

## CASE STUDY: COOPERATIVE GRAHOVO SOLD FOR NEXT TO NOTHING



Former hotel in Grahovo now lies in ruins

**I: INTRODUCTION:** In September 2007, the capital of the agricultural cooperative "Grahovo", situated in the eponymous town 50 kilometers away from Niksic, was sold under suspicious circumstances to the company "Grahovo Medical Center", founded by Russian nationals.

The cooperative was sold at an extremely low price, and the buyer became the owner of a valuable real estate under summary procedure. A harmful contract that the cooperative "Grahovo" concluded with the Russian company has not been terminated yet, although the conditions for it were fulfilled long ago. This study will present

another one in a series of failed privatization in Montenegro.

**II: AGREEMENT ON SALE OF COOPERATIVE:** Public invitation for asset sale of the cooperative was published in August 2007, and the Herceg Novi based company "Grahovo medical center" submitted the best offer.<sup>1</sup> MANS has no information whether it was the only offer and what the value of the assets of the cooperative in this period was, despite having requested all the information from the Ministry of Agriculture under the Law on Free Access to Information.<sup>2</sup>

According to data from the Central Registry of Business Entities of Montenegro, "Grahovo medical center" was registered on 10 July 2007, i.e. a month before the invitation to tender, and the founders of the company are Russian nationals Ilya Olkov and Artem Lavrishchev.<sup>3</sup> The Executive Director of the company is Zdravko Boskovic, who is also the president of the municipal district Grahovo.<sup>4</sup> The company deals with hotels and similar accommodation.

Kupac će sa svakim od 19 preuzetih radnika zaključiti ugovor o radu u skladu sa važećim propisima, pri čemu će se radnicima obezbijediti mjesečna zarada za puno radno vrijeme u skladu sa Opštim kolektivnim ugovorom, i Granskim kolektivnim ugovorom, kao i naknade zarada i druga primanja u skladu sa Opštim kolektivnim ugovorom i Granskim kolektivnim ugovorom.

Buyer assumed the obligation to conclude contracts

In September of the same year, the agricultural cooperative "Grahovo" concluded a sales and purchase agreement with the company "Grahovo medical

ment does not specify 18 August 2007 as the

The Ministry of Agriculture and Rural Development refused to deliver MANS the documentation concerning the sale of the cooperative "Grahovo" on the grounds that "cooperatives are voluntary organizations, open to all persons capable of using their services and willing to accept the responsibilities of membership, and are established to fulfill and protect their economic, cultural and social needs. The Ministry did not participate in the sale of assets of the agricultural cooperative "Grahovo". Since an independent legal entity is in question, it does not have the requested information."

<sup>3</sup> Source: Website of the Central Registry of Business Entities of the Tax Administration; [www.crps.me](http://www.crps.me).

<sup>4</sup> Article in the daily *Vijesti*, 6 December 2013, <http://www.vijesti.me/vijesti/grahovo-se-vise-ne-nada-banji-radnici-traze-raskid-ugovora-s-rusima-164530>.

center", under which the entire assets of the cooperative, which includes land, buildings, equipment and other assets of the cooperative, i.e. the real estate covering an area of 7,642,071 m<sup>2</sup> for merely €50,000.<sup>5</sup> This means that a square meter of land was sold at a price of €0.006.

Property area/m2	Total property price /€	Square meter price/€
7,642,071	50,000	0.006

Table 1: Price of a square meter of the property €0,006

Under the agreement, the Russian company was obliged to take over all 19 workers of the cooperative who were employed until 2007 and sign agreements with them. In addition, the company committed itself to paying salary arrears to the cooperative's employees and to workers whose employment was terminated in the amount of €176,471, pay tax on earnings of €18,293, reimbursement of €27,060 and food allowances worth € 45,950. Moreover, the buyer was supposed to pay the unpaid contributions for pension and disability insurance of €28,977.

Key items in the agreement related to the buyer's investments in development of Grahovo. Namely, the Russian citizens committed themselves to invest in the next five years **five million euros** in the development of the company in Grahovo in cash, goods and works which were aimed at construction of a new facility - spa, and in accordance with the dynamics which would be determined by the business plan.

MANS does not have a business plan, which is an integral part of the sales and purchase agreement, while the media at that time wrote about the reconstruction of the hotel "Grahovo", then construction of the Russian settlement in Grahovo's Gornje polje and camp by the lake. The company was supposed to build 38 apartments, doctor's offices, recreational and other supporting facilities, and the plan envisaged construction of housing for the staff.<sup>6</sup>

Furthermore, the agreement on the sale of the cooperative provided that the company "Grahovo medical center" take over all rights of the cooperative in respect of the property, including the right of ownership, and in case of subsequently found property all would belong to the company.

**16. OBAVEZE KUPCA**

Pored obaveza utvrđenih ovim ugovorom Kupac je obavezan:

- Da obezbijedi dosljednu realizaciju Biznis plana
- Da obezbijedi primjenu propisanih mjera zaštite životne sredine
- Da sa kupljenom imovinom postupa sa pažnjom dobrog privrednika
- Da sa radnicima zaključi Pojedinačni kolektivni ugovor o radu u skladu sa Opštim kolektivnim ugovorom i Granskim kolektivnim ugovorom.
- Da prilikom zasnivanja radnog odnosa sa novozaposlenim radnicima obezbijedi prioritet u zapošljavanju radnika koji potiču sa područja mjesne zajednice Grahovo, pod uslovom da ispunjavaju opšte i posebne uslove za zasnivanje radnog odnosa na konkretnom radnom mjestu.

Buyer guaranteed consistent implementation of the business plan

### III: ANNEX TO THE AGREEMENT ON SALE OF

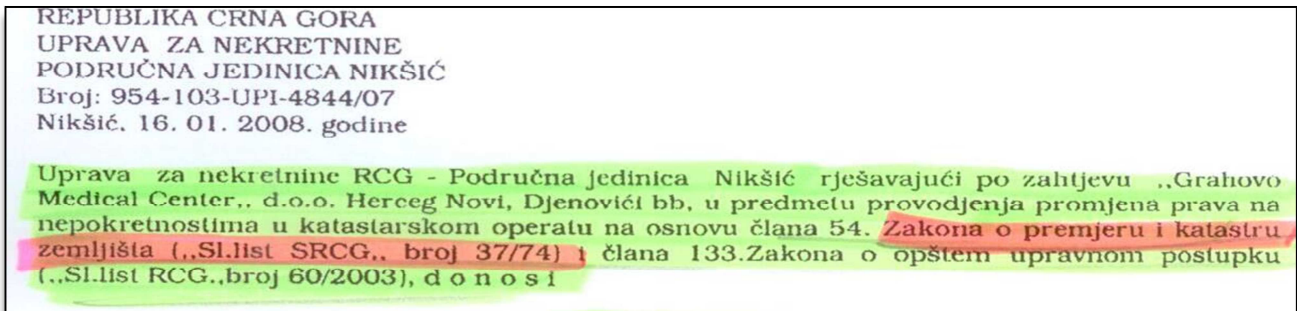
**COOPERATIVE:** In November 2007, the annex to the agreement on the sale of assets of the cooperative "Grahovo" was signed and it set out new obligations of the buyer in terms of paying certain debts of the cooperative, as well as paying taxes and contributions of the employees, such as income accrued tax, health insurance or unemployment benefit. Also, the Annex provides that the buyer pay €29,120 instead of

<sup>5</sup> Agreement on asset sale concluded between the cooperative "Grahovo" and "Grahovo medical center" d.o.o. Herceg Novi, 6 September 2007.

<sup>6</sup> Article in the daily "Vijesti", 31 January 2013, <http://www.vijesti.me/vijesti/nema-vajde-od-proslosti-mjestani-grahova-zaboravljeni-111628>.

paying €28,977 for arrears of the cooperatives to the Pension and Disability Insurance Fund, for unpaid contributions.<sup>7</sup>

In January 2008, "Grahovo medical center" registered the "property right in the cadaster. On this occasion, the Real Estate Administration – Niksic Branch Office referred to the Law on General Administrative Procedure in the part relating to resolving of administrative matters under summary procedure, and to the void Law on Land Surveying and Land Cadaster from 1974,<sup>8</sup> although at that time, the Law on State Surveying and Cadastre of Immovable Property from 2007 was in force.<sup>9</sup>



*When registering the property right, the Real Estate Administration referred to the law that was repealed*

**IV: NO INVESTMENTS, WORKERS SCAMED:** By mid-2015, i.e. eight years since the signing of the agreement on the sale of assets of the cooperative, no investments were realized in Grahovo. At the end of 2013, the executive director of the company "Grahovo medical center" Zdravko Boskovic said that the works were delayed "because of undue problems in the preparation of the project documentation, from which the investors require a solution that will fit in the natural environment and meet high aesthetic and functional standards."<sup>10</sup>

Although the agreement on the sale of the cooperative provided that it could be terminated if the buyer did not fulfill the obligations in a timely manner or fail to comply with them, it has not been terminated yet. At the same time, no obligations to workers have been fulfilled. The agreement on the sale envisaged that in the two following years the purchaser could not terminate the workers' employment contracts, except with their written consent and with severance pay, but "Grahovo medical center" failed to fulfill these obligations. Since 2010, the workers of the cooperative have not been receiving salaries and have not been paid their contributions for pension and disability insurance and their working record from 2000 to 2007 is lacking. For this reason, in 2010 they launched a court case in the Basic Court in Niksic against the company "Grahovo medical center." The Court tried to find the owner of the company using the notice board, but without success.<sup>11</sup>

**VI: MANS COMPLAINT:** In July 2015, MANS filed a complaint with the Supreme State Prosecutor's Office against the former director of the *Agricultural Cooperative Grahovo* Milivoje Zivkovic and the executive director of "Grahovo Medical Center" doo Herceg Novi Zdravko Boskovic, for abusing office in business operations by concluding a disadvantageous contract, under which is a huge part of the assets of the

<sup>7</sup> Annex to the Agreement on the sale of assets of the agricultural cooperative "Grahovo", 9 November 2007.

<sup>8</sup> Decision of the Real Estate Administration, Niksic Branch Office, No.954-103-UPI-4844/07, on 16 January 2008.

<sup>9</sup> Basically, the same legal provisions were in question, which allow for registration of property rights on the basis of appropriate applications.

<sup>10</sup> An article in the daily "Vijesti", 6 December 2013, <http://www.vijesti.me/vijesti/grahovo-se-vise-ne-nada-banji-radnici-traze-raskid-ugovora-s-rusima-164530>.

<sup>11</sup> An article in the daily *Dan* "Asking for Working Records for 13 years", 4 July 2011.

cooperative had been sold below the market value, whereas the purchaser failed to implement its commitments.<sup>12</sup>

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<sup>12</sup> Complaint was lodged on 30 July 2015.