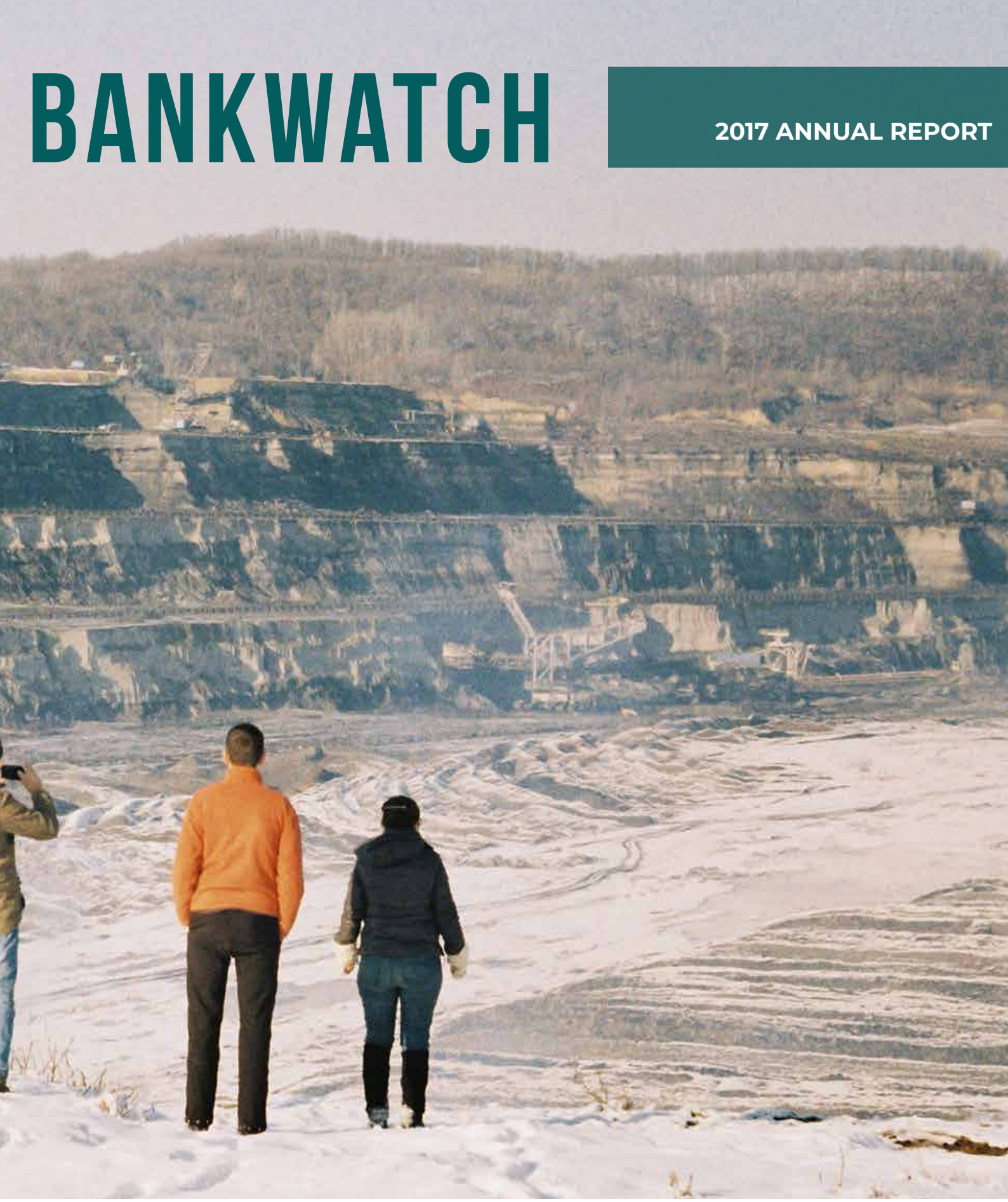


BANKWATCH

2017 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.

Executive Committee members

Magda Stoczkiewicz, Belgium
Istvan Farkas, National Society of Conservationists, Hungary
Piotr Trzaskowski, Poland
Nevena Smilevska, Ecosense, Macedonia
Desislava Stoyanova, Za Zemiata, Bulgaria

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Fidanka Bacheva-McGrath, Bankwatch, Bulgaria
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LETTER FROM THE EXECUTIVE DIRECTOR

MARK FODOR

As I reflect on 2017, the strides that we at Bankwatch made in bringing European public funds to account for people and the environment is one of the year's good news stories. Our annual report highlights some of the achievements and hard work from people across our network in central and eastern Europe.

Because these are highlights, the annual report does not present the full story: the planning, the efforts, the passion and even the disagreements that we had in the past year as we worked to figure out how best to move forward our agenda.

Having the privilege to be a member of this network, I

see how real purpose in our work and the successes and victories we achieve is what gives meaning to what we do, fuels us to do more, and to plow our way through the necessary doldrums in order to ultimately be able to go out and make a difference. Indeed, this passion is the real difference.

On several fronts we made headway for a better environment and climate. We intensified our work towards a coal-free Europe by helping to shape the narrative about what a world beyond coal would look like in the new EU Member States.

Our efforts involved engaging communities at the grassroots and decision-makers at the

REAL PURPOSE IN OUR WORK AND THE SUCCESSSES AND VICTORIES WE ACHIEVE IS WHAT GIVES MEANING TO WHAT WE DO

highest levels, ensuring that funds in this region do indeed lead to a low-carbon future and stop supporting the filthiest and most polluting of fossil fuels. We also took steps to expose the weaknesses in the climate commitments of the European Investment Bank, the world's largest international financial institution.

In Macedonia, through the efforts of our local member organisation, we blocked a road from being built in one of the country's most beautiful and biodiverse areas. In Tbilisi we helped galvanize the momentum of the global movement against the impacts of hydropower by bringing together more than one hundred river defenders from every corner of the globe.

In our quest to ensure that European public funds are indeed there for the people, we are leaving no stone unturned: from reaching out to people in Mombasa faced with resettlement by an EU bank road project, to the very heartland of our region in Slovakia, where people imagine their lives without the old king coal.

Others in our network delved into the nitty gritty of transparency issues around Europe's export credit agencies, and through the courts cracked open these secretive government

agencies that mobilise billions of euros in potentially problematic investments around the world. We also succeeded in setting a precedent whereby the EU Ombudsman recognised the activities and impacts to people of the European Investment Bank outside the EU as very much part of its remit.

In conclusion, while this annual report highlights our achievements, I would also ask you the reader to think about what it does not show: the people behind the efforts who work tirelessly to make all of this possible.

This report is a celebration of their achievements, of the good news story that the Bankwatch team is for central and eastern Europe. None of this would be possible without the generous and continued support of our funders, for which I would like to take this opportunity to say thank you.

Sincerely,

**MARK FODOR,
EXECUTIVE DIRECTOR**



WHO WE ARE

Bankwatch is the sum of 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.



Bulgaria

Centre for Environmental Information and Education

Za Zemiata (For the Earth)

Croatia

Zelena Akcija

Czech Republic

Hnuti Duha

Centre for Transport and Energy

Estonia

Estonian Green Movement

Georgia

Green Alternative

Hungary

National Society of Conservationists – Friends of the Earth Hungary

Latvia

Green Liberty

Lithuania

Atgaja

Macedonia

Eko-svest

Poland

Polish Green Network (Polska Zielona Siec)

Russia

Sakhalin Environmental Watch

Serbia

Center for Ecology and Sustainable Development

Slovakia

Friends of the Earth – CEPA

Ukraine

Ecoaction (Екодія)

National Ecological Centre of Ukraine

WHERE WE MADE A DIFFERENCE IN 2017

- Together for a coal free Europe
- Filling the gaps
- Reclaiming their power
- Sunlight is the best disinfectant
- Righting the wrongs
- Beyond our borders
- Saving climate funds from shortchanging
- The home stretch
- Stemming the tide
- Going to market

TOGETHER FOR A COAL FREE EUROPE

Limiting global warming to 1.5 degrees Celsius in order to avoid catastrophic climate change and save lives will not be possible unless Europe drops its addiction to coal – and does so fast. If serious about its climate commitments, European leaders must develop plans for a fair and equitable transition away from coal.

Recognising the urgency of such a transformation, Bankwatch joined together with more than 30 other civil society groups and think tanks from 28 countries across Europe to call for a 'Europe beyond coal'. In addition to our particular expertise and contacts in central and eastern Europe and across the Balkans, we've taken a leading role within the Europe Beyond Coal campaign with the work on 'just transition', meaning that the transition to clean energy is done in an inclusive manner.

Bankwatch staff are promoting the concept of just transition across the region and in addition curating the popular website just-transition.info, which has become a leading source of information for sharing good practices within the sector and as well a networking hub for those stakeholders focused on the topic across the globe.



FILLING THE GAPS

While efforts are being made in the European Union to bring down air pollution to a safe level for people's health and the environment, at the EU's doorsteps in the Western Balkan, air quality data is either unavailable or unreliable. Over the last year, Bankwatch has filled this gap by conducting independent air quality monitoring at six locations across the Western Balkans, Romania and Bulgaria.

In all of these places, Bankwatch has found alarming levels of PM 2.5 and PM 10, the particulate matter so fine it enters deep into our lungs and blood streams and causes irreversible damage, respiratory and cardiovascular diseases.

Our analysis of the data indicates that the main culprit is the coal industry. While local authorities are slow to take action on air quality and even plan to build new coal facilities in places where people's air is already poisoned by coal, citizens across the Balkans are increasingly informed about the dangers of air pollution and have organised to protest for change.

RECLAIMING THEIR POWER

Upper Nitra in Slovakia is the country's main coal-producing region and one of the areas that was selected by the European Commission for its pilot programme to help European regions both move away from coal and at the same time redevelop and create employment. Bankwatchers in Slovakia have long called for this process to be an inclusive one that allows the citizens of Upper Nitra to have a say for their development.

A breakthrough came in January, when the body representing local authorities in Slovakia announced that the planning process for the future of Upper Nitra would take a bottom-up approach and allow all citizens to provide inputs into the process. Bankwatch will continue to monitor the planning to ensure that the ideas of local people are not eventually sidelined as a result of pressure from the coal lobby.

SUNLIGHT IS THE BEST DISINFECTANT

While the European Investment Bank (EIB) has become a much more transparent institution over the years, the bank continues to push back against our calls for more openness, most recently regarding how its internal body handles complaints from affected people. After one Bankwatch complaint was rejected outright by the bank, we took our case to the European Ombudsman, who agreed with our opinion that the EIB, as a European institution, was out of line with respect to EU rules on accountability.

Having the EIB's decision challenged by the Ombudsman was a success in its own right. But the case also spurred the Ombudsman into action, which has now taken an active role in the review of the EIB's complaints procedures. Our role in highlighting the shortcomings of this body to the Ombudsman will hopefully lead to more critical oversight of the bank during the ongoing review of its complaints mechanism policy, leading to further transparency when a new policy is adopted in 2018.

RIGHTING THE WRONGS

Greater transparency is, however, not an end in and of itself: we call for multilaterals to be more open about their operations because this empowers people affected by bank projects to seek redress when something goes awry. Such was the situation in Kenya, where an EIB-financed road project led to the displacement of more than a hundred people, who did not receive compensation as was required from the project sponsor.

Following a training outside Mombasa for local communities about how to use the bank's grievance mechanism, more than 15 complaints were lodged at the EIB, which prompted the bank to take the matter up with its client. Currently the bank, its client and the affected people are involved in a mediation process, which should result in adequate compensation for the locals who lost so much from the project.



Koneja Aziza and child, Mombasa; photo Krzysztof Miekus

BEYOND OUR BORDERS

Bankwatch and its member in Kyiv Ecoaction have long called on the Ukrainian government to consult neighbouring countries over its plans to continue running Soviet-era nuclear reactors. Such consultations are required by international obligations and a loan from the European Bank for Reconstruction and Development. But already once Ukraine was found in breach of the Espoo Convention – the body that requires the transboundary consultations – after it extended operations at two nuclear units without these required consultations.

Through our continued efforts, in 2017 the parties to the Espoo Convention formed a working group to examine further the applicability of the convention to nuclear power lifetime extensions, which is an important step towards recognizing that the potential impact of nuclear power plants knows no borders, and that all potentially affected citizens should have a say where the life extension of old nuclear power stations is concerned.



Cooling towers at the Zaporizhia nuclear plant, Ukraine

**THE POTENTIAL IMPACT OF
NUCLEAR POWER PLANTS
KNOWS NO BORDERS**

SAVING CLIMATE FUNDS FROM SHORTCHANGING

When the multibillion euro 'Investment the Plan for Europe' received a new lease on life at the end of 2016, the European Commission proposed to much fanfare that no less than 40 per cent of the projects in the EIB-managed fund would address the threat of climate change. But the devil was in the details: our experience with how the EIB accounts for what is and is not considered climate finance revealed that the Commission's proposal would mean in fact that only a paltry 20 percent of the fund was set aside for climate mitigation and adaptation projects.

By gathering intelligence in Brussels, mobilising stakeholders to act and explaining the details of what the Commission was actually proposing, Bankwatch was able to persuade the European Parliament to strengthen this climate target. Our interventions pressured MEPs to adopt a genuinely ambitious level of financing from the European Fund for Strategic Investments for climate related projects.



THE HOME STRETCH

The beautiful stretch of lakeside coastline between Ohrid and St. Naum in Macedonia is home to the Galicica national park, with its abundant biodiversity earning it a designation as an emerald site, an Important Plant Area and since 2014, a part of the UNESCO's World Network of Biosphere Reserves. Unfortunately, the area was also slated as the location for a new motorway to be financed by the EBRD.

Recognising the threat to the park, Bankwatch member group in Skopje Eko-svest took action to stop the project. By designing an alternative proposal to the motorway based on principles of smart transport solutions, Eko-svest was able to enlist support for their variant from a wide cross section of stakeholders, including bankers at the European Bank for Reconstruction and Development (EBRD), the local municipality and the prime minister himself. Their efforts saved this valuable tourism and recreation areas for future generations.

PHOTO: Shoreline of the Galicica national park, Macedonia

STEMMING THE TIDE



Valentina Slavevska Stamenković, macroinvertebrate expert, University St. Cyril and Methodius

In recent years an emerging strand of our work has centered on stemming the tide of financial flows for hydropower projects in southeast Europe. In summer 2017, an independent Bankwatch field visit to Albania revealed negligence by the EBRD at two of its hydropower projects at Rapuni and Ternove. When confronted with its findings, the bank acknowledged its failures, but has yet to adequately remedy the shortcomings.

To continue the pressure on the EBRD and EIB, we released the findings from Albania together with investigations from neighbouring Macedonia and Croatia, to further uncover the extent of the problems associated with financing for hydropower in the region. Greeted with exceptional regional media coverage, the report will hopefully prevent further instances of damage and destruction from multilateral lending for hydropower, and with a review to the banks' environmental policies upcoming, we will continue to use our casework to push for change.

STRENGTH IN NUMBERS

Activists from across the globe gathered in Tbilisi for a week long event to celebrate rivers and to share and plan campaign strategies for defending this precious global resource. Serving as co-convenor of the meeting, Bankwatch hosted roughly 100 river defenders from Asia, Africa, Europe and North and South America.

The location for the event was not a coincidence - Georgia's rich water resources are under threat from the government's haphazard energy development plans, so the meeting was as much a strategy session as a solidarity one, with the gathering culminating in a show of support for Georgian river defenders and their struggles.



River defenders from around the globe gather in Tbilisi

GOING TO MARKET

Although virtually unknown to the public at large in central and eastern Europe, export credit agencies from the region command tens of billions of euros in total lending and support projects across the globe that have significant impacts on people and the planet.

In order to raise awareness about these obscure financial institutions and their dealings, Bankwatch member groups and Austrian partner Finance and Trade Watch

organised a first-of-its-kind event in the European Parliament about export credit agencies from this region. Bringing together Members of Parliament, export credit agency and national ministry of finance employees, the event initiated a dialogue about the findings of research from the NGO partners into CEE export credit operations. The event and research served as a springboard to bring these opaque institutions into the sunlight of public scrutiny.

FEATURE

COAL WILL ALWAYS BE PART OF THE STORY



This article was first published on the website **Just-Transition.info**, a Bankwatch initiative that aims to be an informative resource and source of inspiration for people working on and with the frontlines of an equitable move away from coal-based energy generation. Just-transition.info is a living, crowd-sourced and community-based resource, that welcomes inputs from all stakeholders working for more just energy systems.

Situated on the old site of the Waterschei mine in the city of Genk, northeast Belgium, Thor Park is a symbol of the Limburg region's transition from coal mining to green energy: once a coal mine employing 16,000 people, it is now a hotspot for technology, clean energy and innovation.

The site was even mentioned by Maro Sefcovic, the vice-president of the European Commission in charge of the Energy Union, when he launched in December the EU Platform for Coal Regions in Transition, meant to assist regions moving away from coal.

'Inspiring projects include EnergyVille in the Belgian city of Genk which transitioned from a coal-mining economy to high tech hub which helps cities across the country learn from its experience,' wrote Sefcovic in a comment published by EurActiv on the occasion of the platform launch.

ENERGYVILLE

The Commissioner was referring to EnergyVille, a European research center located in Thor Park, which brings together several universities and research institutes to carry out research and business development on sustainable energy and intelligent energy systems.

Among the many projects EnergyVille scientists work on is a peer-to-peer energy trading model that would enable small energy producers, including households equipped with roof solar panels, to trade energy on their own on mini local energy markets.

'This is a new paradigm for energy trading, which is necessary if we want to make the energy transition happen,' explains Serge Peeters, in charge of business development at EnergyVille. 'Instead of having to dump in the ground the energy we produce from renewables – as it happens now on some days when there is oversupply – small producers



could sell the surplus to whoever they choose, to their neighbours or businesses in their community.'

Relying on blockchain technology (the peer-to-peer technology behind bitcoin), the new energy trading model would ideally end up being operated by local communities, reducing their dependency on utilities and eventually allowing them to primarily use renewable energy produced locally. In an optimistic scenario, this would be a way to meet base load electricity needs using clean energy.

A new model for energy trading is necessary, argues Peeters, not only because energy production has become extremely fragmented because of the boom in solar and other renewables, but also because prices of electricity have become impossible to predict more than 24 hours in advance: it's just too hard to anticipate the mix of climate conditions that affect wind and solar production, domestic consumption patterns and various interactions among buyers and sellers.

Peer-to-peer energy trading is being experimented with at various locations around the world though there are still many questions pending about whether the model is the most efficient way to promote the development of renewables.

In Genk, Peeters says they're about 80 percent done with developing the model and are close to experimenting with it in the Thor Park. The scientists obtained some regulatory exemptions they needed to pass electricity produced by the solar panels on the EnergyVille building to other buildings in the Thor Park complex.

'THIS IS A NEW PARADIGM FOR ENERGY TRADING.'



'YOU NEED A STORY TO DEVELOP'

That Peeters and his colleagues can work on this peer-to-peer energy trading model in Thor Park is due in big part to Paul Boutsen, who spent much of his energy while working for the Houthalen-Helchteren municipality advocating that the old mining sites in Limburg should not be destroyed, but redeveloped instead, in order to stimulate the alternative development of the region.

When Limburg's coal mines closed during the 1980s, Boutsen and colleagues got engaged in a mad race to save the old mining sites from

'THIS WON'T WORK IF ALL WE HAVE TO OFFER IS CHEAP OFFICE SPACE.'

being demolished – a struggle that continues into today at one of the sites.

In the period when the mines were closing down, it was hard to get authorities on the

various levels to agree on a common plan for regional redevelopment – Belgian politics has always been complicated that way, Boutsen says. LRM, a regional investment bank, took over most of the sites but – being profit-oriented – it would only keep structures standing if they didn't come in the way of making money from the site.

Boutsen, on the other hand, argued the post-mining development of Limburg could get a strong boost from reusing the old mining sites if they were all integrated in a coherent narrative and 'told a story'.

A few kilometers away from the business park, in the former park of the mining director – the mining and annex infrastructure in Belgian Limburg is impressive as the various capitalists operating the mines in the early 20th century wanted to boast their wealth – well-known Belgian conceptual artist Koen Vanmechelen will soon open an art studio/ exotic animal park.

A clean-tech incubator, Greenville, was built on the site of yet another mine in Houthalen-Helchteren nearby Genk. Among others, Greenville hosts the European Enhanced Landfill Mining Consortium, a European network of businesses, research groups and think tanks working on waste, who are very keen on having more partners from Central and Eastern Europe.

The region's most famous redeveloped site

is probably C-mine, a hub for the creative industry and the arts, hosting events – such as an upcoming Tim Burton festival with the presence of the director – drawing audiences from across the country and abroad.

Over time, the authorities have come around. Like in other countries and regions, relying on new industries to provide employment to former miners was an obvious option in Limburg. But, in a globalising economy, what has happened in Germany and elsewhere happened here too: the jobs moved to cheaper locations eventually. In 2014, a Ford factory employing 10,000 people in Limburg shut down. This made it clear that the region had to rethink its redevelopment.

In response to the Ford plant closure, the Flemish government came up with a 200 million euro investment plan, which included financing the redevelopment of old mining sites to orient them towards supporting a transition to innovative manufacturing and knowledge economy.

Some of the money was used to further develop Thor Park. Last year, Thor Central, the one-century-old main building of the mining complex, was reopened after renovation. It's meant to serve as a meeting center, with restaurants and conference space filling in the superb building, which has preserved Art Deco details, a large skylight and an original terrazzo floor. In addition to EnergyVille, Thor Park hosts a science park, a business incubator, a campus for tech students and plans to open more similar institutions – its workers meant to congregate and exchange ideas in the common spaces.

Walking through the old building hosting miners' showers at the former Zolder mine – where Paul Boutsen worked a short stint underground while studying and his father spent a lifetime – Boutsen comments that the sustainable building center opened there never became as popular as was planned. It might be time to think of a new plan for the location, the man pondered.

'Mining regions have to reinvent themselves all the time, it never ends,' Boutsen concludes.

Boutsen – a former social worker – insists that any redevelopment has to be done with respect to the mining past and the miners themselves.

'If you just helicopter into a region and say that 'we must finish with coal' that will never work,' he warns. 'When you make future plans, first make an inventory of the resources and knowledge that is there and safeguard it. Miners have so much technological knowledge others don't have. Don't destroy, recycle!'



FINANCIALS

Bankwatch is grateful to all of the foundations and organisations that have supported and made possible our work in 2017. Here we present a summary of our financial accounts.

BALANCE SHEET

Assets	EUR
Fixed Assets	12 893
Claims	507 648
Cash in Hand	432
Bank Accounts	351 333
Valuables	0
Interperiod Active Clearances	729
Total Assets	873 035

Liabilities	EUR
Reserve Fund	185 613
Grant Fund	318 612
Committed Transfers 2016	268 227
Accumulated Financial Result	-18 950
Short Term Liabilities	103 792
Interperiod Passice Clearances	15 741
Total Liabilities	873 035

BUDGET BREAKDOWN BY FUNDER



BUDGET

Income	EUR
DG Development	1 221 013
DG Environment	352 223
European Climate Foundation	215 343
CS Mott Foundaton	161 987
German Ministry of Environment	153 554
Partners cofinancing	60 134
Various	148 974
Total income	2 313 228

Expenditures	EUR
Salaries	923 544
Running costs	98 327
Travel and meetings	411 087
Equipment	22 592
Consultants and legal assistance	179 730
Publications	144 420
Network overheads	64 206
Support for partners	469 322
Total expenditures	2 313 228

* recalculated from foreign currencies to CZK and then back to EUR



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