



CEE Bankwatch Network ANNUAL REPORT 2005

Following the money across Europe...
...from Sakhalin to Brussels

AWARD-WINNING DOCUMENTARY ON CASPIAN OIL REALITIES



The Bankwatch co-produced film *The Source* (directed by Martin Marecek) documents the social and environmental implications of the controversial, IFI-funded BTC pipeline in Azerbaijan. It has both entertained and shocked audiences at a variety of international film festivals.

At the 2005 'One World international human rights film festival' in Prague, *The Source* received a Plzenský Prazdroj Audience Award for the film which met with the most positive response from members of the audience. The 75 minute film was also awarded with a special mention by members of the festival's Grand Jury, comprised of acclaimed personalities in the world of documentary film.

The Source further received the international jury prize and an award from the Czech Ministry of Environment at the Ekofilm festival in Czech Republic and was also awarded the prize for outstanding eastern European documentary film at the International Leipzig Festival for documentary and animated film. The film was broadcast on Czech National TV.

"THE FILM DOCUMENTS THE RESISTANCE AND ENDURANCE OF LOCAL COMMUNITIES THAT ARE BEING DISPOSSESSED OF THEIR LIVING MEANS IN THE INTERESTS OF SUCKING THE WORLD'S ENERGY SOURCES AND CONVERTING THIS TO PROFIT. THE JURY ACKNOWLEDGES THE EXPRESSIVENESS OF THE FILM'S STORY AND ITS STRONG TIES TO THE WORLD WE LIVE IN."

QUOTE FROM MEMBER OF GRAND JURY

BANKWATCH'S MISSION is to prevent the environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

NGOS AND VILLAGERS UNITE TO HALT HAZARDOUS WASTE CENTRE

Bulgaria's proposed National Hazardous Waste Centre project, consisting of two hazardous waste incinerators in the region of Stara Zagora, an already contaminated area, was turned down for multi-million euro funding from the EU in December 2005 and is now on hold. The project was planned for location only two kilometres away from the nearest village of Kovachevo and also very close to four other villages. Bankwatch undertook a vigorous campaign for two years, working closely with local people to ensure that a shoddily prepared environmental impact assessment, which took no account of the project's impact on human health and the environment, would not progress with the support of scarce EU money.



YOUR FARM STINKS AND WILL BE CLOSED DOWN

Bankwatch in Poland has been tracking the activities of the notorious American meat industry giants Smithfield Foods for several years since it took over a Polish company and, with the aid of a large EBRD loan, has been expanding its industrial pig farming activities with serious consequences for the environment and human health. So, following several scandals, our campaigners symbolically closed two Smithfield farms in north-west Poland. Despite not possessing the necessary Polish and EU permits as well as public advocacy from our Polish group addressed to the authorities, the farms had remained open.



WE ARE a politically and financially independent network of autonomous groups with East European roots, organised from the bottom up.

EXPOSED: AN EBRD-BACKED SERBIAN COMPANY JUICING ITS WORKERS

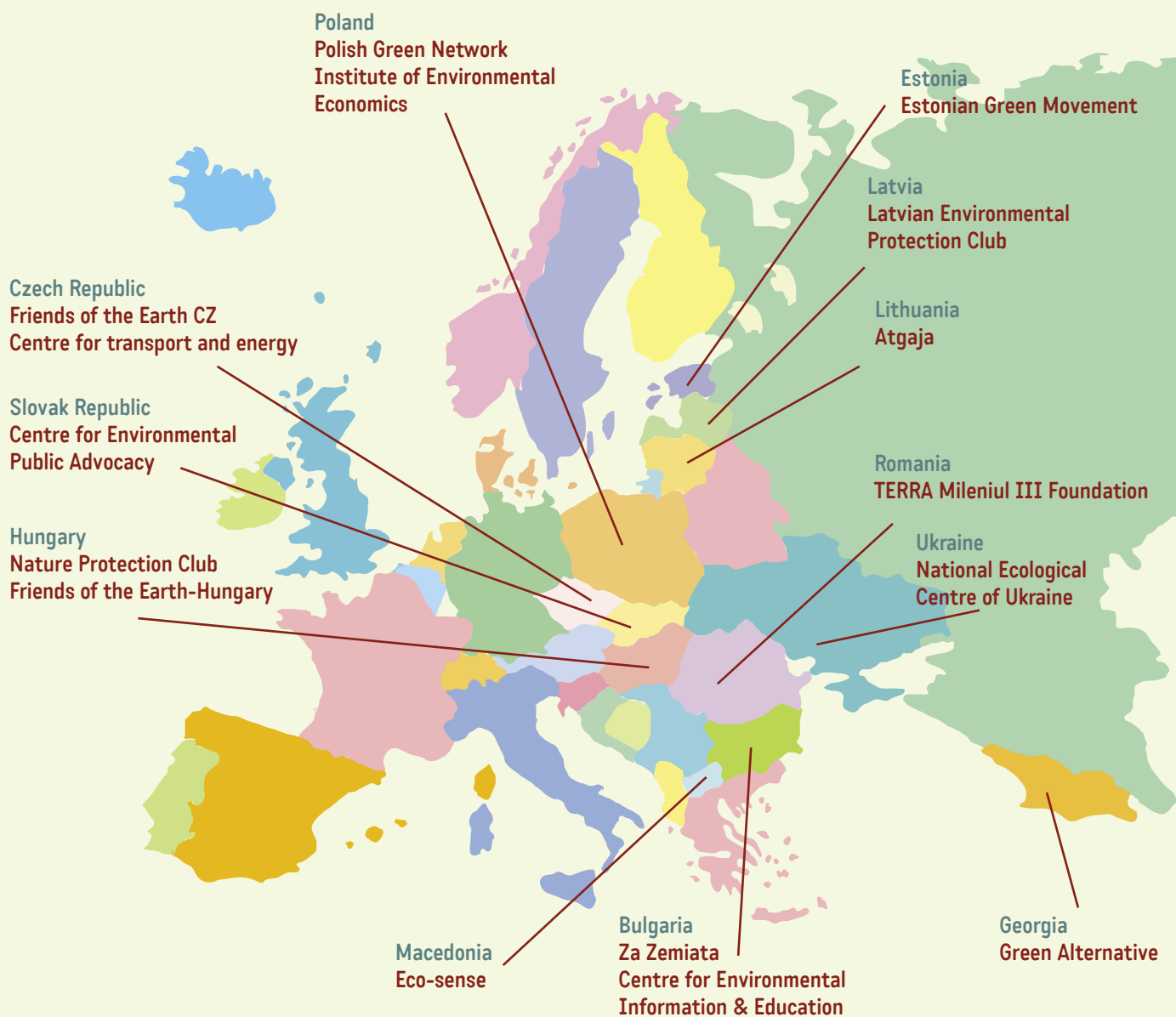
On the eve of the EBRD annual meeting in Belgrade, our Serbian partner organisation revealed that the highly ambitious juice-making company Fresh&Co was failing to pay its workers. Yet the EBRD had just bought a stake in the company and was parading the firm's boss as one of the region's most dynamic entrepreneurs. Much to the embarrassment of EBRD officials gathered in Belgrade for the meeting, we pointed out that it is distressing that public money managed by the EBRD is being used in a case rife with exploitation and the abuse of labour rights

IN OUR WORK we empower local communities and grassroots organisations so that their voice can be heard by the decision-makers within the international financial institutions as well as at the European Commissions which looks after the EU Funds.

SKI CENTRE SCARS BRING EBRD ACTION...FINALLY

Concerted Bankwatch advocacy work brought EBRD representatives to the Pirin national park in Bulgaria to witness the illegal environmental devastation caused by ski centre development that one of the EBRD's financial intermediaries – the local First Investment Bank – had helped to support. As a result the EBRD has initiated the amending of its environmental procedures for financial intermediaries to ensure that sub-projects run by them are subject to proper environmental and social impact assessments, meet all relevant standards, do not violate relevant international conventions and are properly monitored.





BANKWATCH'S EXECUTIVE COMMITTEE IN 2005:

- Tomasz Terlecki, Executive Director
- Peep Mardiste, Member
- Anelia Stefanova, Member

DEAR FRIENDS,

Bankwatch's tenth anniversary celebrations in 2005 came amidst a busy, challenging and ultimately successful year for our organisation.

On various campaign and policy fronts, we have witnessed significant progress in line with our aims of making the international development finance players that operate in central and eastern Europe more accountable, more transparent and more socially and environmentally responsible.



Bankwatch's ability to effect positive change for society has been recognised by the invitation from the Green 9 group of major environmental organisations working across Europe for us to join them and, bringing our specific expertise, establish an even stronger Green 10 working for social and environmental justice across Europe.

New challenges continue to crop up, for instance with our developing focus on building NGO capacity in Central Asia bringing us into initial contact with another major financial institution, the Asian Development Bank. And as the World Bank's direct influence on central Europe starts to wane as it focuses more on sectoral and structural adjustment loans in especially the Caucasus and Central Asia, we are keenly aware of our duty to advocate towards governments in the new member states – now in fact becoming donor countries at the World Bank – to ensure that sustainable development, democratisation and support for civil society in these regions remain uppermost in the minds of development financiers.

To meet these challenges, we remain very mindful of taking steps to maintain and strengthen the Bankwatch network. In 2005 we adopted a new strategic plan to take us forward from 2006 to 2010. We also launched new, more user-friendly websites in English and Russian that provide rolling news, analysis and an extensive archive of information and which also provide the opportunity for people to get involved directly with key decision-makers within the banks and their own governments so that they can do something to protect their communities and environment.

As we look back over our first ten years, much has been achieved with your help and support. And while we feel that we have only made a beginning, you can be sure that some things will never change: our campaigners will continue to forge excellent alliances with communities that are under threat from so-called development projects; they will work against great odds to ensure that peoples' human and legal rights are upheld; and our advocacy work will see Bankwatchers again and again taking persuasive arguments directly to decision-makers at the local, national and international levels.

Tomasz Terlecki, Executive Director, CEE Bankwatch Network

At the end of 2004, EBRD president Jean Lemierre stated unequivocally in an International Herald Tribune article that “energy efficiency must go up and green house gas emissions must go down in the countries east of the EU.” These sentiments are very welcome, but in 2005 we were determined that the EBRD and the other public banks would indeed concretely re-balance their energy and transport lending to ensure that our region no longer remains a driver of global climate change.

Our work involved the development of a number of local and international campaigns targeting IFI-promoted projects. We engaged in high level advocacy activities aimed at stopping or reducing public financial support to these projects as well as changing the overall investment portfolios of the IFIs.



Urgent and significant public finance support for renewable energy sources and energy efficiency remained a key goal for Bankwatch in 2005. In 2004, the EIB made promising pledges to commit EUR 300 million for the development of renewable energy projects. Unfortunately, our research (resulting in a publication “Positives undermined: the EIB’s lending for renewable energies”) revealed no evidence about concrete renewable energy projects yet being financed by the EIB.

As we were revealing that the EIB was failing to deliver on its sustainable energy commitments, we were also focusing our efforts to ensure that the EBRD would set up tangible lending targets for renewables and energy efficiency. Bankwatch’s input, in tandem with more than 100 international NGOs, into the EBRD’s review of its multi-million euro energy policy would seem to have had considerable impact – although not finalised by the end of 2005, there were strong indications from EBRD staff that important binding targets would materialise.

The promotion of renewables and energy efficiency in the EU’s financial assistance to new and candidate member states was another key area for us. We advocated for much improved support for renewables and energy efficiency in the eight CEE countries – as well as at the EU level – during the discussions on the new regulations and strategic guidelines for the EU’s cohesion policy that covers the use of EU funds in the 2007-13 period.

REFORMING ENERGY AND TRANSPORT NORMS TO COMBAT CLIMATE CHANGE

MAKING A DIFFERENCE

Bankwatch provided assistance on a pilot basis to several Slovak municipalities in their preparation and implementation of renewable energy projects and biomass projects.

“THANKS TO FRIENDS OF THE EARTH-CEPA, A KEY ACTOR IN THE INITIATION AND PREPARATION OF THE WHOLE PILOT BIOMASS PROJECT, WE WILL BE ABLE TO PRODUCE GREEN ENERGY AND SAVE PUBLIC FUNDS FOR LOCAL DEVELOPMENT.”

OLGA KOSCOVA, MAYOR OF THE VILLAGE OF PONIKY, CENTRAL SLOVAKIA

We commissioned an analysis of the Czech Project under the World Bank’s Prototype Carbon Fund (PCF). The report, released in September, found that only three out of the sixteen World Bank funded carbon projects in the Czech Republic are eligible for carbon credit sales. In spite of this the PCF is moving forward and wanted to obtain carbon credits of around USD 1.5 million for electricity generation from small hydropower plants in the Czech Republic. The report was distributed to the participants of the PCF but there has unfortunately been no change in the approach of either the World Bank or the Czech government.

“WHILE THEORETICALLY THE WORLD BANK SHOULD SUPPORT CLIENT COUNTRIES, IN THE CASE OF THE PROTOTYPE CARBON FUND THE MAIN INTEREST OF THE WORLD BANK IS TO PROTECT THE INTERESTS OF INVESTORS. AND THE MAIN FOCUS FOR INVESTORS IS TO OBTAIN CREDITS AS CHEAPLY AS POSSIBLE.”

BANKWATCH’S PETR HLOBIL, QUOTED IN DOW JONES

Another new publication, „Arrested Development: Energy Efficiency and Renewables in the Balkans“, was prepared for the EBRD’s 2005 Annual Meeting in Belgrade. It assesses the energy needs of Balkan countries, including the EU candidates Bulgaria and Romania. Drawing on the testimonies of people who promote energy efficiency and renewable energy in the region, the study shows that while energy intensity in the Balkan countries is very high and very little power is generated from renewable energy sources, the share of investments for promoting energy efficiency and renewables in the region remains minimal.

There is a wealth of proposals and ideas from entrepreneurs and scientists in the region. With this study, we were able to offer them to the governments, the EU, the EBRD and other donors in the region as an invitation to take a more pro-active stance in the promotion of sustainable energy solutions in south-east Europe.

“PUBLIC INVESTMENTS ARE NECESSARY IN ORDER TO POPULARISE METHODS OF DERIVING ENERGY FROM ALTERNATIVE ENERGY SOURCES AND TO SHOW THAT SUCH PROJECTS ARE ECONOMICALLY PROFITABLE.”

DANIEL PETROV, DEPUTY MAYOR OF CONSTRUCTION, SLIVEN, BULGARIA

CHECKING UP ON EXTRACTIVE INDUSTRY LENDING AT THE WORLD BANK

The Extractive Industries Review (EIR) was a process launched by the World Bank Group in order to discuss with concerned stakeholders its future role in supporting extractive industries in its countries of operations. The report was highly critical, both regarding the role extractive industries play in the development of low income countries, their impact on the environment and social problems as well as the World Bank's role and approach in this sector. In 2005 we were curious to see how these landmark recommendations were – or were not – being implemented in central and eastern Europe.

Drawing on site visit research conducted by local NGOs into six World Bank sponsored projects that were approved after the release of the EIR recommendations in December 2003, we released a report „Grounded in Washington“.



The report found that the World Bank Group's first year implementation of the EIR in Europe and Central Asia was neglecting a significant number of commitments which the bank's management ultimately signed up to. Our on the ground investigations revealed that most often ‚business as usual‘ was continuing to result in negative social, environmental and human rights impacts rather than poverty alleviation. As we unfortunately found across the board, the World Bank's role in these projects has not provided much comfort for affected communities – regrettably, the bank remains absent without leverage.



“THE DEATH THREAT AGAINST ALBENA SIMONOVA, ONE OF BULGARIA'S LARGEST ORGANIC FARMERS BASED 15 KILOMETRES FROM BELENE, CAME FROM PEOPLE CONNECTED TO LOCAL BUSINESS ...BULGARIA MUST SHOW THAT AS AN EU HOPEFUL IT CAN UPHOLD THE EU'S BASIC VALUES, INCLUDING HUMAN AND CIVIL RIGHTS AND THE RULE OF LAW.”

BANKWATCH'S PETKO KOVACHEV, WRITING IN AN ARTICLE “NUCLEAR FAULT LINES” FOR TRANSITIONS ONLINE

NUCLEAR

Bankwatch has always been opposed to the use of public money for the completion or construction of nuclear units. As our member group in Ukraine became involved in the planning of the commemorative activities for the twentieth anniversary of the Chernobyl tragedy, it seemed to us more astonishing than ever that while renewable energy projects continue to struggle to be “bankable” for public funding, the nuclear industry continues to be tolerated by some international public donors despite the huge risks and astronomical costs attached to such projects.

The campaign on the Belene Nuclear Power Plant in the north of Bulgaria became one of Bankwatch's priority campaigns in 2005, with the goal to stop public funding for the construction of the new reactors. Campaign activities were implemented in several countries, with Bankwatch's Bulgarian member CEIE being instrumental in the setting up of the “No Belene NPP!” National Coalition, as well as coalition-building among international environmental groups. The EU's Euratom has been identified as the main potential international public donor to Belene NPP, which among other problematic issues is being proposed for construction in a highly seismic area.

We also remained very active in the decommissioning of old, dangerous reactors that continue to operate in the region as a heritage from the Soviet Union. In 2005 Bankwatch work within this area concentrated on monitoring the use of the International Decommissioning Support Funds (IDSF) administered by the EBRD. These activities were ongoing in Bulgaria, Lithuania and Slovakia, where we continued to advocate for the non-nuclear allocations of the funds being used to finance sustainable alternatives and environmental measures.

In 2005 we continued our promotion of public finance for environmentally and socially sustainable transport in the CEE region and the prevention of nature devastation caused by large transport infrastructure such as motorway developments.

In cooperation with BUND and the international Transport & Environment federation, we developed a position paper on the new regulation for EU financial aid for the Trans European Transport Network (TEN-T) which set out arguments that, thanks to our successful advocacy work in Brussels, were tabled as amendments to the regulation by MEPs. More than 50 percent of the text that we proposed – outlining ways to make TEN-T development more environmentally and socially just – was approved by the European Parliament in October 2005.

08

TRANSPORT TRANSPORT TRANSPORT TRANSPORT

ONGOING AND NEW TRANSPORT CAMPAIGNS

Several transport projects with adverse impacts on the environment remained in our sights in 2005, with the main ones being the Danube-Oder-Elbe Canal, the Ljulin Motorway in Bulgaria and the D8 motorway in the Czech Republic.

ONGOING

LJULIN MOTORWAY

This motorway project in Bulgaria will have adverse impacts on one of the biggest spa resorts in Bulgaria. Due to the specific climate conditions in the affected region the project is expected to significantly increase air pollution and to create conditions for the creation of toxic smog.

At the end of 2004 the European Commission approved further funding for the project, disregarding public opinion and NGO comments. In the beginning of 2005, Bankwatch updated a case study on the Ljulin motorway project and sent it to several members of the European Parliament. Subsequently there was a Parliamentary question to the European Commission regarding the case. The Commission's response was received at the end of June and we prepared a follow up communication.

In the second half of 2005 Bankwatch also prepared a petition to the European Parliament regarding the approval of the Ljulin Motorway construction and its violation of European and Bulgarian environmental legislation. Za Zemiata and CEIE, Bankwatch's members in Bulgaria, continued their work to support the affected community in their court case against the environmental clearance for the project.

SKOPJE BYPASS MONITORING

For several years, Bankwatch has monitored the problematic Skopje bypass project, an EBRD-funded project. One promising outcome of our campaigning for locally affected communities has been the EBRD's establishment of an Environmental Advisory and Monitoring Group for the Skopje Bypass Project, which involves regular meetings between stakeholders including Bankwatch's Macedonian coordinator.

NEW

In 2005 Bankwatch also started to monitor several new problematic transport projects that have cropped up in the project pipelines of public funders, such as: the Saarema bridge in Estonia, a new bridge in Riga, Nikopol port in Bulgaria, the Bucharest overpass in Romania, the D1 motorway bypass in Považská Bystrica, Slovakia, and the R1 expressway and M0 motorway in Hungary.

SAAREMA BRIDGE, ESTONIA

The planned Saarema bridge, potentially in line for funding from the EU's ISPA programme, is very controversial from the economical, environmental and social points of view.



Bankwatch's Estonian coordinator has been closely following the project's development and has collaborated in writing a complaint to the European Commission on violations of the Habitats Directive in the case of the Saarema port development.

ZERO CARBON CITY DEBATES

Our Czech member group co-organised a conference named „Zero Carbon City“ together with the British Council and the Czech Ministry of Environment. The conference was held in the Czech Senate in September.

The aim of the conference, which brought together leading Czech politicians, business people, academics and journalists, was to discuss the impacts of climate change, build awareness of the challenges and potential solutions and learn from the best examples of UK practices, which we believe can lead to the implementation of practical measures in the Czech Republic.

PROMOTION OF SUSTAINABLE TRANSPORTATION IN ESTONIA AND BULGARIA

On September 22, a series of activities on international Car Free Day were organised by Estonian Green Movement-FoE in Tartu and Tallinn and by Za Zemiata in Sofia.





09

EIB EIB EIB EIB

ON THE CASE OF THE EIB ... AND MAKING THE CASE FOR MORE OPENNESS AT THE EU'S HOUSE BANK

Together with Friends of the Earth, Bankwatch has continued to lead and coordinate the international EIB campaign work under the platform "Public Funds for Public Benefit".

The main goal of our work on the EIB is to achieve necessary reforms of the bank in the areas of: transparency, access to information, environmental and social policies and practice, governance and accountability. The EIB also needs to acknowledge its development role for projects outside the EU and take responsibility for the consequences of its operations in Africa, Latin America and Asia.

MILESTONE: BANKWATCH ADVOCACY RESULTS IN THE EIB'S FIRST EVER PUBLIC CONSULTATION PROCESS

Communities affected by EIB-financed projects as well as NGOs like Bankwatch remain unable to obtain key information related to a wide range of EIB projects. It's an area that has caused us significant frustration in recent years as our testing of the EIB's information policy in 2003 and 2004 has revealed a variety of ongoing deficiencies.

As the EIB information policy was due for review in 2005, we concentrated a lot of our efforts on calling for an open, public consultation process for the policy review. This was rewarded by an announcement in May detailing the EIB's first ever public consultation process, with 45 working days for external comments. The consultation procedure applied and to some extent incorporated our proposal.

This resulted in another flurry of high-level advocacy work where we called for the extension of the consultation period. Our work resulted in the EIB's decision to extend the consultation process and to come with a second round of consultations on the new draft, which we consider a major success of our advocacy work.

Throughout our proposals to the EIB have fully reflected trends in EU law – which the EIB should not ignore – concerning public access to information. A final call for changes in the policy and the application of new transparency principles was supported and signed by 120 NGOs. The completion of the EIB's information policy review is expected in early 2006, and while it is not yet clear if the EIB will drag itself into the twenty-first century, at least some positive changes are expected.

Allied to Bankwatch's work on ensuring greater transparency at the EIB were our efforts to raise awareness of the EIB in the new member states – since May 2004, the new member states have been shareholders of the EIB and have national representatives on the bank's boards of governors and directors. To ensure greater public scrutiny of the EIB, we were determined to get the message out across central and eastern Europe.

POSTER CONTEST

In 2005 we organised a poster contest to support awareness-raising related to our EIB transparency campaign. We invited artists from central and eastern European countries to participate in a social poster design contest entitled „EIB: Public Funds for Public Benefits“.

We received 53 poster entries to the contest from 31 artists from eight countries (Belarus, Czech Republic, Estonia, Latvia, Poland, Serbia and Montenegro, Bulgaria, Slovakia). These posters were available for viewing and voting on our website so that our internet audience also had the possibility to choose their preferred poster. Over 300 people from 20 countries participated in the online voting.



EIB: share information as well as cash! Street-exhibition in Brussels and Luxembourg

The rich and varied entries from our EIB poster contest were on public display at street exhibitions we organised during Green Week in Brussels and the Annual Meeting of the EIB Governors in Luxembourg,

Giant bankers on stilts directed the general public and EU and EIB officials to the exhibition, where our activists distributed flyers in English and French explaining why transparency is essential for the EIB and EU citizens, as well as pointing out the EIB's climate footprint, in line with the overall theme of Green Week 2005.

EU FINANCIAL ASSISTANCE – PARTNERSHIP IS KEY

Promoting civil society's role in EU financial assistance

The European Union's financial aid can play a positive or negative role in the former communist countries. If used wisely and according to the principles of sustainable development, this aid can help the EU's new member states, as well as the acceding countries Bulgaria and Romania, to catch up with the rest of the EU, while avoiding the environmental mistakes made in the old member states. However there is a threat that billions of EU development money – for major new infrastructure programmes such as highways and water-treatment plants – could have dire consequences for our region's still very rich biodiversity.

Bankwatch's focused in 2005 on influencing the EU's financial aid programme for the 2007-2013 funding period to ensure that it is implemented in a participatory and transparent manner. With our NGO partners we were seeking to:

- Prevent environmentally or socially damaging projects
- Fight against fraud and corruption
- Make proposals for beneficial projects
- Monitor the compliance of projects with EU legislation and secure transparent and democratic decision-making
- Add to the democratisation process and the good governance of the CEE countries.

Along with our partners in the NGO Coalition for Sustainable EU funds, we successfully took these and other arguments to a variety of Brussels decision-makers throughout the year. Despite meeting significant resistance, our advocacy work paid off with a considerably greener Commission decision on the funding rules that will guide the allocation of billions of euros across our region in 2007-2013.

Our national coordinators were also very active in the EU funds planning committees in their respective countries, often taking the lead in national-level NGO coalitions that are aiming for an environmentally and socially just spread of the EU's regional aid.

WASTE NOT, WANT NOT

A number of expensive and unnecessary planned waste incinerators whose backers often look towards the EU funds for vital financial support have been the subject of some of our 2005 campaigning in the Czech Republic, Slovakia, Poland and Bulgaria. Based on our arguments, and due to the resistance of local people supported by our member groups, four municipal parliaments rejected incinerators planned in their towns in the Czech Republic and Slovakia.

Not only do these large incinerators pose real threats to the health of neighbouring communities, they are also a massive drain on resources that could be invested more wisely in environmentally friendly reuse and recycling. What's more, such schemes also create many more jobs for the same amount of money invested.

That's why Bankwatch is keen to promote reuse and recycling at every opportunity, like in Czech Republic where our member group ran a public campaign for better recycling services while effecting real change in biased government thinking that had been poised to green light 13 new municipal incinerators in the next 15 years.

SUPPORTING THE DEVELOPMENT OF CIVIL SOCIETY

One of the most important aspects of our mission is empowering national and local NGOs to take on environmental matters and enhance the implementation of environmental legislation. The capacity of smaller groups, particularly across central and eastern Europe, often remains low. In 2005, therefore, we devoted a significant part of our resources into empowering our own member groups, as well as other NGOs we cooperate with, so that they can function well and work effectively, now and in the longer term, on actualising sustainable development.



12

PARTNERSHIP PARTNERSHIP PARTNERSHIP PARTNERSHIP

GROWING TOGETHER

2005 was the last year of the Growing Together project, a joint initiative of Bankwatch and Friends of the Earth Europe.

Groups who participated in the project from new member states and accession countries are:

- Estonian Green Movement
- FoE Slovakia
- Hnutí DUHA, Czech Republic
- National Society of Conservationists, Hungary
- VAK, Latvia
- Za Zemiata, Bulgaria

The project's aim was: 'By December 2005, the participating NGOs will have efficient and effective organisational arrangements in place that enable them to fulfil their campaigning missions'.

This ambitious aim was largely realised, and the project's effectiveness was seen as:

- All CEE groups moved to a more strategic footing and made significant progress in the area of membership and fundraising, laying foundations for wider public support and future income streams to replace the declining availability of grant funding.
- Two groups achieved fundamental structural change during the project, thereby safeguarding their futures
- One group moved from technical lobbying into public campaigning, while another overhauled its activist base.

In addition, the participants are looking forward to co-operation beyond the project.

FURTHER STRENGTHENING OF ALLIANCES IN SOUTH-EAST EUROPE

In 2005 the overall objective of Bankwatch's work in south-east Europe was to further strengthen public participation in the decision-making and policy-making processes of the international public donors. Enhancing the capacity of the region's NGOs to actively participate in these processes is vital for the democratisation and sustainable development of the region and its future association in the EU.

Bankwatch continued its mission in south-east Europe through our group of partner organisations, the Stability Pact Watch, and we have witnessed much encouraging progress and alliance building. At the Bankwatch annual general meeting in June, Green Action, a new Croatian partner, was introduced, and Terra Milleniul III (Romania) and Eco-sense (Macedonia) were accepted as full members of Bankwatch. Thus Bankwatch's involvement in the region has expanded and our member base has solidified.

SPREADING THE BANKWATCHING WORD TO THE BALKANS

In preparation for the EBRD annual meeting in Belgrade, we conducted a training for twelve activists from five Balkan countries, preparing them for participation in the event. Experienced Bankwatch campaigners presented the IFIs, and in particular the EBRD, their policies, and the ways in which NGOs can influence decision-making in these institutions. As a result, all the participants took an active part in the discussions at the annual meeting and raised issues from their countries into the agenda of the various meetings organised with the EBRD's staff and Executive Directors.

BRINGING FORGOTTEN VOICES INTO THE LIMELIGHT

Bankwatch financially assisted three participants from Uzbekistan and Azerbaijan to come to the EBRD annual meeting in Belgrade. We assisted the groups with all logistical issues and advised them on effective lobby work at the meeting. Bankwatch also assisted Caucasian and Uzbek groups in their work with journalists.

CAMPAIGN HIGHLIGHTS IN 2005

We are engaged in campaigns at both the international and local level. All of our campaigns share one thing in common – they seek to ensure that public money flowing into our region does not endanger people and the environment. In 2005 we got to grips with a variety of potential and confirmed IFI-backed investments ... and experienced some interesting breakthroughs.

FOOLS' GOLD IN BULGARIA

Once we learned about potential EBRD backing for a Canadian mining company's development of the Ada Tepe gold mine in south-east Bulgaria – in an area rich in biodiversity and historical monuments – we were quick to mobilise in alliance with local communities and potentially affected Greek neighbours opposed to the project.



The gold mine project would involve the use of dangerous cyanide technology. By the very end of the year, the public pressure that we helped to catalyse helped to bring about a lack of consent from the Bulgarian environmental authorities. We will continue in 2006 to make the case, as a minimum, for the non-involvement of EBRD financing for a project which promises little benefit for Bulgarians and a whole lot of environmental headaches for local people.

BTC'S NON-COMPLIANCE WITH IFI STANDARDS IGNORED

The four billion dollar Baku-Tbilisi-Ceyhan pipeline project continues to be hailed by its IFI backers – the EBRD and the IFC – as a successful development project despite an array of scandalous issues investigated by Bankwatch and its international campaign partners.



The Bankwatch team, with the support of national groups in Georgia and Azerbaijan, continued to facilitate the public participation process for affected people and local communities. Among the issues that we helped to detect were problems with the protection of cultural heritage, problems with the implementation of the conditions for the BTC State Environmental Permit, including problems with waste management and the security of the pipeline, problems related with the pipeline's welding and field joint coating, and the non-compensation of community lands for three years.

In a bid to find solutions via the IFIs, we facilitated the submission of four new complaints to the IFC Ombudsman in May-June 2005. Based on the violation of the socio-economic rights of the citizens of Azerbaijan, Bankwatch supported the local group Independent Oil Workers Committee in its preparation and submission of a complaint to the EBRD's independent recourse mechanism on behalf of those affected.

ABUSE OF WORKERS AT KAUFLAND POLSKA

Despite receiving a loan from the EBRD in excess of 100 million euros for the expansion of its operations in Poland – and therefore in theory undergoing a rigorous audit of its environmental and social practices – the German supermarket giant Kaufland was discovered to be violating labour law in more than 100 instances in its Polish operations.



Our Polish coordinator helped to organise protests in front of Kaufland supermarkets in three Polish towns, resulting in wide coverage of the scandal. A complaint was also submitted to the EBRD, although the bank has thus far shirked its responsibilities by stating that a complaint from a trade union cannot represent Kaufland's employees.

SAKHALIN II: PROGRESS UNDERMINED BY POLITICS



2005 saw a major breakthrough in the Sakhalin II project. Sakhalin Energy, the Shell-led project promoter, announced that it would re-route the offshore pipelines in its Sakhalin II oil and gas project in order to reduce the risks to the endangered western Pacific grey whales which feed off the coast of Sakhalin Island in the summer months. This was a significant achievement for the large international campaign in which we play an important role.

We continued to provide key support for local NGOs in terms of information outreach as they do not have easy access to the western media. Stories about court cases in Sakhalin or an indigenous people protest have appeared regularly in the opinion-forming western media, helping to keep Shell's flawed project in the public eye and maintaining the pressure on the EBRD not to provide the project with public money. In an unprecedented statement, the EBRD accepted that Sakhalin II violates bank policies, yet it chose to move forward with a final loan decision expected in the middle of 2006.

OTHER WAYS FOR THE VIA BALTICA



© Bankwatch/W. Wolkow

The development of the "Via Baltica" road corridor, to connect Helsinki to Warsaw, is on course to cut through some of Poland's most breathtaking landscapes – including four sites of EU importance for the conservation of birds, other animals, plants and habitats – in the north-east of the country. And public money could be used to support some deeply irresponsible construction work.

With our campaign partners, Bankwatch has fought hard against extensive political and business pressure to ensure that the Habitats and Strategic Environmental Impact Assessment directives for the planning process of the Via Baltica international road corridor in north-east Poland are adhered to. Our appeals to the European Commission and the Bern Convention have been received sympathetically and as the campaign heats up in 2006 we will be striving to ensure that the Polish government adheres to EU law and guarantees the survival of an irreplaceable piece of Polish and European natural heritage.

FUNDING FUNDING FUNDING FUNDING

Financial Report 2005

Balance Sheet as per 31.12.2005

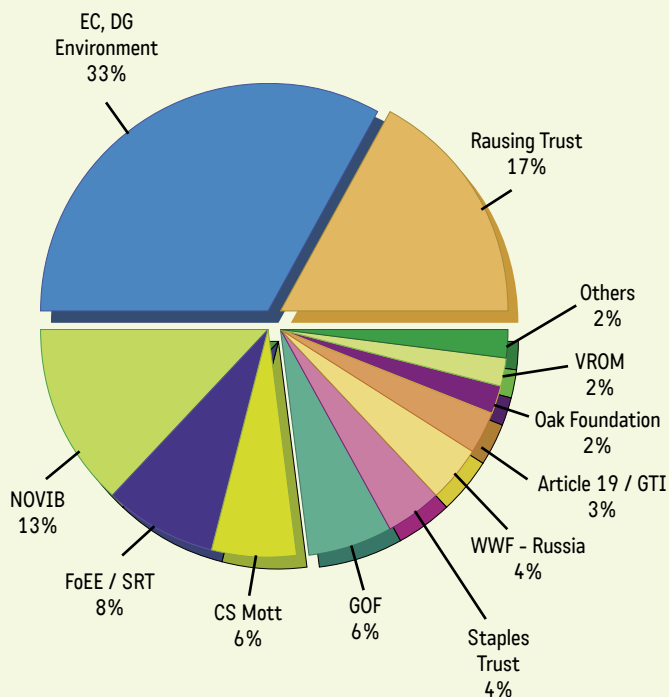
Assets	EUR
Material Fixed Assets	13 954
Project Advances	62 755
Claims	55 361
Cash in Hand	4 492
Bank Accounts	394 695
Interperiod Active Clearances	7 205
Total	538 462
Liabilities	EUR
Basic Capital	13 954
Reserve Fund	251 537
Grant Fund	236 101
Accumulated Financial Result of Current Year	-1 488
Short Term Liabilities	29 653
Interperiod Passive Clearances	8 706
Total	538 462

Financial Report 2005

Profit and Loss Account as per 31.12.2005

Income	EUR
Operating Cost Grant Drawing	332 724
Income on Short Term Bank Deposits	2 202
Other Income	56
Earnings from Differences in Rates	10 073
Total	345 054
Expenditures	EUR
Office materials	5 669
International travel	38 743
Salaries	164 283
Consultants	37 903
Services	67 414
Bank Fees	4 234
Amortization and Deficiency and other costs	14 478
Losses from Differences in Rates	13 818
Total	346 542
Economic Result	-1 488
Expenditures of member groups and cooperating organisations	445 468

FUNDING RECEIVED in 2005 (€752 420)



CEE Bankwatch Network is grateful to the following funders who make our work possible:

- Charles Stewart Mott Foundation
- Dutch Ministry of Development Cooperation
- European Commission, DG Environment
- Ford Foundation
- Freedom House
- Friedrich Ebert Foundation
- Global Opportunities Fund
- Heinrich Böll Foundation
- National Forum Foundation
- Netherlands Organization for International Development Cooperation
- Open Society Institute
- Regional Environment Centre
- Rockefeller Brothers Fund
- Sigrid Rausing Trust
- Swedish NGO Secretariat on Acid Rain
- Swiss Agency for the Environment, Forests and Landscape
- The Staples Trust
- Transnational Institute
- UK Government
- W. Alton Jones Foundation
- Wallace Global Fund

Additional information about each of these organisations can be found on our website: <http://www.bankwatch.org/about/donors.shtml>. Bankwatch welcomes enquiries from other foundations interested in the positive advancement of environmental and social issues throughout our region. Please contact Bankwatch's Executive Director Tomasz Terlecki for more details.

BANKWATCH PUBLICATIONS in 2005

The Alqueva dam: How the EIB helped to finance environmental destruction in Portugal with FoEI, Platform for Sustainable Alentejo
February 21, 2005

Public eye on the EU funds: Civil society involvement in the structural, cohesion and rural development funds. Examples from Central and Eastern Europe with FoEE
April 27, 2005

Bridging the gap between the EBRD's rhetoric and reality in the Balkans with Balkani, Eco-sense, Mladi Istraživači Banja Luke, Za Zemiata, FoE
May 16, 2005

Positives undermined: the EIB's lending for renewable energies with FoEE
May 21, 2005

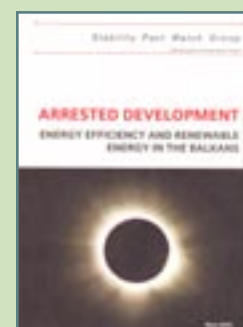
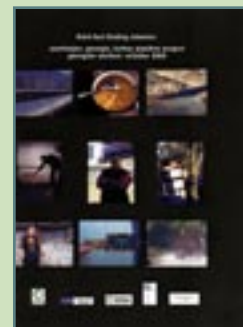
Third international fact-finding mission to BTC pipeline. Azerbaijan and Georgian sections reports with Amis de la Terre, FoE EWNI, Green Alternative, National Ecological Centre of Ukraine
May 21, 2005

Arrested Development - Energy Efficiency and Renewables in the Balkans
May 21, 2005

An analysis of additionality. The Prototype Carbon Fund's joint implementation project in the Czech Republic: 16 small hydropower plants with Centre for Transport and Energy
September 15, 2005

BTC Pipeline – An IFI Recipe for Increasing Poverty with Green Alternative, Oxfam
October 11, 2005

Grounded in Washington: Extractive Industries Review Implementation in Europe and Central Asia (2004-2005) with Bank Information Center
December 13, 2005



campaigning

public participation

monitoring

sound planning

capacity building

co-operation



CEE Bankwatch Network Head Office
Jičínská 8, 130 00 Praha 3
Prague, Czech Republic
Tel: + 420 274 816 571
Email: main@bankwatch.org
Website: www.bankwatch.org