

CEE bankwatch
network

2007

ANNUAL REPORT

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.



CEE Bankwatch Network annual general meeting 2007, Timisoara, Romania

MEMBER GROUPS:

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 - Center for Environmental Public Advocacy, Slovakia
Green Alternative, Georgia
Hnutí Duha, Czech Republic
Institute of Environmental Economics, Poland
Latvian Green Movement
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 2007:

Ana Colovic, member
Akos Eger, member
Ivo Hlebarov, member

“transition in central and eastern Europe is working for only a minority of people, both in the region and in western boardrooms.”

FT.com COMMENT & ANALYSIS
Letters
FT Home | Comment & Analysis | Letters

For a steer on EBRD's future mission, listen to the people
Published: December 14 2007 12:00 | Last updated: December 14 2007 12:00
From My Klara Schinova

So, FT readers may be scratching their heads over the recent debate in these pages (*Privatise the bank and put its cash in the Middle East*, November 30) about the future role of the European Bank for Reconstruction and Development in central and eastern Europe and/or elsewhere, but they could do worse than listen to the opinions of people in the region.

In September 2006, the EBRD commissioned a survey – involving 29,000 people from across the region – of popular satisfaction with the post-1989 transition process. The result was the publication in May this year of the *2006 Transition report*, a courageous document which lays bare deep unease across all demographics about how the reform process, as sponsored by key institutions such as the EBRD, is affecting people's lives.

Recent events in Georgia and Hungary have demonstrated how such central EBRD goals as “privatisation and democratisation” are translating very badly from the textbook to the factory floor, the household and the street.

As currently conceived by the likes of the EBRD, transition in central and eastern Europe is working for only a minority of people, both in the region and in western boardrooms.

Winding down the EBRD's operations may be justified unless there are profound changes made to its mission and its lending portfolio.

However, in the short term, with the EBRD flush with cash, there continues to be a big need for public money to finance, among other things, cash-starved renewable energy projects and creative energy efficiency initiatives in a region where high energy intensity persists at obscene levels.

Klara Schinova,
EBRD ex-ambassador,
CEE Bankwatch Network,
Prague 3-130 06,
Czech Republic

Dear friends,

2007 was seen by many as the year when the world finally “got it” – it being an environmental consciousness. A barrage of high profile reports and films raised people’s awareness about the economic, social and health risks attached to man-made climate change. Biodiversity started to mean more than just “tree-hugging” and, despite their best efforts, climate-change deniers were very much in retreat.

When it came to the all-important role of the international financial institutions (IFIs) driving climate-unfriendly investment projects, the European Parliament seemed to get it too. With a resounding majority of 540 MEPs in favour, in November it passed a resolution on trade and climate change which calls for “the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects”. For Bankwatch and our global allies in coalitions like End Oil Aid, this was a real step in the right direction – one of our medium-term goals is to achieve a phase-out of fossil fuel lending at the EIB.

Yet while the IFIs appear on paper to be getting it (they certainly say they are), with reasonably good targets for energy efficiency and renewable energy lending now in place, their hidden-away lending portfolios continue to reveal major inconsistencies. For instance, it came to light in 2007 that the World Bank Group increased its operations for 2006 in the extractive industries by more than 40 percent.

As also revealed by “EU cash in climate clash”, our groundbreaking analysis of the draft EU funding plans of the ten CEE new member states for the 2007-13 period, despite all the public pledges and new ambitious EU targets for emission reductions, energy efficiency and renewables by 2020, a paltry one percent of the 177 billion euros earmarked for these countries from the EU’s Structural and Cohesion Funds was being proposed for energy efficiency and renewable energy. It was an alarming revelation that was picked up by the international media – and having raised the alarm, our advocacy work on the issue is having some positive impacts as the countries in our region look to finalise their allocations.

Given such policy incoherence, there is little slowdown in harmful, ill-conceived projects emerging across central and eastern Europe, and in 2007 we continued our campaign work on a variety of fronts. Several controversial energy projects were slowed down or public investment in them was prevented, thanks to the work of Bankwatch and the coalitions of NGOs and local communities working with us on these issues. Notable progress (or actual lack of project progress) was achieved on the Belene nuclear power plant, and on the Sakhalin II project the EBRD finally decided to pull out of the project’s financing, though throughout the year our campaign partners continued to present other potential public financiers with compelling evidence of the project’s impacts on the local environment.

Also feeling the brunt of growing IFI involvement were communities in Albania and Russia, whom we provided with significant support and IFI know-how. Major energy developments featuring the IFIs on the Adriatic coast in Vlora have enraged local people systematically denied a say in their town’s



development. We undertook a fact-finding and filming mission which has helped to raise the profile of the local struggle. In St. Petersburg, the proposed 3 billion euro Western High Speed Diameter expressway project is proceeding with keen IFI interest but also with major concerns about its environmental viability and associated shadowy events. Tragically, in an attack thought to be connected to his activism, Dmitry Troyan, a defender of the rights of property owners along the planned route of the expressway, died in hospital in December after being beaten by anonymous attackers.

You can read more about our member groups’ 2007 activities and achievements in the following pages. But I would like to finally highlight our stunning success which has helped to save the protected Rospuda Valley Natura 2000 site from an unnecessary road development – one that seeks EU funding – in north-east Poland.

Despite very tense campaign moments, our member group Polish Green Movement, working with other Polish and international environmental groups, ensure the upholding of EU law that should secure the European treasure that is Rospuda for many years to come. This outcome galvanised our belief that development in our region must not come at any price, whether it be the loss of precious biodiversity or the abuse of workers’ rights by multinationals.

The Rospuda victory sends a clear message to project promoters that they too must “get the environment thing” and that it might just be an idea to talk to groups like Bankwatch a lot earlier – more often than not we bring to the table practical, economically sound and sustainable solutions for discussion at any time.

We thank you for your ongoing support to Bankwatch and to environmental and social justice in central and eastern Europe.

Ionut Apostol
Interim Executive director, CEE Bankwatch Network

OUR POSITIVE IMPACTS ON NEGATIVE IMPACTS IN 2007

Balkans:

We joined with groups from around the region concerned about the rash of oil pipeline projects being proposed in South East Europe to bring Russian and Caspian oil to Europe and the US. Bringing Bankwatch's IFI angle to the table for further ongoing co-operation, we explained how the IFIs' safeguard standards are no match for the social and environmental dangers of oil pipelines and related infrastructure.

Global:

Following on from our previous highlighting of the dangers for women posed by major publicly funded "development" projects, on International Women's Day we joined with groups from around the world to call on the public banks to live up to their commitments to promote gender equality.

Europe:

Bankwatch spearheaded the launch of a new Europe-wide campaign coalition called Counter Balance: Challenging the European Investment Bank



Brussels:

We participated with other campaign groups and the former head of the Bulgarian Nuclear Safety Authority – Gueorgui Kastchiev – at a press conference focused on the Belene nuclear power plant project in Bulgaria. Ahead of a key European Commission opinion on the project, Kastchiev told journalists: "The Belene project poses intolerable safety and environmental risks. This project must not go forward."

Bulgaria:

Our long-standing efforts as part of the "Save Kresna Gorge" campaign have paid off with the Bulgarian government responding to concerted local and national pressure by finally selecting an alternative tunnel solution for the motorway. The design of the tunnel should be developed in 2008 and we are calling for a biodiversity specialist to be part of the process to ensure full protection of this biodiversity hotspot.

Czech Republic:

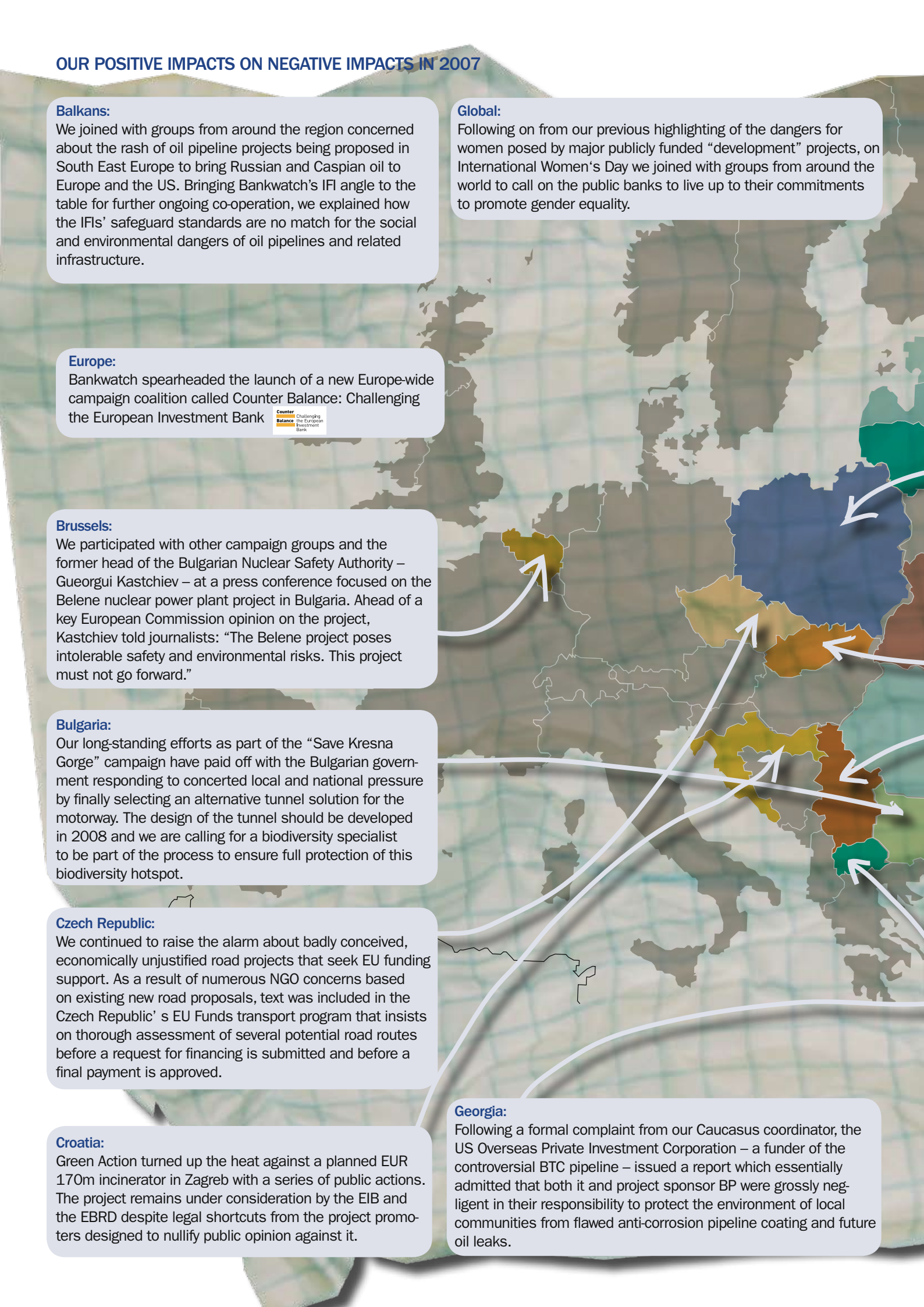
We continued to raise the alarm about badly conceived, economically unjustified road projects that seek EU funding support. As a result of numerous NGO concerns based on existing new road proposals, text was included in the Czech Republic's EU Funds transport program that insists on thorough assessment of several potential road routes before a request for financing is submitted and before a final payment is approved.

Croatia:

Green Action turned up the heat against a planned EUR 170m incinerator in Zagreb with a series of public actions. The project remains under consideration by the EIB and the EBRD despite legal shortcuts from the project promoters designed to nullify public opinion against it.

Georgia:

Following a formal complaint from our Caucasus coordinator, the US Overseas Private Investment Corporation – a funder of the controversial BTC pipeline – issued a report which essentially admitted that both it and project sponsor BP were grossly negligent in their responsibility to protect the environment of local communities from flawed anti-corrosion pipeline coating and future oil leaks.



A map of Eastern Europe and the Balkans region, showing countries like Lithuania, Ukraine, Slovakia, Serbia, Romania, and Macedonia. White arrows point from text boxes to specific geographical locations on the map. The map uses various shades of green, brown, and grey to distinguish between different areas.

Baltics:

Our member groups in the Baltic states kick-started a campaign against the proposed new nuclear plant at Ignalina in Lithuania. Their advocacy work included critiquing the draft Baltic energy strategy that puts excessive emphasis on nuclear energy while neglecting other supposed aims such as energy diversification and the use of local resources.

Ukraine:

Just before Christmas we learned that the World Bank would not be pursuing a USD 250 million loan for the completion of the first phase of the controversial Dniester Hydropower Pumped Storage Plant project. Thus, a major success for us and local groups campaigning against the wide range of environmental, social and economic risks attached to the project, and hopefully an indication that, in line with our advocacy demands, the likes of the World Bank will be focusing their attention much more on energy efficiency and renewables to help solve Ukraine's energy ills.

Slovakia:

Our focus on improving anti-corruption measures in the decision-making on EU funds resulted in the implementation of our proposals by the relevant Slovak authorities into their guidelines for EU funds' project selection. Financial allocations for environmental protection and public administration and NGO capacity building – some of our other long-term goals – were also increased.

Serbia:

Our affiliate group CEKOR closely monitored the plans to resettle Roma settlements located under the Gazela bridge in Belgrade which is to be reconstructed with IFI support. Concerns about the transparency of the resettlement action plan have led CEKOR to advocate for open and well-informed public participation in order to avoid exacerbating past conflicts and harsh treatment of the Roma.

Romania:

Concerted advocacy and street actions from an alliance of Romanian NGOs, Romanian and German trade unions and Bankwatch led to the postponement of a EUR 100m loan from the EBRD for the notorious Kaufland hypermarket chain's planned expansion in Romania. Although Kaufland finally received the benefit of the doubt from the EBRD, Romanian trade unions are on high alert to expose any future labour rights' violations that occur in Kaufland's Romanian operations.

Poland:

Our targeted research into the allocation of EU funds in Poland exposed that, even in the eyes of officials in the Polish municipalities, the decisions on which projects to prioritise are widely regarded to be politically-driven and non-transparent. The lack of a correct project selection process means that EU funds are not being spent on the most necessary and beneficial projects, a clear wake-up call to Polish authorities and the European Commission as Poland prepares to spend EUR 67bn of EU funds in 2007-13.

Macedonia:

Our member group filed a legal suit, citing violations of both the Aarhus and Espoo conventions, against the Bulgarian government's unwillingness to provide information and to allow Macedonian public involvement in the development of the Belene nuclear plant. Bulgaria's Supreme Administrative Court ruled in favour of disclosing the project information.

PUBLICATIONS

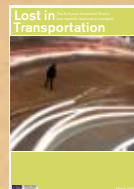
In 2007 Bankwatch produced and disseminated a range of publications which are available on our website, including the following:

EU cash in climate clash



EU Funds: EU cash in climate clash – How the EU funding plans are shaping up to fuel climate change (April 2007) Ground-breaking analysis showing how the 177 billion euros of EU funds to be spent in the new member states is on a collision course with the EU's own commitments to avoid climate change.

Transport: Lost in Transportation – The European Investment Bank's bias towards road and air transport (April 2007) The EIB loaned 112 billion euros to the transport sector between 1996 and 2005. As our analysis finds, the massive priority given to the road and aviation sectors by the EIB in this period has helped to fuel climate change.



Green 10: Face the future (May 2007) The Green 10's guide to facing the EU's future environmental challenges

Transparency: EIB's transparency performance – rules and day-to-day practice in access to information (June 2007) How well is the EIB implementing its recently revised Public Disclosure Policy? Only up to a point, as this reports reveals the EIB's non-compliance with European Community rules on access to information as well as missing obligations towards the Aarhus Convention.



Energy: The Khudoni dam – A necessary solution to the Georgian energy crisis? (June 2007) Highlighting the likely severe negative impacts of the Khudoni dam's construction on people in Georgia, the report questions whether the dam (being considered for financing by the World Bank) is the right solution for the troubled Georgian energy sector.

EBRD: Independent Recourse Mechanism – Three years on the questions remain and who is it for – the EBRD or those affected by EBRD projects? (June 2007) Four years on from the establishment of the IRM, this report identifies the problems encountered by affected people that have sought redress for negative impacts inflicted by EBRD-sponsored projects.



EIB: European Investment Bank – Promoting sustainable development, "where appropriate" (November 2007) In the lead up to the EIB's review of its environmental and social practices, the report focuses on five different social policy areas in which EIB policy remains unclarified and underdeveloped; social assessment, human rights, communities' participation and consent, labour rights, and gender equality.

Energy: Raising the bar on big dams – Making the case for dam policy reform at the European Investment Bank (November 2007) This report describes the problems with many of the dam projects funded by the EIB, and presents ways forward to improve the EIB's role in water and energy projects in future.



Energy: Kaniv pump storage plant – Project risks (November 2007) Pump storage plants are part of the required infrastructure backbone for Ukraine's highly ambitious new nuclear energy approach. However, as this study shows, the construction of such a plant in Kaniv is an unlikely solution to the problems of the Ukrainian power sector and is riddled with a number of likely negative environmental, social and economical impacts.

Extractive industries: Kashagan oil field development (December 2007) The fact-finding mission results presented in this report highlight the possible negative impacts of the massive Kashagan oil field development on the Caspian Sea.



Clean energy: Real energy security is staring us in the face – Renewable energy case studies from South East Europe (December 2007) A promotion of clean energy development in a region where fossil fuel and nuclear energy still dominate. Case studies from five countries show the community and wider benefits of renewables – much more could be done with major international investment support.

FINANCE AND FUNDERS

Balance Sheet as per 31.12.2007

Assets	EUR
Material Fixed Assets	20,577
Project Advances	66,700
Claims	10,775
Cash in Hand	365
Bank Accounts	819,807
Interperiod Active Clearances	12,450
Total	930,673

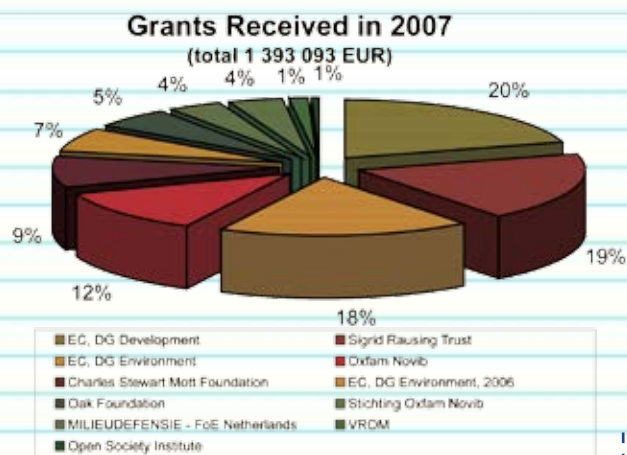
Resources	EUR
Basic Capital	18,478
Reserve Fund	236,099
Grant Fund	596,955
Accumulated Financial Result of Current Year	-46,337
Short Term Liabilities	99,530
Interperiod Passive Clearances	25,948
Total	930,673

Profit and Loss Accounts as per 31.12.2007

Income	EUR
Operating Cost Grant Drawing	463,331
Income on Short Term Bank Deposits	18,634
Other Income	5,024
Earnings from Differences in Rates	1,174
Total	488,162

Expenditures	EUR
Office materials	7,862
International travel	42,998
Salaries	220,889
Consultants	41,246
Services	64,886
Publications	65,588
Other Costs	5,195
Income Tax	1,740
Losses from Differences in Rates	71,169
Amortization and Deficiency and other costs	12,927
Total	534,499
Economic Result	-46,337

Expenditures of member groups and cooperating organisations	753,338
--	----------------



A big thank you to the following funders who supported our work in 2007:

European Commission, DG Development
 European Commission, DG Environment
 Charles Stewart Mott Foundation
 MILIEUDEFENSIE - Friends of the Earth Netherlands
 Oak Foundation
 Open Society Institute
 Oxfam Novib
 Sigrid Rausing Trust
 VRDM - Dutch Ministry for Housing, Spatial Planning and the Environment

"How can we take the climate and energy commitments agreed by EU leaders in March seriously if the EU undermines them with its second biggest budget line?" Financial Times quotes Martin Konecny, Bankwatch EU Funds coordinator, April 12.



Roma settlement next to the Gazela Bridge, Belgrade

"Much larger amounts of EU money, courtesy of the EIB and the European Commission, are now pouring into the [Balkan] region, financing projects chosen by the beneficiaries too often in a manner more akin to a child in a toy shop than on the basis of carefully considered strategies." A letter to European Voice from Ana Colovic of our Macedonian group Eco-sense, October 18.

"The European Union had budgeted about EUR 25 billion, which is more than half of all its transport investments in the region, for new road projects for countries including Poland and Bulgaria over the next five years. Railways in the region would only receive half that amount, undermining the EU goal of shifting more transport from trucks to less-polluting trains." International Herald Tribune quotes Anelia Stefanova, Bankwatch's transport coordinator, December 5.

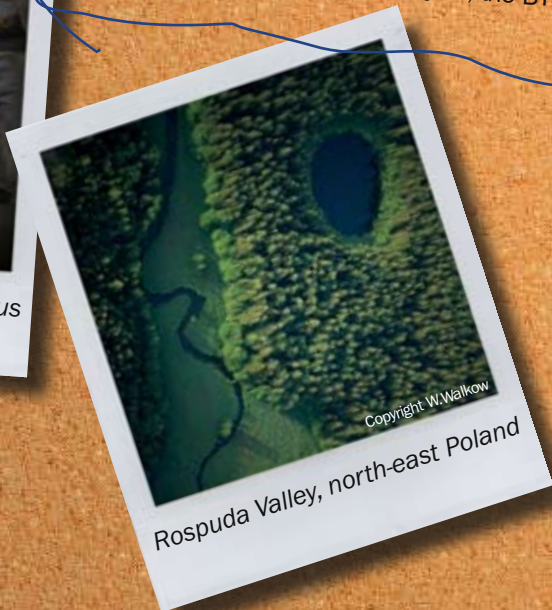


Community protests in Vlora, Albania

"Many women and girls have been forced into prostitution, that links to a subsequent rise in sexually transmitted diseases, sexual harassment and violence against women". Inter Press Service quotes Bankwatch's Caucasus coordinator Manana Kochladze describing some of the unfortunate consequences of the IFI-backed "development" project, the BTC pipeline, March 8.

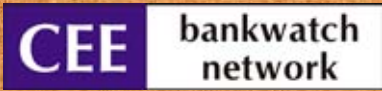


Protest action against hazardous waste, Zagreb



Rospuda Valley, north-east Poland

Copyright W.Walkow



published July 2008

CEE Bankwatch Network
Na Rozcesti 6, Prague 9 - 190 00, Czech Republic
tel: + (420) 274 816 571 fax: + (420) 274 816 571
email: main@bankwatch.org www.bankwatch.org

design by Greg Davis 