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Bottom line additionality in Kazakhstan as more miners die

At the beginning of this year, 30 miners died while working at the Abayskaya coal mine in the Karaganda region of central Kazakhstan. The Abayskaya mine is owned and operated by Arcelor Mittal Temirtau (AMT), part of the world's largest steel maker Arcelor Mittal that operates a steel plant and eight coal mines in Kazakhstan.

Immediately following the mine explosion on January 11, seven miners were found dead and 14 miners were seriously injured. Twenty-three other miners trapped in the mine were reported missing and dead two days later.

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Campaign successes amidst the Black Weeks

In 1992, the then UK finance minister Norman Lamont bet and lost GBP 3.4 billion in a fiasco that has gone down in history as "Black Wednesday". In 2007 prices, that's roughly GBP 5 billion - a figure which puts into some troubling perspective the weekly conveyor belt of multi-billion euro state handouts currently enabling the global financial system to withstand its self-inflicted credit crunch.

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BOTTOM LINE ADDITIONALITY IN KAZAKHSTAN AS MORE MINERS DIE

The accident happened just over six months after the European Bank for Reconstruction and Development (EBRD) approved a USD 100 million loan for AMT to "support further improvements to Mittal Steel Temirtau's health and safety practices at its coal mines in Karaganda with the aim to bring them in line with international best practice".

This was not the first EBRD support for Mittal in Kazakhstan nor was it the first fatal mine blast at AMT mines in the region. In 1997 the EBRD and the International Finance Corporation approved a syndicated USD 250 million loan for the company, and Environmental Action Plans for Mittal's coal mines were developed as part of the project and considered successfully implemented by the EBRD in 2006. Two earlier blasts at the Shakhtinskaya mine in 2004 and at the Lenina mine in 2006 both in the Karaganda region killed 64 miners in total.

After the third most recent tragedy, the billionaire owner of the company Lakshmi Mittal came to Kazakhstan to visit the families of the victims, and was quoted in the local press as saying: "We're trying to find out the reasons that caused this terrible tragedy. Since the company started to operate coal mines in Kazakhstan [in 1995] we have made huge investments in the modernisation of equipment and improvement of health and safety conditions in the mines".

Pavel Shumkin, a freelance expert with the independent Free Confederation of Trade Unions, and who used to work at the Karaganda coal mines for many years, takes a differing view: "After the recent tragedies at AMT's Shakhtinskaya and Lenina coal mines, when 64 miners died, neither government officials nor the company made any crucial conclusions. The company's approach to safety standards in the mines did not change and civil society in Karaganda has had no real opportunities to be involved in the monitoring of the situation at AMT's mines ."

At a meeting with local NGOs organised in Temirtau just prior to the last tragedy on November 30, 2007, AMT and the EBRD reassured participants that improved cooperation with the public is to result in the company's new Public Information and Communication Plan, currently being prepared.

After the accident at Abayskaya, AMT organised a number of meetings with local NGOs to discuss their expectations on how the company should improve both health and safety conditions in the coal mines and co-operation with civil society groups. Recently, on March 27, AMT presented its Stakeholder Engagement Plan to local civil society organisations. The plan aims to improve the company's relationships with all groups of stakeholders, with special attention being paid to the representatives of local communities and NGOs. It is hoped that as a result of this plan AMT will provide the opportunity to local communities and civil society groups to be involved in the monitoring of the company's activities on health and safety issues both at the coal mines and other AMT operations.

Miners in Karaganda claim that the most recent fatal explosion was caused not only by old-fashioned gas monitoring machines but also by the "completion of the plan" system prevalent at AMT's coal mines. Just after the January accident, Abaiskaya miners were quoted in the local press saying: "The company's policy is 'Give us the plan fulfilled'. Even if methane sensors work we go to the mine because we're afraid of losing our jobs and there are no other places to work in Abay. We are brow-beaten and intimidated. This policy seems to be a major factor for the company to treat us as slaves."

Indeed, for many years the guaranteed pay level was only 30 percent of the total potential pay, with the remaining portion dependent on fixed bonuses derived from the amount of coal extracted, so miners were thus financially motivated to maintain their productivity regardless of safety conditions.

Discontent with the salary system and low quality safety standards has meant looming industrial unrest at the AMT mines for some time. Not surprisingly the Abayskaya mine accident triggered a series of protests at other mines owned both by AMT and Kazakhmys, Kazakhstan's largest copper producer. After the completion of negotiations between AMT's miners and its managers on January 28, the salaries for miners were promised to be increased by 50 percent.

In March 2008, a representative of the Karaganda-based EcoMuseum NGO met with AMT's General Manager Mr Rajendran and received information on significant changes in the salary system. According to Mr Rajendran the guaranteed salary now is 160 000 tenge (about EUR 850) per month and if the targets are fulfilled the salary increases to 250 000 tenge.

Enough is enough for Kazakh government

A State Commission investigation into the accident at the Abayskaya mine has initially concluded that three technical staff and senior executive manager Satish Taparia were responsible for the blast.

"The employer is one hundred percent at fault for this accident," noted Emergencies Minister Vladimir Bozhko at the State Commission's meeting on January 29 in Karaganda.

Moreover at a government session in Astana on February 19, Bozhko stated that AMT's economic policy has an adverse effect on safety at the coal mines, forcing workers to violate safety requirements, and thus the company could lose its state licence for subsurface resources use if it does not meet the required safety standards.

At the same session, Kazakh Prime Minister Karim Masimov commented: "Today the situation is not the same as in the early 90s, when we tried to attract investors at any price, and we should now bring the issue of meeting safety requirements to a head". Masimov also suggested fixing health and safety requirements in contracts with subsurface resources users and to extend these requirements to already signed contracts.

AMT states on its website that "Ensuring Health and Safety of the highest standard is a top priority of Arcelor Mittal's business strategy". Yet it is apparent that coal mining accidents are not occurring less frequently now, 13 years after a foreign investor has been operating Karaganda's coal mines and 11 years after the EBRD's initial support for the company, with its accompanying aid for Kazakhstan's transition to a market economy.

A disgruntled miner from the AMT-owned Tentekskaya mine commented in the local media: "Today the number of deaths in coal mines has increased ten times more than in the Soviet period."

During recent discussions about the EBRD's mission in the former eastern block countries, the bank's president Jean Lemierre has said: "There is still a very strong case for our assistance" for investment partners in the 30 countries in which the bank operates.

It's clear that transition has got to stop being about increased deaths for the employees of a prestigious western company that continues to receive support via public loans.

Dana Sadykova
Karaganda Ecological Museum

CAMPAIGN SUCCESSES AMIDST THE BLACK WEEKS

In this context, the relevance of the international financial institutions couldn't be greater. The EIB's triple A credit rating stands like a lighthouse in the choppy seas of the capital markets. It's also no surprise that the EBRD's board has recently decided to allocate 80 percent of the bank's EUR 1 billion profits from 2007 to its reserves to enable future investments. Quoted recently in the EBRD's house bulletin, Jean Lemierre summed up the febrile economic atmosphere: "When I travel and meet governments, central bankers, business people they say: please be there. You are an anchor and a support."

An excellent opportunity, therefore, for the famed IFI "leverage" to really come into its own. If companies are desperate for secure sources of finance, it should be demanded of them now more than ever to step up to the mark in the environmental and social aspects of their projects. With the EBRD's review of its Environmental and Social policy nearing conclusion, it is to be hoped that nervous bankers do not carry the day by watering down a draft policy that, while far from perfect, is considerably more ambitious in terms of sustainable development aspirations than its predecessor.

In recent months, Bankwatch's involvement in campaigns where project developers have consistently refused to step up to the mark has brought two notable victories.

Around the turn of the year, we welcomed the World Bank's decision not to pursue a USD 250 million loan for the completion of the first phase of the controversial Dniester Hydropower Pumped Storage Plant (PSP) project in Ukraine. In tandem with strong local opposition to the project, the National Ecological Centre of Ukraine (NECU), Bankwatch's member group, spearheaded a campaign which has drawn attention to a wide range of environmental, social and economic risks attached to the project. Another Bankwatch campaign against the energy-eating PSP technology is calling on the EBRD not to back the proposed Kaniv PSP project, also in Ukraine.

Environmental irresponsibility has been the hallmark of the Sakhalin II project for years, and in early March it emerged that the US Export Import Bank (Ex-Im Bank) and the UK Export Credit Guarantee Department (ECGD) would be joining the EBRD in not financing Sakhalin Energy's chronically flawed behemoth.

We toasted the tireless work carried out in the last five years by Dimitry Lisitsyn, his colleagues at Sakhalin Environment Watch and Sakhalin islanders who have refused to capitulate to the environmental and social degradation that the Sakhalin II project has unleashed on Sakhalin Island. Their rigorous project monitoring and incredible spirit are an inspiration to communities all around the world who find themselves with new, unwanted, socially maladjusted big oil neighbours.

New map of projects points the way to environmental and social justice in CEE

Bankwatch and Friends of the Earth Europe launched in March a new "Cohesion or Collision?" map that vividly details 50 environmentally damaging and economically dubious infrastructure projects in central and eastern Europe.

Based on the most extensive investigation to date, and following on from the impact made by the first such map of projects in 2006, the new map shows controversial projects with a total cost of EUR 22 billion that are either already financed, or planned to be financed, by the EU structural and cohesion funds and/or the European Investment Bank (EIB).

The projects on the map include:

• 18 waste incinerators promoted at the expense of recycling which is better for both the environment and economic development
• 14 motorways ineptly routed through valuable natural areas or residential zones regardless of possible alternative routes
• 8 river engineering and other water management projects set to destroy unique natural sites.

The map's launch at a press conference in Brussels came on the day that European Commissioner for Regional Policy, Danuta Huebner, awarded 'RegioStars' for the most innovative EU financed projects. Huebner was also appearing before the European Parliament to explain discrepancies in EU funding.

Bankwatch and Friends of the Earth Europe in turn revealed their selection of 'RegioScars' - the three most ill-conceived projects planned for EU funding in the new member states in the 2007-2013 period. Based on environmental, economic and social criteria, the following alarming projects were selected by an NGO jury:

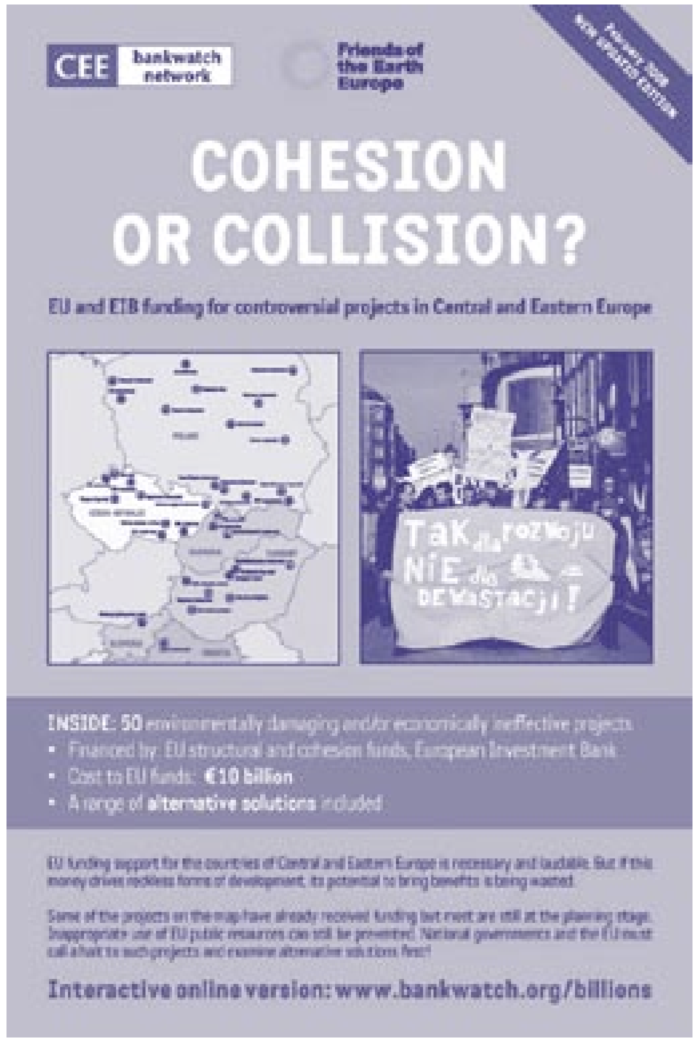
• A scheme for building nine waste incinerators at a cost of EUR 1 billion in Poland
• The Via Baltica expressway in Poland
• The R52 expressway (Brno-Vienna connection) in the Czech Republic.

The Polish incinerators' plan stood out because of the starkness of the recycling situation in the country: only three percent of municipal waste in Poland is recycled, and EU money would be a major help in seriously developing the sector across Poland.

The Via Baltica and R52 expressways in Poland and the Czech Republic came second and third worst as, in their current designs, they are both set to damage highly valuable natural sites and landscapes despite the availability of much less damaging, shorter and less costly alternative routes.

The groups remain clear in their belief that EU funding support for central and eastern European countries is necessary and welcome. But if the money drives reckless developments and environmental destruction, its potential to deliver benefits is being wasted. The new map shows that harmful projects are unfortunately not limited to a few isolated exceptions, yet these problems are wholly unnecessary because alternatives do exist.

The groups are calling on the European Commission and the EIB to call a halt to such projects and demand that alternative solutions are properly assessed - despite the alarming number of the projects, it is worth remembering that most of the 50 projects are still under preparation and solutions can be found if the political will exists.



Just over a week after the map's launch, very encouraging developments took place in Hungary regarding an incinerator project featured on the map. Following strong opposition from local people and environmental groups to the proposed 150,000 tonne incinerator in the eastern Hungarian town of Hajduboszormeny, the project promoter Thermic Energy Invest Ltd released a statement citing environmental and public pressure reasons for pulling the plug on the project.

And further positive signs that recycling waste rather than burning it is the economically and environmentally shrewd way to go have emerged in the Czech Republic. In March Czech environment minister Martin Bursik announced major proposed changes to the Czech Waste Act that will make it easier for people in the Czech Republic to sort waste while also giving recycling an economic advantage over incineration and, in particular, landfilling.

Bankwatch's member group in the Czech Republic, Hnuti Duha, is extremely active in waste campaigns, both fighting against - and closing - incinerators and promoting workable recycling schemes to municipalities across the country.

The proposals to the national waste legislation further undermine the case for two incinerator projects in Opatovice and Ostrava that also feature on the "Cohesion or collision" map. Both projects face opposition from local people and are contrary to the official Czech Waste Management Plan which has pledged support for recycling and alternative waste treatment technologies. The plan forbids the use of public funds for incinerators, yet there is still strong lobby pressure to build these two plants with the help of EU money. Bankwatch believes that local authorities in the Czech Republic and across the region must see the light and start applying for EU funds for recycling facilities and not for incinerators.

An online, interactive version of the "Cohesion or collision" map can be viewed at: www.bankwatch.org/billions

It provides solutions and analysis of the positive role that the EU billions could be playing in the transport, energy and waste sectors, for biodiversity and nature protection, and in the battle against global climate change.

For hard copies of the map, contact: press@bankwatch.org

Feeding the Asian Tigers: Lack of environmental teeth in ADB's energy strategy

Energy is one of the key priorities in the sub-regional program Central Asian Regional Economic Cooperation (CAREC) which was created by the Asian Development Bank (ADB) in 1997 to primarily accelerate prosperity and stability in a region that has enormous oil and gas reserves, as well as rich mineral deposits. CAREC's other ambitious aim is to significantly reduce poverty incidence among member nations, namely: Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Uzbekistan and the Xinjiang Uygur Autonomous Region of the People's Republic of China.

Afghanistan officially became the eighth participating country in November 2005. In addition, invitations to participate are under consideration by Turkmenistan and the Russian Federation, both renowned as rich oil and gas countries.

Fully aware of the importance attached to the energy sector by the ADB, civil society organisations in the region have been actively engaging with the consultation draft of the new ADB Energy Strategy. The draft was posted on the ADB's website at the end of May 2007. A final draft scheduled for dissemination in October 2007 has not been released and the process has stalled since July 2007 due to the barrage of criticism received by the ADB regarding the very poor quality of the first draft. The strategy will replace the ADB's Energy Policy Review which was released in 2000, but will not supersede the ADB's Energy Policy, which was approved in 1995.

In spite of such a plethora of names for ADB energy documents, only the Energy Policy Review reflects environmental concerns to any extent by recommending that an emphasis be put on addressing regional and global environmental impacts (especially problems associated with acid rain problems), promoting clean energy and the mechanisms of the Kyoto Protocol for greenhouse gas abatement, and financing renewable energy projects. But beneath the surface, startling environmental deficiencies remain.

The proposed new strategy is based on three key pillars: 1. meeting the demand for energy in a sustainable way; 2. providing modern energy access to all and; 3. addressing sector reforms and governance.

During public consultations thus far, stakeholders have criticised the new approaches indicated in the document. For example, the first pillar 'meeting the demand for energy in a sustainable way' may sound promising but it has the potential to run contrary to the global trend and necessity for huge improvements in energy efficiency and in the promotion of renewable energy. With Asian countries demonstrating fast economic growth, the ADB appears intent on satisfying the energy requirements of future 'Asian tigers' and appears reluctant to solve the fundamental problem of growing energy demand across the region.

According to a Special Evaluation Study carried out by the ADB, its share of projects in the renewable energy sector has surprisingly decreased from four percent in 1996-2001 to three percent of total ADB energy sector operations in the subsequent five years. But according to a report from the Energy Efficiency Initiative (ADB, 2006), in 2004 renewable sources of energy accounted for 13 percent of the global total primary energy demand, with combustible renewables having a major share of 10.4 percent. The ADB's declining promotion of renewable energy is thus highly disappointing.

Unfortunately, the bank is not explicitly making the case for being a driver of renewables. On the contrary, the ADB Energy Strategy lays out the case for further fossil fuel-based energy generation projects, including coal-based power plants – on page 31, paragraph 76 of the strategy it is stated that: "Meeting the electricity needs of the region will require large capacity additions. Current estimates indicate that coal based generation will have a larger share."

The second pillar – 'providing modern energy access to all' – looks less impressive when it becomes clear that this boils down to the promotion of grid energy, the mainstream form of energy provision. Where does this leave small, often remote villages that suffer from the high price of mainline grid energy when small, mobile solar and wind power sources could bring efficient benefits?

At the same time, the ADB is clear about its intention to encourage privatisation in the energy sector. Unfortunately it is far from guaranteed that 'energy for all' via rural electrification or ensuring that every community has access to power will figure among the private sector's top priorities.

A further recommendation is to make the ADB's Carbon Market Initiative of 2006 more transparent and to ensure that carbon credit funds reach the intended renewable and energy efficiency programs.

In September 2007, the NGO Forum on ADB sent a letter to the ADB's executive directors requesting the initiation of a second commenting period on the revised draft. The ADB's response was that it hopes to be able to reach internal consensus on civil society concerns during the first quarter of 2008. It is to be hoped that the bank is giving serious consideration to the Bali Road Map before it finalises the strategy. Environmental and real sustainable development needs should be central to the ADB's considerations as it plots its energy strategy for the coming years.

Rustam Murzakhanov
Researcher of NGO Environmental Law Center "Armon"
Tashkent, Republic of Uzbekistan

NGO Forum on ADB is an Asian-led network of non-governmental and community-based organisations that support each other to amplify their positions on the Asian Development Bank's policies, programs and projects affecting life forms, resources, constituents - the local communities

NGO Forum on the ADB's comments to the ADB's Energy Strategy Consultation Paper & Consultation Process are available at: http://www.forum-adb.org/pdf/PDF-Energy/Forum%20Network%20Comments%20on%20the%20Energy%20Strategy%20Paper.pdf

Energy Matters: new Bankwatch report and film explore big industry developments in Albania

Last summer in Vlora, Albania, construction works began on a thermo-power plant and a coastal hydrocarbons terminal within the boundaries of an originally planned energy and industry park. This "park" has now been narrowed to an industry park, and the construction has fired already strong local protests against the negative impacts of the projects on the region's ecosystems and on an economy that is sustained mostly by tourism.

While people living in Vlora have been demonstrating almost every other week against the potential destruction of the Vlora Bay, the Albanian authorities and the international financial institutions (IFIs) - including the World Bank, the European Investment Bank, and the European Bank for Reconstruction and Development - are still unclear about the scope of the Vlora industry park and what developments constitute it.

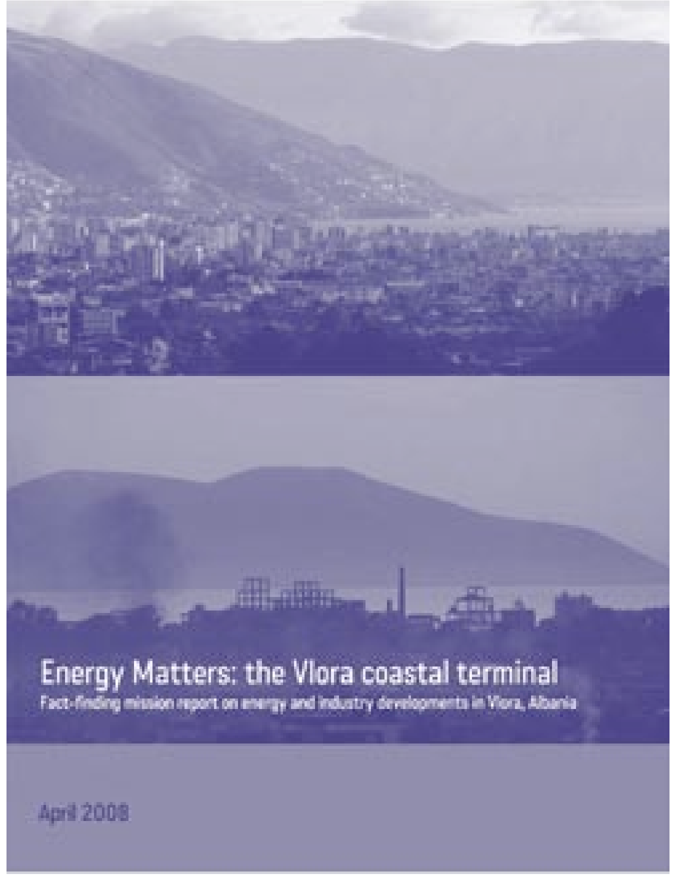
While all three institutions are involved in the EUR 110 million power plant, and the EBRD is currently being approached for EUR 15 million in financing for the hydrocarbons terminal, they all claim the projects are unrelated to the industry park. In addition, these major international energy related investments in the tourist centre of Vlora illustrate the absence of a concise development strategy for the region.

While the work on the storage plant and the terminal are progressing, developments on a 500 MW wind farm project promoted by the private Italian investor under the South East Europe Energy Community Treaty are moving ahead at the Karaburuni Peninsula at the Vlora Bay. Four other wind parks located in the Vlora region received ministerial approval at the end of last year.

To gain better insights into the situation, Bankwatch and partner NGOs conducted a fact finding mission to Albania in October 2007, visiting Vlora and Tirana and undertaking meetings with the Albanian authorities, the IFIs, investors and affected communities. The results of this mission are elaborated in a new Bankwatch report "Energy Matters: the Vlora coastal terminal. Fact-finding mission report on energy and industry developments in Vlora, Albania".

Due in part to an approaching decision for financing by the EBRD, the report focuses mainly on problems associated with the coastal terminal project slated for a Board vote in the coming months. Among other issues, the report highlights shortcomings in the project's due diligence, which failed to document the involuntary resettlement of local residents, provide robust and meaningful public consultations, and adequately assess the cumulative impacts of industrial developments in such close proximity to one another.

Accompanying the report is a 20 minute film which provides a first-hand account of the city of Vlora as it struggles with a domestic energy crisis, and at same time faces challenges from large industrial developments that jeopardize a local industry based primarily on tourism and fishing.



The new report "Energy Matters: the Vlora coastal terminal. Fact-finding mission report on energy and industry developments in Vlora, Albania" is available for download at http://bankwatch.org/documents/FFM_vlora_report.pdf and the film is available upon request to: main@banwkatch.org

European Parliament looks for more added value from the EIB

As Bankwatch and other NGOs involved in the new campaign Counter Balance: Challenging the European Investment Bank ramp up the pressure on the EU's house bank, encouraging signs have been coming from Brussels that the European Parliament is looking for more from the Luxembourg-based bank.

At the end of November last year, in the context of a resolution on trade and climate change, the European Parliament adopted the following requirements vis-a-vis the EIB and other public lenders, calling for: "... the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects and for the redoubling of efforts to increase the transfer of renewable energy and energy efficient technologies".

The parliament further asked "the Commission and the Member States to propose legislative instruments in order that Member State Export Credit Agencies and the European Investment Bank take account of the climate change implications of the funded projects when making or guaranteeing loans and impose a moratorium on funding until sufficient data are available, in accordance with advice from the OECD, G8 and the Extractive Industries Review".

In recent weeks the European Parliament's Commitee on Budgetary Control delivered its report on the EIB's annual report for 2006, with a full plenary vote on the report taking place on April 22 as Bankwatch Mail went to press.

Positive approved amendments to the report include: that the EIB should give greater priority to renewables, with a specific call for " the development of environmentally friendly funding criteria, in line with the EU's strategic goals of reducing greenhouse gas emissions"; and, in terms of the EIB's key role in the development of Trans-European Networks (TENs), a call on the EIB " to give priority to infrastructure or transport projects with a lower or negative carbon footprint".

With the EIB's board adopting a revised anti-fraud policy just earlier this month, the Committee report has sought to stress the need for rigorous implementation of the policy and its procedures, suggesting that the EIB includes:

1) an administrative debarment mechanism for companies found guilty of corruption by the EIB and other multilateral development banks;
2) a whistleblower protection policy; and
3) a review of the existing procurement guidelines;

Long-awaited developments on the introduction of a complaints office within the EIB were welcomed in the report along with the greater role to be played by the European Ombudsman, the latter having recently declared a willingness to take on cases of EIB maladministration and those coming from people living outside of the the EU but affected by EIB financed projects

Surprisingly, the EIB's notoriously non-transparent global loans vehicle escaped proper scrutiny from the committee, despite previous tough parliamentary committee language on the need for the EIB to duly ascertain whether the quality of EIB loans via global loans truly benefit the final recipients.

Worryingly, because so little is known about them, the EIB's global loans remain a black hole within EU financial flows - in 2005 this black hole approached EUR 6 billion in total. Why is the EIB still so coy about asking its intermediary banks to cough up the information on where the money is going?

Going nuclear: the EIB's waiting game continues

On September 24 last year, the European Investment Bank, under the wildly euphemistic title "EIB invests in diversification of energy sources", announced that it had signed a EUR 200 million loan with Urenco Ltd for the expansion of two uranium enrichment plants in the UK and Netherlands, heralding an interest in nuclear not seen in the EIB for years.

Putting aside its consultancy work for Euratom, the last loan the EIB itself gave for the nuclear sector was to Slovenia in 2002 for decommissioning the former uranium mine at Zirovski Vrh. The EIB's interest in financing new nuclear plants had rapidly dwindled after Chernobyl, but it seems the bank may be buying into the hype of nuclear as a solution to climate change.

As the EU's house bank - and therefore supposedly duty bound to follow EU policy - the EIB's role in following the "Energy policy for Europe", that ensures full respect for member states' choice of energy mix, is ambiguous. Last summer the EIB published two new documents on its energy policy: "EIB and financing of nuclear energy" and "Clean energy for Europe - a reinforced EIB contribution". Both documents indicated benefits but also major problems with nuclear, but did not shy away from expressing the EIB's potential interest in financing nuclear projects.

In "Clean energy for Europe", the EIB indicates its clear interest in supporting the ITER nuclear fusion research project, as well as research into nuclear waste and safety. Concerning new nuclear plants, its position is more ambiguous. "EIB and financing of nuclear energy" states that:

"The Bank ensures that all the projects that it finances are economically, technically, environmentally and financially viable, and that they comply with EU and national law as well as EU policies."

By any reasonable assessment one would expect this to clearly exclude new nuclear power plants. However, among the "economically, technically, environmentally and financially viable" projects that the EIB has financed in the past are the bankrupt Channel Tunnel and London Underground public-private partnership, as well as a host of environmentally damaging projects such as new motorways, airport expansions, oil pipelines and waste incinerators.

The EIB has not yet been officially approached to finance any new nuclear power plants, although its name continues to be liberally trailed by the Bulgarian authorities staring gloomily at the costs sheet for the controversial Belene nuclear plant on the banks of the Danube (see Bankwatch 34, http://bankwatch.org/publications/mail.shtml?x=2063808#belene).

Every currently proposed nuclear power plant project in central and eastern Europe is surrounded by doubt when it comes to economics, technical and environmental aspects, and financial viability. The Belene project is also literally surrounded by an earthquake zone. Other than the business argument for the EIB not to make Belene a test case for its potential future nuclear involvement, financing a new nuke in a seismically active area would be reputational suicide for an institution supposed to be acting in the interests of all Europeans.

EBRD crackdown on "open markets" in Ukraine

No, this is not the EBRD mimicking the massive state-backed bailouts offered by some of its major stakeholders in recent months to the global private financial sector, starkly revealing the flawed fundamentals of contemporary turbo-capitalism (Hasn't EBRD been doing this for years anyway? The Ed).

Rather, recent news has reached us via an EBRD press release that the bank is lending up to USD 139 million to finance shopping centres in the Ukrainian cities of Kiev, Krivoy Rog and Simferopol. Among the few reasons given for this investment, one stands out.

According to EBRD Ukraine Country Director Kamen Zahariev, the project "will have a specific focus on the regions thereby introducing a new shopping mall format in secondary Ukrainian cities, most of which are still dominated by old-style retail facilities and open markets."

So, presumably, open markets are dead ... long live open, er, publicly subsidised supermarkets.

And "old-style retail facilities"? Might they be otherwise known as "shops", small, local, often family-run businesses where customers can pass the time of day with the shopkeeper, perhaps set up humane, short-term credit, and even stick up community announcements free of charge in the shop window?

The market-hogging dominance of such small retailers is already on the wane, of course, the further west you go in central and eastern Europe. Czech NGO Nesehnuti has just issued a report that warns about the supermarketisation of the Czech Republic. Based on polling research into the huge numbers of newly planned supermarkets in the Czech Republic, the report [1] finds that up to ninety percent of all the projects will result in the deterioration of quality of life due both to increased road traffic and noise and the destruction of green areas.

Back in Ukraine, in the lead up to the EBRD annual meeting in May, it remains to be seen what else is going to crop up in the bank's project pipeline. The supermarket loan, to Expert Capital S.A., a property developer registered in Luxembourg, is to be disbursed in tranches, with tranche two to be disbursed "subject to the borrowers' performance and project implementation". What chance that tranche two might be denied the company if a check-out assistant gets the sack for the inefficient sin of passing the time of day with a customer?

Find out more about Nesehnuti's Czech supermarket findings at: http://aktualne.centrum.cz/czechnews/clanek.phtml?id=601591

Counter Balance: Challenging the European Investment Bank

Counter Balance: Challenging the European Investment Bank is a new campaign coalition made up of NGOs from across Europe that have come together to:

Make the European Investment Bank an open and progressive institution delivering on EU development goals and promoting sustainable development to empower people affected by its work.

The campaign involves and is being promoted by CEE Bankwatch Network (Europe), Both ENDS (Netherlands), Bretton Woods Project (UK), Campagna per la Riforma della Banca Mondiale (Italy), Les Amis de la Terre (France), urgewald (Germany) and WEED (Germany).

Our goals are:

• Real democracy in Europe, with a focus on greater accountability of the EIB
• Empowering the Global South, by securing rights for people affected by EIB sponsored projects
• Genuine development, that can only come about by challenging free market ideology

For more information about Counter Balance, contact Desislava Stoyanova, the project's coordinator, at: desislava@bankwatch.org

Counter Balance Challenging the European Investment Bank

They'll pave paradise and put up ... a high-speed road

The Western High-Speed Diameter (WHSD) – a new major highway planned to cut across St. Petersburg by 2011 and hoped to alleviate the heavy traffic in the inner city – will affect the health of local residents and destroy the unique nature reserve of Yuntolovo, warns a public environmental impact study undertaken with the support of Bellona and the local environmental movement Save Yuntolovo.

The WHSD will be an eight-lane toll road serving as part of the IX Pan-European Transport Corridor connecting Moscow and Finland's Helsinki. City authorities project it to cross St. Petersburg from south to north.

The RUR 83 billion (USD 3.35 billion) speedway is pushed as a "strategic project" for the city and it is touted as the first example of a public-private partnership in Russia. Half of the construction costs will in fact be shouldered by the state, while the remaining funds will come from an investor yet to be chosen in the course of an ongoing concession tender. The tender's winner will be granted the right to build and operate the road for a period of 30 years.

The project has already attracted the European Bank for Reconstruction and Development (EBRD), the European Investment Bank, and the International Finance Corporation, all of which said they were interested in financing the construction.

Yet, despite all the pomp and grandeur with which the project has been presented to the city and potential investors, the prospects brought with it do not impress the wary locals. The WHSD is a source of worry for 40,000 St. Petersburgers who voiced their protest against the project, saying the construction will violate their right to a favourable living environment.

WHSD opponents say it will harm the health of the city's residents and have a negative impact on the urban environment and the fragile ecosystems of the neighbouring Gulf of Finland: The northern section of the highway is set to stretch right along the border of the Yuntolovo wildlife reserve, a unique wetland northwest of St. Petersburg.

The minority report

The environmental movement Save Yuntolovo and the Environmental Rights Centre Bellona in St. Petersburg have conducted a public-funded environmental impact study commissioned to a local environmental expert research centre, ECOM.

The experts' opinion was that the project will exacerbate the environmental condition of the shoreline of the Gulf of Finland and will prove most perilous for the future of the Yuntolovo reserve, as the highway is slated to cut right across a forest at the reserve's border, which serves as its buffer zone.

The researchers concluded that the construction will also destroy the territory's delicate hydrological balance, which will cause the wetlands to dry out. That, in turn, will impact the local fauna as well as the flora, including plants protected by the endangered species lists: Migratory birds use the reserve as a stop-over area on their passage to Scandinavia. Ultimately, the construction may result in cross-border environmental devastation, the report's authors say.

ECOM's recommendation was that the reserve's buffer zone be included in its protected territory in order to save the unique natural habitat from destruction.

"This natural site is our natural historical and cultural legacy, which, from my point of view, is just as valuable as the Hermitage [Museum], the Alexander Column on Palace Square, or St. Isaac's Cathedral. Destroying it would be no less a crime than wiping out, say, the Winter Palace," one of the authors, well-known ornithologist Dr. Georgy Noskov, said during the presentation of the study, drawing comparisons between Yuntolovo and the beautiful architectural landmarks for which St. Petersburg is world-renowned.

However, the experts' concerns are apparently not shared by the WHSD developers: The project documentation does not take into account the potential impact the highway may have on Yuntolovo and makes no mention of whether the construction will ruin the wetland's hydrological balance or threaten the local birds and plants.

No prognostications are made as to whether the noise from the high-speed traffic might have a harmful effect on bird nesting or whether further damage to the environment may come in case a serious accident happens on the road.

But whether or not they receive due attention among authorities, the gloomy prospects of the WHSD project do worry the local population, including residents who may end up living only 75 to 100 metres from the busy speedway. The project does not provide for the option of offering the relocation alternative to the locals and only suggests installing reinforced window panes in their houses and special screens along the road to keep out the traffic noise.

The ECOM researchers deemed these measures insufficient and, in view of the many unclosed gaps in the WHSD documentation, recommended that the project developers work further to meet the requirements of the current legislation, bringing the project up again for an environmental impact assessment when all the environmental loose ends are tied up.

WHSD developers still have that opportunity to meet the public half-way. Despite the blow that the Russian environmental legislation was dealt in January 2007, when the State Duma abolished the state environmental impact assessment procedure, which was previously obligatory for all industrial projects, the regulation was left unchanged in a number of federal laws.

According to the law "On wild animals," Article 20, Part 1, an environmental impact study is still a prerequisite for all projects envisioning industrial construction that may harm the site's fauna and its habitat.

Opponents forced to hit the road – all the way to court

Yet such opportunities seem to be brushed off by the joint stock company WHSD – the eponymous firm established to handle part of the task of financing the project's development – in the same way it is shutting down any attempts by the public to break through the impenetrable barriers surrounding any information about the project.

"Even though the [speedway] is bound to affect thousands of people, project developers are completely ignoring our requests for information. The company didn't deign one answer to our questions and was stalling for several months with giving us the documentation for our environmental risk assessment," said one Save Yuntolovo activist, Tatiana Skrodenis.

It is not just private citizens that WHSD is set to shun.

"We are not talking to reporters about any questions," Bellona Web was told by WHSD's deputy general director Semyon Suponitsky's secretary.

When surrounded by specialists from the EBRD and the International Finance Corporation, however, Suponitsky has been noticed to advertise his company's complete openness to dialogue and to lament that ecologists are not bringing their grievances directly to the company.

Yet the better part of the environmental impact study report consists of a list of documents that the experts requested but never saw.

"It's actually no mystery why those documents never came: they would have allowed us to make conclusions about the real impact that could be expected from the construction on the environment," ECOM's director Alexander Karpov was quoted as saying to the news agency Rosbalt.

According to Save Yuntolovo's Skrodenis, environmentalists also tried to procure the necessary documentation through a request to the EBRD, but that attempt likewise yielded no results.

Save Yuntolovo activists say that with Bellona's support they are ready to move to challenge the project in court. The conclusions of the environmental impact study will be one of the main arguments in their case against the WHSD project.

"The results of the public environmental assessment study are insurmountable proof that the construction of the road will deal irrevocable damage to the nature reserve," Bellona's legal counsel in St. Petersburg, Olga Krivonos, said.

The report on the project's sizable ecological risks will also be presented to WHSD's potential investors. "We will apply our best efforts to convincing the banks of the inadvisability of the project," said Skrodenis.

The murder

Late last year, the WHSD speedway's opponents found the project was not only harmful to the environment, but was giving them reason to fear for their lives.

On December 18th, one of the activists, Dmitry Troyan, who chaired the St. Petersburg branch of the Russian Car-Owners Association, died following a brutal attack. Troyan's murder is linked by his colleagues to his ardent attempts in the two years leading to his death to defend the rights of car-owners whose parking garages happened to be in the area claimed by the project developers for the WHSD construction.

"We doubt that this killing is a complete coincidence. Intimidating activists and hindering their work has lately become routine practice [in Russia]," said Skrodenis. According to her, ecologists were hard-pressed to even find an audience hall they could hire to host the presentation of the environmental risks study report: local authorities had made sure leasors knew what was coming if they offered their premises up for rent.

To counteract the pressure, Save Yuntolovo initiated a broad campaign, collecting signatures to support a petition to the EBRD with a request that the bank refrain from considering financing the project until the investigation into Troyan's murder was completed.

"We are calling on the bank to demand that Russian authorities investigate Dmitry Troyan's murder with especial diligence, by sending an official request on the matter to prosecutors and the St. Petersburg governor's office. If no investigation takes place, or it is done in a clearly perfunctory manner, the attack on Troyan will have to be deemed as a gross act of repression against civic engagement and intimidation against WHSD opponents," the petition to EBRD reads.

"It is the EBRD's hope that [Russian] authorities will move quickly to shed light on this extremely alarming incident," the head of the bank's St. Petersburg branch, Bruno Balvanera, told Bellona Web. However, he has refrained from further comments on the murder for the time being.

City government officials chose to avoid making any direct observations: "It will be the prosecutor's office task to decide whether the murder of Dmitry Troyan is connected to his activities. We cannot comment on this matter," said the administration's Committee for Investment and Strategic Planning's press secretary, Vera Heifets.

Vera Ponomareva, Save Yuntolovo for Bellona, www.bellona.org

Translation from Russian by Maria Kaminskaya.

Upcoming dates in 2008

May 18–20
EBRD annual meeting, Kiev, Ukraine

June 2
Counter Balance one day conference to mark the EIB's 50th anniversary, European Parliament, Brussels

June 3
EIB agm, Luxembourg

June 3–6
Green Week, Brussels, on the theme of waste management, sustainable consumption and production.

September 6
Global day of action on waste and incineration

October 7–9
DG Regio Open Days – Cohesion policy and environment

Oct/Nov (tbc)
Bankwatch training workshop on PPPs, Skopje – interested NGO participants please write to: press@bankwatch.org

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