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Nabucco spells energy securitisation not security

The tortuous path to realising the Nabucco gas pipeline project has involved some curious turns – and in some instances full-on U-turns – in recent months. Hot debates persist over whether the project is economically feasible. EU energy security claims are regularly trotted out in justification for the EUR 8 billion project, as too is the ever-flexible concept of "energy diversification" – but diversification away from who?

Amidst a barrage of high level fossil-fuel politicking over the project, it remains unclear whether or not Russian gas will eventually wend its way through the 3,300 kilometre pipeline. Curious compromises are also being brokered, led by the current Czech presidency of the EU. Usually renowned for its human rights stance, the Czech govern-

continued on page 2

Crisis puts the EBRD back in the same old business

The economic crisis has been good to the economic commentariat, not least members of the blogosphere. Here are the thoughts of one blogger.

"The most recent crises in the global economy point to policy, institutional and conceptual failures in the development practice of the last decades. This should lead to the recognition that the era of WWE (White Western Economists) imposing their thinking (gleaned from the experience of their own industrial societies) on less developed countries has been largely unsuccessful. This is a result of gaps both of substance and the process of decision-making in the development institutions. Improvements would point to the need for a much larger role of specialists from developing and emerging countries – academics, policy experts and NGOs – together with government elites, in shaping the directions and strategies of development IFIs."

The blogger in question, writing in the January 2009 edition of Development dialogue, is Kurt Bayer, the Austrian

continued on page 2

CONTENTS:

1. Nabucco spells energy securitisation not security
2. Crisis puts the EBRD back in the same old business
3. EBRD complaint mechanism gets a personality
4. EBRD drawing more power lines in Ukraine's unsustainable energy sands
5. An end to energy efficiency excuses in Ukraine
6. Flagship PPP road project to be built with state money
7. ArcelorMittal – Going nowhere slowly
8. Hopeless in Gazela
9. More dirty energy development for Albania
10. Smoke on Georgian water privatisation

CRISIS PUTS THE EBRD BACK IN THE SAME OLD BUSINESS

director on the board of the EBRD. For one thing Mr Bayer must be disappointed – though perhaps not totally surprised – by the dominance of WWEs and existing EBRD commercial bank clients on the discussion panels at this year's annual meeting.

Yet the agenda setting for this year's meeting chimes well with the EBRD's crisis response so far, a response significantly conditioned by the need to provide emergency support to existing commitments and interests – including the string of private banks in central and eastern Europe in which the EBRD has equity stakes.

It's worth remembering that the bulk of these earlier EBRD investments in the region's private banking sector will have doubtless gained positive assessments when passing through the bank's transition impact calculus – they will have 'demonstrated' private sector success stories as they increased consumer indebtedness and contributed to the fueling of consumption and real estate booms. EBRD support for secondary mortgage markets, including securitisation, has also been considerable.

An extension of this 'better the devil you know' approach – and arguably at odds with what a development bank should be doing in a region's time of need – is the EBRD's recently announced EUR 250 million Mid-Sized Corporate Support Facility. Roughly 25 corporations are expected to benefit from this crisis-inspired measure, and only existing EBRD clients can apply.

The EBRD may be circling its wagons as the crisis unfolds, but the wider question remains: who gains most from that word 'development' in the name of the bank?

Disclosed documentation from a recent Canadian freedom of information request, passed to Bankwatch Mail, presents just one illustration of how EBRD muscle can be flexed to ensure smoother passage for a western investor not getting things all its own way in central and eastern Europe.

An email of December 2007, from the office of the Canadian director of the EBRD to the Canadian Trade Ministry regarding the Canadian mining firm Dundee Precious Metals' travails in seeking permits for developing the Chelopech gold mine in Bulgaria with the use of cyanide technology, flatly contradicts EBRD claims to Bankwatch that the bank has had no bearing on phase 2 of the mine's development.

Although censored in part, the released email details how: former EBRD president Jean Lemierre pressed Bulgarian prime minister Sergei Stanishev to approve the necessary permits, that would allow the use of cyanide leaching in Bulgaria for the first time, "and the reputation of [Bulgaria's] business environment will benefit"; extensive lobbying and strategic voting from the Canadian office of the EBRD sought to raise awareness of "Dundee's situation" within the EBRD; the underlying approach promoted by the bank's Canadian office "is to keep pressure on [the Bulgarian government] and ensure pressure comes from various angles".

Evidence of this kind of pro-activeness from the EBRD is far from being revelatory, though it stands in contrast to regular bank staff apologias about the EBRD's restricted ability to push environmentally progressive projects in its countries of operation. The cited email preceded the Bulgarian acceptance of the Chelopech environmental impact assessment (EIA) by four months, though the price paid by the Canadian mining company was an increase in the state's stake in Chelopech from 0.75 percent to 25 percent. Yet it is an EIA that begs a lot of questions, principally for upwards of one million people living downstream of the Chelopech gold mine who have still not been consulted about the use of the controversial cyanide technology.

These are the kinds of vital issues – crisis or no crisis – on which local communities and NGOs are continuing to be frozen out as the EBRD and others pander to the requirements of big business. Accelerated 'crisis lending', however, raises fears that these stakeholders – not to mention the environment – will only be left further out in the cold, particularly as accessories to the crisis in central and eastern Europe continue to be entertained by the EBRD's now hopelessly out of date, WWE-inspired thinking on transition.

NABUCCO SPELLS ENERGY SECURITISATION NOT SECURITY

ment has been unabashed in its courting of the Turkmenistan regime. Securing Turkmen gas for Nabucco seems to have brought about a certain amnesia in Czech officials – this despite ongoing concerns from human rights groups about continued hard line rule in Turkmenistan.

As the political ground starts, apparently at any cost, to get cleared for Nabucco, international public lenders such as the European Investment Bank and the European Bank for Reconstruction and Development are being lined up to provide project finance for what many analysts acknowledge is an economically dubious project. EBRD President Thomas Mirow, present alongside his EIB counterpart Philippe Maystadt at a high-level Nabucco conference in Budapest in January, disclosed to the media that, "The Nabucco project affects large parts of the region where we operate and is a promising contribution to diversification."

Exactly how the IFI engineers and economists will assess the Nabucco supply question remains to be seen. What is not in doubt is that the political pressure being ramped up is huge. Still fresh in the memory, too, is how doubts about Azerbaijan's oil supply potential were swatted aside a few years ago by the promoters and backers – including the EBRD – of the Baku-Tbilisi-Ceyhan (BTC) pipeline. Said project is now reliant, as NGOs and others previously warned, on Kazakh reserves being shipped across the Caspian. Yet no impact assessment of this predictable scenario was ever countenanced by those involved in BTC.

Aside from purely economic notions of 'sound banking', is Nabucco going to be a demonstration of sound banking – especially for public money – in environmental terms? Not exactly, according to Diana Ürge-Vorsatz, a member of the Nobel Peace Prize-winning Intergovernmental Panel on Climate Change, professor at the Central European University in Budapest and director of the Center for Climate Change and Sustainable Energy Policy.

Speaking to Bankwatch Mail, Ürge-Vorsatz explains, "If we invest public money – and not a little public money – then we should really reconsider whether that public money has better uses. How much could that money achieve in terms of driving energy efficiency and saving that much gas? Okay, this doesn't solve fully the issue of natural gas diversification, but nor will Nabucco."

The figures on energy used by Europe's buildings show this sector alone accounting for 40 percent of final energy use, and in Hungary and other central and eastern European (CEE) countries that percentage climbs to 50 percent or more. Simple and cost effective energy efficiency measures like better insulation, glazing and more efficient lighting could deliver savings equivalent to 500 million cubic metres of gas per day, according to estimates from Eurima. The Nabucco pipeline will have a capacity of 27.5 billion cubic metres of gas per year.

Urge-Vorsatz is quick to acknowledge two of the underlying and parallel barriers to increasing energy efficiency programmes, especially in CEE: politicians' continuing tendency to settle on big solutions (read major infrastructure projects and power plants) most often as a result of the intense lobby power still enjoyed by the major energy industries.

But, says Urge-Vorsatz, the tide is turning, and the economic crisis is focusing minds on energy efficiency – even making it sexy. Yet certain barriers remain. "On new housing stock," she says, "we know how to build very-low energy buildings, but the construction industry is not ready. It's clearly a capacity and information issue."

The biggest potential of course lies in retro-fitting buildings, and here Urge-Vorsatz observes that "most of the programmes are only achieving very moderate savings. Only making 10-30 percent savings is a big mistake. It is better than nothing when saving money is the goal, but from a climate perspective we have to act as soon as possible. If we opt for sub-optimal retro-fitting then that locks us in to a high emissions future for many decades."

Innovative financing is the key to making a difference on energy efficiency in the building sector, maintains Urge-Vorsatz, keen to applaud earlier achievements made by the likes of the International Finance Corporation in encouraging private banks to develop energy efficiency credit lines in Hungary, as well as the EBRD's fostering of ESCOs (energy saving companies). With such little cash available in CEE currently, the onus is more than ever on public finance to incentivise business to do more on energy efficiency.

If a recent case in the Czech Republic is anything to go by, there can be no doubt that consumers are clamouring for the opportunity to cut domestic heating bills and do their bit for the climate at the same time. An energy efficiency programme for individual households launched by the Czech Ministry for the Environment in March this year met with such interest that the dedicated website crashed when the programme was announced. Better surely to experience this kind of positive, easily resolvable collapse than the collapse of a pipeline project because of economic frailties or high-risk geo-political skirmishes.

EBRD complaint mechanism gets a personality but therapy might still be required

By the time the curtain is raised at this year's EBRD annual meeting, the bank's board of directors is expected to have approved a revised accountability mechanism along with accompanying rules of procedure. The new Project Complaint Mechanism (PCM), to replace the Independent Recourse Mechanism (IRM) in existence since 2004, should usher in a new beginning for accountability at the EBRD and hopefully result in more robust oversight of both the bank's responsiveness to the concerns of project-affected people and its adherence to its own policies in the preparation and implementation of projects.

Over the last four years, the IRM has registered five complaints from people affected by the EBRD's investments from Russia to Albania and Georgia. In that time seven complaints were also rejected on the grounds of manifest ineligibility, including a claim filed by a trade union which

"With this kind of gear I'll be able to penetrate direct to the board, right?"

was not deemed to be a legitimate body to submit a complaint.

Of the five registered claims, only one complaint involving compensation for reduced catches to fishing associations caused by pipeline construction on Sakhalin Island has resulted in a satisfactory agreement for the complainants. The problem-solving initiatives and the compliance review proposed in the other four cases all failed to improve the claimants' situation. In the eyes of NGOs, these figures translate as evidence of the procedural barriers that have thus far prevented concerns regarding the implementation of EBRD projects being brought to the institution's attention and that have made meaningful redress difficult, if not impossible.

Bankwatch has consistently aired these concerns to the EBRD over the last three years, and in an effort to more adequately remedy emerging problems and respond to the concerns of individuals and communities, the EBRD duly delivered a draft rules of procedure for the PCM at the end of last year. Among other things, the draft streamlines the complaint making and approval process, permits organisations such as trades unions and NGOs to submit complaints for compliance review and establishes a full-time PCM officer to administer the mechanism and, importantly, conduct public outreach. On the last point, it is anticipated that getting the word out about a "Project Complaint Mechanism" will be a good deal simpler than promoting the Kafkaesque-sounding "Independent Recourse Mechanism" around central and eastern Europe.

The draft document, however, does not go far enough in ensuring that the PCM shakes itself loose from the quasi-independent status of its predecessor and that it undergoes sufficient structural change in order for it to be considered as an objective and credible mechanism by external stakeholders in a way that the World Bank's Inspection panel is perceived.

For instance, as proposed, the PCM officer will not hold a high ranking position equal to the bank's senior management but he/she will be subordinate to the Chief Compliance Officer, currently responsible for integrity matters in the bank and part of management. Such subordination may raise questions over conflicts of interest and the actual independence of the PCM officer in matters involving integrity risks. It also prevents the PCM officer reporting directly to the highest authorities in the bank – the board of directors and the president. Such a provision has been seen to be good practice at other international financial institutions.

Moreover, the draft rules of procedure do not elaborate how the nomination committee comprised of external and internal members selecting the PCM officer and the roster of PCM experts will be designated, so there is no clear provision specifying what bank staff can be represented in the committee, nor if NGOs can have representation.

It may be argued that the functioning of any such accountability mechanism depends above all on the make-up of its personnel. Yet without due structural provisions as to how its members are selected and how they operate, even the best intentions may be in vain. The independence of the PCM panel is critical if there is to be a solid reputational footing for the mechanism outside the EBRD, and if institutional learning is to be profound.

The formalisation of the new PCM comes at a crucial time. The need for the EBRD to disburse bigger volumes more quickly because of the economic crisis carries with it clear risks for EBRD investment choices and its approval processes. The fast-tracking of projects may result in limitations for public participation, and weaker project assessment, poorer implementation and more severe project impacts for local communities and the wider economy in central and eastern Europe can not be ruled out.

The EBRD has been given new teeth as a result of the crisis – its revamped complaint mechanism needs to be sufficiently well-endowed to allow people in central and eastern Europe to withstand any future crunches.

EBRD drawing more power lines in Ukraine's unsustainable energy sands

In recent weeks, details have been emerging about EBRD intentions to become involved in the hasty preparation of two new energy projects in Ukraine, both dealing with the construction of new power lines. One of the projects is set to aggressively cross the protected wetlands areas of the Dniester estuary, while the second is aimed at supporting Ukraine's ageing nuclear industry.

Although no concrete project information has yet been provided by the EBRD, according to experts' estimation the total cost of the two projects may amount to EUR 350 million, with EBRD financing up to EUR 160 million. In line with EBRD requirements, the first part of the public consultations – so called 'scoping meetings' – were convened in Ukraine between April 27 and May 13 by the project sponsor Ukrenergo.

A high voltage power transmission line in the Odessa region of Ukraine is expected to link the remote part of the region to a reliable supply of electric power. Currently the area is dependent on an unstable supply of electricity from neighbouring Moldova. Unfortunately the line is expected to cross the Dniester Delta Wetlands of International Importance, a zone that includes a national park and territories protected by the Ramsar Convention.

Nature protection NGOs in Ukraine are already expressing alarm about these proposals and call on the EBRD to work closely with the project sponsor to identify the best alternative solution. As things stand, all routing options will involve crossing the Dniester delta and estuary in some form or another, and thus Ukrainian NGOs are urging Ukrenergo to think again and look for other ways of improving energy supply in the region. Improved cooperation with Moldova or decentralising supply are two possible alternative options.

The other power line project is planned to connect Europe's largest nuclear power plant (NPP) Zaporizhska (installed capacity of 6,000 MWt) with the Kakhovska substation. According to the project sponsor – again Ukrenergo – this line is needed to utilise the full generation capacity of Zaporizhska. Currently it is able to provide 5,300 of the possible 6,000 Mwt to the grid.

But why is this line planned for construction only now if, by 2014, the lifetime of the NPP's first unit will be over and it has to start decommissioning? And couldn't this problem have been addressed at some stage during the last 15 years since the connection of the NPP's sixth unit to the grid in 1995? The controversial, nuke-centric Ukrainian energy strategy holds some answers. The newly proposed line is needed for the further expansion of Zaporizhska via two new units, as laid out in the national strategy.

This is of course not the first time that the EBRD has sought to support the nuclear industry in Ukraine, despite bank policies that stipulate its involvement only in nuclear safety projects. Many still recall the K2/R4 saga, as well as more recent EBRD loans to build high voltage lines providing output capacity for both the Khmelnitsky and Rivne NPPs – the EBRD even cynically scored this project as part of its much-vaunted Sustainable Energy Initiative.

Old habits seem to be dying hard, and it beggars belief that while the EBRD is very much alive to the need for a massive scaling up of truly sustainable energy projects in Ukraine, it appears ready to be a willing accomplice to a Frankenstein energy strategy that foresees 22 new nuclear reactors in Ukraine by 2030.

EBRD listening post on the Ukrainian steppe. Mission: to intercept news of the latest demented energy scheme

An end to energy efficiency excuses in Ukraine

The importance of energy efficiency is – or should be – beyond any doubt. The threat of global climate change, the approaching exhaustion of fossil fuel deposits and the global recession makes energy saving an acute cross-cutting issue world wide. Nowhere in central and eastern Europe are measures to address energy wastage more necessary than in Ukraine.

Since 2006 the European Bank for Reconstruction and Development has been playing its part in raising energy efficiency levels at production facilities across Ukraine by providing credit lines to a number of Ukraine's commercial banks. As Ukraine continues to occupy close to bottom rankings in the world when it comes to energy efficiency, major investments into energy efficiency are clearly a priority. Energy efficiency measures are cheaper than new generation capacities, and cutting energy costs can help any country – let alone Ukraine – to improve its competitiveness, energy security and reduce the environmental impact of its economic growth.

The Ukraine Energy Efficiency Programme (UKEEP) is a credit facility developed by the EBRD designed to target Ukrainian private companies in all sectors that are looking to invest in energy efficiency or renewable energy projects. It is provided to four Ukrainian intermediary banks. Such an initiative is vital and necessary.

Yet the Ukrainian Program has certain limitations that prevent it from being as effective as it could be. One such limitation is that the loans are provided only to private companies and are affordable only to rather sizeable enterprises, as the minimum size of the loans involved starts at USD 500 000.

The EBRD often claims that it is oriented towards the interests and development of small- and medium-sized enterprises. In Ukraine the SME sector provides 12 percent of national GDP, while in Europe this figure is five times higher. Such under-development of SMEs in Ukraine provides a major opportunity for investments in their development and in particular in their energy efficiency efforts. It is essential that private entrepreneurs become eligible for smaller loans, especially when one considers that Ukraine is an agriculture oriented country and that farmers desperately need financial resources for biofuel boilers and other facilities, solar panels, small hydro etc.

Another downside is that the information available on Program is quite narrow – only those who already know about it can find information on the internet at the official website. Otherwise its existence is off most people's radars.

The call centres of the banks involved do not provide such information; neither do their websites. For example, information about Program on the website of UkreximBank, a bank that earlier this year received a EUR 50 million loan from the EBRD, is found only on the fourth level of the menu. Similarly, a search for "EBRD" or "UKEEP" on the site of another involved bank, OTP Bank, leads only to a list (in English) of the bank's achievements in recent years – there is no relevant information in the Ukrainian language at all. More widely, there is no advertising in the national or local press about Program. Such an important initiative requires a pro-active media outreach effort. It is in fact easier for a potential client to find information about the National Ecological Centre of Ukraine – Bankwatch's member group in Kiev – and ask for advice than to discover information about Program.

The potential for energy efficiency investments in Ukraine is truly immense, and private households as well as multiple dwellings also need urgent targeting. Apartment buildings from the Soviet era are notorious for their shoddy insulation. The deteriorating economic conditions in Ukraine should be focusing minds even more on domestic energy efficiency drives as electricity and heating rates look set to keep on rising.

The EBRD has gained experience in lending for energy efficiency in Bulgaria, another of the region's most energy intense economies. In 2005, EBRD funds were loaned at market rates via four Bulgarian banks to homeowners installing new windows, insulation, heat pumps, solar water heaters and/or efficient gas boilers. In March 2009, the EBRD issued a USD 5 million loan to Bank Republic in Georgia in order to finance energy efficiency projects under the Caucasus Energy Efficiency Program. This loan aimed to encourage local enterprises and households to make better use of the country's energy resources.

These programs need to be quickly analysed and adjusted if needed, but also scaled up in order to address the needs of the region, in order to reduce most countries' continuing dependence on imported fossil fuels.

Experience from other countries shows that energy efficiency measures can be beneficial for all parties. For example, in Latvia the "Nord/LB" Bank provided loans to housing authorities for the heating efficiency of multiple dwellings. Energy consumption has subsequently decreased, but apartment dwellers continue to pay according to fixed rates and not based on electricity meter data. This difference between the fixed rate and the data on the meter is the source for paying back the loan. The advantage for residents is that they don't need to pay additionally for the loan or to whip round for the required energy efficiency measures.

In his farewell meeting with NGOs at last year's EBRD meeting in Kiev, former EBRD president Jean Lemierre expressed his frustration with the lack of progress that has been made on energy efficiency, in Ukraine and elsewhere. The nub of his argument was that energy efficiency is just not sexy enough for many of the region's political leaders – cutting a ribbon at the opening of the next massive, carbon-heavy energy facility provides a better photo opportunity than signing a few energy efficiency deals.

Yet the economic and climate crises are now compelling reasons for political elites to get their acts together – and the EBRD should not be shy about taking a more aggressive stance when it comes to energy efficiency.

The bank should elaborate and implement programs oriented at homeowners in Ukraine, as has happened in Bulgaria and Georgia. One of the first steps to be undertaken would be to initiate a program of energy audits for multiple dwellings. The main actors in this program would be housing departments. As a strong political player in Ukraine, the EBRD should promote the idea of better metering of energy and better energy saving as well as reform of the household system in Ukraine. And the message couldn't be clearer: less is more.

Flagship PPP road project in Russia to be built with state money for the next two years

During a visit to Saint Petersburg in April, Russia's prime minister Vladimir Putin outlined dramatic financing changes in what had been expected to become Russia's flagship public private partnership (PPP) deal. He announced that for the coming two years the state would replace private investors in the construction of the city's Western High Speed Diameter toll road (WHSD).

The announcement came after both the state and the concessionaire acknowledged last month that private investment would not be sufficient for the USD 6.14 billion project due to the global economic crisis. As a result the tender-winning ZSD Nevsky Meridian consortium, led by the Russian oligarch Oleg Deripaska, and including among others Strabag and Hochtief (in which Deripaska held shares until recently), have not proceeded with the signing of the concession agreement.

Local community groups have been opposing the WHSD motorway on environmental and economic grounds. The road is planned to cut through the city of Saint Petersburg, passing just 70 metres from houses. Residents have been concerned about the air pollution and noise the transit road will generate, pointing to experiences with the reduction of the sanitary zone on the Saint Petersburg bypass project, which resulted in improper resettlement and health mitigation measures.

Environmentalists also fear the impacts that the motorway will have on the Yuntolovo natural protected area, a popular recreational area near the route. The project is also likely to pose an unnecessary burden on the city's budget. Under the new financing plan introduced by Putin, the federal government envisages allocating 20.6 billion rubles (USD 617 million) this year and next, and the city of Saint Petersburg is planning to contribute another 6.6 billion rubles (USD 200 million). Saint Petersburg's budget for 2009, meanwhile, continues to fall victim to the worsening effects of the crisis: the city's income this year is expected to be cut by almost 30 percent, from USD 11 billion to USD 8 billion.

The WHSD's construction costs have increased dramatically: since spring 2006 they have risen by 470 percent, from 57 to 212.7 billion rubles (USD 1.6 to 6.14 billion). The need for loans and technical assistance with the implementation of a PPP on the WHSD has attracted the involvement of international financial institutions including the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and the World Bank's International Finance Corporation (IFC). All of these institutions expressed their interest in financing the motorway concessionaire in 2006.

As the private credit markets have dried up, the state has taken on involvement in infrastructure investment to stimulate economic growth. The Russian government has increased spending for road building by 100 billion rubles (USD 3 billion) to 550 billion rubles (USD 16.5 billion) this year and also confirmed a plan to provide an injection of 100 billion rubles into the state-owned railway company for the upgrade of its rolling stock.

"Russia desperately needs infrastructure but without proper planning the money is likely to be poured down the drain," says Vera Ponomareva from the Save Yuntolovo environmental group.

With the 2014 Winter Olympic games in Sochi approaching and the need to make the town's infrastructure conform to international requirements, there might however be more projects on the table competing for state money. Even if the federal government and the city cover part of

the WHSD's costs, there will still be a need for additional support. The original PPP scheme has not been totally cancelled as the city authorities have stated their determination to proceed with PPPs after the most severe phase of the crisis is over. It remains unclear if the international creditors would be interested in financing the Saint Petersburg WHSD under a public procurement scheme.

Yet while much of the criticism of the project has centred on the PPP's low-risk corporate windfall for the private sector, residents are unequivocal that removing this part of the equation will do nothing to address the noise and pollution problems that such a poorly located project is sure to deliver.

ArcelorMittal – Going nowhere slowly

A report published this month by the Global Action on ArcelorMittal coalition details how the steel giant has spent the last year being very vocal about its good intentions on environmental improvements at its plants around the world – but, based on civil society fact-finding missions and on the ground testimonies, there appears to be minimal translation of these words into action.

"ArcelorMittal – Going nowhere slowly: A review of the global steel giant's environmental and social impacts in 2008-2009" comprises case studies from seven countries and includes new updates on EBRD-backed ArcelorMittal operations in Bosnia-Herzegovina and Kazakhstan.

The report is available at www.globalaction-arcelormittal.org, the website of Global Action on ArcelorMittal, an informal network of community and environmental groups from around the world who are working to get ArcelorMittal to invest in pollution prevention and health and safety at its steel mills and coal and iron ore mines. CEE Bankwatch Network is one of the participating groups in the coalition.

Hopeless in Gazela: Roma resettlement woes stack up after two years of EBRD technical assistance

Last month, in the late afternoon of April 3, the City of Belgrade bulldozed part of the Belvil slum – mostly populated by Roma – in Novi Beograd. At least 20 people with children were forcibly evicted and had to sleep outdoors.

"Now where I am gonna sleep with my kids? Anywhere possible, under the bridge, on the market. Some kids when they see us always attack us with bottles. They beat us, and we have to run into the bushes," says one of the evicted Roma from Belvil.

The reason for the bulldozing of Belvil slum is that it stood on the route of a new road between newly built blocks of flats for the Universiade games that will take place this summer. The mayor of Belgrade has recently been trumpeting to the media that: "No one who stands in the way of the development of Belgrade will be spared!"

At the same time, on the other side of Belgrade near the Gale Muskatirovic Sport Centre where the first Serbian ATP Tennis tournament took place last month, a group of almost 100 Roma living in similar unsanitary conditions are facing the same destiny.

The common feature of these slums is that they are populated by mostly Internally Displaced Persons (IDPs) from Kosovo, very poor Roma from different places in southern Serbia, and people evicted from European countries due to the EU processes of strengthening control over "illegal" workers. Another important feature is that the settlements are very close to the most important infrastructure investments in Belgrade. Thus they lower the tone of these exclusive developments, or in some cases sit directly atop expensive land.

Both of these recent cases have caused a torrent of criticism from Roma NGOs, political parties and the national council, as well as from the UNHCR, OECD, international NGOs, and the Ombudsman for Human Rights in Serbia. The evictions have once again shown the inability of the Belgrade and Serbian institutions to go any further than formulating action plans and giving high level presentations on the inclusion and integration of Roma in Serbian society. The leaders of the city of Belgrade and the Serbian authorities have scarcely moved off the starting blocks in the preparation of any kind of sustainable plan to improve the situation for Roma living in Belgrade.

In Belgrade there are at least 150 other such slums, with at least 15-20 000 people living in them. One of these is the Gazela settlement, adjacent to and under the Gazela Bridge on Pan European Corridor 10 over the River Sava, whose resettlement – or lack thereof – CEKOR has been monitoring for the last two years. The bridge is one of Europe's traffic hot spots, with 160 000 vehicles per day crossing it in both directions. The Gazela settlement is home to at least 1000 people, mostly Roma.

Since 2006 the EBRD and the EIB have been involved with Belgrade City Council and the Serbian government in the preparation of a sustainable process for the resettlement of Gazela's population, as well as the establishment of institutions that will support future projects of inclusion and integration of Roma in Belgrade and Serbia as a whole. Unfortunately all the indications to date show that this process has failed to achieve its aims.

After repeated failures over the past two decades, the process is once again failing because of familiar, fundamental deficiencies:

1. There is no real, comprehensive plan for resettlement.

2. The people due to be resettled were not consulted about where they might be moving to and how the resettlement should take place.

3. Instead of considered consultations, the host communities are once again facing poorly thought-out resettlement plans out of the blue. These cause immediate negative responses from the mostly suburban municipalities, which are then easily categorised from the side of the government as 'fascist', even when they raise legitimate questions.

4. The Belgrade and Serbian authorities continually blame local communities for opposing resettlement in their backyards, without seriously planning and implementing consultations with communities for providing basic infrastructure, schooling, and street lighting.

As one resident in the secretly pre-selected suburban village of Boljevac explains,"Why didn't they come to speak with us first? Why they are doing this during the night, why are they bringing containers without asking anyone? What will they do here without jobs? We will be able to feed them for three days, and then what? Belgrade just wants to evict them from the fancy parts of the city to our backyard."

5. No serious programmes have been developed for the sustainable establishment of economic activity for the resettled population.

6. No real representation of Roma political or national representatives was secured as a guarantee for the real and functioning involvement and equal treatment of the Roma population in these processes.

7. Bureaucratic obstacles to obtaining ID and health and social care cards for the Roma population, as well as barriers to obtaining urban and building licenses for the resettlement projects, are still – arguably more than ever – preventing progress towards meaningful solutions.

The City of Belgrade has thus far failed in at least five known cases to provide real consultations with host communities and the involvement of the people to be resettled, therefore every time causing demonstrations and open opposition from the planned host community. There surely is no real plan for a meaningful resettlement of the Gazela community on the horizon.

Given the deadlocks in the process, the EBRD needs to take an active role and bring together national, Belgrade and Roma national representatives with the aim of restarting a multi-stakeholder process for formulating a sustainable resettlement action plan (RAP).

This would also involve an assessment of the progress so far in establishing institutions, the financial side of the process, links to other sectors such as infrastructure, waste management, and the social, health and educational work that needs to be provided for cases of this type. An exchange between the relevant stakeholders will need to ensure real, open opinion sharing and an honest reality check on the legal, institutional and bureaucratic obstacles to implementing a workable RAP.

New Gazela documentary

Bridging the gap – Roma resettlement in Belgrade, a new short film produced by Bankwatch and Serbian partner CEKOR, brings together three perspectives on the resettlement of Roma communities living beneath the Gazela bridge in Belgrade.

Extensive rehabilitation work to the bridge, being financed with millions of euros by both the European Investment Bank and the European Bank for Reconstruction and Development, means that more than 200 Roma families face displacement.

But the way the process has been handled so far has only increased mistrust and exacerbated tensions among Roma, Belgrade city officials, and the proposed host communities.

For a copy of the film, contact: david.hoffman@bankwatch.org

More dirty energy development for Albania, IFIs keep their cards close to their chests

In comparison to other recent energy developments in Albania, the plans for building the Porto Romano energy complex – including a coal-fired thermo-power plant – have been advancing through the state procedures with a hitherto unseen speed. While the ongoing negative effects of the national power crisis and energy security concerns have certainly helped to move the plans forward, the fact that the Italian energy company Enel has been promoting the project with a view to using half of the energy produced in Albania for the Italian market may have accelerated the pace. There are certainly indications that the entire project was a fait accompli before the necessary permits were obtained.

Located in the immediate vicinity of Albania's second largest city Durres, the 810 hectare energy park in Porto Romano would host two 800 MW units, a jetty for handling the imported coal, a transmission line connecting the local substation to Tirana's main substation and an undersea transmission line linking the facility with Italy.

In December 2007, Enel's CEO Fulvio Conti and the Albanian minister of Economy, Trade and Energy signed a memorandum of understanding for the development of the Albanian energy sector which includes a coal power plant and a power inter-connection with Italy. Less than a year later, the Porto Romano energy complex received approval from the Regional Council of Territorial Adjustment in Durres. While decisions about the park from the National Council of Territorial Adjustment and the Albanian government are still pending, the state has indicated its strategic support for connecting the new energy park with the national railway system. Just last month, the major Albanian industrial association Konfindustria signed an agreement with Enel to build the Porto Romano energy park.

As the energy park is to be built and operated under a concession agreement, an open and transparent tender procedure would be expected. So far, there has been no international call for tenders by the Albanian government. Although in June 2008 national media reported interest in the Porto Romano power plant from a consortium comprised of the Greek Public Power Corporation, the Greek cement group Titan, and the German power utility RWE, Enel has apparently remained the only racehorse on the track. Since the second half of 2008, Enel has initiated an Environmental Impact Assessment (EIA) study for the project and organised a set of consultation meetings with the public in Durres and neighbouring villages.

Albanian environmental groups that have formed the Ekolevizja coalition objected to the narrow scope of the public hearings on the EIA that Enel organised originally only in the village of Katundi i Ri. As a result of Ekolevizja's complaint to the Ministry of Environment, Forestry and Water Administration, Enel was required to expand its public hearings to Durres and communities in Manze, Sukth and Ishem.

The thermo-power plant project has been facing strong opposition from environmental organisations because of its expected impacts on public health and the environment. An independent quality review of the energy complex EIA commissioned by the groups highlighted more than 25 shortcomings in the assessment, including the study's failure to consider alternative energy scenarios to coal power, analyse properly carbon dioxide emissions, assess the socio-economic impacts of the project and provide for management and monitoring plans. These concerns were also raised at a special parliamentary hearing just a few weeks ago on April 14.

Even though energy projects in Albania are a major priority for international financiers and some development agencies, surprisingly little is known about how these institutions view the Durres coal power plant project and its impact on climate and national energy security. With the past and present involvement of international financiers in other energy generation projects in Albania such as the combined-cycle power plant in Vlora, it is hard to imagine that the Durres development would go unnoticed in their investment plans for new energy infrastructure in Albania.

The European Bank for Reconstruction and Development is expected to review its three year investment strategy for Albania at the end of the year, so it remains to be seen if the project will be reflected in the bank's next plan. The existing EBRD strategy has provided a mixture of concrete large-scale energy generation, transmission and distribution projects alongside vague commitments to financing energy efficiency and renewable energy.

The World Bank, together with the Government of Albania, conducted a workshop on climate risks and vulnerabilities in the country's energy sector in March this year. In the light of the advance of the Porto Romano energy complex, it would be to say the least surprising if the outcomes do not reflect on the situation in Durres.

The area of Porto Romano, and particularly its legacy of contamination from the chemical factory operating in Communist times which was later used for chemical storage, has been a central focus of World Bank attention in Albania for several years. In 2005, along with co-financing from the European Commission, Japan, Austria and the Netherlands, the World Bank provided USD 18 million in financing for a USD 39 million Integrated Coastal Zone Management and Clean-up project part of which has contributed to remedial efforts for the Porto Romano hot spot.

The coal thermo power plant in Durres, will not only cause irreversible impacts on the environment, but it will also push Albania into the trap of increased dependency on imported fossil fuels. Moreover, with its clear export orientation, it is doubtful whether it will in fact address domestic energy issues. While Italians may enjoy imported electricity, it will be Albanians who will need to deal with local pollution and ultimately bare the costs of dramatically increased CO2 emissions at the national level.

In short, the international financial institutions should not be supporting a nineteenth century style of energy development and should instead be looking to nurture and support long term sustainable energy and energy security measures that will address Albania's needs.

Smoke on Georgian water privatisation – has the EBRD learned any lessons?

Only a year and a half after the farcical Tbilisi water supply improvement project stagnated, resulting in the withdrawal of the EBRD, the bank is now planning to approve the Kutaisi II Water Project in Georgia's second largest city that risks repeating some of the same problems.

In July 2007 the EBRD approved a EUR 15 million loan to the Tbilisi municipal water company, aimed at improving the water supply system in Tbilisi and developing a public-private partnership (PPP) for the management of the water supply. PPPs for water projects have been controversial in many countries as there has been scant evidence that private sector involvement has brought the investments and cost efficiency promised, while prices for water have risen and safeguards have not always been in place for the socially vulnerable.

Recent research carried out at the University of Barcelona and Cornell University that reviews all published econometric studies of water and waste production since 1970 has found that cost savings are not found in water delivery privatisation, even though this is one of the main claims made for private sector involvement. In the case of Tbilisi, the pre-feasibility study for the project merely acknowledged that the municipal water company had

made significant improvements in its management and proceeded to recommend private sector involvement without any rigorous justification.

Civil society groups opposed the project for several reasons. First, although the UN Economic and Social Council has stated that “The right of individuals and groups to participate in decision-making processes that may affect their exercise of the right to water must be an integral part of any policy, programme or strategy concerning water held by public authorities or third parties,” there were no public consultations about the plans and a PPP was chosen without any discussion of the advantages and disadvantages, nor of the alternatives.

Second, there was no regulatory body in place to ensure that tariffs would be set in a fair way and that adequate social safeguards would be ensured. Third, the project involved the installation of controversial collective water metering, which is known as a source of tension and poor co-operation between neighbours in transition countries where incomes are low and bill non-payment relatively high.

A few days after the EBRD approved the project a tender was suddenly announced by Tbilisi City Hall and the Ministry of the Economy to completely sell off the Tbilisi Water utility. On October 27, 2007, a little-known Swiss company called Multiplex Solutions was announced as the owner of the Tbilisi Water Company – Multiplex Solutions had no previous experience of managing water supplies. The sale, which was botched as the Tbilisi city council was not consulted, was repeated again twice by presidential decrees, and Multiplex Solutions now has the city of Tbilisi’s water supply in its hands. To this day there is uncertainty about who is behind the company and under what terms it is operating, as the contract has not been disclosed.

Some improvements have taken place in the regulation of the water system in Georgia: a regulatory body has now been created, although it is yet to be seen how effectively it will function, and Georgians now also have the right to install individual water meters and to be charged according to these, even if collective metering exists in their building.

However if the EBRD’s Kutaisi II project is to avoid being another unpopular PPP plan, there needs to be a thorough examination of whether a PPP can bring real added value in a country with such weak social safeguard mechanisms, and alternative options – such as twinning with well-run public utilities in other countries – need to be examined.

Public hearings and consultations on the different components of the project need to take place with vulnerable groups, NGOs and trade unions. Social assessments are needed to identify adequate mitigation measures for low-income households and commitment is needed from the government to implement the mitigation measures. Finally, a public supervisory mechanism is needed and should be able to participate in key decision-making processes including the project design, water tariff setting and investment obligations.

Faster, smarter but more destructive crisis money for CEE?

CEE Bankwatch Network and Friends of the Earth Europe have launched a new map of 55 major infrastructure projects in central and eastern Europe that have been funded by or are in line for billions of EU public money. The campaign groups have expressed alarm that the proposed environmentally destructive and economically unsound projects may have a greater chance of being realised as European decision-makers rush to counter the economic crisis with accelerated infrastructure spending.

The map is available online at: www.bankwatch.org/billions/2009

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