



## Assessment Report

### Corridor Vc 2 (Request #3)

EBRD Project Number 47372

Case 2023/08

February 2024

The Independent Project Accountability Mechanism (IPAM) is the European Bank for Reconstruction and Development's (EBRD) accountability mechanism. IPAM independently reviews issues raised by individuals or organisations concerning Bank-financed projects that are believed to have caused or be likely to cause harm. The purpose of the mechanism is to facilitate the resolution of social, environmental, and public disclosure issues among project stakeholders; to determine whether the Bank has complied with its Environmental and Social Policy and the project-specific provisions of its Access to Information Policy; and, where applicable, to address any existing noncompliance with these policies, while preventing future non-compliance by the Bank.

For more information about IPAM, contact us or visit [www.ebrd.com/project-finance/ipam.html](http://www.ebrd.com/project-finance/ipam.html)

<p><b>Contact information</b></p> <p>The Independent Project Accountability Mechanism (IPAM)  European Bank for Reconstruction and Development  Five Bank Street  London E14 4BG</p> <p>Telephone: +44 (0)20 7338 6000  Email: <a href="mailto:ipam@ebrd.com">ipam@ebrd.com</a></p>	<p><b>How to submit a complaint to the IPAM</b></p> <p>Concerns about the environmental and social performance of an EBRD Project can be submitted by email, or via the online form at:</p> <p><a href="https://www.ebrd.com/project-finance/ipam.html">https://www.ebrd.com/project-finance/ipam.html</a></p>
---	--

## TABLE OF CONTENTS

<b>Executive Summary.....</b>	<b>5</b>
<b>1. Background.....</b>	<b>6</b>
1.1. The Request.....	6
1.2. The Project and its Current Status .....	6
1.3. Case Processing to Date.....	7
<b>2. Assessment Stage.....</b>	<b>7</b>
<b>3. Site Visit .....</b>	<b>8</b>
<b>4. Summary of the Parties' Views.....</b>	<b>9</b>
4.1 Requester.....	10
4.2. Client.....	10
4.3. Contractor.....	11
4.4. EBRD Management.....	11
<b>5. Assessment Determination .....</b>	<b>12</b>
<b>6. Conclusion and Next Steps .....</b>	<b>12</b>
<b>Annex 1. Terms of Reference for Problem Solving.....</b>	<b>13</b>

*Unless otherwise indicated capitalised terms used in this report are those as set forth in the 2019 Project Accountability Policy.*

## LIST OF ABBREVIATIONS

Abbreviation	Long Form
Board	the Board of Directors of the European Bank for Reconstruction and Development
Case	the consideration of a Request under the Project Accountability Policy following its registration
CAO	the Chief Accountability Officer of the EBRD, and IPAM head
Case Registry	the registry of Cases created in accordance with Section III, Paragraph 3.1 of the Project Accountability Policy, which can be found on the <a href="#">IPAM Webpage</a>
Compliance	the IPAM function which determines whether EBRD has complied with its Environmental and Social Policy or the Project-specific provisions of its Access to Information Policy in respect of a Project
EBRD (or Bank)	the European Bank for Reconstruction and Development
ESIA	Environmental and Social Impact Assessment
ESP	the EBRD's Environmental and Social Policy in force at the time of Project approval
IPAM	the Independent Project Accountability Mechanism of the EBRD established as per the 2019 Project Accountability Policy
IPAM Head	the EBRD managing director responsible for the running of IPAM, the implementation of the Project Accountability Policy and for making the decisions that are the responsibility of IPAM under said Policy
PAP	the 2019 Project Accountability Policy
Parties	the individuals, entities, and/or organisations with a direct interest in a Case. Parties may include (but are not limited to): the Requesters; their Representatives, if any; the relevant Bank department, team, or unit; the Client; and other Project financiers or other entities responsible for the implementation of a Project
Problem Solving	the IPAM function which supports voluntary dispute resolution engagement between Requesters and Clients to resolve the environmental, social, and public disclosure issues raised in a Request, without attributing blame or fault.
PSD	Project Summary Document
President	the President of the EBRD

## Executive Summary

### The Request<sup>1</sup>

On 13 July 2023 the [Independent Project Accountability Mechanism](#) (IPAM) received a [Request](#) from Mr Ilijas Sakic, a resident of Zenica, in Bosnia and Herzegovina. The Requester raises allegations of structural damage to his property, vibration and dust pollution caused by the continuous traffic of heavy vehicles involved in the construction of the Corridor Vc motorway section between Donja Gracanica and Zenica Tunnel. He contacted the Client and Euroasfalt Contractor (Contractor) but none of them provided a solution to the problem. The Requester seeks to have the impacts on his property assessed and remediated and expressed interest in Problem Solving and Compliance.

### The Project<sup>2</sup>

The [Corridor Vc 2 Project](#) (OP ID 47372) is a sovereign loan to Bosnia and Herzegovina of up to EUR 80 million for on-lending to the Federation of Bosnia and Herzegovina and further to the Motorways of the Federation of Bosnia and Herzegovina. According to the Project Summary Document, the objective of the loan is to finance the construction of four 4-lane motorway sections to international standards, one of which is approximately 3.9 km between Donja Gracanica and Zenica Tunnel. The Project was approved on 28 October 2015 as category A under the EBRD's 2014 Environmental and Social Policy.

### IPAM Process

The Request was registered by IPAM on 24 August 2023 under [Case 2023/08](#), initiating the Assessment stage that was conducted until January 2024 in accordance with the [2019 Project Accountability Policy \(PAP\)](#). IPAM undertook an in-depth analysis of the Request and reviewed the additional documentation provided by the Parties, held online meetings with the Bank team responsible for the Project, representatives of the Client, the Contractor, and the Requester. IPAM also conducted a site visit to Bosnia and Herzegovina from 18 to 21 September 2023, met in person with the Requester, the Client, the Contractor, and the Project Operations Leader to explore Parties' willingness and capacity to engage in Problem Solving and visited the Requester's house in Zenica.

### Conclusion and Next Steps

Based on the activities undertaken during the Assessment stage, IPAM determined that Case will proceed to Problem Solving, as all relevant Parties (the Requester, Client, the Contractor, and Bank management) have expressed their willingness to engage in IPAM's Problem Solving function. Given these findings, this Report includes preliminary Terms of Reference for Problem Solving whereby the proposed scope, methods to be used, the timeframe and the type of expertise required are presented.

IPAM wishes to thank the Requester, the Client, the Contractor and Bank management for their time and inputs provided during the Assessment stage. This Assessment Report is circulated to the Parties and disclosed in the virtual case file for [Case 2023/08](#), in both English and Bosnian after its submission to the Board and the President for information. After that, the Case will be transferred to the Problem Solving stage.

---

<sup>1</sup> The Request is available [here](#)

<sup>2</sup> EBRD's Project Summary Document is available [here](#)

## 1. Background

### 1.1. The Request<sup>3</sup>

On 13 July 2023 the [Independent Project Accountability Mechanism](#) (IPAM) received a [Request](#) from Mr Ilijas Sakic, a resident of Zenica, in Bosnia and Herzegovina in relation with the Corridor Vc 2 Project (OP ID 47372) funded by the EBRD. The Requester raises allegations of structural damage to his property caused by the Project Contractor Euroasfalt d.o.o. who used the local road next to his property to access their construction site in Ričice, Zenica for the construction of the motorway section between Donja Gracanica and Zenica Tunnel. The Requester expressed that the local road wasn't designed to support the continuous heavy traffic which has caused vibration and dust pollution and has led to cracks and sinking of his property. The Requester further explained that in 2020 he has commissioned a federal inspection audit which confirmed damage to the house's auxiliary buildings, the yard, the access road, and the supporting walls. He also added that he shared the outcomes of the audit with Contractor Euroasfalt d. o. o. but got no response. He raised his concerns with the Municipality, the Client and Contractor but none of them provided a solution to his problem. The Requester seeks to have the impacts on his property assessed and remediated and expressed interest in Problem Solving and Compliance.

### 1.2. The Project and its Current Status<sup>4</sup>

The Corridor Vc 2 Project (OP ID 47372) is a sovereign loan to Bosnia and Herzegovina of up to EUR 80 million for on-lending to the Federation of Bosnia and Herzegovina and further to the Motorways of the Federation of Bosnia and Herzegovina (Client). The main contractor under the Project is Euroasfalt d.o.o. in charge of the construction of the motorway section between Donja Gracanica and Zenica Tunnel. The Project was approved on 28 October 2015 as category A under the EBRD's 2014 Environmental and Social Policy.

According to the [Project Summary Document](#), the proceeds of the loan will be used for the construction of four 4-lane motorway sections to international standards, one of which is approximately 3.9 km between Donja Gracanica and Zenica Tunnel.

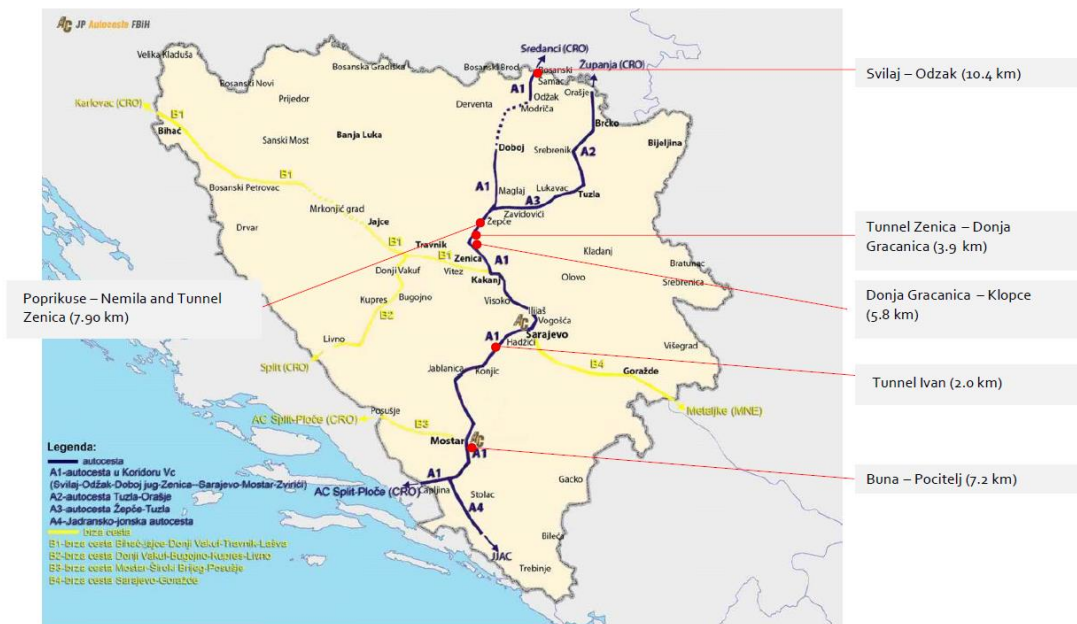
As regards to environmental and social impact, during construction, the Project was expected to cause traffic noise due to use of local roads. Also, air emissions and visual effects were expected that could potentially cause significant nuisance to the residents. In addition, nuisances from tunnelling were expected during tunnel works at Zenica Bypass sections. However, these impacts were expected to be temporary. The loan is currently being repaid by the Client.

---

<sup>3</sup> The Request is available in the case summary at: [Case 2023/08](#)

<sup>4</sup> The information is sourced from the EBRD's Project Summary Document available [here](#) and the Non-Technical Summary available [here](#)

Figure 1: Road Corridor Vc 2 in Federation of Bosnia and Herzegovina



Source: Non-technical Summary, available [here](#)

### 1.3. Case Processing to Date

The Request was registered by IPAM on 24 August 2023 as [Case 2023/08](#) as it met the criteria for Registration established in Section 2.2 (b) of the PAP, and none of the exclusions set in Section 2.2 (c) of the PAP applied at that stage. The registration of a Request is an administrative step<sup>5</sup> establishing that the following criteria have been met:

- all mandatory information has been provided;
- issues raised relate to specific obligations of the Bank under the Environmental and Social Policy and/or the project-specific provisions of the Access to Information Policy;
- it relates to a Project that the Bank has approved; and
- the Request submitted is related to an active project or is submitted within 24 months of the date in which the Bank has ceased to have a financial interest in the project.

## 2. Assessment Stage

Immediately after registration, the Request was transferred to the Assessment Stage as established in para. 2.3 of the 2019 PAP, to:

- develop a clear understanding of the issues raised in the Request;
- discuss the Problem Solving and Compliance functions with the Parties, their scope, and outcomes;
- assess the Parties' willingness to engage in each function;
- consider the updated status of other grievance resolution efforts, if applicable; and
- make a final determination with three alternative outcomes:
  - the Case could proceed to Problem Solving, based on the agreement of the Requester and the Client; or

<sup>5</sup> Registration of a Request does not involve a judgement on the merits, truthfulness, or correctness of its content. Nor does it have the effect of suspending the Bank's interest in a Project.

- the Case would be transferred to Compliance Assessment if no agreement to pursue Problem Solving is reached and the Requester would have expressly asked for this; or
- the Case would be closed.

The Assessment stage has a standard duration of 40 business days from the date of the Request Registration which might be extended to ensure robust processing or if translation of documents is required as per the PAP. The Assessment was initiated at the end of August 2023 and was finalised in January 2024.

In line with the approach established in the PAP (see section 2.3 of the PAP), the IPAM team undertook the following activities during the Assessment stage:

- revision of relevant Project documents;
- virtual meetings with the Bank team responsible for the Project, representatives of the Client, the Contractor, and the Requester; and
- site visit to Bosnia and Herzegovina.

### 3. Site Visit

The IPAM team visited the Project site on 19 September 2023 and engaged in-person with the Client, the Requester, and the Contractor, to get a better understanding of the Project and the issues raised in the Request and undertook a visit to the Requester's house impacted by the Project. IPAM wishes to thank all stakeholders for their willingness to engage with the delegation and their openness to discuss the concerns raised in the Request.







#### 4. Summary of the Parties' Views

This section provides the views of the Requester, the Client, Contractor, and Bank management as captured by IPAM during virtual and in-person meetings. Prior to finalising this Report, to ensure that the information included herein is accurate, IPAM shared with the Parties relevant sections and considered their comments when finalizing it.

## 4.1 Requester

During the Registration and Assessment stages (from July 2023 to January 2024), the IPAM team communicated frequently with the Requester and reviewed the documentation provided by him. In addition, IPAM met with the Requester at his house in Zenica on 19 September 2023.

During these engagements, the Requester indicated that from 2016 to 2022 heavy vehicles used the local road to access the Contractor's construction site in Ričice where they have their concrete batching plant. The most intense period when the Constructor has used the local road was during 2017-2021. He specified that about 600-800 trucks used the local road daily with a load of about 40 tonnes each, while the local road is not designed for such load.

The Requester indicated that due to the heavy traffic using the local road next to his house, there has been constant noise, dust, vibration, and all of this caused structural damage to his property - to the concrete yard, stairs, garage, and auxiliary buildings as well as the retaining walls. The Requester added that due to cracks in the yard and the sliding terrain, the deformation of the access road next to the house, his house seems to have slightly moved forward.

The Requester also indicated that the local road through the community was damaged due to the difficult manoeuvring of large trucks carrying heavy load. However, he acknowledged that recently the Contractor renovated the local road under an agreement with the City of Zenica, while the impacts on his property weren't remediated.

The Requester indicated that he started raising his concerns in 2018 with the local government, the EBRD Client, and the Contractor. He mentioned that at the suggestion of the Client, he contacted the Contractor to raise his concerns with them. However, he didn't have an opportunity to discuss his concerns with decision making officials on the side of the Contractor. From his perspective, this prevented a resolution to his grievance.

The Requester would be amenable to engage in a Problem Solving Initiative. He added that he considered that an independent assessment of the damage should be undertaken. In submitting his request to IPAM he would expect to have the damage to his property addressed and returned to its former condition. Furthermore, he indicated that because of the Project, the property is sinking so a supporting wall outside his property is needed to prevent the movement.

## 4.2. Client

IPAM met virtually with representatives of Motorways of the Federation of Bosnia and Herzegovina on 7 September 2023 and had an in-person meeting on 19 September 2023 in Zenica. This was followed by a virtual call on 23 October 2023.

In relation to the Request submitted to IPAM, the Client explained that the Project Contractor, Euroasfalt, had set up their concrete batching plant in Ričice close to the Requester's house and used the local road to access the site.

At the same time, the Client indicated that the area where the Requester lives is prone to landslides and in their view, this may have contributed to the impacts to the Requester's property.

The Client informed IPAM that they advised the Requester to raise the issue through the Contractor's grievance mechanism and only found out later that the issues had not been addressed. It is the Client's view that if the Contractor has caused damage to the Requester's property, then it is their legal responsibility to remediate it.

The Client added that in May 2016, before starting construction, the Contractor undertook a zero-measurement assessment of the Requester's house and didn't identify major issues with the



property. In their view that assessment could now be used to determine the extent of the impacts alleged.

The Client informed IPAM that Euroasfalt had signed an agreement with the City of Zenica, to rehabilitate all local roads in Zenica including the one next to the Requester's house. They further mentioned that the Contractor had rehabilitated the roads twice and did some road rehabilitation next to the Requester's house in August 2023. The Client noted that the construction phase of the Donja Gračanica and Zenica Tunnel section ended in 2019.

Finally, the Client expressed their willingness to work with the Contractor and look for options to address the Requester's concerns and agreed to engage in an IPAM lead Problem Solving initiative.

#### **4.3. Contractor**

IPAM met in-person with the legal representative of Euroasfalt on 19 September 2023 in Zenica and had a virtual meeting with the technical director of Euroasfalt on 25 October 2023.

Euroasfalt indicated that they have been the main Project Contractor at the Ričice construction site and clarified that the construction of the Corridor Vc 2 Project between Donja Gračanica and Zenica Tunnel lasted from 2016 to 2019. They confirmed that the company has used the local roads to transport construction materials and equipment to their construction site in Ričice and had the municipal permits to do so.

The Contractor confirmed that in May 2016 they undertook a zero-measurement assessment of the Requester's house before starting construction and didn't identify major issues.

The Contractor indicated that they engaged with the Requester in 2018, 2020 and 2021 but didn't manage to reach an agreement. Euroasfalt disputed the claims as well as the compensation amount asked by the Requester. They suggested to the Requester to submit his claim through the courts.

Finally, the Contractor indicated the need for the property to be assessed by a certified structural engineer and added that if the assessment would confirm their responsibility, they would be ready to remediate the impacts caused. However, they would not be able to pay any cash compensation.

Finally, the Contractor expressed their willingness to look for options to address the Requester's concerns and agreed to engage in an IPAM lead Problem Solving initiative.

#### **4.4. EBRD Management**

IPAM held a virtual meeting with EBRD management on 11 September 2023, met in person with the Project Operational Lead on 21 September 2023 in Sarajevo and had a follow up virtual meeting on 18 October 2023. Bank management provided an update on the implementation of the Project and their perspective on the issues raised in the Request. The team also shared Project documents that were reviewed by IPAM.

Regarding the Request submitted to IPAM, Bank management explained that they were notified by the Client about the concerns raised by the Requester and since then have been working closely with the Client and the Contractor to find sustainable solutions.

Regarding impacts on the local road, Bank management stated that the Contractor has rehabilitated it twice and in their view, the road is currently in good condition.

As to the Requester's concerns regarding impacts on his property, Bank management indicated that the property would have to be assessed by a certified structural engineer to establish whether the damage has occurred because of heavy trucks traffic. They confirmed the Client's view that the zero-statement assessment conducted by the Contractor in 2016 could be used as baseline to assess any damage.

Finally, Bank management expressed their full support and commitment to collaborate closely with IPAM during the Problem Solving initiative for a successful resolution of the concerns raised.

## 5. Assessment Determination

Based on the Assessment activities undertaken in relation to Case 2023/08, IPAM has made the following determinations:

- After an in-depth analysis of the concerns raised, IPAM reconfirmed that the Request meets the Registration criteria.
- IPAM considers that a Problem Solving Initiative is feasible and can effectively assist in addressing the Requester's concerns. This is based on the confirmation received by IPAM from the Requester, the Client, the Contractor and the EBRD management of their willingness to engage in a Problem Solving initiative; and the fact that the Client is already working with the Contractor in finding a suitable solution to the concerns raised.

IPAM has offered to the Parties to serve as a third-party independent facilitator to support them in their communication and identification of mutually acceptable solutions, and they accepted. In this case, the role of IPAM will be to facilitate the flow of information, ensure that communication channels remain open until an agreement is reached and is effectively implemented.

## 6. Conclusion and Next Steps

Based on the activities undertaken during the Assessment stage, IPAM determined that Case will proceed to Problem Solving, as all relevant Parties (Requester, Client, Contractor, and Bank management) have expressed their willingness to engage in IPAM's Problem Solving function. Given these findings, this Report includes preliminary Terms of Reference for Problem Solving whereby the proposed scope, methods to be used, the timeframe and the type of expertise required are presented.

IPAM wishes to thank the Requester, the Client, the Contractor and Bank management for their time and inputs provided during the Assessment stage. This Assessment Report is circulated to the Parties and disclosed in the virtual case file for [Case 2023/08](#), in both English and Bosnian after its submission to the Board and the President for information. After that, the Case will be transferred to the Problem Solving stage.

## Annex 1. Terms of Reference for Problem Solving

### I. About the IPAM Problem Solving Process

The Project Accountability Policy in section 2.4 establishes general guidance to be observed in IPAM-facilitated Problem Solving initiatives in general:

#### Guiding Principles for Problem Solving

The Problem Solving initiatives led by IPAM are based on the following guiding principles:

**Co-design:** the design of Problem Solving processes should be based on the methods, format and preferences of the Parties.

**Good Faith:** the success of Problem Solving processes requires that all Parties are willing to participate in good faith, effectively seeking to find mutually agreeable solutions.

**Rules-based:** Problem Solving processes require that the Parties define from the start the ground rules that will guide the process and that they commit to abiding by them.

**Voluntary Nature:** The Parties have the right to enter, as well as withdraw from a Problem Solving process.

### II. Objective

The objective of the Problem Solving is to:

- Facilitate the dialogue between the Requester, the EBRD Client and the Contractor (together as Parties) to ensure common understanding and support them find solutions to the concerns raised.
- Formalize the agreements reached and accompany the implementation of these agreements until fully executed.

For the Problem Solving, these Terms of Reference apply to all actions undertaken as part of the EBRD financed components of the Corridor Vc 2 Project (OP ID 47372). Activities carried out under this Problem Solving Terms of Reference may be subject to modification, provided that the IPAM Head expressly agrees to the change(s), and so long as such changes do not prejudice the interests of any Party.

### III. Approach

IPAM serves as a third-party impartial facilitator that provides guidance and seeks to promote trust building between the Parties and ensure that the engagement is equitable and accessible.

To achieve the objective of finding mutually acceptable resolution to the issues presented in the Request, IPAM will:

- i. take into account all circumstances of the Case (including the nature of the issues raised, their urgency, and the reasonable likelihood of success), with a view to identifying the most appropriate approach to Problem Solving. Approaches will be chosen in consultation with the Parties, and may include information gathering and sharing, shuttled diplomacy, joint fact-finding or supported negotiation;
- ii. engage an external consultant to support and facilitate the dialogue process in accordance with the Procurement Rules and Paragraph 3.1 i) of PAP, if deemed necessary by IPAM; and

- iii. not support agreements that would be contrary to EBRD policies or in breach of any applicable law.

#### **IV. Termination.**

The Problem Solving process may be terminated at any time:

- by IPAM, if in IPAM's view, following consultation with the Parties, the Problem Solving is no longer likely to lead to a positive outcome, and/or if the Problem Solving process has ceased to constitute an efficient use of resources, in which case IPAM will notify all Parties in writing; or
- by any Party, Problem Solving is a voluntary process, and Requesters and Clients may withdraw from it at any time.

#### **V. Scope of the initiative**

The scope of the initiative is limited to the issues raised in the Request in relation to the EBRD Project Corridor Vc 2 Project (OP ID 47372) and further elaborated in the Assessment Report. In particular, the Parties have expressed preliminarily their agreement that IPAM would serve as a third-party independent facilitator to assist them in identifying solutions to the concerns raised, reach Agreement, and assist during the period of implementation of the proposed solutions. In addition, IPAM's role would be to facilitate the flow of information and ensure common understanding to ensure a successful outcome.

#### **VI. Proposed Methodology**

As per the Assessment findings, and subject to confirmation as the initiative advances, the methods utilised in this Case would include:

- Information gathering and sharing in culturally appropriate formats;
- Fact finding on the issues raised in the Request;
- Shuttled diplomacy;
- Facilitated bilateral and joint discussions with Parties; and
- Supported negotiation.

#### **VII. Resources Required**

##### **Independent External Facilitator**

In line with the provisions of the 2019 PAP, the Problem Solving process will be led by IPAM's Problem Solving Lead with the possibility of identifying a local external facilitator to assist the Parties in their engagement. The intensity of the engagement will be dependent on the property assessment results and the position of the Parties regarding mitigation measures.

The facilitator will engage with Parties as a neutral 'third party', in an independent and impartial manner and should have no conflicting interests in relation with the Project or any of the Parties involved in Problem Solving. It is not the role of the facilitator to decide whether Parties' actions, opinions or perceptions are right or wrong or to arbitrate in favour of one of the Parties.

##### **Interpretation and translation**

Interpretation and translation services will be required during the initiative to facilitate IPAM's communication with local Parties.

### Site Visits

Site visits by the external facilitator and the IPAM team will be required during the process. Any travel will require prior approval by the IPAM Head.

### VIII. Problem Solving Timeframe

A preliminary schedule of the main milestones and deliverables is presented below and may vary depending on the availability of Parties and other external factors beyond the control of IPAM.

#### Proposed Milestones and timeline

Activity	Estimated timeline
Parties to agree on an independent assessment of the Requester's property (identification of certified structural engineer and terms of reference)	February 2024
Conduct the independent assessment of the Requester's property	March 2024
Joint meeting of Parties to review the outcomes of the assessment. Based on this, discussion, and agreement on next steps	April 2024