

CEE

bankwatch
network

2006

ANNUAL REPORT



Dear friends

Hearing about the ongoing economic boom in central and eastern Europe, you can at times be reminded about the irresistible, unstoppable progress of Icarus. Major improvements in the lives of people in our region have been achieved since 1989. Yet we continue to see a range of unsustainable development models involving environmentally and socially damaging major projects being promoted by national governments and multinationals.

These dubious investments are being readily sponsored by the international financial institutions and EU funds, and it's clear that the wings supporting this economic miracle are starting to smoke – as a consequence our environment and societies are bearing the burden ... and at times nearing the point of suffocation.

This is all the more disappointing for us since in the last ten years or so we have succeeded in tightening the lending standards and institutional transparency of our various targets. Indeed this year we played a key role in the introduction of a more open information policy at the European Investment Bank – a step forward on paper that will nonetheless require careful monitoring and testing, and where our new Citizens' guide to European complaint mechanisms will come in handy for people experiencing problems at the EIB and elsewhere.

However, the scramble to exploit scarce natural and human resources in central and eastern Europe shows every sign of intensifying, and with it the extent to which the public banks appear willing to stretch their standards to accommodate such "growth".

But we have not been lying down. Working closely with local communities – our traditional bottom-up approach – we have shown that there must be more to life than the bottom line of corporations. In Bulgaria, we managed to block a Canadian mining firm's attempts to foist its cyanide technology on gold and copper mines not only adjacent to local communities but also to rivers that serve the wider Bulgarian population.

In May 2006, to coincide with the annual meeting of the European Bank for Reconstruction and Development, we published *Boom time blues: Big oil's gender impacts in Azerbaijan, Georgia, and Sakhalin*. The report was based on field research we conducted with local people affected by Shell's Sakhalin II and BP's BTC pipeline projects. Its shocking findings documented the harrowing rise of prostitution, trafficking, HIV/AIDS and violence against women in communities affected by these pipeline projects.

And while we were pleased to complete our own internal gender audit this year, we were delighted by the shockwaves that the *Boom time blues* report provoked within the banks – a gender analysis of the EBRD's activities was initiated and gender and social issues are set to finally feature in the bank's upcoming review of its environmental policy.

2006 was also a red-letter year for our work on the EU funds, with 170 billion euros set to pour into the new member states in the 2007-13 budgetary period. Gaining extensive column inches across Europe, we launched an interactive map detailing 22 environmentally damaging, economically unjustified, socially controversial or legally deficient projects planned for realisation with vital EU money. As our additional analysis also showed, this money is being spread surprisingly thinly on public transport and energy efficiency and renewable energy, in spite of well-known EU transport and climate change goals. Thanks to the work of our Czech member group, one of these projects – a gargantuan multi-billion euro canal project – has been denied EU funding in the 2007-13 period.

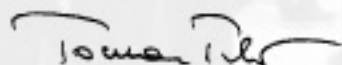
We marked the twentieth anniversary of the Chernobyl disaster this year with increased attention going to the so-called "nuclear renaissance". Our Baltic members spearheaded efforts to resist a newly proposed nuclear plant in Lithuania. In Bulgaria, we are playing a leading national and international role in fighting against the Belene nuclear power plant, slated for construction in a renowned seismic area. Following a European day of action in October, two major

private European banks expected to support the project announced that they were pulling out.

With the EU ordaining a growing role for the EIB in the developing world, our strictly European focus on the EIB expanded this year. We published a widely-received report *The European Investment Bank in the South: In whose interest?* that outlines how it is imperative for individual EU member states and countries in the Global South to push for the EIB to get its act together before it potentially squanders billions in Africa and other regions.

The bad projects are still unfortunately popping up, the Icarian smoke is not receding in spite of global climate change alarm, and we continue to respond by successfully building capacity among our groups in the Balkans and Central Asia and Caucasus. A summer training camp for new Bankwatch staff also added to our know-how – for Bankwatch oldies too.

With thanks to all of our member groups, staff, funders and supporters (including the web editors at DG Regio who made our EU funds map an 'item of the day' on the home page of their internal site).



Tomasz Terlecki
Executive Director

BANKWATCH MEMBER ORGANISATIONS

Atgaja, Lithuania / Centre for Environmental Information and Education, Bulgaria / Centre for transport and energy, Czech Republic / Eco-sense, Macedonia / Estonian Green Movement-FoE / Friends of the Earth CZ / Friends of the Earth - Center for Environmental Public Advocacy, Slovakia, / Green Alternative, Georgia / Institute of Environmental Economics, Poland / National Ecological Centre of Ukraine / National Society of Conservationists, Hungary / Polish Green Network / Terra Mileniul III, Romania / Za Zemiata, Bulgaria

Bankwatch's Executive committee in 2006

Tomasz Terlecki, Executive Director
Anna Roggenbuck, member
Linas Vainius, member (stood down)
Ana Colovic, member (elected)

OUR MISSION

CEE Bankwatch Network's mission is to prevent the environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

Balkan Region

We have promoted transparency and civil society participation in the development of the region, regarding these as essential for ensuring an environmentally and socially just path to sustainability.

We published a map to raise alarm about one of the regions' new destinies: that of a fossil fuel superhighway. While energy efficiency and renewable energy continue to be largely overlooked, fossil fuel and nuclear projects in south east Europe are being lined up to criss-cross the Balkans. With expected IFI support, at least USD 18 billion will be required to fund the current and planned pipeline and nuke projects. This figure dwarfs the USD 253 million being invested in current and planned IFI-supported renewable energy and energy efficiency projects in the region.

Brussels

Our Right to Appeal conference in November brought together a diverse audience of NGOs, officials from the IFIs and EU institutions, independent researchers and media to discuss the governance and accountability of the IFIs. Strong cases were made, particularly towards the EIB, and it remains to be seen what will happen next – but the value of establishing an independent appeal and compliance mechanism at the EIB was acknowledged by the vast majority of attendees.

Central Asia and Caucasus

Conscious of the public banks' involvement in helping to fund large, harmful extractive projects especially in the region, we worked to create a stable network of eight groups who are committed to work on IFIs, raise public awareness of the bank's activities and fight to prevent funding for individual destructive projects. Regular Bankwatch-sponsored trainings and internships have given local groups much more know-how and expertise. In Kazakhstan, for instance, we supported local partners in their efforts to highlight the deficiencies of the Moynak hydro project, which was finally dropped from the EBRD's project pipeline.

Croatia

In Zagreb, we mobilised a vigorous campaign that has thus far delayed the development of a waste incinerator potentially involving funding support from EBRD and EIB.

Czech Republic

We stopped two waste incinerator projects and advocated successfully for incinerators not to enjoy EU financial support from ring-fenced environment budgets.

Estonia

We impressed the secretive Ministry of Finance to the extent that it now accepts that NGOs should be informed about the EU funds allocation plans and be allowed to participate in the decision-making processes.

Georgia

We mobilised Georgian civil society efforts to stop the destructive Khudoni dam project, promoted currently by the Georgian government and the World Bank. With a variety of potential new dam projects said to be offering solutions for Georgia's energy crisis, we have spread the word that what few benefits there are in terms of energy supply for Georgians – most of it will be exported – will be overshadowed by huge environmental and social costs.



As part of the Global Transparency Initiative we launched a new global charter seeking significantly improved transparency standards across all international financial institutions. The GTI Transparency Charter for International Financial Institutions: Claiming our Right to Know is a forward-looking statement of the standards to which IFI access to information policies should conform.

Global



We raised the alarm directly to the EIB's president about the risks attached to the EIB's potential future financing of motorway expansion in Hungary. These developments are linked to several corruption scandals and environmental destruction, while the positive economic impacts are highly questionable.

Hungary



We advocated successfully for the inclusion of energy efficiency as one of the priorities for EU funds financing.

Latvia



We spearheaded a very visible NGO coalition on EU funds that helped to secure our presence in various decision-making committees on EU funds allocations

Lithuania



We made the irresistible case for investment in public transport, rather than yet more needless road build, with the launch of a new feasibility study that details how a scheme for new urban rail transport in Skopje would benefit the people of the city as well as making a lot of economic sense.

Macedonia



Working with other Polish groups, Natura 2000 sites were spared thanks to our work that halted illegal construction work taking place in southern Poland as part of a flood damage reconstruction project supported by the EIB.

Poland



On the highly contentious routing of the Via Baltica expressway through protected natural sites, our intensive campaign and advocacy work contributed to the European Commission officially warning the Polish government on its plans to progress with a series of eight damaging road developments along the Via Baltica route.

Romania

The expansion of the notorious Kaufland supermarket chain into Romania, with EBRD backing, was hampered by our efforts in conjunction with the German trade union Ver.di. The EBRD loan finally went through, though Kaufland was served a crucial warning that hopefully will ensure vastly improved conditions for its Romanian workers.



Sakhalin Environment Watch continued its outstanding and intensive monitoring of the construction of the Sakhalin II project's onland pipelines. Regular photo reports from along the pipeline route showing alarming erosion problems exposed the "best practice" claims of the project sponsors and revealed the true damage being done to Sakhalin's economically sensitive, wild salmon rich rivers.

Russia



We played a lead role in the effective performance of the national NGO monitoring team following the EU funds that staged an unprecedented joint NGO boycott of the Slovak EU funds steering committees because of unfair treatment. Better treatment and more meaningful NGO involvement followed from the boycott.

Slovakia



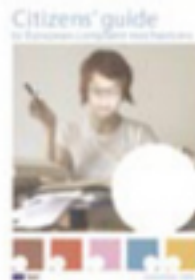
Key Bankwatch outputs in 2006



Boom time blues

"Warm and sincere congratulations to your three terrific authors on this exceptionally timely and well-researched publication. I hope it will be very effective in improving the track record of such projects in the future and preventing such outrageous and unacceptable behavior for all time."

Robert Goodland, former head of World Bank Environmental department



Citizens' guide to European complaint mechanisms

"European citizenship provides an opportunity for members of the public and associations to bring their concerns directly to the attention of the European Parliament through the petitions process. The publication of this most useful guide will, I hope, spread the message of Parliament's wish, and its responsibility, to promote and defend the rights of EU citizens and ensure the proper application of Community law."

Marcin Libicki, Chairman of the European Parliament Committee on Petitions



Right to appeal conference

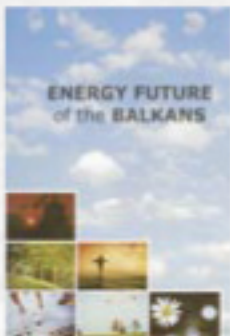
"Every one of the speakers had something new, useful and stimulating to say and so everybody's attention was held to the very last."

Conference participant



The Source film / Zdroj Film

Award-winning documentary on BTC pipeline picked up further festival prizes in 2006, in Italy, Spain, Moldova, Brazil and Russia



Balkan energy futures map / Cohesion or Collision? EU Funds map / How the World Bank's energy framework sells the climate and people short / The European Investment Bank in the South: In whose interest

FINANCE and FUNDERS

Financial report 2006 Balance sheet as per 31.12.2006.

Assets	Eur
Material fixed assets	3 298
Project advances	76 711
Claims	2 497
Cash in hand	4 563
Bank accounts	432 416
Interperiod active clearances	8 343
Total	527 828

Liabilities	Eur
Basic capital	3 298
Reserve fund	263 781
Grant fund	90 615
Committed transfers 2006	158 923
Accumulated financial result of current year	35 196
Short-term liabilities	39 507
Interperiod passice clearance	6 900
Total	527 828

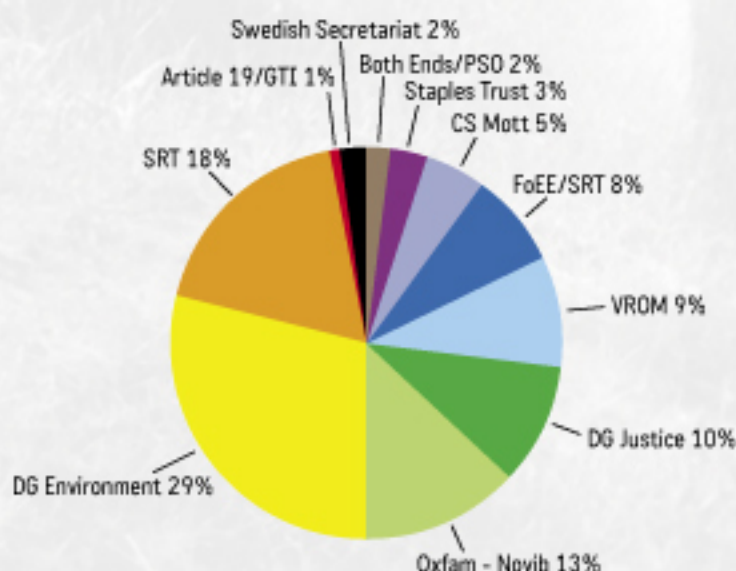
Financial Report 2006 Profit & loss account as per 31.12.2005.

Income	Eur
Operating cost grant drawing	305 621
Income on short-term bank deposits	8 489
Other income	7 004
Earnings from differences in rates	74
Total income	321 188

Expenditures	Eur
Office costs	5 903
International travel	37 703
Salaries and contracts	139 918
Consultants	59 688
Services	53 879
Bank fees	3 233
Amortisation & deficiency & other costs	56 060
Total expenditures	356 384
Economic result	- 35 196
Expenditures of member groups & cooperating organisations	530 137

CEE Bankwatch Network would like to thank the funders who supported our work in 2006 and especially the following:

Article 19/GTI (Ford foundation)
 BothEnds /PSO
 Charles Stewart Mott Foundation
 European Commission, DG Environment
 European Commission, DG Justice
 Friends of the Earth Europe/SRT
 Oak Foundation
 Oxfam-Novib
 Sigrid Rausing Trust
 Staples Trust
 Swedish Secretariat on Acid Rain
 VROM, Ministry of Housing, Spatial Planning and the Environment



Bankwatch welcomes enquiries from other foundations interested in the positive advancement of environmental and social issues throughout central and eastern Europe.

Funding received in 2006 (EUR 847 093,36)

Bankwatch members, staff and extended family



CEE Bankwatch Network's five main goals are:

To create public awareness about the activities of international financial institutions (IFIs) in Central and Eastern European countries and their social and environmental impacts.

To promote public participation in the decision making process about policies and projects of IFIs, on the local, national and regional levels.

To help non-governmental environmental organisations and citizen groups to monitor what the IFIs are doing in Central and Eastern Europe.

To change or stop environmentally and socially destructive policies and projects of IFIs in Central and Eastern Europe, and promote alternatives.

To cooperate with environmental citizen organisations in stopping the destructive activities of transnational corporations and to limit their overall impacts on the environment in Central and Eastern Europe.

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