Bankwatch Mail

CEE bankwatch network

Newsletter of the CEE Bankwatch Network on International Financial Flows

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EBRD coughs up for labour rights abuser

The supermarket chain Kaufland Polska received a sizable loan of EUR 160 milion in February this year from the European Bank for Reconstruction and Development to finance the strategic expansion of its supermarkets across Poland. At the same time the Polish Labour Inspectorate was conducting an investigation into Kaufland's supermarkets. This investigation revealed Kaufland's contempt for Poland's law and regulations. CEE Bankwatch Network, together with All-Poland Alliance of Trade Unions, is objecting to this loan.

Are you ready to work in Kaufland? You most certainly are if, as the company's website has it, you are happy to remove from your personal vocabulary the expression ”It is impossible to do”. This unfortunately perfectly reflects labour conditions in Kaufland and the company's strategy towards human resources.

According to former employees, working in Kaufland was like a nightmare. ”It was a work camp, hard toil for a dozen hours a day, and no reckoning with employees' needs,” said Piotr Morawski in a March 2005 interview with Sztafeta magazine. The former department manager in Kaufland's Tarnobrzeg store continued, ”Employees are continuously forced to work overtime, often for no extra pay. My record is 25.5 hours of constant work.” Morawski decided to go to court to retrieve unpaid money.

Andrzej Sliwinski worked in Kaufland for eighteen months. ”Usually after I finished my official work day, I had only a small break for a meal and then I would have to work the next few hours more.”

Sliwinski sued Kaufland when he was sacked just a couple of days after he had set up a trade union in Kaufland's store in Slupsk. ”Myself and a colleague were rubbished and dismissed. Ultimately, the labour court recognised our rights and Kaufland had to withdraw its slanders. However it is now difficult for me to find a job with my past as a so-called uppity employee.” *(continued on page 2)*

"It's early yet, Kowalski. You'll be clearing that with a pallet of tinned peas on your back in no time."

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Winds of change at the EBRD?

Arthouros Zervos, President of the European Renewable Energy Council (EREC), has recently been finding out a lot about the EBRD's influential role in Central and Eastern European energy markets. He was chosen to chair the recent public consultations that were the precursor to the launch of the EBRD's review of its Energy Policy.

Professor Zervos describes the consultations, which brought together EBRD staff members, academics and NGO representatives, as a very worthwhile process, which was conducted in a "collaborative" atmosphere. But Professor Zervos regretted that representatives from the energy industry were not present at the meetings. He says, "If the energy industry had been there, I think that would have been much more interesting, both in terms of transparency and debate."

Zervos also feels strongly that, ahead of the new energy policy's finalisation later this year, EREC would welcome, and indeed have been trying to instigate for several months now, direct talks between the EBRD and representatives from the European renewables lobby. The EREC President believes that such a meeting would provide an excellent opportunity to discuss in details the problems associated with financing renewables that the EBRD has voiced. *(continued on page 3)*

Energy cross roads – it's make up your mind time for the EBRD

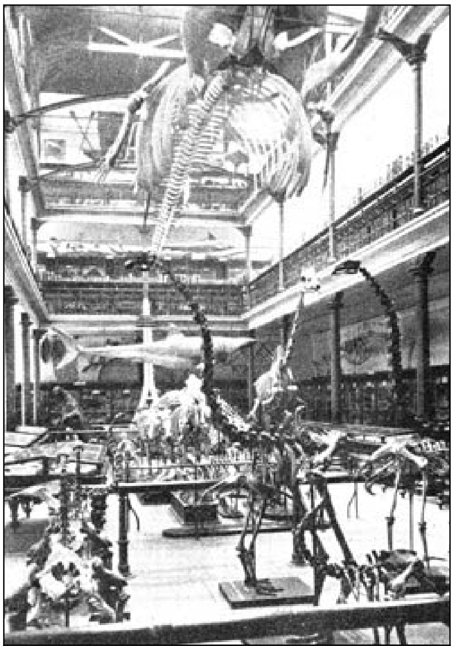
Last year the EBRD embarked on two important, inter-related topics that will shape the institution's investments for the foreseeable future: approval of the second phase of the Sakhalin II oil and gas project and the review of its Energy Policy.

Although we have seen some positive signs from the EBRD on Sakhalin II - for example the bank's insistence on the establishment of an independent scientific review to look at the project's likely impacts on western gray whale conservation – as far as the discussions on its Energy Policy are concerned the EBRD has been unabashed about its refusal to make a strategic assessment of its energy portfolio's impact. By so doing, the EBRD has ignored its own environment policy.

What this reveals is that the EBRD, one of the main investors in the central and eastern European region's energy sector (EUR 3 billion invested in 1999-2004), is reluctant – for whatever reasons – to put on the table figures regarding the climate and other environmental impacts of its lending. The opportunity to have a serious, thoroughgoing debate based on this kind of data has been spurned. It also demonstrates that the EBRD's Board of Directors is unprepared to exercise its duty to verify whether or not bank staff is following bank policies as they were approved. Indeed, none of the directors had the energy to respond to an NGO letter raising this very issue.

The next few months will provide the answers to a number of key questions. On Sakhalin II, will the EBRD swallow Shell's recent announcement to reroute the undersea pipeline as justification for project approval or will the EBRD insist on the moving of a key oil platform, a necessary measure that will increase protection for the last 110 whales threatened by the project? Will the EBRD require that the river crossing technology used on the pipeline is changed or will it quietly observe the destruction of salmon spawning rivers that are vital for all of Sakhalin's fishing industry? Will the new EBRD Energy Policy be a credible framework for reducing the region's excessive green house gas emissions or will it continue to be a reliable instrument for the securing of cheap oil, gas and electricity in West European, US and Japanese markets? Following the example set by the EIB and World Bank last year, will the new energy policy set up some meaningful, not to say ambitious targets for the funding of renewables and energy efficiency, or will market forces continue to shackle the EBRD to predominantly unsustainable and uninspiring energy lending?

The answers to these questions will determine whether or not the EBRD is serious in its commitment "to promote environmentally sound and sustainable development". Down at the energy crossroads, only the climate change dinosaurs are dragging their feet.□



Whale takes evasive action from dinosaur gathering

EBRD coughs up for labour rights abuser

(continued from page 1)

In March this year, the Polish Labour Inspectorate revealed the results of inspections conducted in over sixty of Kaufland's supermarkets in Poland. The inspection assessed Kaufland's legal conditions regarding labour law, including safety and hygiene standards. The situation in Kaufland's stores was found to be shocking, with Polish law regularly violated in almost every supermarket. In general, there were instances of misstatements concerning work time evidence and salaries. Products, including food, had been stored improperly, dangerous places were not properly secured, employees were not provided with individual safety means and were not trained in safety matters. In the end, the labour inspectors addressed Kaufland Polska with 749 applications for removing misstatements and in five cases the public prosecutor was informed about criminal activity.

The EBRD loan for Kaufland is astonishing as it was widely recognised via the media that Kaufland Polska exploits its employees in order to minimise the cost of its operations. An essential part of Kaufland's expansion strategy is to target areas of high unemployment in Poland, especially in secondary cities.

As a public institution which draws on taxpayers' money, the EBRD should ensure it supports only responsible business practice. In 2001, however, the EBRD supported Animex, a Polish company owned by US food giant Smithfield Foods. Animex's farms still fail to fulfill the requirements of Polish law in terms of integrated permits and fertilizations plans.

Issues related to labour rights should be dealt with by the EBRD's environmental appraisal process. The EBRD's Environmental Policy states, „In line with its mandate to promote environmentally sound and sustainable development, the term 'environment' is used in this Policy in a broad sense to incorporate not only ecological aspects but also worker protection issues...". But the results of the inspection show that the EBRD's environmental analysis for this project was flawed otherwise such labour rights problems would have been picked up and identified.

CEE Bankwatch Network, together with All-Poland Alliance of Trade Unions, has requested the EBRD to:

- issue an official public statement in Poland where it will explain its requirements to Kaufland Polska regarding the respect of national labour legislation as well as environmental, health and safety standards
- stop disbursement of the loan to Kaufland Polska until all of the findings of the labour inspectors are rectified and verified by the Polish Labour Inspectorate
- release the results of its environmental analysis including all documents related to labour issues.

Kaufland belongs to the Schwarz Beteiligungs-GmbH, a German corporation that owns Lidl discounters. Similar problems have appeared in Lidl supermarkets in many countries across Europe. In December last year, Ver.di, the largest, independent trade union in the world, published a "Lidl Black Book" portraying a number of compromised Lidl and Kaufland employees.□

Winds of change at the EBRD?
(continued from page 1)

Despite the EBRD's original receptiveness, Professor Zervos says that a proposed Brussels meeting has not yet materialised and is still under discussion. As to which European energy industry officials the EBRD has already consulted with, Professor Zervos is unclear but feels that, "In terms of transparency, the EBRD should say."

And what are these problems or barriers to financing renewables that campaigners regularly hear repeated by EBRD officials? One key obstacle is the viability of the projects with which project sponsors approach the EBRD. Professor Zervos explains: "The definition of viability is an interesting one. The CEE countries do of course have very low electricity prices compared to those in the longer established EU countries. This makes it very difficult for a renewable project to be viable, and discussions about this dilemma were a feature of the consultations. The suggestion was made, how can the EBRD help to develop frameworks that would give renewables projects a hand up? The problem is that the EBRD maintains that it is not their job to develop legal and support frameworks that could help the development of renewables in these countries."

It should be underlined, however, that the EBRD does in fact lend in order to implement "necessary regulatory reform" in the energy sectors of its countries of operation; a very recent example of this is in Macedonia. It remains unclear why regulatory frameworks for renewables are not being embraced by the EBRD.

The often very small scale of renewables projects is frequently cited by the EBRD and others as another obstacle to financing. Although he recognises that the solutions are not straightforward, Professor Zervos insists all the same that they are out there and plausibly argues for the EBRD to use intermediaries in individual countries, where the EBRD would be responsible for the funding of a series of projects.

More widely, Professor Zervos believes that the lack of viability concern can be addressed if there is a willingness to deliver on the EU agenda for developing renewables.

"Especially in those countries that have joined or will soon join the EU, complementary financial sources via the EU can be found and this is something that the EBRD should be looking at more closely. The pro-renewables legislation appearing in the Czech Republic and Poland, for example, is changing the horizons and changing what is or isn't viable."

The wide NGO advocacy approach of calling for clear EBRD targets for its future renewables and energy efficiency lending is, in the eyes of Professor Zervos, a "sensible approach." But will the EBRD be receptive? "That's a difficult task because of the reluctance for targets," continues Zervos. "But, ultimately, you have to measure your efforts. If you don't have targets then you can do whatever you want." Professor Zervos was also keenly aware of a parallel "policy measurement" issue that featured throughout the consultations: that concerning campaigners' complaint that the EBRD's "transition impact" – its projects' acclaimed added value component – can be of no real value if it cannot be measured.

The need for the EBRD to establish targets for clean energy investments is, according to Professor Zervos, also related to the bank's support for fossil fuels which he doesn't see disappearing overnight. "In the CEE countries there is a need for energy. So the EBRD would say that renewables and energy efficiency are not enough to meet demand in these countries, therefore we have to fund fossil fuel projects. However, there needs to be some kind of balance struck, and that's where targets for renewables and energy efficiency come in."

On the EBRD's backing of fossil fuel investments – the Baku-Ceyhan pipeline and, potentially, Sakhalin II – which do not serve the energy needs of host countries and on the question of why the EBRD should be supporting massively profitable oil companies, Professor Zervos has serious misgivings. He also holds equally strong misgivings about the EBRD's current support for the nuclear industry.

Elsewhere, Zervos has commented: "While other sources, especially nuclear, did and continue to receive massive subsidies, renewables entered a rather distorted market. In the 50s and 60s, no one asked whether nuclear energy was competitive, but it was decided that this was the way forward and that was that. How can anyone expect renewables to succeed in a liberalised market without any initial support?" And with the chorus of support for a new wave of nuclear development – "The nuclear lobby is incredibly strong in Europe" – swelling across Europe, often on the basis of partial environmental arguments, the question is, will the EBRD's new energy policy declare that it is sticking around in the nuclear sector?

"I think it will be pushed to stick around because of the strength of the lobby pushing for the revival of nuclear plants," says Zervos. "If you promote the environmental dimension in this debate, then you must look at it in the round, not just in terms of CO_2 emissions. There is a case for EBRD involvement for security reasons but the expansion of new units should be off limits."□

Professor Arthouros Zervos is the President of the European Wind Energy Association and of the European Renewable Energy Council. He is also Associate Professor at the Mechanical Engineering Department of the National Technical University of Athens. From 1990-95, he was scientific officer at the renewable energy division of the directorate general for science research and development of the European Commission. He was talking to Bankwatch Mail in early May, at which time a meeting between EBRD and European renewable energy representatives was unconfirmed.

Illustration by Dora Dutková

Are the IFIs responsible for the Tulip Revolution?

A couple of months have passed since the revolution in Kyrgyzstan and the changing of national authorities. Aside from the political reasons behind these events, economic factors may also have played a key role.

Political leaders across the Commonwealth of Independent States as well as various experts have acknowledged that the crisis was caused by an inability of the former government to secure at least some improvements in the living standards of Kyrgyz citizens. Responsibility for the economic reform failures lies also with the international financial institutions (IFIs). Over the last few years they have closed their eyes to problems involving corruption, the lack of a clear economic development strategy negotiated with all stakeholders, the degradation of existent governing institutions, and a lack of development in newly established ones.

By ignoring the appeals of Kyrgyzstan's civil society to revise country strategies for Kyrgyzstan and to stop pumping money into the bureaucratic machine – and hence increasing the external debt – the IFIs have declared themselves satisfied with the so-called high results in the implementation of economic reforms achieved by the governance of Kyrgyz Republic. The reality, though, has seen an overall stagnation in the economy and ever-growing public dissatisfaction with the former national government resulting in the forced overthrow of the authorities in March.

At the EBRD annual meeting in April 2004, Kyrgyz civil society representatives were keen to point out to the bank's management the need to pay attention to ongoing problems with civil and political liberties, human rights, freedom of access to information, transparency and the accountability of the government. At a meeting with the EBRD's political advisers and directors, top of the agenda was the terrible state of Kyrgyzstan's judicial system. Indeed the state of the judicial system led to difficulties during the elections and has also proved to be an obstacle for the development of small and medium enterprises - without the guarantee of property rights no development of this sector is possible.

In response the EBRD's officials duly declared that they do maintain a watchful eye over developments in Kyrgyzstan, including being aware of all violations. Yet, if the EBRD country strategy is anything to go by this is merely rhetoric that has still to be realised through specific actions.

An EBRD response to comments from the Bureau for Human Rights on the new strategy amply demonstrates the level of the bank's engagement: "In general EBRD agrees with the arisen issues concerning the obstacles to business growth, and continues to address them to Kyrgyzstan's government during meetings at all levels. President Akaev has publicly acknowledged the need to strengthen the reforms regarding management, the inhibition of bureaucracy and corruption". How easy! Akaev makes some pledges and the EBRD promotes this as a justification to continue its financing of projects in Kyrgyzstan.

"You'll blend in fine in my job at the ministry, sis"

The influence of the IFIs is great in Kyrgyzstan and bears comparison to so many developing nations. How can living standards rise, for example, when almost every year the International Monetary Fund (IMF) forbids the government to increase – even just marginally - salary levels for state employees. At the beginning of November 2004, the then Prime Minister Nikolay Tanaev struggled to convince Tapio Saavalaynen, counsel from the IMF, that the salaries of teachers and doctors must be increased by 30 percent – rather than the 10 percent proposed by the IMF - by describing how even a local self-government head's monthly salary is only Kyrgyz Som 650 (about USD 15); a minimum basket of goods is Kyrgyz Som 1460 per month. This kind of harsh arithmetic forces officials to trade by positions, services and patronages, which of course results in unprecedented and far-reaching corruption in a formerly law-abiding country. The notebooks that were recently discovered in the safe of the former president laid bare the extent of the extortion - another motivating factor for the widespread thefts and bribes at all levels of public administrative life.

On November 9, 2004, Michael Humphries, the representative of the IMF, informed the then speaker of the Kyrgyz Republic Parliament Legislative Assembly, Abdygany Erkebaev, that the IMF had no objections to increasing the salaries of teachers and doctors by six percent. As reported in Kyrgyz Weekly (Dec 19, 2004), Erkebaev responded that, "Six percent in Soms means nothing."

At the same time, though, roughly USD 5 million was being spent on ensuring that officials declare their incomes as part of the World Bank's project on the structural adjustment of public administration; legend has it that former president Akaev declared a single car. Events since March 24 – the staff and structural crisis in the management systems, corruption and nepotism - show how 'successfully' this project is being implemented.

Today the World Bank is threatening to withhold the next tranche due to the government ignoring the Bank's recommendations by being unwilling to conduct government business in an open, transparent manner and to take on board the Bank's advice on public institution improvement. Indeed the Bank is unhappy that the new government has removed the sister of the former first lady, Mayram Akaeva, from her post as the Secretary of State of the Agency on Public Services, a Bank financed governmental agency which had recently been established to sort out the country's public institutions.

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Are the IFIs responsible for the Tulip Revolution?

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The Tulip Revolution has revealed the severe reality which the Kyrgyz Republic finds itself in. The economic base is completely rotted through, based as it has been on the expensive loans and the outmoded, unreliable advice from the IFIs for the last 15 years. Whether the new authorities will be able to set out on a complete reconstruction of the country's economic bases or will instead continue to throw piles of IFI money at an old shaky construction teetering on the brink, depends on civil society scrutiny and unceasing IFI targeted advocacy efforts. For the foreseeable future the message will continue to be that the strategies for the region are in dire need of revision – an essential part of this will be to seek IFI acknowledgement of their responsibility for the failure of economic reforms. Otherwise Kyrgyzstan will be faced with new shocks, compared to which the relatively bloodless and medium-scale chaos surrounding the recent regime change will appear as a minor tremor, as a "picnic on the side of the road."□

Tatyana Mamatova,
Bureau for Human Rights and Observance of Legality, Kyrgyzstan

Sustainable transport: DELAYS AHEAD

The EBRD's unveiling of its new 2005-2008 Transport Policy at the end of April was greeted with exasperation by Bankwatch.

As a Eurobarometer survey of 25,000 people was revealing that nine out of ten Europeans say that decision-makers should pay as much attention to environmental considerations as to economic and social factors when taking decisions, the EBRD was proving itself oblivious to the adverse transport climate in central and eastern Europe that it and other major lenders have been laying the predominantly asphalt groundwork for.

The new transport policy lacks clear objectives and commitments for the promotion of sustainable transport across the region. Back in February, the European Parliament's transport committee vice-president Gilles Savary (PES, France) bemoaned the failure of Europe's decision-makers to deliver on the sustainable transport agenda promised in the EU's 2001 transport white paper, originally intended to herald a 'great turning point' for the EU's transport policy. The EBRD doesn't appear ready or willing to buck this depressing trend.

In line with its mandate to promote environmentally sound and sustainable development, the EBRD should have refocused its efforts on reversing the current transport trends in Central and Eastern Europe where the development of road transport is outstripping the development of sustainable public transport modes, in particular rail.

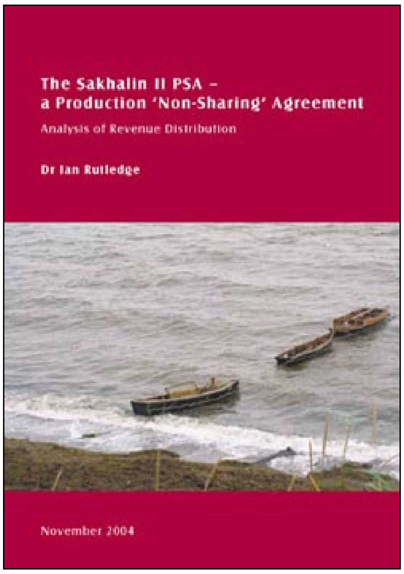
For four more years the EBRD will continue its support for motorway construction with no indication in its new policy that the external costs of road transport will be paid by road users and polluters. Currently, 52 percent of EBRD transport investment, largely covered by state loans and guarantees, goes to road transport. At the same time its new transport policy extends previous commitments to extensive railway sector commercialisation (privatisation and restructuring) which has resulted and will continue to result in extensive line closures and heavy job cuts.

The central and eastern European region is embarked on a collision course to follow western society models of car-oil dependency. This model is profoundly unsustainable and is resulting in ever-greater costs for society as the one way momentum on oil prices shows no sign of turning round. The international Energy Agency estimates that every 10 percent increase in the price of oil causes a 0.5 percent loss of global GDP (around EUR 255 billion). Transport consumes 80 per cent of global oil output.

Anelia Stefanova, CEE Bankwatch's Transport Coordinator, commented, "There are positive models for decreased transport sector oil dependency in Western Europe. Initiatives like London's city centre congestion charges, within which boundary the EBRD's headquarters fall, and Swiss road freight charges, need to be promoted in our countries too. But the EBRD prefers to learn only from the worst in the sector. How long will it take the EBRD and others to act on the fact that the biggest threat to the developement of the market in the countries from the former Communist block might not be insufficient transport development but constantly rising oil prices?"

On air, the EBRD rejected Bankwatch's recommendation that it should suspend its investments in the sector, despite the fact that with no taxes on aviation fuel, the air industry pays no charge for its adverse environmental impacts. Moreover, the EBRD will consider support for "low-cost" air companies, those budget carriers which charge low fares to passengers but high costs to society. Aviation is set to become the single largest contributor to climate change by 2030 if the sector continues to dodge paying a fair price for its impacts.□

New Bankwatch Publications

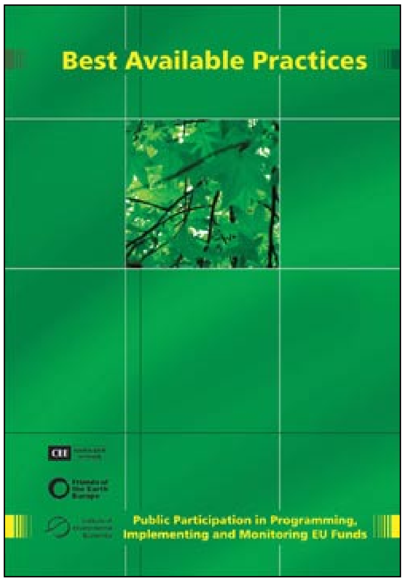


The Sakhalin II PSA - a Production 'Non-Sharing' Agreement

This report by Dr Ian Rutledge of Sheffield Energy and Resources Information Services analyses the revenue distribution of the Sakhalin II oil and gas project in Russia's Far East. The distribution of revenues between the Shell-led Sakhalin Energy and the Russian Federation is defined in the Production Sharing Agreement signed in June 1994. According to the report, the contract represents a "major departure from standard PSA terms worldwide". The study documents that "the benefits which flow to the Russian party … fall a long way short of those which would have been received had a 'standard' type PSA been used …(in which) the Russian party would receive 45 percent more economic rent."

To request a copy, contact main@bankwatch.org or view it at: www.bankwatch.org/publications/studies/2004/sakhalin_psa-11-04.pdf

Best Available Practices - Public participation in programming, implementation and monitoring of EU funds



Positive examples of cooperation between authorities and NGOs in relation to the management of EU funds in new and old member states as well as candidate countries are presented in this study from the Institute of Environmental Economics, Friends of the Earth Europe and CEE Bankwatch Network. It illustrates that such cooperation is feasible and is usually fruitful, contributing to a more efficient and more environmentally friendly use of the EU funds. The case studies presented in the report show that it is possible to implement the partnership principle in the process of EU funds programming, implementation and monitoring, thus allowing European citizens to participate in the decision-making process.

To request a copy, contact andrzejg@bankwatch.org or view it at: www.bankwatch.org/publications/studies/2004/best_practices_10-04.pdf

The League of Gentlemen. An investigative report on the legal and operational relationships tying the European Investment Bank to the EU institutions

This report sets out to shed light on the legal and operational ties between the EIB and the EU institutions, in particular the European Commission (EC), and to investigate ways in which to strengthen EIB-EC cooperation. Drawing on in-depth interviews with EU officials (including from the EIB and the EC), the report finds that the EIB must become legally integrated with its fellow institutions if it is to become a modern and accountable organisation fully capable of contributing to the realisation of the EU's economic, environmental and social goals.

The report is available at: www.bankwatch.org/publications/studies/2004/league_gentlemen_11-04.pdf

Baku Ceyhan documentary wins audience prize at international human rights film festival

At this year's renowned 'One World international human rights film festival' in Prague, "The Source", a Bankwatch co-produced film directed by Martin Marecek, received a Plzenský Prazdroj Audience Award for the film which met with the most positive response from members of the audience.

The film documents the social and environmental implications of the IFI-funded Baku-Ceyhan pipeline in Azerbaijan, which continues to be dogged by controversy and is due to deliver Caspian oil to the first tanker at Ceyhan in the fourth quarter of this year. The 77 minute film features interviews with BP officials, local state authorities, and local NGOs.

"The Source is the first critical film to examine the pipeline's impacts in Azerbaijan," said Mirvari Gehramanli (pictured right), the director of the Baku-based Oil Workers Rights Protection Committee who is featured in the film.

The Source was also awarded with a special mention by members of the festival's Grand Jury, compromised of acclaimed personalities in the world of documentary film: "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."□

To order a copy of The Source, contact: main@bankwatch.org

►More independent documentary films on IFIs: http://www.ifiwatchnet.org/eyes/index.shtml

Rosia Montana campaigner wins 2005 'environmental Nobel'

Stephanie Roth, along with five other environmental campaigners, has received the prestigious Goldman Environmental Prize – the so-called 'environmental Nobel' – for 2005.

Fighting to stop the completion of Europe's largest open-cast gold mine in Rosia Montana, Romania, Roth, and the NGO Alburnus Maior, have mobilised hundreds of thousands of Romanians, and created a coalition of local non-governmental organisations, archaeological specialists, academics and clergy to fight the Gabriel Resources mining development.

Granted mining rights by the Romanian government in 2000, Gabriel Resources - a Canadian-based company which is now backed by US-based Newmont Gold - began work on an open-cast gold and silver mine in Romania's Apuseni Mountains. The plan to mine 500,000 ounces of gold over 16 years would force more than 2,000 people to lose their homes, destroy 10 churches and 9 cemeteries, and damage many archaeological sites including unique Roman and pre-Roman mine galleries, temples, and sacred sites.

The battle to save Rosia Montana has now become the country's largest civil movement. Roth, who has dedicated her Goldman prize money to the Rosia Montana campaign, has also worked internationally to win support for her campaign and Romania's accession to European Union now hangs in the balance.

Stephanie Danielle Roth, 2005 Goldman Environmental Prize Winner, who has been championing a battle between area farm families and the mining company in Rosia Montana, Romania

The project is in clear breach of various EU Directives and Article 41 of the European Parliament's most recent resolution on Romania's progress towards EU Accession states that: "[Parliament] expresses its deep concern [that] …the Rosia Montana mine development poses a serious environmental threat to the whole region." Although European leaders agreed to sign an Accession Treaty with Bucharest in April 2005, membership will not be granted if Romania fails to comply with its reform programme to address corruption, poverty, and environmental and social issues. In October 2002, the International Finance Corporation (IFC) pulled out of the Rosia Montana mining project. In a statement issued by the World Bank Group, significant social and environmental concerns were given as reasons for its withdrawal.

Tomasz Terlecki, Bankwatch's Executive Director, commented, "Bankwatch is delighted that Stephanie got the award. We worked closely with her on the issues related to the IFC's involvement and wish the Rosia Montana campaign continued momentum and success."□

►More information on Rosia Montana campaign:
http://www.rosiamontana.org
►Goldman Environmental Prize website
http://www.goldmanprize.org

Clean energy bankable home and away

The World Bank is doing it, the European Investment Bank (EIB) seems to be doing it, what about the European Bank for Reconstruction and Development (EBRD)? No, we're not talking about the establishment of targets for investments in renewables and energy efficiency (see "Energy cross roads" article). Rather how an international institution, with environmental sustainability hardwired into its mandate, chooses to power its head office.

The World Bank announced in December last year its plans to purchase renewable energy (85,000,000 kilowatt hours of renewable energy certificates, equivalent to enough electricity to power almost 8,000 average U.S. homes for a year, according to the press release) for all the electricity usage in its Washington headquarters. This is a very welcome move that as well as reducing the World Bank's environmental footprint, should also increase the demand for this practice locally, as well as set an example for other institutions in the Washington area and globally.

Announcing the launch of the construction of its new building, the EIB trumpets that it will be at the cutting edge of energy conservation. Although short on specifics (see Bankwatch Mails passim), the high environmental quality of the winning tender for the new design has been "recognised by BREEAM certification and awarded the mark 'Very Good'."

As for the EBRD's London headquarters, Bankwatch and other international NGOs were taken aback during the EBRD's January's energy review public consultations to find EBRD staff admitting that they do not currently use any of the UK's renewables schemes to power the 1 Exchange Square building.

The EBRD's Environmental Policy states that, "In its internal operations, the EBRD will pursue the best practices in environmental management, including energy and resource efficiency, waste reduction and recycling. The EBRD will seek to work with suppliers and subcontractors who follow similarly high environmental standards. These issues will be taken into account in EBRD's headquarters and Resident Offices."

In the past it has been known for EBRD policy contradictions to be explainable by forces beyond the Bank's control – forces like, say, market conditions. Yet in the UK, nearly all non-domestic consumers get a tax break for buying green energy, in that it is exempt from the Climate Change Levy (CCL) at approximately 0.4 pence per kilowatt-hour. What kind of banking establishment would choose to run their offices at higher costs than would otherwise be the case?

In response to a Bankwatch letter on the subject of the apparent contradiction between its policy and the current realité, the EBRD's Environment Director pointed out that the bank is looking at a green option to purchase a "percentage of energy requirements from renewable sources", and would be hiring advisors to "investigate the availability and cost implications."

This is to be welcomed as the EBRD's energy supply contract ends this October. It should also be said that the EBRD is somewhat hemmed in – rather than boxed in – because the UK non-domestic market (including all UK government buildings) is over subscribed on account of the CCL tax break.

It is to be hoped that, above all else, a progressive move in the EBRD's domestic housekeeping is matched by solid commitments in the scope of its revised energy policy. The current bias in EBRD energy investments in central and eastern Europe towards fossil fuel projects requires urgent remedying. If the EBRD is able – as, using its influence, it should be able – to cash in on domestic tax-break incentives to clean up its own act, then it will send a clear signal to its countries of operation to set green policies which make a difference.□

EBRD man confirms that rumours about the sun and wind are true

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