BANKWATCH MAIL

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The more things change...

A major victory in the Via Baltica campaign was notched up on December 10 when the Regional Administrative Court in Warsaw cancelled the environmental consent for the highly controversial 17 kilometre Augustow bypass in north-east Poland. It was a decision warmly welcomed by Bankwatch and our campaign partners in Poland and across Europe, in particular as the court verdict now puts the development of the road – in its currently proposed routing – in serious doubt as it should not be implemented without the due environmental clearance.

The environmental clearance for the routing of the bypass through the Natura 2000 site "Augustow Forest", which includes the unique mires of the Rospuda Valley, had been granted by the environment minister of the previous Law and Justice-led Polish administration.

Coming amidst a range of positive signals that the new Polish government is willing to be less uncompromising on, for instance, stand-offs with the European Union, the court decision followed a highly encouraging step made just days before by the new environment minister Maciej Nowicki.

Polish media reported a proposal from Nowicki to convene "a roundtable for Rospuda" later this month that is to be comprised of experts, NGOs and local authorities to discuss possible solutions for the Augustow bypass and for Rospuda. Indications were that more sober assessments of Poland's European environmental responsibilities were behind the proposal, with suggestions that Nowicki believes that Poland will ultimately lose the Rospuda case pending at the European Court of Justice (ECJ).

The case was referred by the European Commission to the ECJ in March 2007 for infringing the requirements of the EU Habitats Directive. NGOs campaigning for an alternative legal and less damaging routing of the Augustow

continued on page 2

...the more they stay the same

What do 30,000 anti-nuclear Europeans and one pro-nuclear scientist have in common? In recent weeks they have all addressed the European Commission with an extentsive range of factual evidence supporting the view that the risks attached to the proposed EUR 6 billion Belene nuclear power plant (NPP) in Bulgaria are too great to qualify it for public financial support.

The Commission, however, has shown itself to be apparently impervious to their concerns and on December 7

continued on page 2

CONTENTS:

1 The more things change...
2 ...the more they stay the same
3 Albania at the crossroads – how the IFIs could be doing so much more
4 Backing a loser: PPP never never land comes to CEE
5 Outbreak of winter silly season commentary on the EBRD
6 Recent Bankwatch publications

THE MORE THINGS CHANGE...

bypass were instrumental in securing this high-level legal overview for a case which, by nature of its Natura 2000 relevance, has major ramifications for other cases across Europe where infrastructure developers are worryingly showing similar amnesiac signs of total disregard for biodiversity rich sites that are supposed to be protected by EU law.

The court decision did however serve as a further reminder that the long-standing traffic problems affecting people living in the town of Augustow – and for whom a bypass is an acute need – are not yet over. Polish environment NGOs and the Polish Ombudsman have of course regularly pointed out both the existence of an alternative route for the bypass outside the Natura 2000 site and the fact that it has never been considered by the Polish authorities. It is hoped that the roundtable will provide an opportunity for urgent, constructive dialogue between all concerned parties.

Despite repeated smears against Polish environmental groups and individuals throughout the Rospuda campaign, it's now objectively clear who is short-changing both local communities and taxpayers generally: those road promoters who ignore environmental law, regarding environmental issues as irritants that can be steamrollered out of society's consciousness. They will also be feeling the effects of this kind of approach in their bottom lines.

...THE MORE THEY STAY THE SAME

granted a positive opinion – under articles 41 to 44 of the Euratom Treaty – to the Belene NPP project.

Under the Euratom Treaty, the Commission is obliged to issue a non-binding opinion on every nuclear project within the EU. This favourable view from the Commission on Belene clears the way for Bulgaria to apply for loans from public institutions like Euratom and the European Investment Bank (EIB) – and such support is vitally needed for a project where the financial architecture is just one of many aspects that are balanced precariously on very uncertain ground.

Bulgaria wants to build a Russian designed AES-92 nuclear power station with two VVER 1000/466B reactors. The AES-92 design is said to have more passive safety features than the VVER 1000/320 design which already functions in Bulgaria and the Czech Republic. The Commission was also convinced that the preferred design would withstand aircraft impacts.

However, the indications from the Commission were far from unequivocal. A press release accompanying the decision stated that should Bulgaria request a loan from Euratom, the request will be judged on its own merits, including economic and environmental impacts. This would seem to indicate that there are concerns within the Commission about the environmental impacts of the proposed NPP.

But it is clear that the Commission did not take into account the current notoriously bad Environmental Impact Assessment for the project, although on the basis of the required documentation for Euratom article 41-44 assessments it could have done so. Furthermore the Commission accepted without critique a recent rushed report from the Bulgarian Geophysical Institute that states that no seismic activity is possible in Belene that would damage buildings.

This report was based on monitoring of the area in the last year or so, and of course takes no account of the major 1977 earthquake in the surrounding area that killed 120 people 14 kilometres away from the proposed site and that destroyed houses in the town of Belene itself. Assurances from the Commission to campaigners that it would submit the seismic report from Bulgaria to rigorous peer-review appear to have come to nothing.

The list of abuses of responsible project assessment do not stop here. The Commission's opinion also demonstrates that it accepted the complete lack of transparency from the side of the Bulgarian authorities that have structurally blocked access to any kind of documentation concerning the AES-92 reactor design.

The Commission's lack of objectivity regarding Belene is extremely troubling. It is possible to be misled about a project's risks but you cannot be let off the hook so easily when you have been warned directly – just a couple of weeks before – by the former head of the Bulgarian Nuclear Safety Authority that this project must be stopped as soon as possible.

In the company of international campaigners involved in the Belene campaign, the independent nuclear expert Dr. Gueorgui Kastchiev presented a list of concerns regarding Belene NPP to the European Commission.

Among the problems cited by Dr. Kastchiev are design problems, the lack of operational experience with the planned reactor type, the lack of qualified personnel and effective controls, the lack of a strategy to deal with spent fuel and rampant corruption in the Bulgarian energy sector.

Dr. Kastchiev could not have been clearer when he commented: "The Belene project poses intolerable safety and environmental risks. If one factors in the high seismic risks of the location and the low level of the nuclear safety culture in Bulgaria, it can only lead to one conclusion: This project must be stopped as soon as possible."

If you're thinking that the die is cast and that the Christmas lights are happily twinkling over the Belene NPP site, then think again. Environmental NGOs will continue to press the serious arguments against the project to the Commission – there are misgivings in Brussels on such issues as the construction quality and the qualifications of the construction workforce, and the seismic issue is not going away simply because there have been no sizeable tremors in the region in the last eighteen months. The NGOs will continue to demand full openness and transparency, absolute prerequisites in projects of this scale and where the risks are so huge.

And public financing for Belene via Euratom and/or the EIB will be no breeze for the Bulgarian government, given what has gone before. At last month's inaugural European nuclear forum in Bratislava, an EIB representative stated: "If there is a demand for the EIB to support a nuclear project in the future, it will evaluate it as any other project – based on technological, economic and environmental criteria."

The EIB has not provided financing for new nuclear build for more than twenty years. If the Belene playing field remains level – and NGOs are intent on ensuring that it does – then when the really big money decisions come along it is currently difficult to see how any institution working to uphold European standards on the environment and to ensure the full participation of affected European citizens can possibly support the Belene NPP. If such support does come, it will be a huge gamble in money terms, but more importantly in human terms too.

Albania at the crossroads – how the IFIs could be doing so much more

The investment climate in Albania that suffered a depression following the failure of fraudulent pyramid schemes in 1997 has been recovering. Assisted by political stability and Albanian's gearing up to join the European Union, the transforming Albanian market has provided lucrative business opportunities for foreign investors as well as the international financial institutions (IFIs). However, the history of several IFI-financed projects in the county of Vlora shows that the multilateral financiers might not be ready to play the role of international standards' setters able to adequately cope with the post-communist legacy and new realities in the country.

In recent years structural reforms and the privatisation of strategic business sectors have brought foreign direct investment and the explosion of green-field projects in Albania. These developments have been regarded favourably by the IFIs who, since they started operating in the country at the beginning of the 1990s, have advocated for tight fiscal policies and support for private enterprise as ways of achieving successful transition and economic growth in Albania.

As an indication of the growing trust in Albania's reforms, three IFIs – the World Bank, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) – have provided individual or joint financing for large energy and infrastructure projects, the principal one being the EUR 100 milion loan for the Vlora thermo power plant where construction started this summer.

In parallel with the project's launching, the EBRD and World Bank's redress bodies have investigated complaints from Vlora citizens about the project's harmful effects. The banks have been criticised for failing to ensure a proper environmental assessment of the project. Among other things, the complainants have raised the plant's siting at a recreational beach, the potential negative impacts on the local tourist and fishing industry and central government's bypassing of public opinion during the consultation process. The Vlora power plant together with two other controversial projects in Vlora county – the Petrolifera hydrocarbons terminal currently seeking financing from the EBRD and the Levan-Vlora road that has received support from the EBRD and EIB – thus stands as a worrying backdrop to future IFI activities in Albania.

Getting it wrong in Vlora

Political life in Albania has been polarised by a vigorous clash between the Socialist and Democratic parties. As a result of this struggle for state power, representatives of the Albanian central and local governments often oppose projects launched by their political predecessors. During the election campaign, the Democratic Party's current prime minister Berisha promised to oppose the construction of the thermo power plant, a hydrocarbons terminal and other components of an energy and industry park in Vlora that was initiated by his predecessor from the Socialist Party, Fatos Nano.

Given the strong resistance in Vlora, as well as domestic political pressure that such a position provoked as many

▫ "Sitting at the dock of Vlora Bay, watching the biodiversity slip away"

regions still have to endure less than seven hours of electricity a day, and also in view of the expected pressure from international actors such as the IMF and the possible international court charges brought by the foreign investor, Berisha backed down and found a "middle way" of keeping the thermo power plant and the terminal in Vlora while transferring other energy projects to the north of the country.

The rivalry between the two parties has caused frequent staff changes in public administration. The merger between the party and the state has in turn weakened the capacities of local and central governments to function as democratic and transparent institutions that are in any way motivated to provide the public with access to information and legal procedures.

After an investigation into the Vlora citizens' complaint about the lack of opportunities for voicing their concerns about the thermo power plant, in June this year the UN Aarhus Convention Compliance Committee issued a ruling that the Albanian government had failed to comply with international requirements for public participation over the project. But nor have the IFIs acted as guarantors of public access to environmental information and participation in decision-making in this case or in other Vlora-based projects either. In the case of the environmental assessment process for the four lane road from Levan to Vlore, the EBRD was not able to ensure that the two leading civil society stakeholders in Vlora – the Civic Alliance for the Protection of the Vlora Bay and the Civil Society Development Centre – were informed about the EIA process and invited on time to participate in consultations.

In 2004 the Albanian parliament approved the concession for the Italian company La Petrolifera Italo Rumena to construct and operate a hydrocarbons terminal in the vicinity of the thermo power plant in Vlora. The approval came only after charges of corruption connected with the project had prolonged the debate in the parliament.

According to the Transparency International's 2006 Corruption Perceptions Index Albania ranked at the 111 place among 163 countries reflecting the negative corruption situation in the country. Corruption in Albania is endemic, covering petty corruption practices as well as state capture and the involvement of senior government officials and politicians in fraudulent activities. It is therefore difficult to believe that the IFIs could operate in Albania without addressing corruption and weak governance. Yet there is no public documentation on concrete anti-corruption procedures that the IFIs may or may not use during the course of preparing and implementing projects in the country.

Civil society faces a brick wall

In October this year, the state Central Electoral Committee rejected on formal grounds a request for a referendum on the Petrolifera hydrocarbons terminal originating from the City Council in Vlora. The Committee gave the same negative irrevocable ruling to a request for a local plebiscite on the Vlora power plant delivered by 14,000 Vlora citizens in 2005. Apart from the two requests for a referendum, Vlora citizens have submitted several charges to Albanian courts against legal violations involving energy projects, yet they claim there is little prospect of positive outcomes.

With little legal redress available, the Vlora project opponents led by the Civic Alliance for the Protection of the Vlora Bay announced their determination to head to the streets until the central government nullifies its approval for the oil terminal. In November Vlora's students reacted with a protest to an attempt to call a public meeting over the terminal, throwing eggs and diesel at Petroliferia's representative. The protest saw the arrest of one of the student leaders.

The recent developments reflect general widespread distrust in the governing authorities as well as doubts about the effectiveness and impartiality of the judicial system. In 2008 the World Bank's Inspection Panel and the EBRD's Independent Recourse Mechanism will probably issue final verdicts on the complaints raised against the Vlora thermo power plant. These will show how effectively the IFI appeal mechanisms are able to act if the national level redress bodies are so immune to complaints from project-affected citizens.

In spite of wildcat housing construction happening along the coast, pieces of pristine Adriatic and Ionian coast are still preserved. Even though the beauties of the picturesque Vlora Bay are widely renowned, the thermo power plant made its way to the town because of the proximity to existing infrastructure and other mostly economic and logistic reasons – tourist development in the city, the local fishing industry and questions about the overall economic profitability of the project were overlooked. Years of protests by the Civic Alliance for the Protection of the Vlora Bay and local businesses are evidence that Albanian civil society has reclaimed its right to co-decide about types of development and ways to ensure a healthy environment.

Albania has relatively good environmental legislation, yet its enforcement has been week particularly due to the lack of capacity of environmental assessment and inspection bodies. Could the IFIs pick up the slack and play a strengthening role in EIA and monitoring processes? The IFIs are certainly not performing such a role automatically – an EIA quality control on biodiversity for the Levan-Vlora road came only after local civil society representatives expressed their concerns about mitigation measures along the road section neighbouring the Narta lagoon.

Transition or more despair?

During Prime Minister Berisha's October visit to London, EBRD president Jean Lemierre expressed an interest in supporting the construction of two to three new cement plants in Kruja, despite protests from the environmental movement and the Socialist party that the project will violate environmental standards, pollute the air and that two plants only will destroy 240 hectares of forest. A month later, the EBRD announced that it plans to invest more than EUR 120 million next year into Albanian energy and infrastructure projects.

There is no doubt that the Albanian private sector is in need of a boost and infrastructure such as road and railway networks and electricity supply require expansion. However, the IFIs cannot continue to operate in the country without addressing the generic causes of corruption, as well as promoting the reform of public administration and the judicial system.

The IFIs should be actively living up to their role as standard setters, keenly alive to the need for the proper assessment and monitoring of projects that they help finance, including open access to environmental information and opportunities for inclusive public engagement. The international banks should not forget that effective transition in one of the poorest countries in Europe will not happen ultimately without special support being given to education, health and rural development.

Backing a loser: PPP never never land comes to CEE

As Christmas approaches the shops will be full of offers to "buy now – pay nothing till June 2008" or some other future date. Such offers can be very tempting especially if you are strapped for cash or if your bank manager is giving you a hard time about your overdraft. If you can't pay in cash, are unable or unwilling to take out a loan then you may be tempted to scrutinise the deal less carefully – in terms of price, terms and so on – than otherwise.

In very simple terms all of the above could be applied to Public Private Partnerships (PPPs), which continue to be pushed by the international financial institutions (IFIs) in spite of an increasing number of failed PPP schemes around the world and the more general danger of storing up debts. There are signs of increasing realisation that PPPs may not be the panacea they have been sold as, but the question remains whether these warnings will be translated into action in IFI lending policies.

Hidden costs

The authors of 'World Bank Working Paper No.114 – Public-Private Partnerships in the New EU Member States – Managing Fiscal Risks' are up front when they state on page one that "governments might pay nothing now but face the risk of paying later, perhaps when they can least afford it". Future risks and costs associated with PPPs might not be seen by governments because they are reluctant to report immediate liabilities. This state of affairs can lead to serious dangers. Fiscal danger is increased. Projects may be badly designed and overpriced and PPPs may be chosen when public or purely private finance would be the sensible and more economically sound choice.

The authors state that when the future fiscal cost of contingent liabilities, such as guarantees, and long term obligations, such as take-or-pay contracts, are not taken into account this "creates an illusion of fiscal savings when investment and services are delivered without immediately raising the budget deficit and government debt. This illusion makes government risk exposure look 'cheap' compared to public financing and cash subsidies. Since the fiscal cost of PPPs typically surfaces in the long-term, the illusion holds even when countries develop a medium-term fiscal framework".

Blind eyes

Although the true costs of PPPs may be "hidden", this is particularly true when the viewer isn't watching too carefully or deliberately looking the other way. There are a number of reasons why governments might behave in this way. New EU member states are faced with the need to promote investment in infrastructure and other projects whilst at the same time having to operate under the constraints of minimising budget deficits and meeting fiscal targets such as the Maastricht criteria. This means that "Conventional fiscal institutions tend to promote incentives to ... favour PPPs even when public investment would deliver equal results at a lower cost in the long-term ... accept risks ... rather than providing cash subsidies under PPPs; and ... let the public sector accept risks that the private sector is more suited to bear".

Seeing through it

The main reasons for the "blind eyeism" described above are the lack of adequate assessement of the relative value for money of PPPs compared to public projects, weaker scrutiny of PPPs compared to publicly funded projects – partly caused by their tremendously complicated nature which often masks inadequate risk-sharing – and lack of government accountability. Quoting other sources on page 14, we learn that: "Measuring fiscal savings (and fiscal adjustment) in terms of the immediate impact on the deficit and debt that are not adjusted for government risk exposures has been known to encourage governments to provide contingent forms of fiscal support and assume risk and long-term obligations in exchange for short-term reductions of cash spending".

Accountability

The authors of the working paper point out that it is "difficult for policy analysts to assess the long-term fiscal costs of PPPs – and for the public to exercise appropriate pressure on policymakers for fiscal prudence". They state that "policymakers do not seem accountable for the long-term fiscal risk arising from take-or-pay contracts and various types of guarantees offered by local and central governments". They go on to say that the new EU members make available very little information on the risks associated with PPPs and that PPP contracts and their content are considered confidential.

However, when it comes to countries' willingness and capacity to evaluate and manage fiscal risk, the report does point to selected advances that are being made around the world, including in Hungary – though the description provided of these advances is necessarily quite limited. In terms of the provision of information about PPP contracts and licenses, the picture is similar: isolated country examples of disclosure of "some" contracts and licenses issued to private firms for the supply of public services are given. However the authors' conclusion is telling: "But around the world much more could be done."

Avoiding political pressure

An interesting point is made in this working paper about how governments can use PPPs to make it less difficult for them to raise user fees. Political pressure often makes it difficult for governments to raise such fees but "when the private partner gets its revenue from user fees, the private investors act as a counterweight to the political pressure for lower user fees".

The way they see it

Despite identifying and warning about the numerous risks and dangers associated with PPPs, the authors still take the view that "Private companies are usually better than governments at building infrastructure assets on time and on budget and at operating and maintaining them in a cost-effective and efficient manner". No evidence is provided for this and you have to wonder if it is more about ideology than sound economic judgement.

For the IFIs the playing field does appear to be sloping in one distinct direction when it comes to this question. A March 2005 evaluation from the EIB on its PPP projects stated that the completion of projects on time, on budget and to specification reflected the use of fixed-price, fixed-term turnkey construction subcontracts, which could also have been applied to public procurement.

Yet many people who have experienced contracting out and PPPs at the hard end – such as community groups and trade unionists – would take a very different few of the supposed benefits of private sector involvement in the public sector. In Great Britain, the home of the private finance initiative (PFI, PPP's identical twin), stories of massive over-spendings and almost comical incompetence involving PFI schemes are legion.

However, the authors are equivocal on whether PPPs are more efficient and cost effective than contracting out, stating: "Some argue that firms are likely to be better at coordinating the two functions [construction with operations and maintenance] and that delegating coordination to a private firm should therefore lead to cost savings; others are skeptical, arguing that fiscal sleight of hand is the real motivation for private financing in these cases".

After reading this working paper one is left wondering whether PPPs are really about cost-effectiveness or more about copping out (and, for some few companies, cashing in). As the paper is a discussion paper rather than any solid World Bank policy paper, a key question is how can the Bank and the other IFIs operating in central and eastern Europe have any confidence about backing the roll-out of PPPs? The voluminous evidence of hurdles and risks presented in this World Bank paper would suggest that unfortunately the people of the region are having their futures mortgaged against some very unstable investments and some very dubious economic theory.

The World Bank Working Paper No. 114. Public-Private Partnerships in the New EU Member States. Managing Fiscal Risks (2007), by Nina Budina, Hana Polackova Brixi. Timothy Irwin is available at: http://publications.worldbank.org/ecommerce/catalog/product?item_id=6733188

Outbreak of winter silly season commentary on the EBRD

The season's first snow fell in parts of the Czech Republic this year on St Martin's Day (November 11), and tradition insists that if this happens then we're in for a harsh time of it for the rest of the winter. Yet to go by some of the debate that has been sparked about the future role of the EBRD on the opinion pages of The Financial Times in the last couple of weeks, you could easily be justified in thinking that we are in fact back in the heady days of August's heat, slap bang in the middle of the annual outbreak of the "silly season" where journalists and commentators have no qualms about disguising that the heat has gone to their heads.

The former secretary-general of the EBRD, Antonio Maria Costa – presumably not himself based in frosty central and eastern Europe – deemed it an appropriate moment in late November to declare that with the EBRD's mission in the region pretty well accomplished, now is the time to privatise the institution and with the proceeds set up a replica bank geared towards reconstructing and developing the Middle East.

Costa's article dwells on the benefits that could result for the Middle East if such an economic leg up was to come to pass, going as far as to suggest that the headquarters of Son of EBRD (Middle East Reconstruction and Development by Europeans – MERDE?) should be located in the West Bank. Middle East wealth is "unevenly distributed" he writes, and if we "think of the oil-rich Gulf states compared to the misery of the Palestinians or the refugees from regional conflicts. It is necessary to share such capital."

All very noble sentiments, though sceptics could be forgiven for thinking that with Russian oil resources now firmly under Kremlin control (see Sakhalin II and other projects) a refocused EBRD might have designs on providing the bank's legendary "political comfort" to western oil companies looking for any way to tap into another region's – the Gulf's – oil supplies. But aside from any such silly season ruminations, does the EBRD's record in central and eastern Europe anyway support the underlying premise that it provides a means of sharing a region's natural resource wealth in a truly equitable fashion?

This takes us back to Costa's opening gambit: there is economic growth and prosperity in central and eastern Europe, "good business has led to democratic governance and good relations." In central and eastern Europe, the so-called silly season is commonly referred to as the "cucumber season" – with not much happening at governmental level in the summer holidays, the cultivation of freakish cucumbers in the region's gardens and allotments is supposed to be front page news. But reading Costa's prognosis of how, with the EBRD's assistance, things have panned out so well in the region since 1989, the sensation is akin to choking on a rancid, genetically modified cucumber.

Yes, economic growth in central and eastern Europe is at record levels. The average across the region is expected to hit seven percent this year, with the unhealthy 30 percent figure in Azerbaijan undoubtedly skewing the reality in other countries. But why did 150,000 Georgians take to the streets last month in protest, only to be met by rubber bullets and tear gas? Why is strike action becoming a weekly occurrence in Budapest and across Hungary? And why, just last week, did the usually timid Czech teaching unions take their biggest strike action since the collapse of communism?

Some of the answers lie in the findings contained in the EBRD's own ground-breaking "Life in Transition" report, based on a survey of popular satisfaction with the post-89 transition process involving 29,000 people from the 29 countries where the EBRD operates. No matter how

"Could this be the secret storehouse of the blueprints, the thinking behind the transition impacts?"

hard the EBRD has tried to spin the findings (along the lines of “we have to accept that there’s a hardcore minority of old people and poor people, and they want a return to hard line communism immediately”), there’s no getting away from the fact that there is deep unease about how the reform process sponsored by the EBRD and others is adversely affecting the quality of people’s lives.

EBRD staff past and present have been chipping into the debate on the FT’s letters page. Talking up the EBRD’s commitment to building a “sustainable market economy”, the bank’s current Director of Communications does not buy the “mission accomplished” assessment of the former secretary-general. A great deal remains to be done and “financing for small businesses and strengthening bigger enterprises into global competitors will underpin the growth of economies and of a middle class that, in turn, will underpin stable development.”

A week prior to these comments, the EBRD announced its biggest ever loan, and it was no surprise that the EUR 750 million loan did not go to a native CEE company but to Volkswagen, to help finance its first car factory in Russia. Volkswagen is one of the world’s biggest car manufacturers. Should it be getting this kind of massive public support, especially when recent research from the NGO Transport & Environment shows that VW is one of the few major manufacturers whose fleet average CO_2 emissions rose in 2006? Or is this simply “shrewd business”, a company recognising that it will not be able to meet the environmental expectations of EU consumers turns to Russia where such expectations are much lower and the market for big prestigious cars and SUVs is booming?

At a time when the concept of “transition” is said to be being debated within the EBRD, there are ominous signs that the signals from the ground in the region are not seeping through to the top table. The EBRD’s Director of Communications took a mild-mannered swipe at Costa’s proposals by stating: “It is not political expediency that will determine when it is closing time for the EBRD: it is the market.” Such confidence in the market at a time of multi-billion handouts to prop up tottering global capitalism may be unnerving in itself. But it is also an indication that the market will continue to reign supreme in the bank’s considerations of the kind of change it wants to foster.

As Bankwatch has argued, how can you talk about sustainable economic development if there is no taking account of the social consequences of your actions? How can you boast about job creation in early transition countries such as Georgia when you downright refuse to provide indicators that can throw light on the quality of these jobs or even take account of the earnings that accompany the jobs?

Thus far in its history, EBRD-backed reconstruction efforts have produced some results in spite of rather than because of the bank’s market fixation. For development in the sustainable sense of the word to now take place, namely development for all sectors of society in central and eastern Europe that has environmental and social considerations at its roots, a fundamental recalibration of “transition impact” is now needed, one where market considerations – especially those of western markets – do not call all the shots. If not, the consequences will be not so much silly as catastrophic

Recent Bankwatch publications

RAISING THE BAR ON BIG DAMS: MAKING THE CASE FOR DAM POLICY REFORM AT THE EUROPEAN INVESTMENT BANK

The EIB has been involved in a number of large dam projects in recent years, many of them in Africa. All could have been improved – sometimes significantly so – by more careful planning and better implementation standards. Despite making vague references to the recommendations of the World Commission on Dams, the EIB currently has no sector policy for dams.

This report describes the problems with past EIB dam projects, how the WCD might have been invoked to bring “added value” to the process, and ways forward to improve the EIB’s role in water and energy projects in future.

Available at: www.bankwatch.org/documents/raising_the_bar.pdf

ALARMING RESEARCH FINDINGS ON HOW PROJECTS ARE SELECTED FOR FUNDING IN POLAND

Bankwatch member group the Institute of Environmental Economics has conducted research which reveals that the selection of projects for billions of euros of EU funding in Poland is widely perceived by Polish municipalities to be politically-driven and non-transparent.

The alarming findings are based on an anonymous questionnaire survey of 160 Polish municipalities on how they view the process of appraisal and selection of projects that applied for funding to the European Regional Development Fund (ERDF) between 2004 and 2006.

A summary of the research findings in English is available at: www.bankwatch.org/documents/Assessment_of_ERDF_management_in_Poland_Annex.pdf

WHAT IS WRONG WITH KANIV PSP?

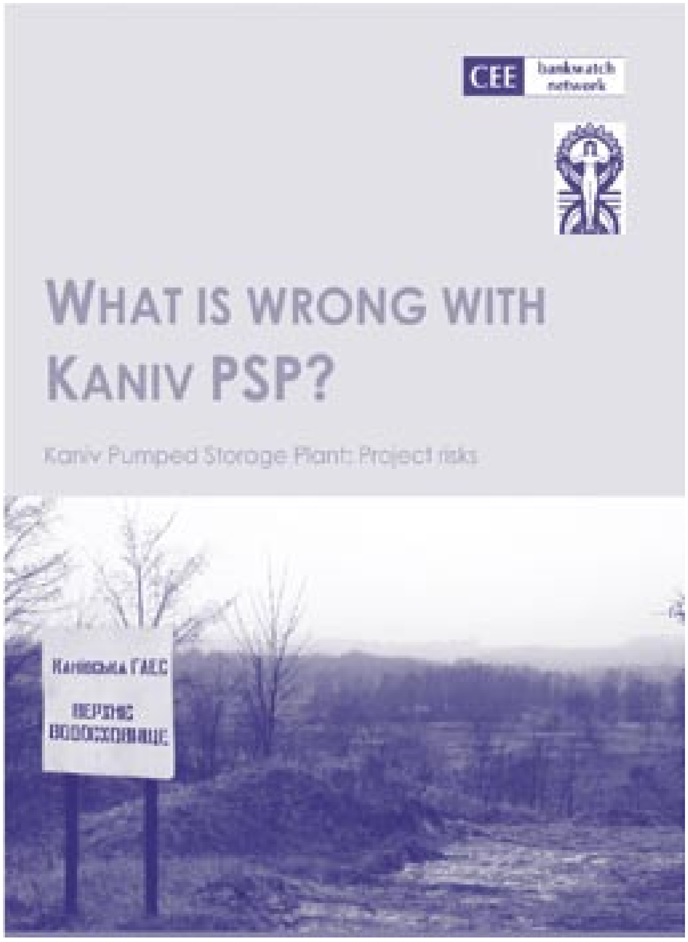
The present “Energy Strategy of Ukraine up to 2030” foresees the growth of electric power generation mainly through increased reliance on nuclear energy. As nukes do not represent loads-shifting generating capacities, there is a problem with loads-shifting in the Ukrainian network. The strategy therefore sees the need for the installation of loads-shifting capacities – or pump storage plants (PSPs). But the construction of the billion dollar Kaniv PSP is an unlikely solution to the problems of the Ukrainian power sector and it will also have a number of negative environmental, social and economical impacts. The report provides a detailed analysis of those impacts.

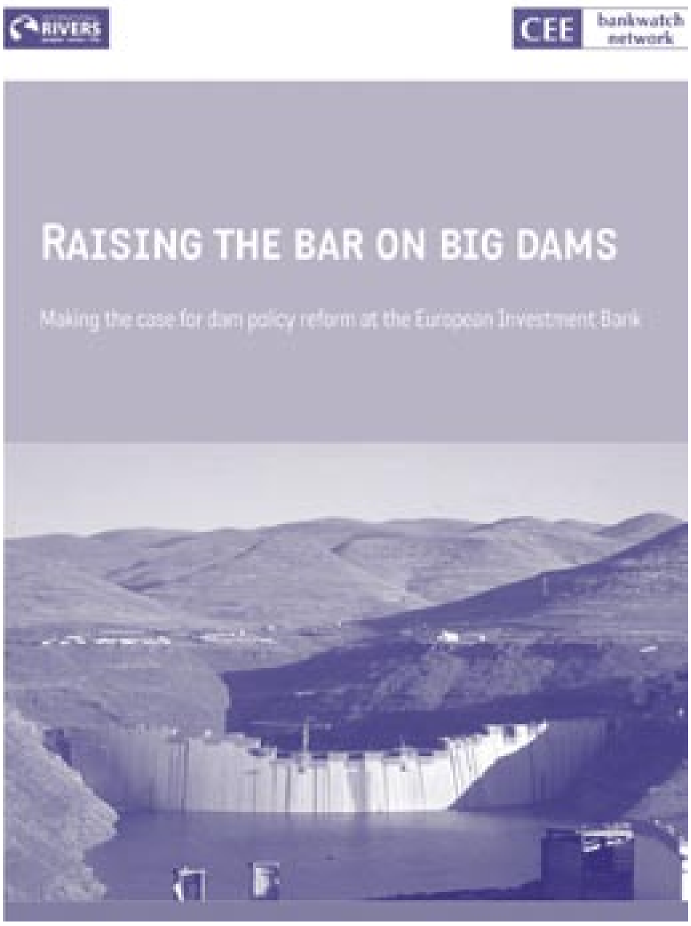
Available at: www.bankwatch.org/documents/Kaniv_PSP_Study_eng_updated_Nov07.pdf

EUROPEAN INVESTMENT BANK: PROMOTING SUSTAINABLE DEVELOPMENT, “WHERE APPROPRIATE”

The report aims to inform the ongoing review of environmental and social practices within the EIB by examining the standards endorsed by the EIB in a variety of social policy areas, and identifying ‘international best practices’ against which the EIB’s new framework will invariably be judged. Specifically, it 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.

Available at: www.bankwatch.org/documents/EIB_where_appropriate.pdf





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