

Bankwatch

A person in silhouette is shown from the back, looking out over a green landscape. The landscape features a pond in the foreground, a field of tall grasses, and a line of trees in the distance under a cloudy sky. The entire image is tinted with a green color.

2016 ANNUAL REPORT



We work across central and eastern Europe to monitor the activities of international financial institutions and propose constructive environmental and social alternatives to the policies and projects they support.

Bankwatch Executive Committee

Roman Havlíček, Green Coalition, Slovakia
Istvan Farkas, National Society of Conservationists, Hungary
Ionut Apostol, Greenpeace, Romania
Nevena Smilevska, Ecosense, Macedonia
Desislava Stoyanova, Za Zemiata, Bulgaria

Bankwatch Review Committee

Fidanka Bacheva-McGrath, Bankwatch, Bulgaria
Huub Scheele, Both ENDS, Netherlands
Robert Cyglicki, Greenpeace Poland



LETTER FROM THE EXECUTIVE DIRECTOR

In 2016 events on both sides of the Atlantic reverberated across the continents and created waves more ominous than any swells rising from the depths of water separating the two landmasses.

Voters in the UK and the US voiced their frustrations at the ballot box against powerful elites accused of maintaining the status quo. The loudest chorus of all was the divisive refrain of populism, leading to the election of Donald Trump and the decision by England to leave the European Union. How these watershed moments will ultimately unfold is still unknown, and historians will surely debate and reams will

be written about the conditions that lead to these outcomes. But what has been made clear is a certain disaffection of people with a political and economic system that for many feels stacked against them.

This sense of having their interests and of those of the majority subverted in favour of abstractions like 'big business,' 'powerful elites' and 'energy security' is something we see in our world of monitoring public finance. Take for example the single largest investment ever on the table at both the European Bank for Reconstruction and Development and the EU's house bank, the European Investment Bank.

LETTER FROM THE EXECUTIVE DIRECTOR



The Southern Gas Corridor, a series of pipelines designed to bring gas from Azerbaijan through Georgia and Turkey to Europe, is said to help increase our energy security by diversifying gas imports away from Russia. But the gas is being extracted – thanks in part to another investment from the EBRD – by the Russian giant Lukoil. It is estimated that current Azeri reserves will not be enough to meet the pipeline's delivery quota once fully up and running, so Russian gas may well find its way to European markets in the end. What is more, gas infrastructure across Europe is already not being used to capacity, and if the EU is to meet its climate change reduction targets as per the Paris agreement, it will need to further decrease its gas consumption. Studies by the Inter-governmental Panel on Climate Change have shown that if, instead of financing the pipeline, we would use those same funds to invest in energy efficiency, we would be able to decrease energy consumption by more than what the gas pipeline would be able to bring – this is real and sustainable energy security.

The list of arguments like this against the project go on and on, but the decision has the political backing of elites at both banks and among their government's shareholders, so money will continue to be thrown at this unfit project.

It is within this context that our work in 2016 has gained a new level of importance. If the world is not to be in tatters, if it is to be moving towards greater equality for all, the powerful elites will need to devolve their powers to the people. Our work is there to help pave the path that we want: whether in highlighting the failures and abuses or in shaping the policies and practices of international public finance, we have

managed to push elites to listen to both the people and common sense.

Among our significant successes in 2016 was the decision by the Croatian government to abandon the Plomin C coal power plant. For years we worked to expose the problematic issues surrounding the power plant – in 2016 it was plagued by allegations from the European Commission that it was set to receive incompatible state aid – and this year it was finally cancelled. Goodbye and good riddance!

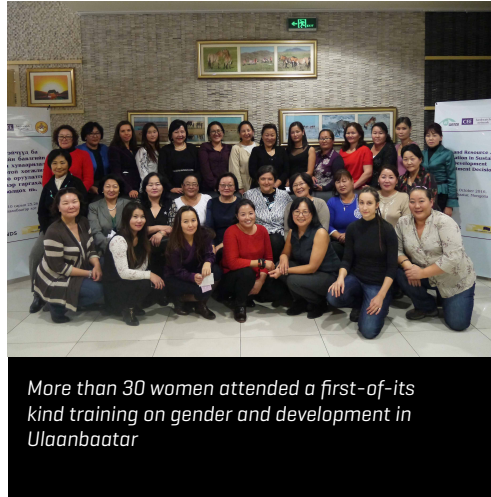
As with Plomin C, our tenacious campaigning was evident in the years-long battle to end EBRD support for the Boskov Most hydropower plant in the Mavrovo national park of Macedonia. The national park is home to the critically-endangered Balkan lynx, and the little hope for its future would have been shattered had the project gone forward. Following years of advocacy at all levels, including an unusual installation of lynx toys with banners during an EBRD event, we delivered the final nail in the coffin of the Boskov most project, signalling a victory for Macedonia and for its endangered lynx.

We were successful in our push for improvements to the rules of the EBRD's project complaints mechanism, which is where people can turn with grievances if they are negatively impacted by the bank's activities. The complaints mechanism now reports directly to a dedicated committee on its board of directors, helping to ensure its independence and that the complaints reach the upper echelons of decision making at the EBRD.

Our flagship report on the state of the 2014-2020 EU budget exposed elites in



We petitioned EU vice-president Šefčovič in Bratislava to safely decommission outdated nuclear reactors in Ukraine.



More than 30 women attended a first-of-its kind training on gender and development in Ulaanbaatar

central and eastern Europe for designing spending plans that run counter to the interests of people and planet. At launch the report drew significant attention from a number of influential decision-makers at all levels of the Commission thanks to a substantial media splash. Our message for better spending was heard loud and clear.

Further to the south and east, our campaigning pushed state financiers from Slovakia, the Czech Republic and France from the Pljevlja coal project in Montenegro. We won court cases against plans for coal mining that would lead to deforestation in Romania, and we convinced the Energy Community to rule that the Kolubara coal plant in Serbia was in breach of state aid rules.

Not only did we work to halt causes of climate change by stopping the advance of coal projects. Increasingly Bankwatch campaigns focus on ensuring that former coal mining regions and their workers are supported by a just and equitable transition away from the fossil fuels that have for so long been their source of livelihood.

Alongside 150 organisations worldwide we called all on the development banks to do more to protect the people impacted by their projects. This global call comes at time when those voice their concerns and opposition to mega-infrastructure increasingly face harassment, arrest and even torture. Our calls for more action have been met with small steps forward at both the EBRD and the EIB, who have opened their doors for a dialogue about protecting human rights defenders. Small steps, but important first steps.

This work will bolster our efforts to protect those most affected by large

infrastructure development who more often not bear a disproportionate amount of the burden: women. In 2016, our focus on hydropower projects in Georgia, agribusiness developments in Ukraine and mining in Mongolia tracked the impacts on and sought to empower women affected by these EIB and EBRD investments. These case studies helped our push for reshaping and strengthening the EBRD's gender equality strategy, and in 2017 we will apply the same pressure towards the EIB's gender action plan.

Much has been achieved over the past year, and at a time when we see the world devolving from elitism to a dangerous populism, I am proud to be part of Bankwatch. We are an organisation that has played an essential role in shifting power away from powerful elites by offering an alternative of a sustainable world, one in which European finance is driven by and for the people and their environment.

I thank all our staff, funders and volunteers who have supported our journey so far. In this increasingly unpredictable world, we hope for and very much need your continued support for 2017 and beyond.

Mark Fodor
Executive Director

WHO WE ARE –

BANKWATCH IS THE SUM OF ITS MEMBERS



Bankwatch is its member groups and, as depicted here, we currently have 16 member groups in 14 countries across central and eastern Europe. We also partner with other non-profits and communities, in particular in central Asia, the Caspian region and the Middle East and North Africa.

1

CEIE
Bulgaria



2

Za Zemiata
Bulgaria



3

Zelena Akcija
Croatia



4

Centre for Transport
and Energy
Czech Republic



5

Hnutí DUHA/Friends
of the Earth
Czech Republic



6

Friends of the Earth
Estonia



7

Green Alternative
Georgia



8

MTVSZ, Friends
of the Earth
Hungary



9

Latvian Green
Movement
Latvia



10

Ekosvest
Macedonia



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Polish Green Network
Poland



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CEKOR
Serbia



13

CEPA, Friends of
the Earth
Slovakia



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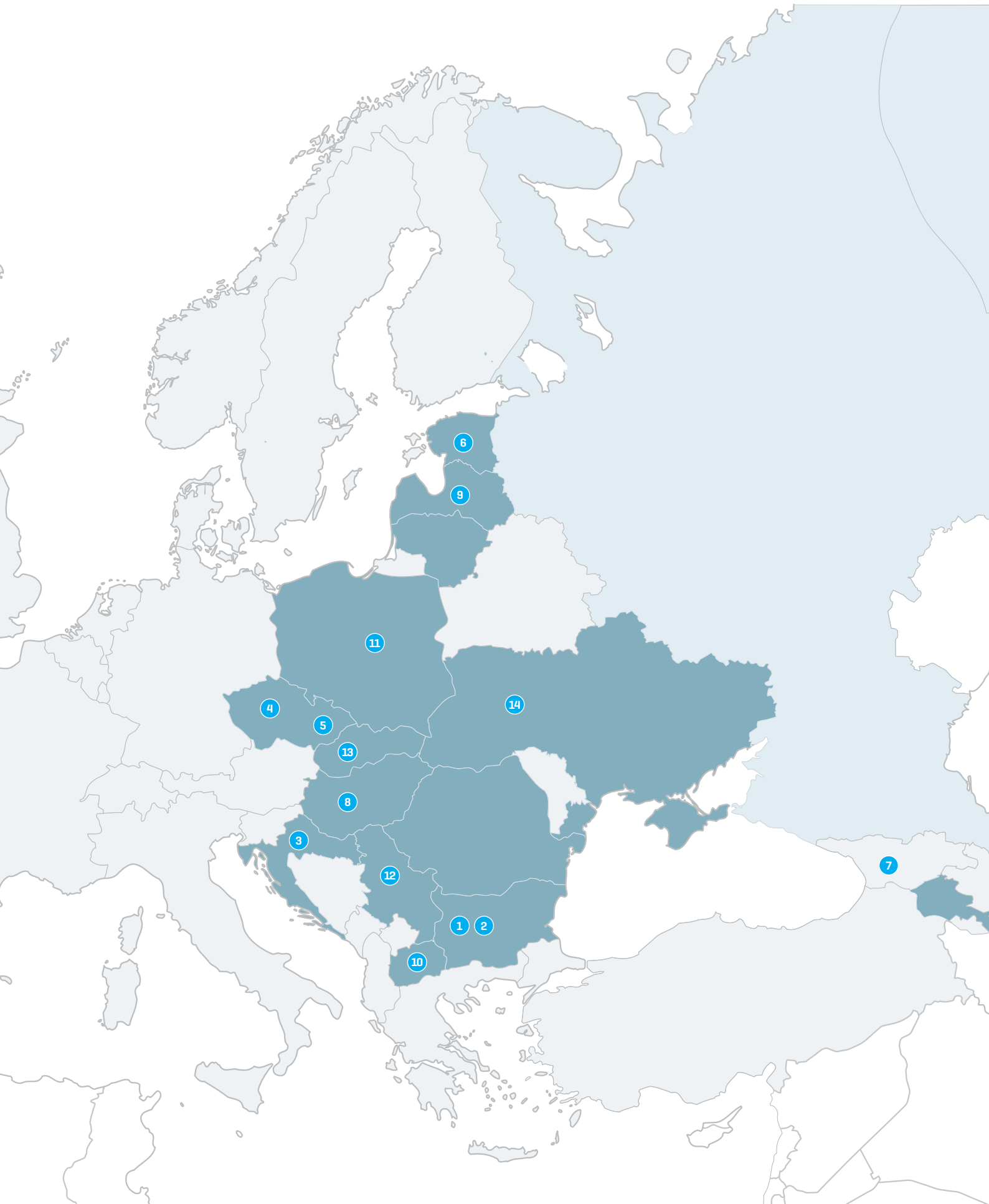
National Ecological
Centre of Ukraine
Ukraine



Affiliated members and branches

- Sakhalin Environment Watch, Russia
- Atgaja, Lithuania
- Bankwatch Romania





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HOME TO ROOST: ONE COMMUNITY'S STRUGGLE AGAINST AGRIBUSINESS IN UKRAINE

This story about Kateryna Onoprienko was our contribution to the Human Rights Defenders project and the Coalition for Human Rights in Development, a global network of social movements, civil society organizations, and grassroots groups working to ensure that all development finance institutions respect, protect, and fulfill human rights. Launched with a petition signed by more than 150 civil society organisations across the globe, the project was featured in major media outlets like Reuters and the Guardian and contributed to the advancing dialogue with development banks about how best to protect rights defenders from the impacts of IFI investments.

HOME TO ROOST: ONE COMMUNITY'S STRUGGLE AGAINST AGRIBUSINESS IN UKRAINE

Further beyond the tarmac of Gatwick's terminal five I could see a dilapidated wooden barn, and I wondered whether the owner felt the same way about its neighbor as I do mine. Living in the shadows of industry is never easy.

But then again maybe the barn wasn't actually there, perhaps it was a just palimpsest, a shadow that had long since disappeared. I was tired, after all, the last seventy two hours had been exhausting.

I had travelled two thousand kilometres from my home in Moshny, a rural village south of Kyiv, population 5000, to London for the annual meetings of the European Bank for Reconstruction and Development. The EBRD is funding one of the largest poultry producers in all of Ukraine, and I had come to represent the voices of my community, who like that barn at the end of the runway, are at the edge of disappearance.

IN THE BEGINNING

I am not originally from Moshny, but my family and I have called it home for more than twenty five years. I had finished my university studies in agricultural sciences in Kharkiv and was set to join one of the country's leading researchers of winter wheat at the Myronivka selection station. We worked on a crop which grew abundantly in the region's world famous chernozem, or black soil.

But the collapse of the Soviet Union was imminent, and like much of the rest of the country's institutions, the agricultural centre and industry fell into disrepair and neglect.

We had moved to Moshny in 1989. At the time, Moshny was a flourishing village: home to dairy and bread factories, a vegetable canning plant and other agricultural industry, with its own hospital and sanatorium.

The community has since remained dedicated to the land, with most making their living as small farmers, selling animal products, milk, vegetables and fruits at the local markets. I've stayed on with the local council, advising on agricultural and land issues.

But the stability provided by subsistence agriculture is being threatened with extinction.

A BRIEF HISTORY OF CONFLICT

The reason for my trip to London begins with a promise made more than two decades later. In November 2014, the managing director of Peremoga Nova, a subsidiary of MHP, came to Moshny and informed the village council that MHP planned to build 144 poultry rearing houses at the edge of town.

MHP was no stranger in the community. Throughout the 2000s, it had constructed a number of poultry houses across the region, so we had some idea of what to expect. But the size of this expansion – and its potential impacts on our soils, the water and the overwhelming odour – would significantly alter the land and the quality of life for those of us who call the area home.

MHP had approached the EBRD and two other public banks – the World Bank's International Finance Corporation and the European Investment Bank – for nearly half a billion euros worth of development investments to fund the expansion.

News about these plans spread quickly, and later that month at a public meeting organised by MHP, opposition to the project was rampant. We were well organised in our dissent, and MHP's director, Viktor Grynyuk, said that the project would not go forward if there was not full community support for the project.

In spite of this, MHP began making secret deals with residents to lease their lands so that construction could move ahead. Ultimately, this approach was unsuccessful.

But the pressure didn't stop there. Over the next few months, beginning in early 2015, instances of harassment, intimidating threats and pressures to lease our lands continued. Still, more than 400 people voted down the project again during a town council meeting that February.

The following month, another 600 people in the neighbouring village of Yasnoziryva joined in the fight against MHP by collecting

signatures against a portion of the expansion that would impact their village.

Sensing an uphill battle for community support of the expansion, MHP launched a propaganda offensive, spreading inaccurate information via leaflets distributed in the village. As the member of the rayon council, I was personally attacked, with the leaflets aimed at discrediting my standing in the eyes of my community.

With no real alternatives, in May 2015 we organised the first in a series of direct actions to stop construction moving forward. After a second blockade of a road leading to the proposed rearing site, President Poroshenko cancelled his visit to the region, and dialogue with authorities began (even though the State Security Service threatened the community with criminal proceedings).

Later that summer, we brought our protests to the capital, and demonstrated outside the presidential palace, demanding that our grievances be met.

In May I even managed to arrange a meeting with Yuri Kosyuk, the billionaire who owns MHP. He reassured me that the construction would be stopped. But by year's end, that proved to be another broken promise.

In November 2015, the first physical attacks against protestors happened, when an activist was beaten in the Ladyzhyn city market. Ladyzhyn, in the neighbouring Vinnytsya oblast, is home to another MHP poultry farm, which it claims as the largest in Europe. Production there is set to double by 2018, so communities are therefore alert.

The following month, in Yasnoziryra, the chair of the village council was severely beaten in what many thought was an attempt to scare local leaders from protesting against MHP. He spent more than a month in the hospital.

Both instances were reported to police, but in the end nothing was to come of it, unfortunately.

It was during these days that I first met with the NGO, the National Ecological Centre of Ukraine (NECU). Their experience in dealing

with banks like the EBRD could help bring our case to the people bankrolling MHP.

TO THE BOARDROOM

Initial attempts to speak with the EBRD failed. The bank was set to visit MHP in November 2015, and NECU had tried to broker a meeting for villagers in Yasnoziryra that we would have also been able to join. That meeting however ultimately did not happen, as far as I know. So the only conclusion was that the bank had no interest in talking to us.

If that was the case, then the best thing I could do was travel to London and make our concerns known to the shareholders who can pressure MHP to do better business. This was no small task, one that I approached with an equal dose of anxiety and excitement. For an activist from a rural Ukrainian village to travel to the boardrooms of Liverpool street with the weight of her community's concerns is a strong emotional burden to bear.

During the meetings however, it quickly became unfortunately evident that bank staff remained unconvinced by our objections. Even describing the attacks on my former colleague at the rayon council and current Yasnoziryra village head failed to elicit a reaction from the bank. The EBRD continues to believe in the infallibility of its client.

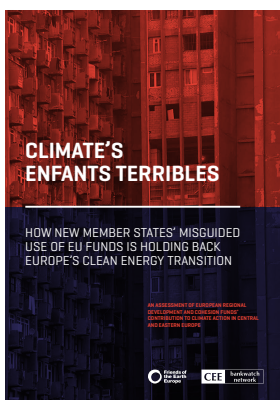
After that abbreviated November visit, the bank produced a report outlining the steps that MHP must take in order to right the wrongs it has made so far. That the report reached us, and translated in Ukrainian so that we could better understand, is also thanks to the work of NECU. It remains to be seen whether MHP will actually implement those measures, however.

On my final day, I put the case of Moshny before the bank's shareholders: 'We have the right to live in a clean and safe environment.'

I am not sure whether they'll listen. But our hopes remain high. As I sat in the airport terminal waiting for my flight to Kyiv, my phone rang without end. Excited neighbours asked if our concerns would soon have answers. Only time will tell.

IN OTHER WORDS

Throughout 2016, Bankwatch produced a number of hard-hitting investigations, research and commentary to support our campaigns. Raising the profile of issues we work on through the news media has long been a key to putting pressure on our targets. Below is a sample of the many news reports about our outputs.



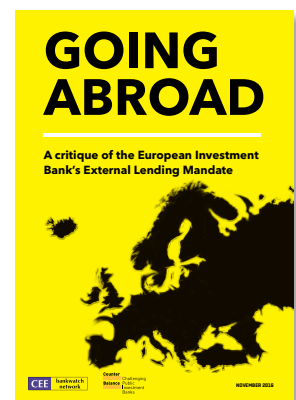
CLIMATE'S ENFANTS TERRIBLES: HOW NEW MEMBER STATES' MISGUIDED USE OF EU FUNDS IS HOLDING BACK EUROPE'S CLEAN ENERGY TRANSITION

Examining the spending plans for the current 2014-2020 EU budget cycle for Slovakia, Hungary, Romania, the Czech Republic, Bulgaria, Croatia, Poland, Estonia, Lithuania and Latvia, [the report finds] that of the EUR 178 billion in regional development and cohesion funds aimed at CEE countries, only 7 percent will be spent on greener forms of energy. Instead money is going on coal, gas, and "dated" transport systems across the region, the report found. The countries "don't seem to be committed to energy system transformation." – Politico, January 2016



LOST IN TRANSITION: 25 YEARS OF THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Most in need of improvement is the EBRD's questionable support for projects that deepen economic dependence on natural resources extraction, and those with adverse social and environmental impacts. – Business New Europe, May 2016



GOING ABROAD: A CRITIQUE OF THE EUROPEAN INVESTMENT BANK'S EXTERNAL LENDING MANDATE

The [external lending mandate] is to increase the bank's lending with more money, turning the rudder slightly from investment to development, a task for which not everyone believes it is prepared. "The EIB lacks the necessary human-centred approach to development projects, especially when these are done through the private sector." El Pais, November 2016

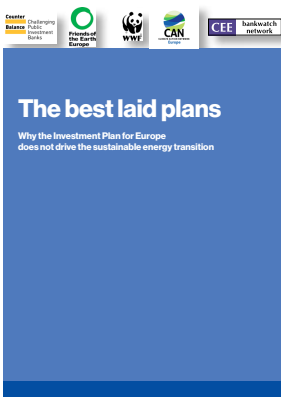


CHINESE MANUFACTURER CONSTRUCTION COMPANY Dongfang Electric	FINANCIER China Development Bank
CITY Stanari	MEGAWATTS 300
COUNTRY Bosnia and Herzegovina	PRIMARY SOURCE null
	PRIMARY VALUE M USD 615

- IN OPERATION
- PLANNED
- SUSPENDED
- UNDER CONSTRUCTION



Chinese companies and banks are continuing to drive global coal expansion, as state owned companies, backed by state loans, build coal-fired power plants across the world. New data collected by chinadialogue and the CEE Bankwatch Network shows that since 2015 many new Chinese coal plant project deals have been announced and are under development. - China dialogue, September 2016



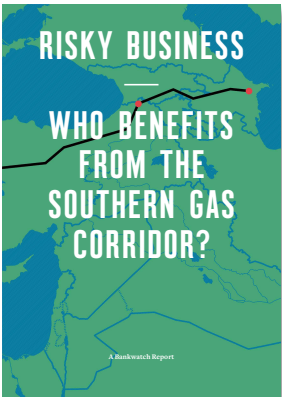
THE BEST LAID PLANS: WHY THE INVESTMENT PLAN FOR EUROPE DOES NOT DRIVE THE SUSTAINABLE ENERGY TRANSITION

The EFSI leveraged EUR 1.5 billion for fossil fuel infrastructure, and 68 per cent of its transport investment is destined for carbon-intensive projects - despite the EU commitment to the Paris agreement. “[All this] at the same time, the EIB drastically reduced its support to renewable energy through its other financing facilities.” - EU observer, November 2016



THE GREAT COAL JOBS FRAUD: UNREALISTIC EMPLOYMENT CLAIMS IN SOUTHEAST EUROPE

Balkan countries’ plans to increase investment in the coal industry is not only a menace for health and the environment across Europe, but also economically not viable. - Euronews, November 2016



RISKY BUSINESS: WHO BENEFITS FROM THE SOUTHERN GAS CORRIDOR?

Europe’s development banks are proposing some of their biggest investments - currently more than \$6.8bn (£5.5bn) - for a gas pipeline being built by several firms with historic links to cartels, corruption and the mafia. - Guardian, December 2016

FINANCIALS

Bankwatch is grateful to all of the foundations and organisations that have supported and made possible our work in 2016. Here we present a summary of our financial accounts.

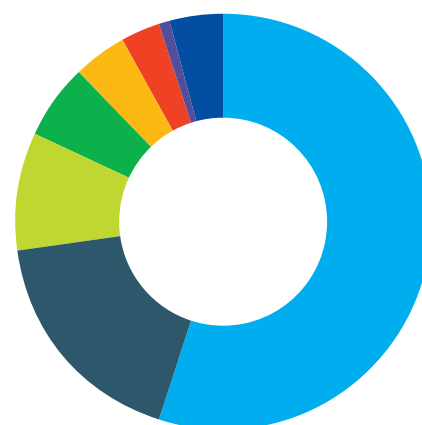
BALANCE SHEET

Assets	EUR
Fixed Assets	14 610
Claims	231 108
Cash in Hand	3 403
Bank Accounts	1 070 644
Valuables	0
Interperiod Active Clearances	1 442
Total Assets	1 321 207

Liabilities	EUR
Reserve Fund	198 369
Grant Fund	794 332
Committed Transfers 2016	257 208
Accumulated Financial Result	-22 234
Short Term Liabilities	77 650
Interperiod Passice Clearances	15 882
Total Liabilities	1 321 207

BUDGET BREAKDOWN BY FUNDER

- 55% DG Development
- 18% DG Environment
- 9% European Climate Foundation
- 6% Partners cofinancing
- 4% C.S.Mott Foundation
- 4% Other (Small grants, Euronatur, Oxfam)
- 3% BothENDs / Dutch Ministry of Foreign Affairs
- 1% German Ministry of Environment



BUDGET

Income	EUR
DG Development	1 051 466
DG Environment	350 180
European Climate Foundation	175 827
Partners cofinancing	111 829
CS Mott Foundaton	74 634
Small grants	52 505
BothENDs / Dutch Ministry of Foreign Affairs	49 974
German Ministry of Environment	19 860
Intelligent Energy Europe	7 757
Oxfam Hongkong	4 898
Euronatur	4 076
Total income	1 903 006

Expenditures	EUR
Salaries	684 452
Running costs	83 226
Travel and meetings	285 505
Equipment	14 744
Consultants and legal assistance	265 713
Publications	96 578
Network overheads	96 567
Support for partners	376 221
Total expenditures	1 903 006





CEE Bankwatch Network



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www.bankwatch.org
[www.twitter.com/ceebankwatch](https://twitter.com/ceebankwatch)
www.facebook.com/ceebankwatch