

The Network for the Affirmation of NGO Sector

ZAVALA

the case study

2008 - 2011

CASE STUDY “ZAVALA“

This case study shows that the competent state institutions are readier to engage in hiding the facts than in protecting the state from crime and illegal affairs whose actors are connected with influential individuals from political structures.

This study documents the involvement of the present Deputy Prime Minister Svetozar Marović in illegal building of tourist complexes and reveals a complex network of related persons and companies that could be used not only to eliminate competition and create a building cartel, but also to press institutions to tolerate violation of the law.

Instead of showing their independence in this example and their readiness to demonstrate that everyone is equal before the law, institutions of the system have legalized illegally built objects and made new business deals with Marović’s controversial partners. While the prosecution is still leading a two-year investigation about the actors of this business, Marović was appointed Deputy Prime Minister of the Government which provided him with immunity from criminal prosecution.

In pre-staged action, Police in December 2010 arrested couple of key actors, but the overall case is still pending with Prosecution. The building site of Zavala is now all in semi-built villas and devastated greenery, with all construction works suspended indefinitely.



Cape Zavala before initiation of construction



Planned objects - graphical presentation

1. KEY ACTORS



SVETOZAR MAROVIĆ

Vice-President of the ruling Democratic Party of Socialists. At the time of the affair “Zavala” he didn’t hold any public office and today he is a Deputy Prime Minister of the Government of Montenegro.

He was included in the project in “Zavala” as a co-owner of the company “Moninvest” which founded a daughter company “Zavala invest”.



SERGEJ POLONSKI

Founder of “Mirax Group”, one of the biggest building companies in Russia. According to the “Forbes” his wealth was estimated at 1.2 billion USD in 2008 but in the following year his wealth was halved and he announced bankruptcy.

He became popular with his statement that “those who do not have a billion can go to hell”.



VJAČESLAV LEJBMAN

Representative of the “Mirax Group” for Montenegro, a founder and the authorized representative of several daughter companies which are also involved in construction and real estate business in Montenegro.



DRAGAN MAROVIĆ

Secretary of the Secretariat for Investments in Budva. He is a brother of Svetožar Marović. In Municipal Assembly of Budva he publicly declared that he had allowed building of objects without necessary licenses.



RAJKO KULJAČA

President of Municipality of Budva and an official of the ruling Democratic Party of Socialists (DPS). He is heading the National Coordination Body for Prevention of Illegal Construction. In 2006 MANS found out that he was a co-owner of one of illegally built object in the territory of municipality of Budva.



BRANIMIR GVOZDENOVIĆ

Minister for Spatial Planning and Environment. During the “Zavala” affair he stated that he was not familiar with the fact who the investor of that tourist complex at the Cape Zavala was.

Despite the case “Zavala” he was reelected Minister for Spatial Planning and Environment and after he had tolerated illegal building for months in the end he issued building license to the investors.

2. PREPARATION OF THE TERRAIN FOR A RUSSIAN PARTNER

Cape Zavala, located between Budva and Bečići, a rare natural diamond on the Budva coast, covered in forest, is now a place whose major part is devastated by illegal construction.

Involvement of Russian partners in implementation of the project at Cape Zavala started in spring 2007 when the western part of the Cape that separates Slovenska beach from Bečićka beach was sold for 25 million euros. At that moment the name of the investor was unknown and according to at the time valid General Urban Plan (GUP) for Zavala that area was planned to be the “green zone of the city” where no construction would be allowed.

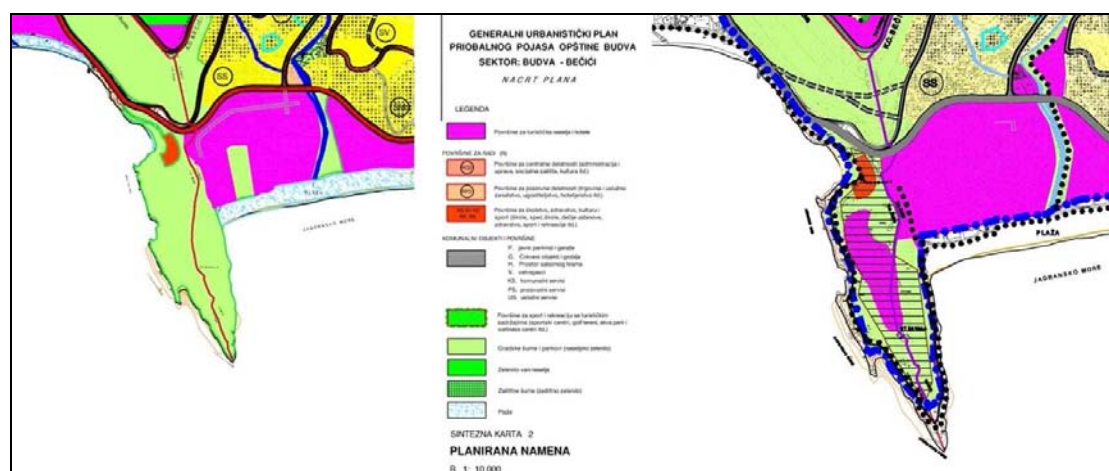
Draft GUP for the coastal zone of the region Budva-Bečići, which includes the location of Cape Zavala was subject to public debate on April 12 to May 12 2007.

According to the April Draft Plan for Zavala, the previous status of the Cape Zavala was planned to be unchanged which means that in the planning maps that zone was defined as “the forests and parks of the city” which means that no construction was allowed in that zone.

As soon as the deadline for public debate expired the Agency for Planning of Space of Municipality of Budva issued a Report from the public debate according to which 89 objections were submitted to the Draft Plan but none of them referred to the Cape Zavala. Also according to the Report of the Expert Commission for Plans Review there were no data on anybody asking for this city greenery zone to change its purpose into the construction zone.

However, after the completion of the debate when the final Draft version was made, the Councilors of Budva Assembly were presented a document that greatly differed from the version that was presented in a public debate to the citizens of Budva.

In a new version of the Draft Plan, purpose of the land at Cape Zavala was changed into “the space for building of tourist capacities of high category”.



The difference that had mysteriously disappeared between the two versions of the Draft GUP significantly increased the value of the land because its purpose was changed - from the zone in which no construction activity was allowed to the space foreseen for building of tens of thousands of square meters of tourist capacities.

On 30th November 2007 Mayor of Budva Rajko Kuljača reached a Decision on the Development of Urban Project “Tourist complex Zavala”.

3. DISCLOSURE OF THE AFFAIR AND CONNECTIONS BETWEEN MONTENEGRIN- RUSSIAN INVESTMENT TANDEM

During the development of the planning documentation for Cape Zavala at the end of 2007 devastation of the forests at the Cape started simultaneously with building of first facilities. In November 2007 "Radio Budva" broadcasted the news that according to the unofficial information, works at Cape Zavala were started by the Russian company "Mirax Group". The independent daily "Vijesti" on 25th November published a statement of the owner of "Mirax" Sergej Polonskin about the plans of that company to build luxurious hotel at Cape Zavala that would be in a chain of "Hayat" hotels.

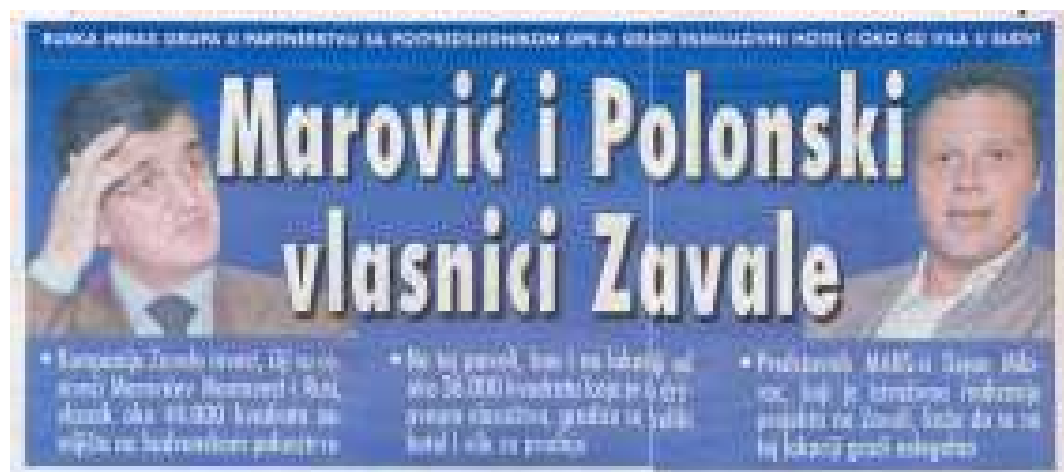
On over 40.000 m² of the land at Cape Zavala the Russian - Montenegrin partners planned to make a luxurious tourist complex called "Astra-Montenegro" which would include 40 villas and two hotels. The value of that project was estimated at over 200 million euros and it included building of over 90.000 m² of residential and business facilities.

At the beginning of 2008 works at Cape Zavala continued despite the fact that the company did not have building permits. In March 2008 the local media broadcasted the news that the company "MIRAX" presented in Cannes at the real estate fair "MIPIM" the project "Astra-Montenegro" and offered unfinished villas at Cape Zavala for sale for about 6,000 euros per m².

By investigating about the ownership of the land engaged in construction work at Cape Zavala, MANS revealed who the real owners of that land used for the project "Astra-Montenegro", worth over 200 million euros, were. Data of the Real Estate Administration showed that over 30.000 m² were officially registered as the property of the company "Zavala-invest" from Budva, which general public was not familiar with until that moment.

According to the official data, a founder of "Zavala-invest" was the company "MONINVEST" from Budva whose co-owner was Svetozar Marović, and the other founder was the company "SLAV-INN", a daughter company of the company "Mirax Group" whose founder was a Russian "MIRAKS-GROUP". The authorized representative of both companies was Vječeslav Lejbman, a close associate of Sergej Polonski - the owner of "Mirax Group".

When the information about the partnership of the Russian partners and Svetozar Marović leaked into the public, representatives of the company "Mirax" publicly confirmed that works at Cape Zavala were conducted illegally and without a building permit.



Independent daily "Vijesti", 15th March 2008

Due to public pressure that arose after publishing the information about Marović's involvement in, until then the biggest individual case of illegal building in the country, the authorized inspections sealed the construction site at the end of March and the investor stopped their works. However, immediately after that, MANS found out that the Russian-Montenegrin tandem removed the official seal and continued their works.



*Photo of the building site on 2nd April 2008
while the prohibition of building was in force*

The insight in documentation on inspection surveillance over the building site in Zavala has resulted with MANS' reveal that the local inspection issued several decisions on prohibition of works but the investors did not observe them and continued illegal building which the competent Ministry was informed about as well as the Minister Branimir Gvozdenović.

According to the official data the first decision on closing of the building site was adopted on 8th February 2008 but it became effective only on 23rd March when MANS exerted public pressure on government institutions. After that, the only engagement of relevant institutions was to charge a fine in the amount of 220 euros for having no building permit.

REPUBLIKA CRNA GORA OPŠTINA BUDVA KOMUNALNA POLICIJA Broj: <u>DB-V-</u> Datum: <u>18.04.2008</u>		 ZAPISNIK O IZVRŠENOM INSPEKCIJSKOM PREGLEDU N. 168	
Pregled izvršio li: <u>POSREDOVAŠKI INSPEKTOR, GOSPODIN DRAGAN BOKIĆ, POLICAJAC NOVAKOVIĆ, BAJKO</u>			
Pregled izvršen kod: <u>POSREDOVAŠKI TIKET - 0001</u>		Odgovorno lice: <u>POSREDOVAŠKI TIKET - 0001</u>	
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Priznat pregled: <u>POSREDOVAŠKI TIKET - 0001</u>			

*Copy of the records of the Communal Police Budva
about the violation of the law committed by the company "Zavala-invest"*

MANS found out on the Russian version of "Mirax" web site the information that the company in question signed a "strategic partnership Agreement on Development of Tourism Offer in Montenegro" with a representative of the Government of Montenegro in March 2008 at the real estate fair in Cannes, during the presentation of the project "Astra-Montenegro". Svetozar Marović was representing the Government of Montenegro; at the time he was a Vice President of DPS who held no public office in the Government at that moment. At the occasion, according to the site, Marović said that "the corporation "Mirax Group" is a strategic partner in economic development operations of Montenegro".

MANS has released data from the “Mirax” site and requested from competent state institutions to confirm whether such agreement exists and if yes to present it in public. The competent ministries for economic development and tourism denied this information and stressed out that the Government did not sign any agreement with “Mirax”.

The news was denied and “Mirax Group” stated that that was a technical error on their website, and that no agreement was signed with Marović.

MANS then found and published a joint photograph of business partners, Sergej Polonski and Svetozar Marović took at the stand of the “Mirax Group” at the real estate fair in Cannes.



Svetozar Marović and Sergei Polonski at the fair in Cannes, March 2008.

President of the State, Speaker of the Parliament and Deputy Prime Minister have publicly reacted to the information about illegal construction in Zavala.

“At the principle level I have always believed that we should all fully respect the laws and that the laws should be implemented and enforced equally. I am convinced that this is the view of all local governments, all citizens and that it should be a constant of Montenegro”.

Filip Vujanović, President of Montenegro, 25th March 2008.

“The state must show its strength in the example of illegal construction in Zavala. States that can not enable enforcement of the law will lose their authority which leads to instability”.

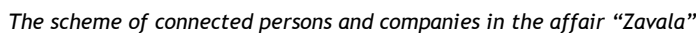
Ranko Krivokapic, Speaker of the Parliament of Montenegro, 24th March 2008.

“I was looking for the information about whether the construction works were carried out in accordance with the plans and whether the investor has a building permit. As soon as I get the answer, I will forward it to the Government”.

Vujica Lazovic, Deputy Prime Minister, 24th March 2008.

Despite these statements, the state did not stop or sanction the actors of illegal construction at Cape Zavala, as we will see in the following chapters.

By using the official data MANS analyzed the interest-based network of companies and individuals which made it possible for the Russian-Montenegrin tandem to conduct illegal works at Cape Zavala without any problems for several months.



The scheme shows that Marović was connected through the members of his immediate family and related entities, that is, through daughter companies, with 22 private companies of which 10 were in construction and real estate business and two were off shore companies in the British Virgin Islands or Cyprus. In addition some related parties have the ownership share in several construction companies, and thus the newly established companies could be used to eliminate competition and create cartels.

4.1. “Russian” part of the network

Founders of DOO “Zavala Invest” are the companies DOO “Moninvest” from Budva whose co-owner is Svetozar Marovic and the company DOO “Slav-in” from Podgorica. The only founder of the “Slav-in” company is “Mirax-Balkan” from Podgorica which was founded by the company “Mirax Group” from Moscow, which is also the investor in the “Zavala”.

“Moninvest” company was registered for engineering operations, “Slav-IN” for consulting and management, and DOO “Zavala invest” and “Mirax Balkan” for real estate development projects.

Executive Director and authorized representative of the company “Zavala Invest” is a Russian citizen **Natalia Panina** who is at the same time the authorized representative of the company DOO “Balkan Rif” from Budva, whose founder is a Russian citizen **Mikhail Rysakov**. Other authorized representative of the company “Balkan Rif”, registered for tourist accommodation is **Mileta Govedarica** from Budva who is also the authorized representative of DOO Capital Estate from Budva (buying and sale of real estate for its own account), whose founder is a Russian citizen **Andrey Dobrov**.

Executive Director and the authorized representative of the company “Mirax-Balkan”, the daughter company of “Mirax Group” from Moscow, which was registered for development of real estate projects, is a Russian citizen **Viacheslav Leybman**. Leybman is at the same time a President and a member of the Board of Directors and the authorized agent of DOO “Zavala invest” and also the authorized representative of DOO “Slav-IN”.

4.2. “State” part of the network

Svetozar Marović is the Vice President and a member of the Main Board of the Democratic Party of Socialists which has a ruling majority in the local government of Budva and in that way has impact on a number of municipal officials. Moreover, some local officials started their career by working for Marović.

Members of the Board of Directors of “Budva Holding” whose main activity is development of real estate projects are Mayor of Budva **Rajko Kuljaca**, who is at the same time a member of the Main Board of DPS, and the Deputy Mayor **Lazar Radjenovic** who is also a member of the Main Board of DPS who was in 2003 the advisor of Svetozar Marović, at-the-time President of Serbia and Montenegro. Other members of the board are **Boro Lazović**, President of Municipal Board of DPS, the founder, executive director and authorized representative of DOO “Mogren trade”, **Veselin Marković**, President of Municipal Board of the opposition Socialist People's Party and **Rajko Barović** Director of “Morsko dobro”.

Aleksandar Tičić is also a member of that Board of Directors who is also a manager of Municipality of Budva and Acting Director of municipal Agency for Spatial Planning. Tičić was a personal secretary of Svetozar Marović for almost three years and he is a close relative of Marović. Marović has insight in operations of the public company “Morsko dobro” (“The Coastal Zone Management Agency”) and the public company “Gradski vodovod” (“City Water Supply”) through Tičić because Tičić is their member, that is, the President of Management Boards.

Marović is connected with these persons through his brother **Dragan Marović**, who is a Secretary for Investment in Municipality of Budva; he is also in charge of calculation of fees and conclusion of contracts on utilities, survey of objects and establishment of urban plots. Dragan Marović is a member of management boards of municipal public company “Pogrebne usluge” (“Funeral Services”) and “Komercijalna banka” AD Budva (“Commercial Bank” AD Budva) as well as the construction company “Elmos”. Dragan Marović’s partner in “Elmos” is **Dragan Zinić** who has another construction company - DOO “Adria Invest”.

Through the public company “Funeral Services”, Marović is connected with **Djordje Pinjatić** a member of DPS who is at the same time a director of the public company “Vodovod i kanalizacija” (“Water Supply and Sewerage”). “Water Supply” company is in charge of issuing licenses for connection to municipal infrastructure not only to already built facilities but also to building sites; this company is also in charge of giving approvals under its competence that are needed in order to obtain building permits. Pinjatić is also a co-founder of DOO “Rentier” (consulting and management operations) with the off shore company “**Waldex Contracts Inc**” from the **British Virgin Islands**.

Head of the Regional Unit Budva of the Real Estate Administration is aunt of Svetozar Marović, **Mirjana Marović**, who is in charge of registration of title of deed in land and buildings, issuing of abstract of title and land surveying.

4.3. Father and son

Svetozar Marović is connected through his son Miloš Marović with 12 private companies, four of which are in construction business.

Miloš Marović is a co-owner of “MF Invest” which deals with other construction and specialized works, and his partner **Peter Franeta** is a CEO, a founder and the authorized representative of the construction company “Franeta gradnja” which deals with the same kind of business. Miloš Marović is a founder and the authorized representative of the company “M & Z Commerce” and the only owner of “El Mar” company and both of these companies are registered for the same activity - restaurants.

The authorized representative of the company “El Mar” is **Nebojša Colan**, who is at the same time a founder and the authorized representative of another company of Miloš Marović - DOO “Motonautika”, registered for wholesale of various machines. Nebojša Colan is connected with other two companies involved in construction business: 1) he is the Executive Director and the authorized representative of DOO “MC Marina Budva”, dealing with construction works, tourism, export-import and 2) DOO “MNB Invest”, registered for other types of construction and specialized works.

Miloš Marović is indirectly connected with the company “MNB Invest” through **Bozidar Pime** who is the Executive Director and a founder of “MNB Invest”, but also the Executive Director and the authorized representative of the company “Smart it” (wholesale), which was also founded by Marović. Another founder of “MNB Invest” is **Marko Vujović**, who is also the Executive Director and a founder and the authorized representative of the company “Mont Royal” (hotels and motels with restaurant).

Founders of DOO “MC Marina” were among others brothers Nenad and Predrag Mićunović. Predrag is the founder, while Nenad is connected through the company “Anagusta” (consulting and management). Nenad is the Executive Director and authorized representative of “Anagusta” which founded “MC Marina”. “Anagusta” is a daughter company of the off shore company “Anagusta Enterprises” Ltd from Cyprus. Predrag Mićunović, a founder of “MC Marina” is the Executive Director and a member of the Board of Directors of DOO “Zeta film”.

5. CRIMINAL CHARGES

After collecting all data, on 3rd April 2008 MANS filed criminal charges¹ to the Supreme State Prosecutor against the key actors of the affair “Zavala”: Vice President of DPS, Svetozar Marović, Secretary for Investment of Municipality Budva, Dragan Marović, and the Executive Director of “Mirax Balkan”, Vječaslav Lejbman.



Independent daily “Vijesti”, 4th April 2008

First part of criminal charges refers to a reasonable suspicion that **Svetozar Marović** has committed criminal offense of illegal mediation and false representation in order to earn benefits for himself and related parties.

The criminal charges state that “there is a reasonable suspicion that Svetozar Marović, in agreement with representatives of the corporation “Mirax Group” from Moscow, whose daughter company is building a tourist complex on the land in co-ownership with his company, has falsely proclaimed himself a representatives of the Government of Montenegro, and on behalf of the Government signed the Agreement on Strategic Cooperation, although he was not authorized for such activities”.

Stated were the facts which confirm that Svetozar Marović had impact, directly and through his family and political connections and related persons, on seven public companies and institutions in the territory of municipality of Budva, of which six were in charge of business planning, construction of objects and real estate. Criminal charges stressed: “since there is an undeniable interest to continue construction of the tourist complex at Cape Zavala, because his company is a co-owner of the land on which the construction works were conducted, there is a reasonable suspicion that he had used his power to influence local authorities which did not react promptly and in accordance with their competencies”.

Second part of criminal charges refers to the Secretary for Investment of Budva Municipality **Dragan Marović**. Criminal charges were brought against him for a reasonable suspicion that he had enabled illegal construction of a number of buildings by violating the law and other relevant regulations, by ignoring urgent decisions of the competent Ministry, and by failing to provide and conduct oversight. This includes facilities built by his construction company and facilities built on the land of his brother Svetozar Marović. He enabled this construction even though he was aware that it will damage the budget of Municipality of Budva for the amounts of unpaid utility fees that already started and finished buildings should pay.

Criminal charges include a quotation which is a kind of Dragan Marović’s acceptance of guilt; this is what he stated at the session of the Assembly of Municipality of Budva in late March 2008:

“The procedure to obtain the Decision on location and a building permit is a procedure which can last from 473 days to 734 days. If you want to blame someone for that, then you should certainly blame me because many projects have been started without a building permit. I did not respond to the calls of the Ministry to stop building, because I personally believe that I am not the one who should stop building of the faculty or school or a boulevard or any of the projects this city lacks and needs”.

Third part of criminal charges refer to **Vječeslav Lejbman**, the Executive Director of “Mirax Balkan”, a daughter company of “Mirax Group” from Moscow; charges were brought based on a reasonable suspicion that he had ordered, that is, committed the act of breaking the official seal placed by the Communal Police of Municipality of Budva, with the intention to earn profits from illegal construction and sale of a tourist complex “Astra-Montenegro” at Cape Zavala.

6. REACTION OF “MIRAX”

Sergei Polonski, the owner of “Mirax” came to Budva on 25th May 2008 for the Race Boats World Cup, which was funded by “Mirax”, under the auspices of Municipality of Budva, and organized by the local Tourist Organization and the company “Montenegro - powerboat” and “MC Marina”, one of the companies that the son of Svetozar Marovic is connected with¹. On this occasion “Mirax” prepared a special “Astra-Montenegro laser show and all the illegally constructed buildings at Cape Zavala got illuminated. According to Montenegrin laws, to connect any illegal construction site and illegally built objects to electrical power network is considered a criminal offense, but the institutions did not react to the apparent violation of the law.

“Mirax” have continued with their attempts to improve their image, and they placed dozens of billboards along the entire Montenegrin coast and advertised the project “Zavala”. The head of “Mirax Balkan”, Vječeslav Lejbman then gave a donation to the home for abandoned children, and announced that it was the beginning of humanitarian activities of the company. However, this was not the end.

In September 2008 it was publicized that “Mirax Group” was the only bidder at the tender called by one of the networked municipal companies “Budva Holding”; the tender was called for the purpose of establishment of a “joint venture” which will manage future exclusive tourist complex at Zavala. Despite the fact that criminal charges were filed against the Russian partner who was still conducting illegal works, “Budva Holding” confirmed that they would begin building of two luxury hotels with their partner “Mirax” - one of the six, and the other of 27 floors.

In March 2009 municipality of Budva gave “Mirax” another job - building of the “Aqua-park” in Budva on the hill Topliš, that is, construction of 12 pools with accompanying facilities on over 5,000 m². This job was awarded without a tender after the former partner of Municipality of Budva had given up this job. Instead of the planned facilities, in July of that year “Mirax” opened a disco on the hill Topliš which was built and put into operation without building and operating permits.

At the end of August 2009 Montenegrin media broadcasted the information that the Russian billionaire Sergej Polonski declared bankruptcy and quoted his statement: “‘Mirax’ is coping with the turbulent sea of economic crisis and may not survive”. Very soon “Mirax Balkan” denied that Polonski had declared bankruptcy and stated that the project in Montenegro would be continued as planned.

At the end of 2009 “Mirax” leaders publicly stated that they had been cheated and that they had been “illegally invited to Montenegro to commence the project at Cape Zavala and that they would get all the permits later”, without specifying who they were guaranteed this by and in what way.

“Unfortunately the unpleasant situation that myself and my company are facing is associated more with crime in Montenegro than, unfortunately, with the real economic situation. I began my business in 1990s in St. Petersburg and I clearly remember that at that time that city was called the “crime capital of Russia”. What I can see now in Montenegro looks like those times in Russia”.

Vječeslav Lejbman, 21st October 2009

7. REACTION OF SVETOZAR MAROVIĆ

After filing criminal charges, Svetozar Marović reacted by announcing that he was going to file a defamation claim:

"It is a dirty campaign which has been led for a month against me, my family, my friends, the party I belong to and the town in which I live by groups and individuals who are trying to improve chances of their loser-policy and loser-candidates in the upcoming presidential election by using untruths and thus trying to disqualify other people in Montenegro. I will not allow anyone to play with my name and my family's name and I will defend them by all legal means. For these reasons I am going to file criminal charges for defamation, insults and untruths against all people involved in this most morbidly organized activity of a small bunch of frustrated and immature people".

Svetozar Marović, daily "Vijesti", 4th April 2008

However, Marovic did not file any charges against MANS or any of the media who filed complaints in the affair Zavala.

In June 2008 the public learned that Svetozar Marović was getting out of the project whose value was estimated at 200 million euros. He sold, as he personally said, his ownership share in the company "Moninvest" for a million euros to his partner, Dragan Sekulić. Immediately thereafter, Sekulić sold to "Mirax" his share and Marović's share for ten million euros¹.

On that occasion, Marović said:

"I went out because I didn't want my name to cause any problems to big investors, even though I was the co-owner of the company which appeared only as an intermediary in selling and buying land. Despite the fact I am getting out of this business, the project "Zavala", and other similar projects important for the development of Montenegro will have my support. But not only mine but of the most important state institutions".

Svetozar Marović, 18th June 2008.

On 10th June 2009 Svetozar Marović was appointed Deputy Prime Minister of the Government which provided him immunity from criminal prosecution. Marovic left the Government in late December 2010.

8. REACTION OF INSTITUTIONS

8.1. The Parliament

And after filing criminal charges, the company "Zavala Invest" continued devastation of Cape Zavala and building of facilities. At the end of April 2008 MANS requested from the Committee for Political System, Judiciary and Administration of the Parliament of Montenegro to conduct a parliamentary inquiry and to establish a Survey Committee for the case "Zavala", in order to collect necessary information about corruption at high level and to establish who should be taken responsible for a failure to enforce regulations and laws. Session of the Committee was scheduled several times, and after a few announcements that MANS would be invited to attend the sessions, the initiative actually was never put on the agenda.

8.2. The Government

Under the pressure of media and MANS, the Government adopted amendments to the Criminal Code, which defined illegal construction of buildings as criminal offense and forwarded them on 14th May to the Parliament for adoption. The Parliament adopted the proposed amendments on 20th June and criminalized illegal construction. However, since the laws can not apply retroactively, this change did not affect Marović and his business partners.

8.3. The competent Ministry

In order to obtain a building permit, the Municipal Assembly of Budva needs to adopt the Urban Project for the complex "Zavala" which needs in the first place to be approved by the competent ministry.

Even though the Minister for Economic Development Branimir Gvozdenović refused to sign the Proposal of the Urban Project Zavala in May 2008 because of some technical deficiencies, after two months, that is, on 8th July he gave his approval. Two days later, the Government adopted the proposal of a new law which abolished some planning documents and luxury tourist complexes were proclaimed objects of general interest.

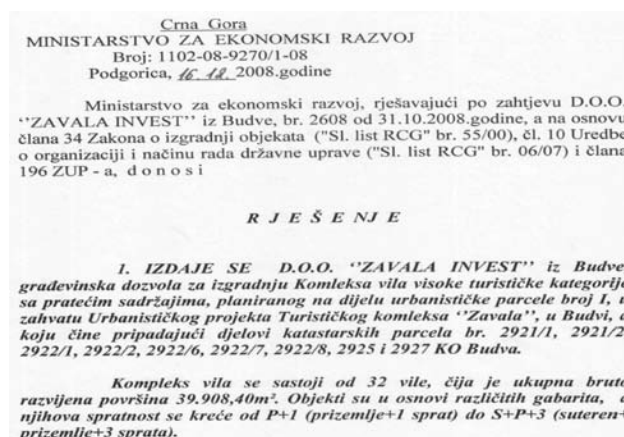
Immediately thereafter, the Minister Branimir Gvozdenović announced that he was not familiar with the information about who was involved in the project "Zavala".

"The state did not withdraw before the interest of Russian investors in the project "Zavala". The government does not know who is involved in this business; the only thing I am familiar with is that a big investor with huge potential is involved in this project".

Minister for Economic Development, Branimir Gvozdenović, 15th July 2008

The Municipal Assembly of Budva at the end of July adopted the Urban Project which foresees building of a tourist complex.

Finally at the end of 2008 "Zavala invest" obtained a building permit from the Ministry for Economic Development.



Building permit issued to the company "Zavala Invest" on 16th December 2008

8.4. The Prosecution

The Supreme State Prosecution gave their statement for the first time on 9th May 2008, a month after filing criminal charges; in a very short statement the Sate Prosecutor Ranka Čarapić announced that she had initiated verification of the data from criminal charges.

Six months later at the beginning of November 2008 Čarapić announced that the prosecution had forwarded this subject to the Division for Prevention of Organized Crime, Corruption, Terrorism and War Crimes.

Media stated that some actors of the affair had been interviewed and there were some speculations that Svetozar Marović would be exempt from criminal charges. The prosecution officially stated a couple of times that the case was complex and that the investigation was underway.

9. FIRST ARRESTS

After nearly two years of so called investigation, the Prosecution finally issued first orders for bringing down some of the key players in the “Zavala” case. In late December 2010, in obviously pre-staged action, the Police took into custody 10 local public officers of Budva municipality, among them Mayor of Budva, Rajko Kuljaca and his deputy, Dragan Marovic, who is also a brother of Svetozar Marovic.

The Prosecution confirmed that arrests were conducted on the base of the criminal appeal submitted by MANS, back in April 2008.

One of the persons that were arrested was Dragan Sekulic, former partner of Svetozar Marovic in company “Moninvest” (in 50-50 ratio). Sekulic was charged as co-owner of “Moninvest” and suspicion that he influenced Mayor of Budva and Dragan Marović to look the other way during illegal construction at Zavala cape, but also to prepare and grant the spatial plans for legalizing the project.

Although Svetozar Marovic was at that time also co-owner of the “Moninvest” and was in position to more directly and successfully influence his own brother and Mayor Kuljača, the Prosecution is still not considering bringing charges against older Marovic. In addition to that, Russian partner are also “protected” from criminal charges, and so-far were only called to approach Prosecution as witnesses.

Quite similar situation is with, now former Minister of urban development, Branimir Gvozdenović, that was never called in by Prosecution, although he had pretty clear role in legalizing “Astra Montenegro” project, approving plans and issuing construction permits. For that reason, in January 2011 MANS submitted a new, separate criminal appeal against Gvozdenovic, calling upon Prosecution to immediately process this appeal.

Kuljača and Marović, together with their associates are in prison for 3 months now, awaiting completion of investigation and beginning of the trial.

So far activities conducted by the Police and the Prosecution are showing that they still did not tackled most of the key players in this case, nor in any manner address issue of complex network of interests developed around Svetozar Marovic and his family and friends.

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