a leading scientific and research institution known throughout the world, cannot be adequately determined or evaluated.

The Anti-Corruption Council of the Government of the Republic of Serbia addressed the Ministry of Economy with a request for the delivery of the report of the authorised assessor, according to whose findings the capital of the Jaroslav Černi Water Institute was estimated at 2,800,000 euros, i.e., 2,576,066.92 euros, which was its initial value during the publication of the public call for its privatisation, i.e., sale, which was published on 1 October 2021.

The Ministry of Economy, by its decision[[12]](#footnote-12), rejected the request of the Anti-Corruption Council to exercise the right to access information of public importance, in which the Council requested the delivery of the report of the authorised assessor on the total estimated value of the capital of the Jaroslav Černi Water Institute on 31 December 2020, by which the value of the Institute's capital was estimated at 2,800,000 euros, i.e., 2,576,066.92 euros.

In the explanation of the above-mentioned decision, the Ministry of Economy stated that it has no powers on the basis of which it would evaluate or check the submitted data on the valuation of all assets and liabilities and capital, and that this document serves only for the purpose of decision-making on the model and method of privatisation, the initial price and measure for the preparation and reduction of burden of the privatisation entity.

In the explanation, it is also stated that on 30 June 2021, the privatisation entity submitted to the Ministry of Economy the Report on the assessment of the fair value of the assets, liabilities and capital of the privatisation entity as of 31 December 2020, which was prepared by DELOITTE ADVISORY d.o.o. Belgrade, as well as that the said Report contains a clause stating that it is not intended for further distribution or publication and that it cannot be used for any purpose other than purpose stated in the Report, without the written consent of DELOITTE ADVISORY d.o.o. Belgrade.

Given that the Ministry of Economy did not submit to the Anti-Corruption Council the requested Report of the authorised assessor on the estimated value of the Institute's capital and the price at which the Company was offered for sale, in this report the Council will present certain data on the Institute’s assets and its value that it took over in the original form from the Report of the State Audit Institution on the auditing of financial statements and regularity of operations of the Joint-stock company Jaroslav Černi Water Institute, Belgrade for the year 2015, No. 400-1027/2016-06/8 of 29 December 2016, when the State Audit Institution performed audit of the financial statements and regularity of the operations of the Institute for the last time.[[13]](#footnote-13)

**5.1.2. Intangible assets**[[14]](#footnote-14)

Intangible assets, as of 31 December 2015, are reported in an amount of 2,424 thousand dinars and are related to a multi-annual licenses for software legalisation. The listed assets are recorded in purchase value.

Intangible assets changes are shown in the following table:

Table No. 1 – Intangible investments – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Description** | **Software and other rights** | **Total** |
| **Purchase value** |  |  |
| **As of 1 January 2015** | **15,647** | **15,647** |
| New procurements | 1,364 | 1,364 |
| **As of 31 December 2015** | **17,011** | **17,011** |
|  |  |  |
| **Allowance** |  |  |
| **As of 1 January 2015** | **13,808** | **13,808** |
| Depreciation | 779 | 779 |
| **As of 31 December 2015** | **14,587** | **14.587** |
|  |  |  |
| **Current value** |  |  |
| **31 December 2015** | **2,424** | **2,424** |
| **31 December 2014** | **1,839** | **1,839** |

In 2015, the total increase in intangible assets amounts to 1,365 thousand dinars, the largest part of which – 1,202 thousand dinars – is related to the procurement of a software package for modeling the water supply network within the Networking for Drinking Water Supply in the Adriatic Region project.

The total calculated depreciation in 2015 is 779 thousand dinars. (Note No 5.2.6.).

**5.1.3. Property, plant and equipment**

Property, plant and equipment as of 31 December 2015 are reported in the amount of 102,895 thousand dinars and relate to:

Table No 2 – Property, plant and equipment – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Building land | 3,128 | 3,128 |
| Buildings | 27,537 | 28,395 |
| Facilities and equipment | 66,919 | 89,810 |
| Other property plant and equipment | 5,311 | 5,254 |
| Advances for fixed assets | - | 659 |
| **Total** | **102,895** | **127,496** |

**Building land**

In the books of the Company, as of 31 December 2015, building land is reported in the amount of 3,128 thousand dinars and it relates to urban building land with a total area of 4 ha, 28 ares and 62 m2 at Cadastral parcel 782, registered in the real estate folio in the land register No. 497 CM Rakovica.

On 9 October 2013, The Company submitted to the Republic Geodetic Authority request for the conversion of the right of use into ownership on the mentioned land within the meaning of the Law on Planning and Construction. On 19 September 2016, the company supplemented the application requesting the conversion of the right of use on the urban building land into the right of public ownership. On 3 October 2016, the Company submitted the Correction to the supplemented application requesting the conversion of the right of use on the urban building land into the ownership and the registration of the right of ownership in favour of the Company.

The company did not submit a request for the registration of title on state-owned immovable properties on which Jaroslav Černi Water Institute, Belgrade has the right of use within the meaning of Article 82 of the Law on Public Property.

**Buildings**

In the books of the Company, as of 31 December 2015, buildings are reported in the amount of 27,537 thousand dinars and they relate to:

Table No. 4 – Buildings – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Building Laboratory | 13,800 |
| Hall – laboratory building | 5,155 |
| Building of the Pavilion A | 3,126 |
| Building of the Pavilion B | 2,866 |
| Other buildings | 2,590 |
| **Total** | **27,537** |

Property, plant and equipment are recorded at purchase value in accordance with the Rulebook on Accounting and Accounting Policies of 15 September 2014.

After initial recognition, property, plant and equipment are registered at purchase value or at cost less the total amount of calculated depreciation and the total amount of impairment loss.

The total calculated depreciation in 2015 is 858 thousand dinars. (Note No 5.2.6.).

**Plant and equipment**

In the books of the Company, as of 31 December 2015, plant and equipment are reported in the total amount of 66,919 thousand dinars and they relate to:

Table No 5 – Plant and equipment – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Equipment for scientific and research activities | 32,892 |
| Means of transport and connection | 25,687 |
| Computer equipment | 6,966 |
| Machinery and devices | 352 |
| Other equipment | 1,022 |
| **Total** | **66,919** |

In 2015, the total increase amounts to 4,766 thousand dinars and is related to the procurement of equipment for scientific and research activities in the amount of 2,353 thousand dinars, the procurement of computers and computer equipment in the amount of 2,349 thousand dinars, as well as other equipment in the amount of 64 thousand dinars.

On 25 March 2015, the Company concluded the Contract for the buying and selling of motor vehicle number 980, through a public auction, and on that basis made a profit of 150 thousand dinars (Note number 5.2.12.). The mentioned passenger vehicle was removed from inventory by the decision of the directors of the Company No. 771 of 5 March 2015.

The total calculated depreciation in 2015 is 27,657 thousand dinars. (Note No 5.2.6.)

**Other property, plant and equipment**

In the books of the Company, as of 31 December 2015, other property and equipment are reported in the total amount of 5,311 thousand dinars and they pertain in full to books and professional literature.

**Advances for fixed assets**

In 2015, the Company procured equipment for scientific and research activities (probes) in the amount of 659 thousand dinars from the supplier Svet instrumenata d.o.o., Belgrade.

**5.1.4. Long-term financial placements**

Long-term financial placements in the amount of 120 thousand dinars are shown in the following table:

Table No 6 – Long-term financial placements – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Share in the capital of subsidiary legal entities | 1,017 | 897 |
| Allowance for long-term financial placements | (897) | (897) |
| **Total** | **120** | **-** |

Share in the capital of subsidiary legal entities relates to:

Table No 7 – Structure of the share in the capital of subsidiary legal entities – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Securities, Beobanka a.d. – in bankruptcy, Belgrade | 39 |
| Securities, Beobanka a.d. – in bankruptcy, Belgrade | 858 |
| Water for Sustainable Development and Adaptation to Climate Change Centre under the auspices of UNESCO d.o.o., Belgrade | 120 |
| **Total** | **1017** |

On 8 April 2015, the Company made a payment of 120 thousand dinars for the initial capital of Water Centre for Sustainable Development and Adaptation to Climate Change under the auspices of UNESCO d.o.o., Belgrade, with 100% capital share.

Agreement between the Government of the Republic of Serbia and the International Organisation for Education, Science and Culture of the United Nations (UNESCO) regarding the establishment of the mentioned Centre of 24 April 2013 was ratified by the Law on Confirmation of the Agreement between the Government of the Republic of Serbia and UNESCO regarding the establishment of the Water Centre for Sustainable Development and Adaptation to Climate Change as a Category 2 Centre under the auspices of UNESCO on 9 September 2014.

**5.1.5. Deferred tax assets**

Table No 9 – Deferred tax assets – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Deferred tax assets | 18,058 | 18,293 |
| **Total** | **18,058** | **18,293** |

Deferred tax assets are income tax amounts that can are recoverable in a future period on the basis of deductible temporary differences, unused tax credits carried forward and recognized tax losses.

They are recognized to the extent that it is probable that future taxable profit will be gained, and they relate to:

Table No 10 – Deferred tax assets – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | 2015 |
| Deferred tax assets based on temporary differences | 10,356 |
| Unused tax credits from previous years | 8602 |
| **Total** | 18,058 |

**5.1.6. Stocks**

In the books of the Company, as of 31 December 2015, stocks are reported in the amount of 4,261 thousand dinars, and they relate to:

Table No 11 – Stocks – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Materials, spare parts, tools and small inventory items | 959 | 701 |
| Goods | 247 | 247 |
| Advances paid for supplies and services | 3,055 | 12,374 |
| **Total** | **4261** | **13,322** |

Table No 12 – Materials, spare parts – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Heating oil | 128 |
| Fuel and oil | 831 |
| Car tires in use | 3,668 |
| Small inventory items in use | 16,164 |
| Allowance for car tires in use | (3,668) |
| Allowance for small inventory items in use | (16,164) |
| **Total** | **959** |

The Company uses heating oil, fuel and oil for heating purposes.

The company writes off tires and small inventory items as a whole at the moment of putting them into use in accordance with Article 19 of the Rulebook on Accounting and Accounting Policies.

**Advances paid for stocks and services**

In the books of the Company, as of 31 December 2015, advances paid for stocks and services are reported in the amount of 3,055 thousand dinars, and they relate to:

Table No 13 – Advances paid – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Receivables for advances paid in the country | 2,820 |
| Receivables for advances paid abroad | 379 |
| Allowance for advances paid | (144) |
| **Total** | **3,055** |

Receivables for advances paid in the country are shown in the following table:

Table No 14 – Advances paid in the country – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Coral computers d.o.o, Belgrade | 267 |
| SZTR Vinska kuća Minića, Aleksandrovac | 180 |
| Kosinox limited liability company, Belgrade | 487 |
| Radunić d.o.o., Belgrade | 717 |
| Publikum d.o.o., Belgrade | 100 |
| Green fashion d.o.o, Belgrade | 117 |
| Mrlješ d.o.o., Krnješevci | 151 |
| Other advances paid | 801 |
| **Total** | **2,820** |

Receivables for advances paid abroad are shown in the following table:

Table No 15 – Advances paid abroad – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Sultan Quaboos University, Oman | 370 |
| Abem Instrument AB, Sweden | 9 |
| **Total** | **379** |

An overview of the allowance for advances paid is shown in the following table:

Table No 16 – An overview of the allowance – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Mrlješ d.o.o., Krnješevci | 151 |
| Portland Customer Service, London, Great Britain | (7) |
| **Total** | **144** |

An overview of the paid advances older than one year is shown in the following table:

Table No 17 – Advances older than one year – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Sultan Quaboos University, Oman | 370 |
| Publikum d.o.o., Belgrade | 100 |
| Krtalić group d.o.o., Belgrade | 69 |
| Proautor d.o.o., Belgrade | 68 |
| Hotel Balkan, Belgrade | 54 |
| Other advances paid | 84 |
| **Total** | **745** |

**5.1.7. Sales receivables**

Sales receivables are shown in the following table:

Table No 18 – Sales receivables – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Buyers from the country | 193,972 | 258,051 |
| Foreign buyers | 66,481 | 50,127 |
| Other sales receivables |  | 16 |
| Allowance for sales receivables | (61,457) | (69,246) |
| **Total** | **198,996** | **238,948** |

**Buyers from the country**

Buyers from the country are reported in the amount of 193,972 thousand dinars, and they mostly relate to:

Table No 19 – Buyers from the country – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Public Enterprise Electric Power Industry of Serbia, Belgrade, branch Hydropower plant Đerdap, Kladovo | 55,372 |
| A.S.A. Eco d.o.o., Kikinda | 30,445 |
| A.S.A. Eco d.o.o., Kikinda | 16,995 |
| Public Water Management Company Srbijavode, Belgrade | 11,126 |
| Municipality of Velika Plana, Velika Plana | 4,248 |
| International management group, Belgrade | 2,910 |
| City administration for health, social and environmental protection of the City of Sremska Mitrovica, Sremska Mitrovica | 2,520 |
| PE Electric Power Industry of Serbia, Belgrade | 2,593 |
| RTB BOR Group – Copper mines, Bor | 5,100 |
| Public Utility Company Vodovod, Zaječar | 1,195 |
| PUC Belgrade Waterworks and Sewerage, Belgrade | 1,800 |
| **Total** | **134,304** |

Foreign buyers are reported in the amount of 66,841 thousand dinars, and they mostly relate to:

Table No 20 – Foreign buyers – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Hydropower plant Dabar, d.o.o., Trebinje | 29,301 |
| ZP Hydropower plant on Vrbas, Mrkonjić grad | 12,394 |
| Drinkadria | 10,296 |
| **Total** | **51,991** |

**Allowance for sales receivables**

Allowance for sales receivables is shown in the following table:

Table No 21 – Allowance for receivables – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Allowance for receivables | (61,457) | (69,246) |
| **Total** | **(61,457)** | **(69,246)** |

Structure and balance of allowance for receivables claims as of 31 December 2015 is shown in the following table:

Table No 22 – Structure of allowance for sales receivables – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Initial balance | 69,246 |
| Increase – allowance for receivables in 2015 | 7,954 |
| Reduction – collected, previously corrected | (16.208) |
| Direct write-off | (205) |
| Foreign exchange differences | 670 |
| **Total** | **61,457** |

According to the Rulebook on Accounting and Accounting Policies of 15 September 2014, indirect write-off, i.e., allowance for receivables from buyers against the expenses of the period through the allowance account is made for receivables from buyers where at least 60 days have passed since the deadline for their collection. A direct write-off of receivables from buyers against the expenses of the period is made if irrecoverability is certain and documented. The decision on indirect and direct write-off is made by the Board of Directors on the proposal of the Commission for the listing of receivables and short-term placements.

By the decision of the board of directors of 25 January 2016, the Company made an indirect write-off of receivables from buyers from the country and foreign buyers in the amount of 7,954 thousand dinars:

Table No 23 – Structure of impaired receivables and short-term placements – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| PD Kolubara d.о.о. Mionica | 200 |
| VP Ćuprija a.d., Ćuprija | 50 |
| PE Directorate for Construction of the Municipality of Veliko Gradište, Veliko Gradište | 3,180 |
| Ministry of Economy of the Republic of Serbia, Belgrade | 340 |
| Vitamin d.o.o., Horgoš | 710 |
| Construction company Planum a.d., Belgrade | 2,501 |
| Hidrogis system d.o.o., Podgorica | 973 |
| **Total** | **7,954** |

In 2015, collected and previously indirectly corrected receivables amount to 16,207 thousand dinars. (Note No 5.2.11.)

**5.1.8. Receivables from specific works**

Receivables from specific works are shown in the following table:

Table No 24 – Receivables from specific works – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Receivables from specific works | 5,060 | 4,633 |
| **Total** | **5060** | **4,633** |

Receivables from specific works are reported in the amount of 5,060 thousand dinars and relates to receivables from the Ministry of Education, Science and Technological Development for gross remuneration for work of researchers on projects in December 2015, on the basis of concluded contracts on the implementation of projects and annexes to those contracts.

**Other receivables**

Other receivables are shown in the following table:

Table No 25 – Other receivables – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Receivables from employees | 1,047 | 1,834 |
| Receivables for overpaid income tax | 2,957 | 2,404 |
| Receivables for refundable wage benefits | 2,360 | 2,028 |
| Other short-term receivables | 1,290 | 2,081 |
| **Total** | **7,654** | **8,347** |

Receivables from employees are reported in the amount of 1,047 thousand dinars and relate to receivables from employees based on advance payments for business trips.

**5.1.9. Cash equivalents and cash**

Cash equivalents and cash are reported in the amount of 58,874 thousand dinars and relate to:

Table No 26 – Cash equivalents and cash – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Current (operating) accounts | 14,362 | 6,707 |
| Cash book | 39 | 20 |
| Foreign currency account | 44,462 | 88.560 |
| Foreign currency cash book | 10 | 48 |
| Other funds | 1 | 1 |
| **Total** | **58,874** | **95,336** |

Current (operating) accounts by banks are shown in the table:

Table No 27 – Current accounts by banks – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Banca Intesa joint-stock company, Belgrade | 14,161 |
| VTB Bank, Belgrade | 188 |
| Treasury Administration, Belgrade | 13 |
| **Total** | **14,362** |

Foreign currency accounts of the Company are shown in the following table:

Table No 28 – Foreign currency accounts – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Banca Intesa joint-stock company, Belgrade | 32,551 |
| Nova banka a.d., Banjaluka | 11,905 |
| Beobanka a.d., Belgrade | 6 |
| **Total** | **44,462** |

**5.1.10. Value-added tax**

Value added tax is shown in the following table:

Table No 29 – Value added tax – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Value added tax in invoices received at the standard rate (except advances paid) | 255 | 160 |
| **Total** | **255** | **160** |

**5.1.11. Active accrual**

Active accruals are shown in the following table:

Table No 30 – Active accruals – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Prepaid expenses | 2,589 | 2,978 |
| Accrued expenses based on liabilities |  | 58 |
| **Total** | **2,589** | **3,036** |

Prepaid expenses are reported in the amount of 2,589 thousand dinars and relates to the transportation allowance for employees for January 2016 and insurance costs for 2016.

**5.1.12. Off-balance sheet records**

Off-balance sheet records as of 31. December 2015 amounts to 38,466 thousand dinars (16,313 thousand dinars in 2014) and relates to obligations based on received guarantees, namely:

Table No 31 – Off-balance sheet records – in thousands of dinars

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Guarantor** | **Issued in favor of** |  | **Contract number** |  | **Contract date** | **Guarantee period** | **In currency** | **Amount** |
| **Received guarantees in dinars** | |  | |  | | | | |
| Banca Intesa joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1310 | | 14 .7.2015 | | 8.8.2016 |  | 4,150 |
| Banca Intesa, joint-stock company, Belgrade | City of Belgrade – Secretariat for Utilities and Housing Services | GC2014/268 | | 12.2.2014 | | 17.3.2016 |  | 282 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1367 | | 21.7.2015 | | 25.3.2016 |  | 2,980 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1369 | | 21.7.2015 | | 26.5.2016 |  | 4,763 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Thermal power stations Nikola Tesla” d.o.o., Obrenovac | GC2015/1372 | | 21.7.2015 | | 30.6.2016 |  | 54 |
| Banca Intesa, joint-stock company | PE EPS Kolubara d.o.o., Lazarevac | GC2014/2298 | | 13.10.2014 | | 11.4.2016 |  | 899 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Guarantor** | **Issued in favor of** | | **Contract number** |  | **Contract date** | **Guarantee period** | **In currency** | **Amount** |
| Belgrade |  |  | |  | |  |  |  |
| Banca Intesa, joint-stock company, Belgrade | PUC Vodovod i Kanalizacija, Novi Sad | GC2015/2794 | | 30.12.2015 | | 30.6.2016 |  | 1,392 |
| Banca Intesa, joint-stock company, Belgrade | Investment and Housing Agency, Belgrade | GC2015/1112 | | 23.6.2015 | | 22.2.2016 |  | 510 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1364 | | 21.7.2015 | | 26.7.2016 |  | 6,440 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1363 | | 21.7.2015 | | 25.3.2016 |  | 970 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1365 | | 21.7.2015 | | 28.11.2016 |  | 1,980 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1412 | | 27.7.2015 | | 1.8.2016 |  | 2,270 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Hydropower plants Đerdap | GC2015/1410 | | 27.7.2015 | | 4.4.2016 |  | 1,395 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Thermal power stations Nikola Tesla d.o.o., Obrenovac | GC2015/1654 | | 21.8.2015 | | 1.6.2016 |  | 1,182 |
| Banca Intesa, joint-stock company, Belgrade | Ministry of Economy | GC2015/1893 | | 17.9.2015 | | 25.1.2016 |  | 850 |
| Banca Intesa, joint-stock company, Belgrade | Ministry Of Agriculture – Water Directorate | GC2015/2377 | | 12 .11.2015 | | 17.2.2016 |  | 290 |
| Banca Intesa, joint-stock company, Belgrade | Ministry Of Agriculture – Water Directorate | GC2015/2620 | | 11.12.2015 | | 13.5.2016 |  | 340 |
| Banca Intesa, joint-stock company, Belgrade | PE EPS Kolubara limited liability company, Lazarevac | GC2015/2795 | | 30.12.2015 | | 12.9.2016 |  | 350 |
| Banca Intesa, joint-stock company, Belgrade | PE Elektroprivreda Srbije | GC2015/2777 | | GC2015/2777 | | 15.3.2016 |  | 473 |
| **Total in dinars** | | | |  | | | | **31,570** |
| **Guarantees received in currency (EUR and USD)** | | | |  | | | | |
| Banca Intesa, joint-stock company, Belgrade | LATVANEGRO Latvia | | 700761-  006663/IB |  | 30.11.2015 | 1.12.2016 | 14,500  EUR | 1,763 |
| Banca Intesa, joint-stock company, Belgrade | UNDP Serbia | | 700761-  006569/DD |  | 7.8.2015 | 11.4.2016 | USD 23,212.50 | 2,582 |
| Banca Intesa, joint-stock company, Belgrade | UNDP Serbia | | 700761-  006654/DD |  | 19.11.2015 | 15.4.2016 | 20,430  USD | 2,272 |
| Banca Intesa, joint-stock company, Belgrade | Hydropower plants on Drina Višegrad, Republika Srpska | | 700761-  006593/SI |  | 7.9.2015 | 11.1.2016 | 2,300.81  EUR | 279 |
| **Total in currency** | | | |  | | | | **6,898** |
| **Total** | | | |  | | | | **38,466** |

**5.1.13. Capital**

Table No 32 – Capital – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Share capital | 10,283 | 9,841 |
| State-owned capital | 118,252 | 113,173 |
| Reserves | 2,641 | 2,641 |
| Retained earnings | 24,069 | 23,815 |
| **Total** | **155,245** | **149,470** |

**Fixed capital**

Capital stock of the Company consists of share capital and state-owned capital.

According to the Company's Statute No. 1718 of 22 June 2012. total subscribed and paid-up capital of the founders – shareholders of the Company, as of 31 December 1997. amounts to 5,931 thousand dinars.

The total share capital is divided into 10,053 ordinary shares with nominal value RSD 590.00 per share, of which:

1. State-owned capital amounts to 5,456,447.57 dinars, divided into 9,248 ordinary shares with an individual nominal value of 590.00 dinars, which constitutes a share of 92% of the total capital and
2. Share – private capital amounts to 474,813.82 dinars, divided into 805 ordinary shares with an individual nominal value of 590.00 dinars, which constitutes a share of 8% of the total capital.

Capital stock of the Company at the Agency for Business Registers of the Republic of Serbia refers to the subscribed and paid-up capital in the amount of 5,931 thousand dinars.

**Retained earnings**

Table No 33 – Retained earnings – in thousands of dinars

|  |  |  |
| --- | --- | --- |
| **Name** | **2015** | **2014** |
| Retained earnings from previous years | 18,293 | 18,294 |
| Retained earnings of the current year | 5,776 | 5,521 |
| **Total** | **24,069** | **23,815** |

Retained earnings changes are shown in the following table:

Table No 34 – Retained earnings changes – in thousands of dinars

|  |  |
| --- | --- |
| **Name** | **2015** |
| Retained earnings as of 1 January 2014 | 18,294 |
| Net gains in 2014 | 5,521 |
| **Total as of 31 December 2014** | **23,815** |
| Distribution of net gains from 2014 | (5,522) |
| Share capital | 442 |
| State-owned capital | 5,080 |
| Net gains in 2015 | 5,776 |
| **Total** | **24,069** |

By decision of the General Meeting of the Company of 4 July 2015 for the distribution of gains according to the final account for the year 2014, it was determined that the realized net gains are distributed for the financing of investments in accordance with Article 16(3) of the Law on the Budget of the Republic of Serbia for the year 2015.

The General Meeting of the Company have not adopted decisions on the increase of the capital stock.

The Company intends to use the mentioned gains, as well as the gains from previous years, to finance the construction of a facility for applied scientific and research activities, partly with its own funds and partly using the funds of the Ministry of Education, Science and Technological Development. The request to the Ministry of Education, Science and Technological Development for financing the construction of the facility was submitted on 11 September 2015.

# **PROCEDURE OF PRIVATISATION OF THE JAROSLAV ČERNI WATER INSTITUTE, BELGRADE**

The initiative for the privatisation of the Jaroslav Černi Water Institute, joint stock company, Belgrade was initiated by the Conclusion of the Government of the Republic of Serbia of 17 December 2020.

On 21 May 2021, the Ministry of Economy made a public invitation to collect letters of interest in participating in the privatisation procedure of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade, by which it invited all interested investors to submit a letter of interest in participating in the process of privatisation of the Institute.[[15]](#footnote-15)

In the Conclusion of the Government of the Republic of Serbia of 5 August 2021, it was determined that the privatisation procedure of the Institute will be carried out using the capital sale model and the method of public collection of bids with subsequent public bidding.

The letter of interest shall contain basic information about the interested investor, an expression of interest in participating in the privatisation procedure and a proposed privatisation model, proposed indicative price, an investment program, a framework plan of operation and the number of employees from and outside the privatisation entity that the investor is willing to employ.

Letters of interest should have been submitted to the Ministry of Economy by 21 June 2021.

Previously, before the public invitation of the Ministry of Economy to collect letters of interest in participating in the privatisation procedure of the privatisation entity Jaroslav Černi Water Institute, joint stock company, the Government of the Republic of Serbia informed the Republic Pension and Disability Insurance Fund[[16]](#footnote-16) that on the basis of section II point 1 of the Procedure on linking of pensionable services for employees and former employees in privatisation entities and undertakings for professional rehabilitation and employment of persons with disabilities who cannot be entitled to pensions entitlement, it adopted Conclusion 05 No. 113 -2312/21 of 18 March 2021 on giving assent for linking of pensionable services for certain categories of employees and former employees in privatisation entities that, on 31 December 2020, are undergoing the privatisation process.

The mentioned Conclusion of the Government of the Republic of Serbia covers 79 privatisation entities, including the Jaroslav Černi Water Institute, joint stock company, Belgrade. The Ministry of Economy has initiated the procedure of privatisation of the Jaroslav Černi Water Institute, joint stock company, Belgrade, on 1 October 2021[[17]](#footnote-17), stating that the right to participate in the procedure of sale shall have domestic or foreign legal entities which fulfil the qualification conditions which in each of the last three business years, 2018, 2019 and 2020, have generated income of at least thirty million euros and which have reported a business profit in the same period.

Right to participate in the privatisation had also consortiums of legal entities and legal and natural persons in which a member of the consortium that is a legal entity owns more than 50% of the share in the consortium.

As regards the capital structure, 92.00239% of the capital is owned by the Republic of Serbia, and 7.99761% of the capital (80,400 shares) is owned by natural persons.

The subject of the sale is a block of shares consisting of 924,900 shares owned by the Republic of Serbia, i.e., 92.00239% of the capital of the Company.

According to the report of the authorised assessor, as stated by the Ministry of Economy, the total estimated value of the capital of the privatisation entity as of 31 December 31 2020 was 2,800,000 euros.

The initial price for the sale of capital is 100% of the estimated value of the capital of the privatisation entity as of 31 December 2020, which is offered for sale and amounts to 2,576,066.92 euros.

By statement of 8 November 2021, the Ministry of Economy[[18]](#footnote-18) informed the public that the first meeting of the Commission for the implementation of the procedure of public collection of bids with subsequent public bidding for the sale of the capital of the Jaroslav Černi Water Institute, joint stock company, was held.

The Commission was obliged to analyse the submitted documentation in the following period, and after that, in accordance with the Regulation on the conditions, procedure and method of sale of capital and assets by the method of public collection of bids with subsequent public bidding, proposal should be made to the Ministry of Economy to make a decision for each participant in the procedure.

In the statement of the Ministry of Economy it was also specified that the request for the purchase of the sale documents was submitted by 6 legal entities, while two applications were submitted within the deadline for the submission of applications for participation in the procedure.

After the public statement of the Ministry of Economy of 8 November 2021 that the Commission for the implementation of the procedure of public collection of bids with subsequent public bidding for the sale of the Jaroslav Černi Water Institute, joint stock company, held its first meeting, an extraordinary session of the General Meeting of the Jaroslav Černi Water Institute was scheduled for 19 November 2021, which was preceded by the Decision on supplementing the agenda and the proposed adoption of the following decisions – Decision on the appointment of the executive director Dušan Đurić; Decision on the appointment of the executive director who hold the office of the Managing Director prof. phD. Dejan Divac; Decision on the appointment of the executive director Mile Božić, PhD; Decision on the appointment of the executive director Dejan Vučković; Decision on the appointment of the executive director Nikola Milivojević, PhD; Decision on the appointment of the ‘other representative’ Vesna Jevtić; Decision on the appointment of the ‘other representative’ Marta Rokvić.[[19]](#footnote-19)

In the meantime, it was announced in the media that the directors of the Jaroslav Černi Water Institute agreed to participate in the privatisation process as part of the Consortium they formed in cooperation with the Millennium Team Company, i.e., that the Millennium Team Company offered to the directors of the Institute joint participation in the privatisation of the Institute, which they accepted.

As stated, the Millennium Team Company offered the management of the Institute the forming of a Consortium in which, apart from the Company, the Managing Director of the Institute and the executive directors of the Institute would also be included, whereby natural persons, i.e., the executive directors, would participate with a total of 30% of the capital in that Consortium.

As it was also stated, the Managing Director of the Institute Dejan Divac and the six executive directors decided to accept the offer and informed the employees about it in a letter.

In the reasoning of the letter to the employees, they stated that the Millennium Team Company informed them that it recognises the current good operation of the Institute, as well as its potential, that it intends to preserve its capacities and that it wants to invest funds in the further development of the Institute, while respecting its main activity and position on the market, reminding at the same time that the Millennium Team and the Institute have been participating together in the capital project of construction of the sewage system for two years, and cooperation on other projects is also being prepared.

The directors of the Institute emphasised that they found themselves in a challenging and risky situation because they were given the opportunity to assume significant responsibility for the future functioning of the Institute, i.e., to proportionally share the effects of success and failure of future operation, which at the same time means the obligation of proportionate investment in purchasing and later related investing, personal credit borrowing, which they had to engage in in case of a positive outcome, i.e., the purchase of the Institute by the Consortium.

They added that in the previous year and current year, despite the pandemic, the Institute achieved significant success, namely stable operation, regular salary payment and growth of salaries, successful fulfilment of all obligations towards clients and subcontractors, a good position on the market and significant contracts.

In their letter to employees, the directors emphasised that they expect the Institute in the next year, when it will mark its 75th anniversary, and also in the following period, regardless of the outcome of the initiated privatisation procedure, to continue to carry out professionally all its activities in research, projects and studies, to develop professional potentials, to operate successfully and maintain the role of a key professional and scientific institution in the field of waters in the country and region, in the interest of employees but also in the public interest of all citizens.

After accepting the offer of the Millennium Team Company, which was made to the Managing Director and other executive directors of the Jaroslav Černi Water Institute, the Ministry of Economy adopted the Decision of 26 November 2021[[20]](#footnote-20), which in paragraph 1, declares as a buyer the Consortium, which consists of the legal entity Company for Engineering, Production and Services Millennium Team, Belgrade and natural persons as members of the Consortium, in accordance with the Consortium Agreement concluded on 29 October 2021 and certified before the notary public Nikola Vojinović under number UOP-I.9949-2021 of 29 October 2021, in the procedure of public collection of bids with subsequent public bidding for the sale of the capital of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade.

Paragraph 2 of the Decision declares the participant BAUWESEN, limited liability company from Lazarevac, to be the participant that submitted the second highest offer in the procedure of public collection of bids with subsequent public bidding for the sale of the capital of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade.

# **EXPERIENCES OF COUNTRIES IN TRANSITION WITH PRIVATISATION OF WATER MANAGEMENT COMPANIES AND INSTITUTES**

Common to all countries that underwent the transition process was that at first, upon entering the transition they had well-organised water management institutions, they had good long-term plans for the development of water management, as well as strong and well-organised companies in charge of building and maintenance of water management systems.

However, all countries came out of the transition with a considerably weakened water sector, involving the sell-off or destruction of water management companies, weakened or inadequate maintenance of existing systems, as well as destruction of documentation in privatised companies.

In particular, it is typical that assets for the maintenance and development of water systems and water-related research have been drastically reduced, as well as the volume of hydrological measurements and the necessary international cooperation. Since such a situation is unsustainable and will have serious implications for the whole water sector, which is the most vital from the point of view of the survival and development of the society, those countries have a long way to go to restore and reorganise the water sector under the new conditions, following the example of the countries that are well organised in this respect.[[21]](#footnote-21)

Privatisation in Slovenia has destroyed well-organised water management companies with a long tradition, such as PUH – a company for flash floods regulation, which went bankrupt, because the new owner burdened such a financially stable company with credit, took money from the company and let it go into bankruptcy. A few dozen of specialist expert have lost their jobs on that occasion, the archives were destroyed and there is no longer a company with experience in the regulation of flash floods.

In Hungary, the Vituki Institute, a world-famous and renowned Institute, was destroyed in the privatisation process because, among other things, it had a land near the centre of Budapest at its disposal.

Valuable experience can be drawn from past examples of failed privatisations of water management companies and waters, after which states had to buy back their water supply companies or water management companies that were previously privatised.

Bad examples of privatisation such as Paris, Budapest, London, Athens, Thessaloniki, Bucharest or the examples of Portugal, Bolivia, Manila, etc. point out the fact that there is no good example of privatisation.

Claims that a change in ownership in water management companies can lead to improvement are incorrect, because the examples of well-organised water supply systems in North America (managed by the EPA – Environmental Protection Agency and the US Army), the Nordic countries, the Netherlands, Germany, and Switzerland show that their public status does not hamper their sound functioning.

Among other things, one of the very convincing reasons for the unacceptability of the privatisation of water management companies is based on national security, pointing out to very dangerous crisis situations that can be caused if the control points of vital systems are entrusted to entities from outside, whose principals can be different, often quite hidden centres of power, which would thus, by creating crisis situations, influence the realisation of some of their far-reaching interests.

Safeguarding national security should be a priority, and the privatisation of water management companies and institutes is unacceptable also for the reason that they possess information on state and military secrets, so the transfer into private hands of such entities through the privatisation process would threaten the national interests of the state.

‘The one who have data on water today will rule the world tomorrow’, as emphasized hydrologist Branislav Božović, should be a timely warning for responsible states and governments, because if the data on a waters in a country end up in private hands, the national interest and national security of that country would be threatened.

# **CONCLUSIONS**

The Anti-Corruption Council of the Government of the Republic of Serbia is of the opinion that the privatisation, i.e., the sale of the Jaroslav Černi Institute, is contrary to the interests of the citizens of the Republic of Serbia and illegal for a number of reasons and in several aspects, so it cannot subsist as such and its cancellation is necessary.

Because of the strategic importance of the Institute in the water management sector, we consider that it should not have been privatised but, on the contrary, it should be kept with the dominant participation of the State in its ownership structure, resisting private interests, bearing in mind the bad or disastrous experiences of countries in transition that privatised water management companies and institutes in the same or similar way. Given the competences of the Institute in carrying out activities in which citizens have an interest, it should not have been allowed for the Institute to be converted into private ownership and, consequently, for the human health, lives of people and their property, as well as environmental protection and security of the State to depend on private individuals.

The institute should not have been privatised either for the reason that it carries out activities of general interest, i.e., it carries out activities of interest to all citizens and participates in all activities on water protection and management within the country.

Water activity, as provided for by the provisions of the Law on Waters, is an activity of general interest that includes the regulation of watercourses and protection against the harmful effects of water, the regulation and use of water and the protection of waters from pollution, where the role of the Jaroslav Černi Water Institute is absolutely irreplaceable, and with its transfer into private hands, water activity is threatened, and so is the general interest.

What is also inadmissible is the absence of a reason for the privatisation of the Institute, that is, there is not a single argument or reason based on the law, which would show that the privatisation of the Institute is socially or economically justified and beneficial. The reasons for the privatisation of the Institute remain unclear, especially taking into account the fact that it is the only state Institute in the field of water management that does not operate at a loss, but on the contrary, makes a profit through its operation.

There is no information available to the public about why the initial price was so low and what is included in the assessment, whether the value was correctly determined and what parameters were used in the assessment, especially considering the fact that since 2016 State Audit Institution has not performed an audit of financial statements and regularity of operations of the joint stock company Jaroslav Černi Water Institute, Belgrade.

After inspection of files of the Agency for Business Registers, the Council concluded that since 2018, there is no data on the financial reports of the Jaroslav Černi Institute, although that is a legal obligation.

As stated before, the Ministry of Economy rejected the request of the Anti-Corruption Council of the Government of the Republic of Serbia for the delivery of the report of the authorised assessor who estimated the value of the Jaroslav Černi Institute at 2,800,000.00, i.e., 2,576,066.92 euros, which was the initial price of the Institute in the privatisation procedure.

One of the principles of water management is the principle of public participation, which means that the public, among other things, has the right to information about the work of competent authorities in the field of waters, and in this particular case, the refusal of the Ministry of Economy to submit to the Anti-Corruption Council the Report on the estimated value of the Jaroslav Černi Water Institute as a leading scientific and research organisation in the field of waters in the privatisation procedure supports the suspicion that in this particular case there may be elements of the acts of corruption.

The absence of public participation, insufficient visibility, and non-transparency in the specific case, leave enough room to doubt, first of all, the justification of the privatisation of the Institute, as well as the legality of the procedure of sale.

Intention of the State to sell the Jaroslav Černi Water Institute, without adequate, rational and legal reasons for such an action, is only one step towards the sale of water management companies in the Republic of Serbia and the violation of the unity of the water management area, prescribed by the Decree of the Government of the Republic of Serbia on determining of the Water Management basis from 2002, as a basic planning document in the field of waters, which lays down the basic strategy for water use, protection against waters and water protection within the territory of the Republic of Serbia.

Thus, the sale of the Jaroslav Černi Water Institute was preceded by the Decision of the Government of the Republic of Serbia of 15 October 2020 on the initiation of the procedure of privatisation of four water management companies such as Tamiš Dunav from Pančevo, Gornji Banat from Kikinda, Srednji Banat from Zrenjanin and Podunavlje from Kovin, whereby water activity, as an activity of general interest that includes the regulation of watercourses and protection against the harmful effects of water, the regulation and use of water and protection against pollution, is endangered, in such a way that transfer of this companies into private hands cannot provide the means of ensuring the sustainable use of water, the protection and improvement of aquatic and coastal ecosystems, the reduction of adverse effects of floods and droughts, reduction of the harmful effects of climate change, as well as respecting the declared principle of unity in management of the water system.

In addition, the privatisation of the Jaroslav Černi Water Institute goes against the established concept of water management, contained in the Water Management Strategy of the territory of the Republic of Serbia until 2034, which is a planning document that lays down the trends in water management within the territory of the Republic of Serbia, in the preparation of which the Institute participated.

In the Strategy as an official planning document of the Republic of Serbia, among other things, it is stated that the scientific and research organisation Jaroslav Černi Water Institute is an **indispensable part of the successful functioning and development of the water sector in the Republic of Serbia**.

The established concept of water management is based on the natural characteristics of the territory of the Republic of Serbia, the present status of water resources, the need to protect waters from pollution and protection against the adverse effects of water, keeping in mind the requirement to align with international standards, where the role of the Institute as a leading scientific and research organisation is irreplaceable.

The World Commission on Environment and Development promoted the concept of sustainable development by the following definition: ‘Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs’.[[22]](#footnote-22)

Water as an important element of the environment followed this concept, so it is not surprising that in the majority of developed countries water management remained state-owned, just as it is not surprising that the countries in transition that privatised water management companies and institutes are bad examples, and that they brought such entities back under the auspices of the state, unfortunately after their devastation by the private individuals who bought them.

Contrary to the Water Management Strategy of the territory of the Republic of Serbia until 2034, which specifies that it is necessary to provide greater powers to the Jaroslav Černi Water Institute for the purposes of study and research works of special importance for water management and of professional support to state authorities, an arbitrary, harmful and illegal sale of Institute took place.

In addition to the fact that the sale of the Jaroslav Černi Water Institute as a scientific and research organisation is contrary to the Water Management Strategy of the territory of the Republic of Serbia until 2034, the sale of the Institute is also contrary to the Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2021 to 2025 “The power of knowledge”[[23]](#footnote-23), adopted by the Government of the Republic of Serbia in 2021, which is a strategic document for improving the quality of life of the citizens of the Republic of Serbia through science and technological development, and which is based on the belief that “the Republic of Serbia will be strong, prosperous and prominent, in proportion to the knowledge that as a community of thinking people possesses”.

The general goal of the Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2021 to 2025 ‘The power of knowledge’ is that the scientific-technological and innovation system contributes to the accelerated development of the Republic of Serbia through the improvement of the quality and efficiency of science, technological development and innovation and further integration into European research area.

The sale of a scientific and research organisation such as the Jaroslav Černi Water Institute, contrary to the established general goal of the Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2021 to 2025, causes irreparable damage in terms of the loss of high quality research staff, scientific results, efficient management of available resources, development of new technologies, quality of life, as well as providing expert support for decision-making at the state level.

The legislative framework relevant to the adoption of the Strategy for Scientific and Technological Development of the Republic of Serbia for the period 2021 to 2025 is, among other things, defined by the Law on Science and Research[[24]](#footnote-24), which defines that the general interest in scientific and research activity is reached through the program of institutional financing, which entails the creation of a legal framework for financing accredited institutes and institutes of national importance, where the state must play a leading role.

At the same time, the Law on the Science Fund of the Republic of Serbia[[25]](#footnote-25) specifies that scientific research and development activities are performed through scientific, technological and development programs under which projects are implemented, for the purpose of achieving objectives defined in the Strategy of Scientific and Technological Development of the Republic of Serbia.

The Anti-Corruption Council is of the opinion that, with the sale of the Jaroslav Černi Water Institute as a leading scientific and research organisation in the field of waters, the goals and principles defined by the Water Management Strategy of the territory of the Republic of Serbia until 2034 and the Strategy of Scientific and Technological Development of the Republic of Serbia from 2021 to 2025 ‘The power of knowledge’, adopted by the Government of the Republic of Serbia, are laid down and being implemented only pro forma, considering that, contrary to the declared objectives and principles of the mentioned Strategies, the leading scientific and research organisations in the country are sold to private individuals, just like the Jaroslav Černi Water Institute.

In accordance with what was previously stated, the Council is of the opinion that the sale of the Jaroslav Černi Water Institute, which was without a rational and apparent reason, and which is contrary to the Decree on determining the water management basis of the Republic of Serbia, the Water Management Strategy in the Republic of Serbia until 2034, the Strategy of Scientific and Technological Development of the Republic of Serbia from 2021 to 2025, as well as to the provisions of the Law on Waters, the Law on Science and Research, the Law on the Science Fund of the Republic of Serbia, must be annulled as illegal.

Before pointing out illegalities during the procedure of privatisation of the Jaroslav Černi Water Institute due to which the sale of the Institute need to be annullled, the Council also points out the fact that the Public Invitation of the Ministry of Economy of 1 October 2021 for the privatisation of the Institute leads to the conclusion that, based on it and the conditions it provided for which interested bidders must comply with, scene has been set for an already known and agreed-upon buyer.

Namely, the very fact that in the public invitation of the Ministry of Economy for the sale of the capital of the joint stock company Jaroslav Černi Water Institute as a scientific and research organisation, in the qualification conditions that interested bidders must comply with, there was no mandatory condition regarding the performance of scientific and research work that interested legal persons as an activity had to satisfy, indicates that the procedure of the sale of the Institute was planned in advance with an already known buyer who does not engage in scientific and research work, but also that, contrary to the indicative position of the Government of the Republic of Serbia expressed in the adopted Water Management Strategy of the territory of the Republic of Serbia until 2034 and the Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2021 to 2025 ‘The power of knowledge’, engaging in scientific and research activities in the Republic of Serbia were put on the sidelines and are matter of no consequence.

In support of that opinion of the Council, it should be borne in mind that the only two offers for the purchase of the Institute came from companies that not only do not engage in scientific and research work, but have been in a business relationship with Institute itself for years, as well as with the State, **which** involved them in various projects.

Besides the Millennium Team, which is engaged in the Belgrade Waterfront project, the construction of the PP Makiš pipeline, etc., for which the director of the Jaroslav Černi Water Institute himself claims that has been in a contractual relationship with the Institute for years, as well as that new joint projects are planned, the other bidder, the BAUWISEN Company, also does not engage in scientific and research work, but is engaged by the State in a series of projects such as the construction of the road around the new bus station in Block 42 in New Belgrade, the reconstruction of Karađorđeva Street in Belgrade, etc.

It is therefore obvious that the sale of the Jaroslav Černi Water Institute was carried out in a closed circle of actors with already known buyers and with the view to transfer state-owned capital into private hands so that private interests in the projects on which they are engaged or will be engaged can be more easily reached, where the general interest is completely marginalized and put on the back burner.

In addition to the aforementioned facts that indicate that the privatisation, i.e., the sale of the Jaroslav Černi Water Institute is contrary to the previously mentioned planning documents and regulations, and that it cannot subsist as such, the very procedure of the sale of the Jaroslav Černi Water Institute is illegal, and consequently and for that reason, such sale has to be annulled.

Namely, the imperative provision of Article 57 of the Law on Science and Research, undoubtedly lays down that the Institute founded by the Republic of Serbia, which is organised as a company, can be privatised on the basis of a special program adopted by the Government of the Republic of Serbia at the proposal of the Ministry responsible for scientific and research activity with the prior opinion obtained from the National Council for Scientific and Technological Development.

The National Council for Scientific and Technological Development, as the highest professional and advisory body in the system of scientific and research activity in the Republic of Serbia, was established to improve scientific and technological development, the quality of scientific and research work and the development of scientific and research activity.

Contrary to the mentioned imperative provision of the Law on Science and Research, the **National Council for Scientific and Technological Development did not give its binding opinion on the sale of the Jaroslav Černi Water Institute**.

The absence of the opinion of the National Council for Scientific and Technological Development on the sale of the Jaroslav Černi Water Institute, and consequently the absence of the proposal of the Ministry of Education, Science and Technological Development to the Government of the Republic, which did not prepare a program in accordance with the law according to which the Institute can be privatised, represents a **crucial fact that makes the Decision of the Ministry of Economy No. 023-02-689/2021-05 of 28 November 2021** on the declaration of the buyer – the Consortium, which consists of the legal entity Company for Engineering, Production and Services Millennium Team, Belgrade and natural persons as members of the Consortium, in the procedure of sale of the joint stock company Jaroslav Černi Water Institute, Belgrade, **illegal, i.e., void**.

In addition to the above mentioned, and having regard to the fact that the Ministry of Economy rejected the request of the Anti-corruption Council for the delivery of the report of the authorised assessor on the estimated value of the capital of the Jaroslav Černi Water Institute, from which it could be possible to draw a conclusion about parameters that were used in the estimation of the value of the Institute's capital and the method of determining the initial price of the Institute in the amount of 2,576,066.92 euros – which is the estimate that was submitted by the Institute to the Ministry of Economy on 30 June 2021 – the Council is of the opinion that in this particular case there is a possibility of a conflict of interest and abuse in the assessment of the fair value of the assets of the Institute, bearing in mind that, according to the Consortium Agreement, as regards the sales value of the capital of the Institute in the amount of 2,576,066.92 euros, **30% of the capital in the amount of 774,000 euros are purchased by natural persons, i.e. seven executive directors of the Institute**, and the remaining part of the capital in the amount of 1,806,000 euros is purchased by the Millennium Team as a member of the Consortium.

In accordance with the aforementioned suspected conflict of interest, the Council points out that the Managing Director and executive directors of the Jaroslav Černi Water Institute, joint stock company, Belgrade, in the moment of the conclusion of the Consortium Agreement with the Millennium Team Company had the status of public officials within the meaning of Article 2 of the Law on Prevention of Corruption, and in that capacity, at the latest within five days of the day that they have received the offer from the Millennium Team Company for the conclusion of the Consortium Agreement, they were obliged to, in accordance with Article 42(1) of the Law on the Prevention of Corruption, inform the Anti-corruption Agency about the suspected conflict of interest and ask the Agency for an opinion on whether there is a conflict of interest in the specific case, and whether the Consortium Agreement with the Millennium Team Company can be concluded.

However, according to the knowledge of the Council, the Anti-corruption Agency determined that as of 10 December 2021, the Managing Director and executive directors of the Jaroslav Černi Water Institute, joint stock company, Dejan Divac, Dejan Vučković, Nikola Milivojević, Goran Nikolić, Miodrag Popović, Mile Božić and Dušan Ćirić did not submit to the Agency requests for an opinion, nor requests for an consent, nor did they inform the Agency of suspected conflicts of interest in accordance with Article 42(1) of the Law on the Prevention of Corruption, and without the opinion of the Agency, contrary to the aforementioned provision of the Law, they concluded the Consortium Agreement with the Millennium Team Company, which was certified before the notary public under No. UOP-I: 9949-2021 of 29 October 2021. Therefore, in the opinion of the Council, the concluded Consortium Agreement is illegal and as such shall not have legal effects.[[26]](#footnote-26)

In addition to the above, the sale of the Jaroslav Černi Water Institute, as a leading scientific and research organisation in the field of water activity in the Republic of Serbia, to the Millennium Team Company, **whose activity does not entail scientific and research work** and which already has contracted projects with the Institute, such as the construction of the Belgrade sewage system and other **projects that are being prepared**, in the opinion of the Council, give rise to a doubt about the possibility of acts of corruption in the sale of the Institute, which **favours the private over the public interest**.

Namely, in accordance with the provisions of Article 40 of the Law on the Prevention of Corruption, public officials are obliged not to subordinate public to private interest, to comply with the regulations governing their rights and obligations, and to maintain trust of the citizens concerning their conscientious and responsible discharge of public office. At the same time, a public official shall not to be dependent on persons who could influence his impartiality, nor use public office to acquire any benefit or advantage for himself or any associated person. In addition, public officials are prohibited from using, for the purpose of acquiring benefit or advantage for themselves or others or causing harm to others, information they have obtained while holding the public office, where it is not available to the public.

Taking into account the fact that the directors of the Jaroslav Černi Water Institute, who will become members of the Consortium and owners of share capital, were previously authorised to undertake preparatory actions in the process of privatisation of the Institute in accordance with Article 20 of the Law on Privatisation, such as the making of the inventory and assessment of the fair market value of all assets and liabilities and capital of the Institute, the previously expressed suspicion of the Council that in this particular case the general interest is subordinated to the private interest with elements of acts of corruption is justified, given that the responsible persons in the Institute as a privatisation entity at the same time participated in that procedure and made the first ranked offer for the purchase of the share capital of the Institute.

When it comes to the buyer of the Jaroslav Černi Water Institute, the Millennium Team Company from Belgrade, the Anti-Corruption Council, in its 2020 Report on the disposal of the facilities of Special Hospitals for Rehabilitation owned by Pension and Disability Insurance Fund and the Republic of Serbia[[27]](#footnote-27), pointed out unlawfulness in the sale of the land and facilities of the Special Hospital Vranjska Banja, i.e., in their purchase by the Millennium Team Company, for the total amount of 1,855,000 euros.

On that occasion, it was stated that in the sale of the Spa Complex Žubor in Kuršumlijska Banja and the Special Hospital for Rehabilitation Vranjska Banja there is a reasonable ‘suspicion that there are elements of systemically organized corruption of large scale, aimed, on the one hand, at knowingly causing material damage to the Fund and the Republic of Serbia, and on the other hand knowingly enabling third parties to enrich themselves by doing or not doing so by the Fund and certain state bodies at the expense of their property by purchasing real estate at prices below market’, after which the Report with related opinion and recommendations was sent to the Government of the Republic of Serbia and the Prosecutor’s Office for organized crime.

In the 2021 report of the Anti-corruption Council “On activities after the sale of the Spa complex ‘Žubor’ in Kuršumlijska Banja, the Special Hospital in Vranjska Banja, the Special Hospital ‘Zlatar’, Nova Varoš and the sale of the remaining special hospitals for rehabilitation that are in the network of health institutions of the Republic of Serbia”[[28]](#footnote-28), it was concluded that after the purchase of the land and facilities of the Special Hospital Vranjska banja by the Millennium Team Company for the total amount of 1,855,000 euros, the Ministry of Economy, on 19 March 2021, concluded an agreement with the same company on the granting of incentive funds in the amount of 10,143,837.30 euros, for the implementation of the Investment Project Vranjska Banja Resort.

In the cited Report, the Council pointed out, among other things, the fact that the funds for the purchase of the real estate of the Special Hospital Vranjska banja were de facto refunded to Millennium Team Company from the budget of the Republic of Serbia in the amount of 1,855,000 euros, and that the Millennium Team Company has remaining funds of EUR 9,888,837.30, so the Council raised the question of the holder of the rights of ownership on the purchased real estate of the Vranjska banja Special Hospital, bearing in mind the provisions of the Law on the Foundations of Property Relations, as well as the question of the holder of the rights of ownership on future buildings, if they are built.

Taking into account the previously mentioned fact that during 2021, incentive funds from the budget of the Republic of Serbia were paid to the Millennium Team Company in the amount of 10,143,837.30 euros, and that it has remaining funds in the amount of 9,888,837.30 euros, the question arises whether 70% of the capital of the Jaroslav Černi Water Institute, purchased by a member of the Millennium Team Consortium in the amount of 1,806,000 euros, was purchased with budget funds, and whether in this potential transfer of budget funds there are elements of acts of corruption. The Council is not in charge of determination, but it can warn and express suspicion, and it is up to the competent State authorities to define the factual situation and take the actions provided for by law, where there are reasons for that.

In view of all of the above, the Anti-Corruption Council of the Government of the Republic of Serbia is of the opinion that the sale of the Jaroslav Černi Water Institute, joint stock company, as the leading scientific and research organisation in the Republic of Serbia, should be annulled, given the fact that it is arbitrary, unreasonable, illegal and contrary to the general interest, as well as that it can lead to unforeseeable harmful consequences for the lives, health and property of the citizens of the Republic of Serbia, bearing in mind the climate changes, floods, flash floods, ice protection, drinking water conservation and environmental protection.

# **RECOMMENDATIONS**

The Council recommends to the Government of the Republic of Serbia

1. to adopt, in accordance with the provisions of the Law on Privatisation, according to which it supervises the actions of the Ministry with regard to the implementation of the provisions of that law, a decision ordering the Ministry of Economy of the Republic of Serbia to, due to the observed unlawfulness and irregularities in the procedure of the sale of the capital of the of the Jaroslav Černi Water Management, joint stock company, Belgrade as a privatisation entity, review the adoption of Decision No. 023-02-689/2021-05 of 26 November 2021, which in paragraph 1 declares as the buyer the participant of the Consortium, which consists of the legal entity Company for Engineering, Production and Services Millennium Team, Belgrade and natural persons as members of the Consortium, in accordance with the Consortium Agreement concluded on 29 October 2021 and certified before the notary public Nikola Vojinović under No. UOP-I.9949-2021 of 29 October 2021, in the procedure of public collection of bids with subsequent public bidding for the sale of the capital of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade, and in paragraph 2 declares that the second highest offer in the procedure of public collection of bids with subsequent public bidding for the sale of the capital of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade, was submitted by the participant Limited liability company BAUWESEN, Lazarevac.
2. to order, in accordance with its powers, the State Attorney’s Office of the Republic of Serbia, as the legal representative of the Republic of Serbia, to initiate the appropriate procedure for annulment of the Decision of the Ministry of Economy of the Republic of Serbia No. 023-02-689/2021-05 of 26 November 2021, that is, to use an extraordinary legal remedy against that Decision, due to the identified irregularities and unlawfulness in the procedure of the sale of the capital of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade.
3. to order, in accordance with its powers, the State Attorney’s Office of the Republic of Serbia, as the legal representative of the Republic of Serbia, to institute proceedings before the competent court in order to decide on the nullity of the Consortium Agreement concluded between the Millennium Team Company from Belgrade and natural persons as members of the Consortium, which was concluded on 29 October 2021 and certified before the notary public Nikola Vojinović under No. UOP-I.9949-2021 of 29 October 2021, due to the identified unlawfulness.
4. to instruct the competent institutions to determine whether in the procedure of the sale of the capital of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade, there are elements of acts of corruption and abuse of office, and to take appropriate measures and statutory actions accordingly.
5. that the Anti-corruption Agency shall of its own motion, in accordance with Article 43(1) of the Law on the Prevention of Corruption, initiate a procedure against the following persons: Dejan Divac, Mile Božić, Nikola Milivojević, Dejan Vučković, Goran Nikolić, Miodrag Popović and Dušan Ćirić, in which it will decide on the existence of a conflict of interest in the actions of the mentioned public officials, which caused suspicion of the existence conflict of interest.
6. to instruct the competent prosecutor’s office to determine whether in the procedure of privatisation of the Jaroslav Černi Water Institute, joint stock company, Belgrade, in accordance with Article 228a of the Criminal Code, there are elements of the criminal offence of abuse in the privatisation procedure, in the actions between responsible persons in front of the seller of state-owned capital, and responsible persons in the privatisation entity with the buyer of the privatisation entity, and to initiate appropriate proceedings accordingly.

VICE-PRESIDENT OF THE COUNCIL

Prof. Miroslav Milićević MD, PhD, FACS

1. Prof. PhD Branislav Đorđević, “Cybernetics in Water Resources Management”, in *Water Resources*, chp. XXII, p. 620, Wrp, CO, USA, ISBN:0-918334-82-9. [↑](#footnote-ref-1)
2. Prof. PhD Živko Vladisavljević, “On Water Management – views and methods”, Faculty of Civil Engineering, Belgrade 1969. [↑](#footnote-ref-2)
3. Directive of the European Parliament and of the Council 2000/60/EC. [↑](#footnote-ref-3)
4. The Decree on determining the water management basis of the Republic of Serbia (Official Gazette of the Republic of Serbia, No. 11/2002). [↑](#footnote-ref-4)
5. Prof. PhD Branislav Đorđević, “Tendencies in strategic planning”, Water Management, vol. 34, No. 1–6, pp. 3–12, SDOH, UDC: 626/627:33/351.82, 2002, Belgrade. [↑](#footnote-ref-5)
6. The Law on Waters (Official Gazette of the Republic of Serbia, No. 30/10, 93/12,101/16, 95/18). [↑](#footnote-ref-6)
7. Water Management Strategy of the territory of the Republic of Serbia until 2034 (Official Gazette of the Republic of Serbia, No. 30/2017). [↑](#footnote-ref-7)
8. Articles 97(1)(9) and 74 of the Constitution of the Republic of Serbia. [↑](#footnote-ref-8)
9. The Law on Waters (Official Gazette of the Republic of Serbia, No. 30/2010). [↑](#footnote-ref-9)
10. The Law on Waters (Official Gazette of the Republic of Serbia, No. 30/2016). [↑](#footnote-ref-10)
11. The Law on Public Property (Official Gazette of the Republic of Serbia, No. 72/11, 88/13, 105/14, 104/16, 108/16, 113/17,95/18, 153/20). [↑](#footnote-ref-11)
12. Decision of the Ministry of Economy No. 3-00-72/2021-02 of 8 December 2021. [↑](#footnote-ref-12)
13. Letter of the State Audit Institution No. 037-1828/2021-08/1 of 24 Novemeber 2021. [↑](#footnote-ref-13)
14. State Audit Institution, Report on the auditing of financial statements and regularity of operations of the Joint-stock company Jaroslav Černi Water Institute, Belgrade for the year 2015, No. 400-1027/2016-06/8 of 29 December 2016. [↑](#footnote-ref-14)
15. Public invitation to collect letters of interest in participating in the privatisation procedure of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade of 21 May 2021. [↑](#footnote-ref-15)
16. Letter of the Ministry of Economy No.113 -00--0/2021-05 of 8 December 2021. [↑](#footnote-ref-16)
17. Public invitation of the Ministry of Economy for participation in the procedure of public collection of bids with subsequent public bidding for the sale of the capital of the privatisation entity Jaroslav Černi Water Institute, joint stock company, Belgrade of 1 October 2021. [↑](#footnote-ref-17)
18. Public statement of Ministry of Economy of 8. November 2021. [↑](#footnote-ref-18)
19. Decision on supplementing the agenda of the 24th extraordinary session of the General Meeting of the Jaroslav Černi Water Institute, joint stock company, sheduled for 19 Novemeber 2021. [↑](#footnote-ref-19)
20. Decision of the Ministry of Economy No.023-02-689/2021-05 of 28 November 2021 on the declaration of the buyer. [↑](#footnote-ref-20)
21. Mitja Brilly: “Water management in the countries in transition”, Vodoprivreda, Vol. 48, pp. 107–113, SDOH 2016., UDK: 626:627, ISSN 0350-0519. [↑](#footnote-ref-21)
22. Report of the World Commission on Environment and Development: “Our Common Future”, also known as the “Bruntland Report”. [↑](#footnote-ref-22)
23. Strategy of Scientific and Technological Development of the Republic of Serbia for the period from 2021 to 2025 “The power of knowledge” (Official Gazette of the Republic of Serbia, No. 10 of 10. February 2021). [↑](#footnote-ref-23)
24. The Law on Science and Research (Official Gazette of the Republic of Serbia, No. 49/19). [↑](#footnote-ref-24)
25. The Law on the Science Fund of the Republic of Serbia (Official Gazette of the Republic of Serbia, No. 95/18). [↑](#footnote-ref-25)
26. Notification of the Anti-corruption Agency No. 037-00-0179/21-09 of 16 December 2021. [↑](#footnote-ref-26)
27. Report of the Anti-Corruption Council of the Government of the Republic of Serbia No. 500-9831/2020. [↑](#footnote-ref-27)
28. Report of the Anti-Corruption Council of the Government of the Republic of Serbia No. 021-00-10138/2021 of 2 November 2021. [↑](#footnote-ref-28)