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EBRD and EIB **forging ties** with **military junta** in Cairo, out of touch with **public demands**

Bread, freedom, dignity, social justice. These were core demands articulated during the democratic and inspirational Egyptian revolution in Tahrir Square at the beginning of this year. Beyond this, there was widespread support for improved public services to the poor, a shift from subservience to US foreign policy, a reduction in Egypt's foreign debt and an end to and reversal of privatisation policies.

Now, under the mantle of "supporting democracy", the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) are working with the military junta–appointed government – an increase in Egypt's debt burden and the promotion of privatisation as a necessity both look inevitable.

Reading statements from the banks and speeches made by the EBRD's president Thomas Mirow, it feels like bank officials should spend some time in Tahrir learning about the democratic demands and desires of Egyptians that toppled Mubarak, before driving on with their lending plans.

But, instead, a lot of the dialogue taking place is with the same old tired elites, including with the remnants of Mubarak's NDP apparatus: the "fluul".

In late October and under the banner "A big day for EBRD in Egypt", the EBRD reported on a conference it organised in Cairo, declaring that: "It was with a sense of optimism that Egypt's minister of planning and international cooperation, Fayza Abou el Naga, summed up the mood in her country as she talked about the many challenges ahead for the economy. 'We are now in the tenth month of our revolution and we can say that the worst is behind us,' she said."

Aboul Naga is widely recognized as fluul, a pre–revolution minister still in the cabinet, playing the same role as before. The fluul are widely despised in Egypt for robbing the country of its wealth and the repression before and during the revolution, and are in the process of being banned from participation in upcoming elections. Just the day before the EBRD's event in Cairo, Aboul Naga released a statement slamming Egyptian NGOs for accepting funding from abroad, in a direct attack on civil society that revealed her paranoid perspective on politics. Even at the conference itself she complained that there were still "various demands from civil society", although "the worse is behind us".

Hence, when an EBRD press release quotes Aboul Naga claiming the Egyptian revolution as "our revolution", it reveals just how detached the bank is from both public opinion and the political situation in Egypt.

But the problematic engagement doesn't stop with one particular minister. Egypt is ruled by a military junta that aims to entrench its rule beyond any "transition". To defend its power, the Supreme Council of the Armed Forces (SCAF) is using political repression against any who criticise it. Twelve thousand civilians have been court–martialed, including bloggers, journalists and activists charged with defaming or insulting the military. The torture of prisoners remains normalised, alongside impunity for the police and military forces. High profile attacks such as the Maspero massacre, where 28 civilians were killed in October in downtown Cairo, weaken civil society. The military prosecutor has since charged the victims – including one of those killed by the army – with causing the violence.

These are not accidents or "failures" in policy, but pragmatic and conscious steps taken to ensure that the SCAF junta maintains control over Egypt's future. At the same time as repressing popular demo–

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Inside

G20 infrastructure plans kick some bombs down the road to world's poor

Amidst the backroom shenanigans, bad blood and anti-democratic diktats that marked this month's G20 summit in Cannes, France, the G20 leaders did find themselves able to sign off on a set of recommendations from a High Level Panel (HLP) on Infrastructure that has been heavily influenced by the World Bank and other multilateral development banks (MDBs), though not by the "Several billion poor people across the developing world" blithely referenced in the document's introduction.

Originating from a G20 summit in Seoul in November 2010, the document defines infrastructure as transport, water and sanitation, energy, and information and communication technologies, stating that "The Development agenda is at the core of the G20 priorities. It is an essential part of the global economic agenda, promoting a shared and inclusive economic growth and reducing poverty, inequality and unemployment. The role of infrastructure is critical for this agenda to be fulfilled, especially for the low income countries, in particular those of Sub-Saharan Africa."

Before getting to a hit list of major "exemplary regional" infrastructure projects recommended by the MDBs (see below), the document explains that "to produce a step-change in infrastructure investment", public-private partnerships (PPPs) will be a central method for project delivery, and that "given its long term nature, infrastructure in developing countries could potentially represent an attractive asset class for the private sector provided its perceived risks could be effectively mitigated."

Explaining the rationale behind this Action Plan further, the HLP explains "To make this happen, some adjustment to the culture of MDBs will be required, moving from a lending culture to an enabling culture, from an emphasis on balance sheet growth to one on 'crowding in' private sector capital."

Antonio Tricarico of Rome-based NGO Campagna per la Riforma della Banca Mondiale commented: "This so-called MDB enabling culture is nothing new, it's been the big new trend in MDB lending underway since the turn of the century, allowing the public development banks to get increasing lending volumes out the door, with fewer questions asked, to private banks, private equity operations and

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cratic movements for change, the military is dominating the constitution drafting plans. This is the context in which the EBRD and EIB are promising billions of taxpayer-backed money to ensure stability and "reform".

Lack of democratic accountability

But maybe the EBRD and EIB do recognise this? For it is precisely the current lack of democratic accountability that make the banks' stated aims achievable. Without the continued disenfranchisement and repression, pushing through neoliberal and privatisation measures would be largely impossible.

The EBRD has already begun commissioning an assessment of the Egyptian transport sector, aiming to assess potential PPP opportunities, and is making big promises, including over USD 1 billion per year to boost Egypt's SMEs, struggling housing sector, water, food and energy – with "full investments" by early next year. "The potential is huge," purrs the EBRD's Mirow. The EIB is also clear that it aims to continue investing in Egypt to develop the private sector and create an investment-friendly environment.

Mention this to Egyptians, and the response is: "But that's not what the revolution was for. That doesn't further our democracy, and it could set it back." Demands for jobs and social justice are many, but they're connected to a social politics – debt audits, re-nationalisation, community and worker control, strengthened regulation. Not to the radical vision of economic restructuring that the EBRD and EIB espouse, prioritizing the private sector, increasing exposure to IFIs. These are, in fact, diametrically opposing visions for Egypt's future.

And the past does not bode well. The EIB's history in the country includes financing the Damietta LNG plant to export gas to Spain. Local communities and campaigners have raised concerns about the discount prices – gas was sold at 50 percent of the market price – amid wider unhappiness that local resources are exported to Europe and Israel at a loss to Egyptians. Yet the EIB's website contains no project documents or further details about the investment, aligning neatly with the lack of transparency or accountability associated with the SCAF junta or previous Egyptian governments.

As this article is being written, the port and roads of Damietta, 200 miles north of Cairo at the confluence of the Nile and the Mediterranean, have been shut down by a popular environmental justice uprising against a petrochemical-fertiliser plant built by Canadian Agrium and Mopco, with several residents killed by the military. Though not for this plant specifically, Mopco is another Mubarak-era beneficiary of EIB lending.

Both the EBRD and the EIB have pinpointed energy – especially fossil fuels – as a primary target sector for their move into Egypt. These investments are intended to be cohesive on a policy level with the European External Energy Policy. This is easy to conceptualise, as under Mubarak, Egyptian foreign policy and energy policy pandered to western interests. However, this was not representative of public opinion in Cairo, Alexandria or the poorer cities of Upper Egypt, generating widespread anger. Many Egyptians don't consider Europe's external energy policies to be in their interests – placing energy projects and investments framed by and aligned with this policy on a collision course with a more democratic government.

This is not development, it's pillage

Despite widespread public opposition to increased privatisation and neoliberalism, the EBRD and EIB could get their way. Egypt is in a state of flux, and there is scope for international institutions to take advantage of the "Shock Doctrine". Formal structures and accountability mechanisms to debate and decide on changes are few. Claims of "technocratism" obscure power imbalances. Unpopular laws are passed by a military junta, the Egyptian economy is weak – and anti-democratic "solutions" can be imposed.

Asking people in Tahrir Square what they think about the EBRD's plans, I'm told "OK, they want us to privatise, to change our economy. Even if we wanted these changes – and we don't – we need to be ready, to engage with these banks as equals. We need to have our country together before we can negotiate." And "if they try to restructure and change Egypt's economy now – when we're still fighting for our freedoms – this is not development, this is pillage."

In a speech from June this year, Thomas Mirow intoned: "Revolutions may begin the same way but they often end differently. The great political thinker, Alexis de Tocqueville, wrote that 'revolutions are like novels, the difficulty is not writing the beginning but fashioning the correct ending.' At the EBRD, our task, whether in our existing countries of operations, primarily in the former communist bloc, or our future ones in the southern Mediterranean region, is to help people bring about the right ending."

The chutzpah here is breathtaking. How can someone based in London think that it's his job to help Egyptians fashion the "correct ending"? How does a German technocrat know what the "correct ending" is? How is this arrogance different from the SCAF military junta, from Mubarak, even from the British occupation?

Standing in Tahrir, Mirow's words echo a refrain of "We know what's best for you – we will organise your development – just accept our rule and our reforms". A refrain that the revolution was trying to end.

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other highly opaque private parties that should be nowhere near development finance. This is a highly ideological agreement, and it's a further green light to and bankrolling of what is the Goldman Sachs' view – if public money is covering our backs, we'll take a huge piece of the action, thank you very much ... and don't worry about that due diligence.

"What's more, the exporting of PPPs to the developing world is not only going to be mired in problems, it's also an unfathomable initiative. Only last month David Cameron's governing party was blaming PPP investment structures for saddling the UK's health service with crippling debts and almost bankrupting it!"

The "exemplary" regional projects include:

- **The Grand Inga Hydropower project** in the Democratic Republic of Congo, with an estimated USD 80 billion price tag and potentially the world's largest dam. Concerns have been raised that this mega project, conceived under the guise of 'development', would primarily benefit western multinationals and see African energy serving EU energy consumers via a proposed 6,000 kilometre electrical transmission line.
- **Scaling up solar energy in MENA for export to European Markets**, the Desertec mega project being pushed by the European Union to build and connect a host of solar and wind energy plants in the deserts of North Africa and the Middle East to supply mainland Europe with up to 15 percent of its electricity demands, at a cost of EUR 573 billion. The project requires huge volumes of water to clean the mirrors and solar collectors that will be used to generate electricity, thus denying local people access to water, while host countries, such as Morocco, see it as a distraction from the more pressing priority of supplying clean energy to their own citizens.
- **The Turkmenistan-Afghanistan-Pakistan and India (TAPI) Natural Gas Pipeline**, a highly controversial and much delayed US-backed 1,680 kilometre project that has provoked geopolitical tensions in central Asia and whose implementation in Afghanistan would almost certainly require the continued presence of US and NATO military forces on the ground.

Anelia Stefanova, Bankwatch's Campaigns director, commented: "This attempt to frame western energy grabs, with corporate friendly financing structures, as development projects is despicable, and is more evidence of the lengths that global elites will go to in order to dress up their cynical actions. It will be the duty of western NGOs to provide support in the coming years to local communities and NGOs in the developing world as they seek to stand firm against so much of this double-edged development bonanza."

Read more

The High Level Panel on Infrastructure report is available at: www.g20-g8.com/g8-g20/root/bank_objects/HLP_-_Full_report.pdf

More details about the Infrastructure Action Plan are available in this recently published article: http://www.brettonwoodsproject.org/art-568883

Cohesion Policy proposals: Some steps forward but watch out for the steps back

According to figures released by the European Commission on October 6 ('EU Cohesion Policy 2014-2020: legislative proposals'), Europe's "less developed" regions – the 10 countries in central and eastern Europe, southern Italy and Portugal, and bits of Greece and Spain – and the UK, will be required to invest at least six percent of their regional development funding for "low-carbon" measures to combat climate change. For the period 2014-2020, this amounts to an estimated EUR 7.4 billion.

The same figure, EUR 7.4 billion, was invested in the recently inaugurated Nord Stream pipeline that brings gas from the north of St. Petersburg through the Baltic Sea to Germany. Considering the hypothetical sum of money needed to modernize EU's economies, the proposal for climate ring-fencing an amount that equals the construction costs of a 1,220 kilometre long under water pipeline does put things into perspective, a perspective that perhaps doesn't bode too well for addressing urgent climate change activities in central and eastern Europe any time soon.

Bringing environmental and climate issues more to the fore

However, other than this relatively unambitious move towards allocating this six percent sum to climate change mitigation in the poorer regions, the European Commission has put some promising initiatives on the bargaining table – and the legal proposals have to be negotiated between the European Parliament and the Council, and need to be adopted by the end of 2012.

In order to concentrate the next cycle of Cohesion Policy funding towards a few "Europe 2020 objectives", the richer regions and the regions in transition are being requested to set aside 20 percent of their regional funding for energy efficiency measures and the installation and distribution of renewable energy sources including "smart" local energy infrastructure. And it's not only SMEs that can financially benefit from the push towards "low-carbon" – the scope of beneficiaries in the housing sector is to be expanded so that not only public buildings and social housing but the private housing sector as such is now eligible for regional funding.

> "Will CEE states take the chance to unlock the potential for new green jobs, reap the benefits of prosperity from saving energy, and manage their use of resources more sustainably?"

Another welcome new focus is being put on sustainable urban development strategies that shall receive five percent of regional funding. In addition, the new Cohesion Fund, issued for member states with a per capita GDP lower than 90 percent of the EU average and nowadays being tapped to finance road infrastructure or heavy investment waste or water treatment facilities, also now includes climate change mitigation and adaptation measures, such as support for sustainable energy or the restoration of biodiversity.

Overall, the European Commission's proposal concentrates the scope of Cohesion Policy funding to 11 objectives, out of which a respectable four are of an environmental nature. Besides "supporting the shift towards a low-carbon economy in all sectors", future Cohesion funding should as well promote "climate change adaptation, risk prevention and management" and protect "the environment and promot(e) resource efficiency", through for example financing waste prevention and recycling, or through investments into biodiversity and soil protection and promoting ecosystem services including NATURA 2000 and green infrastructures. Another objective is the development of "environment-friendly and low-carbon transport systems and promoting sustainable urban mobility".

A set of ex-ante conditionalities prior to EU funding should ensure the full implementation of and compliance with the EU's environmental acquis, the whole set of European environmental legislation. These provisions give hope that, for example, the relevance of existing environmental assessment mechanisms, the EIA for projects and the SEA for programmes, will be strengthened in order to make them better functioning tools for environmental proofing, a condition which has been seen to be deficient in past and current funding periods.

So far so good. But is there climate and biodiversity proofing in place which is strong enough to ensure the phasing out of perverse and environmentally harmful subsidies? Is the internalisation of external costs guaranteed? Where are the ambitious and binding targets steering sustainable regional development? And, in the end, will significant money be allocated to environmental investment priorities?

Alas, some fundamental questions remain as to whether this proposal is sufficiently strong to guarantee that the next round of Cohesion Policy funding provides incentives and conditions to catalyse the regions' transformation with ecological balance at the core – will central and eastern European states take the chance to unlock the potential for new green jobs, to reap the benefits of prosperity and improved competitiveness from saving energy, and to manage their use of resources more sustainably?

The Commission's proposal in fact shows a vulnerability when it comes to the oft-mentioned "mainstreaming sustainable development". Member states are obliged to track their climate related investments, and strategies and priorities should address how environmental concerns are taken into account. However, this seems to be rather nebulous, as precise methods and requirements are missing.

The need for targets and indicators guiding sustainable regional development

This speaks to the need for a more prominent role for targets and accordant indicators; a set of indicators should serve as a tool for ensuring the commitment to and achievement of the

Cohesion Policy objectives, and for measuring the progress of the members states towards achieving sustainable development.

The new proposal does emphasise the need for result–oriented spending of the EU funds, and so a performance framework is established, including a set of so called 'common indicators'.

Yet the proposed common indicators tend to favour simple 'output' figures (for example, the number of projects financed, the number of kilometres of road constructed, the number of households with improved water supply etc.) that are not suitable for measuring actual policy results related to agreed targets on sustainable development.

The regulations stipulate that "Member States and the Commission shall ensure that environmental protection requirements, resource efficiency, climate change mitigation and adaptation, disaster resilience and risk prevention and management are promoted in the preparation and implementation of Partnership Contracts and programmes". This "promotion" should go along with targets and an indication system that puts the overlapping and inter–dependent aspects of sustainable development into some coherence.

But in fact they don't provide for an appropriate linkage to environmental pressure stemming from other non–environmental interventions. For example, the indicators under the energy and climate chapter tend to capture the estimated decrease of GHG emissions. But the same category "GHG emissions" is missing for investments within the transport sector.

In this context the formation of 'partnership contracts' will be crucial, as member states will have to set out their specific national targets and with these a supporting set of indicators to measure progress made on these targets.

A "European code of conduct" to improve partnership

The European Commission is also showing signs of wanting to strengthen the partnership principle: a "European code of conduct" is under preparation that will provide guidance on how member states should involve partners in the preparation of Partnership Contracts and progress reports, and in the preparation, implementation, monitoring and evaluation of programmes, and their participation in monitoring committees. Without disclosing the elements of this code of conduct for now, or the criteria to assess if the code of conduct is being implemented properly, it remains open to question if this approach will have a real impact. Therefore compliance with the code of conduct should become an ex–ante conditionality, so as to ensure that it is taken seriously by the member states.

The Commission's current legislative proposal could usher in a new epoch of Cohesion Policy funding, opening the door for bold climate action and potentially leveraging a transformation to modern societies that do business within their ecological limits.

However, let's not forget that the Commission does not have the final say on the future funding. These proposals have to go through gruelling co–decision procedures between the European Parliament and the member states, with the latter unquestionably striving to keep as much sovereignty over their EU funds spending as possible – and as much money in their governmental cash boxes as possible.

At the end of the day it remains in the hands of the member states how and where they choose to prioritise these regional development investments. As the current experience in central and eastern Europe testifies, this is perhaps not the best news for the future of Europe's regions.

An edited version of this article was published in EurActiv at: http://bit.ly/rLbfCG

Supporting biodiversity – A crucial challenge for future Cohesion Policy

The state of urgency

Biodiversity and ecosystems services constitute an underlying basis for most social and economic activities. They deliver crucial ecosystem services (clean water, air, climate stability, etc.) and raw materials (food, fibre). According to a 2009 study from The Economics of Ecosystems and Biodiversity organisation, 16.8 percent of European jobs are indirectly linked to natural assets.

However, the EU target of stopping biodiversity loss by 2010 has been missed, allowing the degradation and over-exploitation of our natural capital worsen: 65 percent of habitats and 52 percent of species in Europe are under serious threat. Biodiversity loss due to business as usual could reach the astonishing cost of 7 percent of total GDP by 2050.

By 2020, Europe has committed to stop EU biodiversity loss, improve the conservation status of many habitats and species, restore at least 15 percent of degraded ecosystems across the EU, establish Europe's Green Infrastructure and achieve 'good status' for all aquatic ecosystems.

Multiple benefits

Appropriate harnessing of Cohesion Policy is a must if the EU is serious about delivering these commitments: only 10 percent of the required funding is being spent today on the EU's biodiversity network NATURA 2000, and the rolling out of austerity measures will not lead to improvements on this.

Yet a new Cohesion Policy geared to supporting the EU's biodiversity would deliver multiple benefits. It could:

- Achieve carbon savings at low cost with large scale ecosystem conservation and restoration: a restoration of 30,000 hectares of peatland in Trebetal, Germany has resulted in up to 300,000 tonnes of CO2 emissions reductions per year at an average cost of 4-12 €/t CO2 only;
- Lessen the impacts of climate induced disasters with restored ecosystems: reopened floodplains store more floodwater and increase the flood security of adjacent settlements;
- Create jobs: NATURA 2000 alone should create 180,000 jobs in the EU;
- Provide valuable ecosystem services: ecosystem services created by Natura 2000 sites in the Netherlands deliver benefits amounting to EUR 4.5 billion per year while they cost EUR 315 million per year;
- Protect coastal cities vulnerable to climate change.

How to deliver

To deliver these win-wins, Cohesion Policy has to start investing significantly into biodiversity and ecosystems. Its current voluntary approach to invest in biodiversity is a failure.

The future Cohesion Policy regulations must, therefore, include:

- Explicit investment priority for biodiversity;
- Ten percent earmarking for biodiversity in ERDF in the two priorities of Natura 2000 (EUR 2 bn per year is needed from Cohesion Policy) and green infrastructures;
- Ex ante conditionality on NATURA 2000 and water;
- Biodiversity assessment in all sensitive sectors and projects;
- The tracking of biodiversity spending.

The Cohesion Policy negotiations will be a renewed test of the EU's credibility to deliver on its own commitments.

Read more about why and how EU funds should be invested in the conservation and restoration of biodiversity at: http://bit.ly/uMfY2U

Slovak political crisis threatens programming process of future Cohesion Policy

The Slovak government has fallen in a confidence vote. Following several crises within the ruling coalition, the parties failed to agree on a crucial vote on the European bailout fund last month. As a result preliminary elections will take place in March 2012, losing for this government three years of its term and with them the opportunity to set up major EU policies and the budget for the next seven year (2014-2020) period.

The replacement of persons in leading positions in all ministries and in government offices that will take place after the election will be a major disruption in the programming of the future Cohesion Policy. It could take months before the processes are restarted and programming can continue.

Among other things, this will threaten the systematic preparation of all relevant strategic documents connected to the policy, which are supposed to be ready within the next two years.

Two years would appear to be time enough, but considering the size and scope of the Partnership contract and the operational programmes that are supposed to be guided with the assistance of real public participation, it is essential to use the whole period effectively. Any cuts in time and effort due to time pressure are likely to come at the expense of public discussion.

From the point of view of the non-governmental sector, this will also mean a loss of contacts that have been established over the past year, not to mention the potential axing of the first-ever office set up to protect and develop civil society interests.

Thanks to former NGO representatives who worked in ministries and for the prime minister, many necessary proposals and initiatives – including legislative advances – have been enacted recently, for example the obligation to publish state contracts in full, a welcome step forward in transparency.

It will be crucial in the time of change not to lose track of what is happening at the European level and to focus activities on the regulation and budget regulation. Moreover, NGOs will be striving to actively engage in the preparation of the Common Strategic Framework to substitute for the lack of participation from the Slovak government. In this way it will be possible to defend the interests of Slovakia to a certain degree.

And, who knows, it may be even possible to insert some progressive, pro-environmental things that no Slovak government would ever be prepared to countenance in normal times.

Latvia sceptical on linking future Cohesion Policy with EU 2020 targets

With the European Commission talking currently about aligning the future Cohesion policy with climate goals, including the earmarking of a certain percentage of funding for climate-related measures and a list of thematic objectives around the EU 2020 headline targets, the Latvian government appears to be sticking its head in the sand.

While Latvia favours thematic concentration, it hates to think that bean-counters in Brussels would be able to dictate where the money should be spent. Not even when these thematic priorities are completely in line with the national reform programme – the national plan on how to achieve the EU 2020 goals.

"The EU 2020 strategy is designed for champions, whereas we don't even have asphalted roads," recently commented a source from the Ministry of Finance. "Besides we see that those EU 2020 targets at the national level cannot be reached anyhow." Officially, the Ministry of Finance communicates that there are many other needs and that Latvia should first develop basic infrastructure and services before jumping to the next level. In other words, Latvia wants first to asphalt its roads and then to start thinking about how to reduce transport emissions and develop an innovative, green economy.

GREEN INVESTMENT BRINGS JOBS – AND HERE IS THE PROOF

The economic benefits that public finance bring are the focus of a new Bankwatch report "Home is where the heat is: thermal insulation programs for buildings in the Czech Republic and its positive affect on job creation". The report, written by one of the authors of Czech anti-crisis measures, the economist Miroslav Zámecník, calculates how many jobs have been created through two financial support schemes for the insulation of residential buildings: 'Panel' and 'Green light to savings'.

And the numbers are impressive: over its nine year lifetime, the Panel program secured every year an average of 6,500 full time jobs, while the Green light to savings program, during its short period of existence, has managed to secure 18,000 full time jobs per year.

The principal objective of the highly successful Green light to savings program is to support investments in energy savings, in both renovation and new construction as well as through the installation of heating sources that utilise renewable energy. The program provides a subsidy of approximately 60 to 65 percent of the total cost for thermal insulation in single- and multi-family houses, with 89 percent of the total funding having been spent on thermal insulation. The scheme, funded by the sale of Kyoto protocol allowances, has been so successful that the total amount available, about EUR 780 million, was disbursed more than two years ahead of schedule. The Czech government is now desperately looking into opportunities for other funding sources.

The Panel scheme has been funded from national sources and aims at delivering thermal insulation of multi-family prefabricated houses. Launched in 2001, the scheme provided EUR 490 million in interest subsidies and nearly EUR 286 million in bank securities by 2010, mobilising nearly EUR 1.92 billion of private investment. Of the total 1.2 million prefabricated housing block flats across the Czech Republic, just under a quarter have been insulated through the Panel scheme so far, and for cost reasons the process has by no means made use of all the technologically-feasible savings. Thus the potential for further savings is still there.

The economic benefits of these schemes are far reaching. Thousands of jobs have been secured in the crisis-hit construction sector, mostly supporting small, domestic companies working with domestic suppliers across the country. Unlike large infrastructure construction, the job opportunities have been spread evenly across all of the country's regions.

Aside from jobs, the programs have also managed to leverage large scales of private finance and helped keep the economy moving in such a way that Miroslav Zamecnik has called the Green light to savings program "the single most successful anti-crisis measure."

Tapping into the EU funds for more success

Could the next EU funds programming period 2014-2020 provide the means for continuing such successful schemes? The current legislative proposal from the European Commission on future Cohesion Policy explicitly calls for the prioritising of investments into energy savings across the entire housing sector, including the thermal insulation of privately owned multi-family houses.

Given that the countries of central and eastern Europe will remain the main beneficiaries of the next Cohesion Fund cycle, there will be a significant chunk of EU money available to put into measures that "support the shift towards a low-carbon economy in all sectors".

It will be down to the member states to take up this opportunity of allocating sufficient money into well-prepared programmes.

The new report 'Home is where the heat is' is available as a pdf at: http://bit.ly/s0k6gJ

Why is it important to link the Cohesion Policy with the EU 2020 targets? Together with the other member states, Latvia committed to work towards achieving the common goals of the EU 2020 strategy, among which there are explicit targets to achieve reductions in GHG emissions, and increases in renewable energy use and energy efficiency. The national reform programme mentioned above does point out that achieving Latvia's commitment on GHG emissions will be challenging because emissions reduction costs in Latvia are among the highest in the EU. This is connected to the fact that the share of industry in the domestic economy is rather low and hence the key challenges in emissions reduction lie in the transport, agriculture, household and waste sectors.

Yet to achieve these necessary reductions, more effort and significant financing will be needed to support appropriate investments – there is no getting away from this. It is also noticeable that the same national reform programme states that the development of low carbon production and services are important preconditions for Latvia's long term competitiveness: low carbon will reduce energy consumption, reduce the risks related to fossil fuel prices and bring additional benefits with the branding of products and services as environmentally friendly.

EU funding within the Cohesion Policy would have a decisive role and would catalyse Latvia's transition to green economy. Without EU funding, these targets will not be achieved.

And so it goes – **Czech Republic outed** as one of the worst **offenders** on EU **funds spending**

Earlier this month the European Commission named the Czech Republic, alongside Italy and Spain, as one of the worst managers of EU money, after an audit by the European Court of Auditors (ECA) revealed growing irregularities in spending on projects intended to reduce disparities in wealth across the EU.

In their annual report on how the EU's budget was spent in 2010, the ECA revealed that 7.7 percent of cohesion funding was spent in error or against EU rules. This is a substantial increase on the figure for 2009, 5.5 percent, though ECA officials said they had expected the error rate to rise, as member states struggle to meet funding commitments for projects for the 2007–13 spending period. The ECA also disclosed that, overall, these three countries accounted for "two-thirds of errors identified" in the spending of cohesion funds.

For Friends of the Earth Czech Republic, a Bankwatch member group and close follower of EU funds spending in the country, the announcement merely confirmed the desperate state of EU funds disbursal and the growing corporate capture of decision-makers and public purse-holders.

The ledger of sharp practice in the Czech Republic's use of EU funds includes: because of alleged shortcomings the European Commission has halted the reimbursement of projects from Operational Programme (OP) Enterprise and Innovations, from which Czech businessmen could receive up to CZK 90 billion by 2013; similar problems are affecting other programmes, like the regional operational programs Northwest and Southwest, and subsidies under the responsibility of the Ministry of Education, namely the OPs Education for Competitiveness and Research and Development for innovation; the problems surrounding the OP Transport are infamous, and in December 2010 OP Environment was put under the spotlight due to suspicions of corruption linked to the project to upgrade the Prague wastewater treatment plant (see Bankwatch Mail 47).

These two programmes – for transport and environment – represent over 40 percent of the structural funds allocation to the Czech Republic for the 2007–2013 period.

Pavel Přibyl from Friends of the Earth Czech Republic and an experienced Bankwatcher commented: "We knew that the rot goes deep when it comes to deployment of the EU funds in the Czech Republic, and the only consolation is that this recent naming and shaming by the Commission might lead to some changes.

"All of this of course comes as we are getting ready to prime the Czech Republic's EU spending priorities for the next period, so that hopefully EU money can boost clean energy consumption, sustainable resource and transport use, and of course the jobs that these sectors do deliver in their tens of thousands. At this stage, though, the Commission might be advised to fund a new 'OP civil society police and law enforcement' in our country, at least to attempt to stop the rot."

Legal action launched against Czech incinerator in line for EU funds

Bankwatch member Friends of the Earth Czech Republic (FoE CZ) has commenced legal action against the Moravia-Silesia region for what it deems to be the "non-standard preparation" of a large-scale incinerator project in the north-east Czech town of Karvina.

The controversial incinerator, estimated cost EUR 230 million of which just under half would come from EU funds targeted at better recycling, would swallow tens of thousands of tons of quality material that, say FoE CZ, could be recycled. On top of this there are health concerns associated with such a project, in a region that already suffers from sometimes drastic levels of pollution.

The Karvina incinerator is one of three such projects in line for EU regional funds available for large waste management projects in the Czech Republic's current (2007-2013) EU budget. The three incinerators would require a massive 80 percent of the country's EU funds that are dedicated to large waste projects.

According to information provided to Bankwatch by the Czech State Environmental Fund, a mechanical-biological waste treatment plant (MBT, a more ecological alternative for waste disposal) would be three times cheaper per installed ton capacity to build than incinerators.

This difference will eventually be passed on to households in bills for waste management – and of course incinerators require more and more volumes of waste, disincentivising residents and businesses from reducing their use of resources.

Bankwatch is calling on the European Commission not to allow the Czech Republic to use EU money in such a counter-productive way, one that also runs contrary to EU waste legislation. Cheaper and more sustainable solutions clearly exist and they must be promoted.

Ivo Kropáček, Bankwatch waste campaigner, pointed out the longer-term implications for more sustainable use of the EU funds in the waste sector: "Given that the new Cohesion Policy regulations published in September by the Commission do not exclude the use of EU regional funds for harmful projects in the next EU budget 2014-2020, Bankwatch encourages the European Parliament and Council to amend the regulation texts so that incinerators are explicitly excluded from the types of projects that can be financed with EU money after 2014."

Dirty hands – EBRD's **lignite** dealings in Serbia **open to** multiple questions

Why is the EBRD engaging in a climate damaging project at a time when there are ongoing corruption investigations surrounding the same project? Despite Bankwatch stepping up its monitoring of the EBRD's loan to the Kolubara Mining company in Serbia, answers to this question remain elusive.

Serbia is heavily dependent on lignite. In 2010, 69 percent of the country's total power generation was derived from this dirtiest of fossil fuels. The Serbian energy market is also heavily dominated by the state-owned company Electric Power Industry of Serbia (Elektroprivreda Srbije, or EPS). EPS generates almost all of Serbia's electricity: 55 percent of its installed capacity of 7,120 MW is provided by six lignite-fired power stations supplied by two EPS owned mining basins.

The Kolubara basin is already responsible for 75 percent of Serbian lignite production, while power plants within the Kolubara complex produce more than 50 percent of Serbian electricity. So a loan to the lignite mine of Kolubara owned by EPS in the long run is neither an environmental friendly one nor does it seem destined to strengthen the private market in Serbia. No matter how energy efficient the coal excavator, conveyor and spreader system at a new section of the Kolubara lignite basin that the EBRD will finance is, nor how much the process of lignite mining is improved, the very fact of supporting lignite mining should be enough not to call this project 'environmental improvement'.

This is not all, however. The methodology that allows the EBRD to claim that there will be a beneficial impact on climate emissions resulting from the Kolubara mine has not been made public, so there is no certainty that what the EBRD is claiming is true. At the same time all the data on GHG emissions from Kolubara have been provided by EPS as the Ministry of Environment has not been authorised to do so by the Serbian government; the ministry is not in fact in possession of the data on the cumulative GHG emissions of the whole Kolubara complex as the methodology, in line with the IPPC standards for Serbia, is currently being prepared.

▲ Energy efficiency in action – the EBRD financed coal excavator, conveyor and spreader system at a new section of the Kolubara lignite basin

Serbian NGOs – Bankwatch member CEKOR being the most prominent – have warned that the EBRD should take its time to evaluate the environmental and social implications of the loan, and that one good reason to do so is the ongoing corruption investigation into some of the top members of EPS's management.

Corruption rampant, and out in the open

The first indications of corruption at Kolubara started to reach the Serbian public in late 2009 and early 2010, after a series of documentary films exploring the nature, extent and financial and political repercussions of the misuse of financial, material and other resources at the Kolubara complex was aired on the national TV channel B92. Allegedly, the Kolubara management has been implicated in a number of different corruption schemes including over the procurement of equipment, the leasing of equipment, and the selling of coal.

The allegations aired in these documentaries have led to action being undertaken by both the police and the agency for combating corruption, that has started wide-ranging investigations into the political and business links of the Kolubara management. Just this summer, an internal audit at EPS itself revealed that serious irregularities committed by the company's management led to unjustified increases in EPS expenditures to the benefit of private companies.

Yet despite all of this, and instead of evaluating its previous 2001 and 2003 loans to EPS, the EBRD speeded up the process of approving the loan for Kolubara: the bank's board of directors gave a positive opinion on July 26, signing a loan of EUR 80 million.

As if taking us into the realm of some tasteless comedy, on October 4 the former Kolubara coal mine manager Dragan Tomić and 16 other suspects were arrested on suspicion of having embezzled EUR 12 million. Meanwhile, even though the EBRD claims that its EUR 80 million loan is to be used for a number of activities, namely the installation of a coal quality management system for the Kolubara basin, the installation of a spreader system in the Tamnava West field, and consultancy support for procurement and implementation, it is the acquisition of a new excavator, conveyor and spreader system that will swallow the loan money.

CEE Bankwatch Network has taken steps to ensure that the EBRD reacts to these arrests, sending a letter on October 25 to the Chief Compliance Officer of the bank, asking three questions concerning the project's approval process and the assessment of integrity risks taken by the EBRD, the communication of those integrity risks to the board of directors and on the EBRD's overall policy towards companies in which corruption investigations are taking place.

Botched community resettlement – again

As if this weren't enough there is also a conflict ongoing between EPS and the local communities that have to be resettled in order to expand the open-pit mines – 1180 families in total have to be resettled because of the mine expansion, and 700 of these remain to be rehoused.

To date the EBRD has done little to ensure that the provisions of the project's Environmental and Social Action Plan (ESAP) are being enforced and that EPS assigns a Community Liason Officer for each affected community, as agreed in the ESAP. In September, as the bulldozers moved in to commence the mine extension of Kolubara's C field financed by the EBRD, in the neighbouring Barosevac village there were still at least 40 families living less than 60 metres from the mining operations.

Similarities with another EBRD sponsored project in Serbia, the Gazela Bridge refurbishment in Belgrade, that also required the resettlement of local communities have been surfacing. The EBRD is using the same Serbian consultants for the resettlement that they used in Gazela, and as in Gazela there has been no approved and agreed Resettlement Action Plan in place before the commencement of work.

▲ The Kolubara extension work closes in on the village of Barosevac

What are the longer term implications of this deal? The EBRD board document clearly links the Kolubara loan to plans by Edison to construct the Kolubara B power plant, that would have Edison as the majority owner, with EPS holding a minority 36 percent stake. The EBRD management states in the project documentation: “the successful implementation of the Kolubara B power plant would be a critical development for the Serbian electricity sector, first by delivering new, efficient capacity, second by introducing private international investors to an otherwise state–dominated sector and third by creating diversity in generation, so paving the way for competition”.

Thus, in spite of the upbeat language, it is clear that the EBRD is intent on ensuring that Serbia's electricity generation is based around lignite–fired power plants. Yes, given the ever more acute climate challenges we are facing in Europe, that is some vision and ambition from a key public funding institution.

EIB AND EBRD TRANSPARENCY FAIL CONFIRMED

A new Aid Transparency Index launched in mid-November by UK-based campaign group Publish What You Fund confirmed campaigners' calls for both the EIB and the EBRD to become significantly more transparent institutions.

Out of 58 assessed actors in the international financial institutions' sector, the EIB came in 37th receiving a 'poor' ranking for transparency, while the EBRD's position of 15th saw it merit a 'moderate' ranking.

Announcing the rankings, Publish What You Fund's Managing Director Karin Christiansen said: “Given that the EIB wants to play an increased role in development finance it must really act now on demands made by MEPs and civil society to be more democratic, transparent and accountable.”

As detailed in a recent Bankwatch blog post, the European Parliament has adopted a legislative resolution in September aimed at both improving the transparency of the EBRD and increasing its accountability as a European institution.

Read more
The Aid Transparency Index is available at: www.publishwhatyoufund.org/index

Read the Bankwatch blog “European Parliament makes a step towards putting the 'E' into EBRD” at: http://bit.ly/nEtKpAl

First ever meeting between civil society and EIB board makes some progress

Last month the European Investment Bank's board of directors met for face-to-face discussions with civil society organisations for the first time. It may be a touch over-optimistic to say that true dialogue took place, but certainly the NGOs were able to send a couple of strong messages to the EIB's board, and, for a while, it felt like the board was listening.

On October, several Bankwatchers and around 80 colleagues from other organisations such as Counter Balance, Amnesty International, WWF, Transparency International and Eurodad attended a meeting with the EIB's board of directors in Luxembourg.

Why is this important? Well, the EIB tends to be very uptight when it comes to public scrutiny, so this meeting with NGOs was the first ever such meeting organised in the EIB's headquarters, where our views on the bank's activities could be heard and answered by the bank's high level representatives including not only the board but also the management committee.

The meeting was organised in three panel discussions on the topics of climate and energy, lending to small and medium-sized enterprises (SMEs) through financial intermediaries and development finance.

Each panel was moderated by Jacki Davis, a former journalist, who first gave the floor to a panelist, including NGOs and academics, to make a short background statement for wider discussion. Although civil society participation on the panels was represented by a number of organisations, the similarities in their views were evident: no more EIB coal investments, no more loans for projects that displace local populations, no more wasting of scarce financial resources by giving them to untrustworthy financial intermediaries.

Much was left unsaid, many questions from NGOs remained unanswered, and during many exchanges there was a strong sense that the bankers and civil society groups are engaged in parallel discourses. The activists were asking the EIB for responsibility and commitment to the EU goals of climate change mitigation, development and human rights. The EIB staff on the other hand insisted that their institution is primarily an investment bank, and therefore puts the 'bankability' of its projects above many other considerations.

Yet, on the whole, in spite of such differences, there was also a clear sense that the EIB is acknowledging that it can no longer continue without opening up more to civil society inputs and, also, that it may learn from these groups.

Climate and energy

During the climate and energy panel, regarding the call to shift the EIB's energy investment portfolio significantly towards measures addressing the challenge of climate change, the bank certainly refused to commit to phasing out coal lending in spite of repeated calls from NGOs to do so. It did, however, admit the need to start discussing a review of its energy policy next year – a discussion that Bankwatch is looking forward to.

Bankwatch also raised the huge disproportion of EIB Climate Action (lending to renewable energy, energy efficiency and sustainable transport) investments between western and eastern Europe – this was met by an announcement from the EIB board about itsintention to support more investments in energy efficiency projects in central and eastern Europe, an area of investments that Bankwatch has been highlighting for years as a priority given the huge energy savings potential in the region. These concerns were accompanied by others regarding the EIB's significant role in financing big infrastructure projects and the gap in available finance for de-carbonizing the economy.

The greenhouse gas emission methodology applied by the EIB was welcomed by panellists and the audience, though it was noted that the bank should take into account the absolute emissions from EIB projects, as well as the fact that still the majority of its portfolio does not support the de-carbonisation of economy – in short, what about the 75 percent of the EIB portfolio which is not Climate Action?

The EIB's role in the implementation of the EU's energy and climate policy sparked further wide-ranging discussions. Participants stressed the need for the bank to realise its obligation to implement the policy which should be followed by far more proactive implementation, looking beyond the current market, establishing conditions and new financial products that address the real needs of climate action projects and their promoters.

The point was raised that small projects and their developers always lag behind big infrastructure projects and that more important goals (like climate protection) usually lag behind the more urgent – usually politically urgent – fossil fuel or big infrastructure projects. A common belief emerged that the EIB can be a leader and catalyst for investments that mitigate climate change and can and should in fact build the markets for renewable and other climate action type projects.

Financial intermediaries and SMEs

The NGO presence on the panel devoted to small- and medium-sized enterprises was limited and, in contrast to the other panels, the panelists on this session (including the NGO member) did not represent the critical views shared by the wider NGO community. Thus, the critical comments that could come only in the form of questions were not answered by the panelists.

The audience on one side and the panelists on the other clearly had two different agendas for this discussion. While among the audience issues of transparency, development impact, the mainstreaming of policy objectives and benefits for SMEs were emphasised, the panelists discussed the need for more lending via financial intermediaries and the important role of SME development and support for the sector in these current tough economic times.

Nevertheless, EIB representatives did give hints that the bank is considering publishing country by country reports of the impact of the bank's loans on SMEs. Other than this though, little progress was envisaged by the bank. It continues in the main to congratulate itself on the great job it has done during the financial crisis, choosing to ignore that in reality its SME loans have had a very uncertain impact at least for central and eastern European SMEs.

Development finance

On the final topic of the day, the EIB's lending in the Global South, the bank did acknowledge the need for a better screening and monitoring of its investments and also showed some openness to cooperation with local civil society groups. It was one of the most important calls from civil society for the EIB to adopt a mandatory policy based on a rights-based approach and to ensure the involvement of the public in the decision-making process.

A call for the EIB to start assessing its development impact was made strongly and shared among the panelists and audience. It was recommended that the EIB develops alternative and more appropriate measures of growth and development that capture critical perspectives such as inclusiveness and sustainability. Moreover, the Brussels-based group Eurodad referred to its latest research showing the imbalance in EIB financing between the private and public sector, stating that a narrow focus on GDP-led growth has been proven not to automatically deliver inclusive and sustainable development and reduce inequality. EIB representatives additionally pledged to impose World Bank-like standards for assessing the tax regulations in countries where projects are implemented – to make sure that EIB money is not siphoned off to tax havens (a lesson learned recently from the problematic Mopani copper mine).

Throughout the discussion, the EIB tried to defend itself by claiming it is not a development bank. While that may be the case, it's beyond doubt that some of the EIB's lending is clearly development lending and therefore needs to be delivered with associated safeguards and conditionalities in place.

Creating insecurities: The consequences of EU energy policies

Government policies are often far more revealing for what they leave out and don't say than for what they actually do say. The European Union's 2008 Energy Security and Solidarity Action Plan is no exception. This article will briefly highlight six issues that the policy does not discuss, because it is the omissions that are the more telling.

Omission one: Conflict

A key proposal in the EU's Energy Security Action Plan is to diversify energy supplies and transit routes, through new pipelines such as the Southern Gas Corridor initiative to supply gas from the Caspian and Middle Eastern regions to Europe. The aim is to reduce the dependency of the EU – and in particular its Eastern European members – on supplies of gas from Russia, which has made it plain that it intends to use its energy resources as an instrument of its foreign policy (indeed it has already done so cutting off supplies to Ukraine and hence to many East European countries in 2009).

But this diversifying strategy merely displaces the flash point for conflict from the Baltic to the Caucuses and other areas, expanding, not decreasing, the number of potential “threats” to energy supply in the process. Instead of Poland being at risk from Russia shutting off gas to Belarus, it will in future be at risk from Iran and Azerbaijan falling out, Turkmenistan and Azerbaijan quarrelling, Azerbaijan going to war with Armenia, Iraq and Iran having a stand off and many other combinations of potential Central Asian diplomatic squabbles.

> “The EU's Energy Security and Solidarity Action Plan is a policy that is, at heart, about securing energy for the few by dispossessing the many.”

The Baku–Tbilisi–Ceyhan oil pipeline, which takes oil from the Caspian to the Mediterranean, via Azerbaijan, Georgia and Turkey, is illustrative of the problem.

Although of dubious commercial viability, it was pushed through by President Clinton of the USA to ensure that Europe had access (in theory at least) to a source of oil outside the Gulf or Iran. The pipeline passes through or near seven different war–zones, including Abkhazia and South Ossetia in Georgia and the Kurdish region of Turkey. Azerbaijan, a dictatorship that likes to sell itself as “an island of stability” in the region, is candid about the threats, describing the South Caucuses as one of “the most volatile and vulnerable regions in the world”.

Already, the BTC pipeline has been bombed, an action for which the Kurdish PKK movement in Turkey claimed responsibility, causing it to be shut down for a lengthy period. A PKK statement at the time said “If the Turkish State insists on waging war, similar operations will continue”.

It was also damaged by Russia during its August 2008 war with Georgia. And in case anyone in Georgia, Azerbaijan but especially Brussels missed the significance of the conflict, Russia's representative to NATO stated: “There are two dates that have changed the world in recent years: September 11, 2001, and August 8, 2008,” said Konstantin Simonov of the Director of the National Energy Security Fund in Moscow in November 2008. “It's possible that after ten years we will have a very big war, because in Central Asia we see a lot of contradictions, there is Europe, the United States, China, Russia, Muslim terrorists, so it's a dangerous combination of different interests.”

Other planned pipelines are likely to be just as conflict ridden. The EU places considerable hopes, for example, on a new 4000 kilometre–long Trans–Saharan pipeline to take gas from the Niger Delta through Niger to Algeria's export terminals. The project is estimated to cost around USD 12 billion and claims to supply up to 30 billion cubic meters of natural gas per year to Europe.

Quite apart from the expense and the considerable technical difficulties involved in constructing such a pipeline, a number of guerrilla groups have already threatened to ensure that it never functions.

MEND, the Movement for the Emancipation of the Niger Delta, which has carried out attacks on oil and gas installations in Nigeria, has already stated that it will sabotage the pipeline's construction, whilst other dissident movements further north – including the Mouvement des Nigeriens pour la Justice (MNJ) in Niger and the southern branch of al-Qaeda in the Islamic Maghreb (AQIM) – also threaten disruption.

Omission two: Insecurity

Related to the first omission of conflict is the second one of insecurity. Oil and gas exploitation in many of the countries on which the EU depends for its supplies has caused considerable social and economic hardship for communities immediately affected by production. In fact, "energy security for the West has often meant insecurity for the rest."

Yet the role of the EU's current policies and practices in generating insecurities in oil and gas producing countries – and the implications of such insecurities for future EU energy supplies (and even for the ordinary security of the EU's people) – is neither addressed nor considered.

Nigeria, currently a major supplier of oil and gas to Europe, is a case in point. Despite Nigeria earning some $400 billion in oil revenues since independence from Britain in 1960, little of that wealth has benefited local communities in the oil producing areas, many of which still have no access to electricity or clean drinking water. Whilst the oil and gas flow to the West, and local elites and multinationals get fat on the profits generated, local people receive only the pollution from oil spills and breathe the choking fumes of gas that is illegally burned off in such quantities that the fires can be seen from outer space.

One response has been armed resistance, epitomised by MEND (see above), which has not only attacked oil and gas infrastructure in the Niger Delta but also kidnapped foreign oil workers. Another has been calls by civil society groups to diversify Nigeria's economy away from oil production and, in response to the threat that oil and gas pose to climate, embrace a policy that would "keep the oil in the soil".

Such forms of resistance are not restricted to Nigeria. Similar hostility to oil exploration – and particularly to its unevenly shared benefits – is evident in many other countries and is growing.

But such resistance, though clearly relevant to Europe's future energy supplies, is not mentioned in the EU's Energy Security Action Plan, let alone analysed. Despite the plan's claim to be a policy for "solidarity", the possibilities of Europeans joining with Nigerians and others to build a fair and just transition towards a non-fossil fuel future is not even considered. Instead, the EU is committed to continuing to rely on fossil fuels way into the future for the vast bulk of its energy.

Omission three: Human rights

For decades European countries have supported a string of dictators – from the Shah of Iran though to Sonny Abacha in Nigeria, Saddam Hussein in Iraq and the Saudi royal family – in order to keep the oil and gas flowing. To that list, the EU is now adding (or has added) the current leadership of Azerbaijan, Turkmenistan, Uzbekistan (where boiling dissidents alive is one of the recorded methods of torture) and Kazakhstan, all of which have appalling human rights records.

The words "human rights" do not appear anywhere in the EU's Energy Security Action Plan. No doubt there are those who would argue that this is a sad but inevitable outcome of energy "realpolitik". If we want to continue transporting yoghurts from one end of Europe and back again before they are consumed, the reasoning seems to be, then we must be "realistic" and also accept that freedom of expression, freedom from torture, freedom to organize are "non-issues" when it comes to sourcing energy. The Arab Spring tells a different story. Far from repressive regimes "securing" our energy supplies, they are increasingly a threat to such supplies, as the uprising in Libya, with all its attendant military costs for NATO, underlines.

Pragmatism in energy politics is in effect increasingly aligned with a respect for human rights. The "realpolitik" of those who favour any "son of a bitch" so long as he is "our son of a bitch" (as President Franklin D. Roosevelt supposedly said of Nicaraguan dictator Somoza in 1939 and other US officials said of Batista in Cuba in 1963) is becoming obsolete and will continue to decline so long as the movements for democracy in the Middle East and elsewhere gain ground. It is also, one might note, a "realpolitik" that is at odds with the obligations of the EU member states under the Lisbon Treaty.

Why then is the issue of human rights, with all its attendant implications, not discussed in the EU's Energy Security Action Plan? How might the policy be different if human rights were made a priority alongside meeting Europe's future energy needs (however such needs might be defined and by whom – that's another issue left out of the plan, by the way).

Omission four: Militarisation

Governments increasingly view energy security as an issue requiring military support. For decades, the US military, including the navy, has been deployed around the world to ensure that oil flows out of the ground, into tankers and pipelines, to be sold on international markets. It has also provided training to suppress any internal dissent that might question neo liberal markets and energy exports. It's not surprising that the Pentagon is by far the largest single consumer of oil in the world.

Having ignored Africa for decades, the US has now established an African Command (AFRICOM) to "promote a stable and secure African environment in support of US foreign policy" (read: to ensure that the oil and gas keeps flowing to markets and to the West), leading some commentators to describe Nigeria and its neighbouring oil producing states as "the next Gulf" (as in "Gulf War").

Other areas have become militarised as Europe and the US seek to ensure that oil keeps flowing to their market economies (which should not be confused with their citizens: energy poverty is a growing issue in the US and Europe as more and more people find themselves unable to afford the prices at which energy is sold).

Omission Five: Millennium Development Goals

The EU's Energy Policy of 2007 promises to "support developing countries in promoting sustainable and secure energy supply and use" in furtherance of the UN's Millennium Development Goals. Yet far from outlining proposals that might provide poorer people in the developing world with clean, sustainable and affordable forms of energy, the Energy Security Action Plan is concerned primarily with how developing countries can be used to supply Europe with energy, even at the expense of access to energy in their own countries.

Desertec, one of the mega projects being pushed by the European Union, is a case in point. The plan involves building and connecting a host of solar and wind energy plants in the deserts of North Africa and the Middle East to supply mainland Europe with up to 15 percent of its electricity demands, at a cost of EUR 573 billion.

The project requires industrial volumes of water – something of a scarcity in the Sahara despite a huge underground aquifer – to clean the mirrors and solar collectors that will be used to generate electricity, thus denying local people access to water. It would also depend on massive subsidies to bring the costs down so that the electricity produced could compete with fossil-fuel generated power. Moreover, host countries, such as Morocco, see it as a distraction from the more pressing priority of supplying clean energy to their own citizens.

Indeed, far from assisting developing countries to meet the Millennium Development Goals, the EU's policy amounts to a nationalistic "help-yourself game" in which the developing world is viewed as an energy store whose resources can be looted first and foremost for the benefit of the European and US economies. Access to energy for poorer people is likely to be still further undermined by the EU's emphasis on extending energy markets and pushing for the privatisation of energy generation and supply in developing countries.

Such privatisations have already resulted in large numbers of poorer people being priced out of access to energy. The experience of Uganda is illustrative. In 2005, the privatised Ugandan power company, Umeme, was taken over by Globaleq, a company backed by a private equity fund that is in turn backed by the UK government using taxpayers' money). Umeme then increased its prices by 24 per cent and then by another 37 per cent. Many poorer Ugandans have been forced to steal electricity from the grid because of these high prices; Umeme's corporate communications manager, Ms Kemigyisha, is reported to have called for their execution: "In his Independence Day address, President Museveni implored the judicial system to make electricity theft a capital offence, and we should all support this."

Omission six: Energy security for whom? Energy security for what?

The EU Energy Security Action Plan states that "energy infrastructure is the central nervous system of our economy". But Europe has never been one economy. The economy of the European transnational company is not the economy of the local producer or retailer. On the contrary, one generally prospers at the expense of the other, as the growth of supermarkets has demonstrated to the detriment of the local grocer and greengrocer. Moreover, their energy and infrastructure needs are entirely different. Supermarkets and big retail chains have "just-in-time" delivery systems that could not function without motorways and autobahns to enable their fleets of lorries or trucks to act as mobile warehouses.

Thus the Action Plan fails to ask the basic question: "Energy for whom? Energy for what?" It simply assumes that the energy Europe needs is the energy that corporate Europe demands.

Would the plan have been different if the energy needs of other sectors of our economies had been prioritised? If the experience of grassroots-based energy planning in Asia and elsewhere is anything to go by, the answer is undoubtedly "Yes".

In Nepal, for example, the government initiated a nationwide "options assessment" for energy projects, in which communities were asked to assess their energy needs and propose solutions. The result? Numerous villages made proposals to build their own mini-hydro schemes, some run collectively, some privately. The outcome was to produce three times more energy at a third of the cost of the large-scale hydroelectric project (Arun 3) that the World Bank was pushing – and that was designed to serve a different sector of the Nepalese economy.

The EU's Energy Security and Solidarity Action Plan will not deliver any kind of security for the mass of people globally as it does not act in solidarity with them. It threatens to leave the majority of Europeans more at risk from disruptions to energy supplies and resource conflicts, more divided socially and economically, and to leave more people, both in Europe and abroad, without access to energy.

It is a policy that is, at heart, about securing energy for the few by dispossessing the many.

The debate that Europe needs to have – Energy for what? Energy for whom? – is still to be had. Initiating it, encouraging it and seeing it through is one of the most urgent tasks facing us today. It would, I believe, encourage a very different view of energy security to that currently on offer – one that is more firmly grounded in climatic and energy realities than the EU proposal, and one that would not be at odds with the interests of poorer people in the developing world but would be supportive of them.

Nicholas Hildyard is Co-Director of The Corner House in the UK. This article is taken from a presentation delivered at the 'Energy Security – Polish, European and Global Perspectives' conference in Warsaw in May this year. A fully referenced version of this article is available in pdf at: http://bit.ly/rPDzE2

EIB AND EBRD ROUND-UP

Cascading incompetence

Following heavy rains a turbine of the Dos Mares hydro project in Panama – backed by EIB project finance – collapsed on October 16 before it had become operational. Based on a fact-finding mission to Panama in late 2010, Bankwatch partner Counter Balance criticised the poor construction and other alarming aspects of the project in a report on EIB investments in Panama.

"It is high time for the EIB to thoroughly evaluate this disastrous project it should have never entered in the first place. We are wondering when the EIB will finally act," says Caterina Amicucci, the author of the Counter Balance report.

Dos Mares is a three plant cascade hydro project that is 100 percent owned by the French company GDZ Suez through two subsidiaries which received a USD 220 million loan from the EIB (already fully disbursed). After a tunnel collapse at the Gigel Gibe 2 dam in Ethiopia last year, this is the second collapse of an EIB sponsored hydro project in just two years.

Balkan biodiversity damned

Recent weeks have seen the EBRD wading into troubled waters with a loan approval for the 70 megawatt Boskov Most hydro project in Macedonia and a potential approval for the Ombla hydropower plant near Dubrovnik in Croatia, a decision on the latter by the EBRD's board having been delayed until November 22 following NGO appeals.

Both dam projects would involve heavy impacts on rich biodiversity sites – expected to become part of the EU's Natura 2000 network once Croatia and Macedonia join the EU – and are both being justified thanks to seriously flawed environmental impact assessments. Friends of the Earth Croatia last week submitted a formal complaint about the Ombla project to the EBRD's Project Complaint Mechanism.

Bankwatch's national coordinator in Macedonia, Ana Colovic Lesoska, commented:"By investing in Boskov Most HPP, the EBRD is sending the wrong message to Macedonia. The bank's decision says to our government that it is acceptable to go around proper legal processes. We would instead expect the EBRD to validly assist Macedonia in our path towards the EU and support the protection and preservation of nature and biodiversity, an important goal of all EU member states. The EBRD ought to put this project on hold until all legal processes regarding the Mavrovo National Park are finalised."

Standards can't disguise standard approach

In September, a media storm erupted over a project with EIB involvement in Uganda. A report released by Oxfam International documents how more than 22,000 people in Uganda were evicted to make way for a carbon offset tree plantation established by a London-based firm called New Forests Company (NFC).

NFC has projects covering a total of 90,000 hectares in Uganda, Tanzania, Mozambique and Rwanda. Investors in the company include the Agri-Vie Agribusiness Fund, which in turn is backed by the World Bank's private sector lending arm, the IFC, and the EIB. The EIB has invested USD 12 million in Agri-Vie, USD 5.65 million of which goes to NFC. The EIB's Environmental and Social Principles and Standards include a standard on involuntary resettlement. Oxfam's report describes how the EIB has found nothing wrong with NFC's operations in Uganda.

Delayed and **outdated** – EBRD policies at the **bottom** of the bank's **to-do list**

The cyclical nature of policy making and policy revisions at any bank such as the European Bank for Reconstruction and Development has a simple purpose – to review the successes and failures of policy implementation, to systematise and internalise feedback from various interested stakeholders about the operations of the EBRD in certain sectors, and ultimately to improve the bank's policies.

Considering the delays to its planned policy revisions in recent years, the EBRD might be said to be satisfied with its sectoral policies, some of which were approved five or more years ago – indeed its Natural Resources Policy, dating from 1999, mentions the word 'climate' just twice, once in reference to 'investment climate'. The additional failure of the EBRD to take on board recommendations for improving its horizontal safeguard procedures – for example, the recently revised Public Information Policy (PIP) – only raise further concerns among NGOs about the bank's willingness to absorb critical feedback and make genuine improvements.

Of course no policy can ever be perfect. Moreover the positive outcomes of its implementation and the successful achievement of policy goals depend not so much on the content of the policy – on the tweaks and layers of meanings and interpretations of the policy articles – but rather on the working culture of those who are responsible for the policy enforcement. The new trends at the EBRD suggest that the bank is now focused primarily on its core business – banking – with development and democracy objectives taking a back seat.

More than two years ago at the EBRD's annual meeting in London, we heard for the first time that the bank had started the preparation of a new Mining Policy. According to a 2009 Annual Evaluation Overview Report, "the evaluation of a mining project in Russia alerted Management to develop a new Operation Policy to cover all forms of non-energy related extraction of natural resources (mining policy)." In November 2009 at a workshop in London the EBRD started its preliminary consultations with businesses, consultants and civil society organisations, and expectations were raised that the consultations on draft texts would take place in early 2010.

Come the EBRD's annual meeting in Zagreb in May 2010, however, we heard that due to the financial crisis and the increased demand for EBRD finances, bank staff was too busy shoveling money out of the door and had thus not managed to finalise the draft of the Mining Operation Policy (MOP). Another year passed, with more assurances that the EBRD's Natural Resources Department was on the job. Yet at the bank's Astana annual meeting in May this year there was still no sign of a MOP draft – the justification this time being the Arab Spring and the EBRD's major new occupation with moving to the North Africa region. Again we were assured that the MOP was, nonetheless, being urgently prepared, and moreover we saw a new schedule, according to which the MOP draft was supposed to be out by mid-September.

It is not clear what the reason for the ongoing delay is now, but we are being told that the consultations are expected to take place at the end of the year. It may well turn out to be just like the last policy consultation on the PIP, falling inconveniently over the Christmas holiday period.

The MOP is not the only policy that the EBRD has delayed in recent times. This year the bank was supposed to review several policies, namely the Energy Policy (last updated in 2006), the Transport Operations Policy (2005) and the Municipal Environmental Infrastructure Policy (MEI, 2004). During a recent visit to the bank's London headquarters, we were told not to expect the Energy Policy review before the end of next year, and to date the Transport and MEI policy reviews have not materialised.

In summary, the EBRD seems to be heavily preoccupied with growing geographically and in keeping its lending volumes ticking over, but at the same time it appears not to regard it as a priority to update its policies in order to reflect new circumstances and arising needs and challenges to its operations.

Yet are the EBRD's policies even worth the paper they are written on when, as with so money of the old policies, they are so broad as to allow the bank to invest in almost anything (with the exception of certain egregious categories such as arms and tobacco)?

To ensure credible policy outcomes, Bankwatch proposes two ways to improve the EBRD's policies:

1. EBRD policy revisions should aim to define clearer and more specific policy goals and priorities – the policies should then exclusively focus on these, rather than producing good justifications for doing business as usual, and for permitting the EBRD's apparent 'finger in every pie' approach. If you're a bank that is seeking to do the utmost for promoting sustainable energy, why should your energy policy permit simultaneous and substantial investments in fossil fuel projects at a time when even a conservative organisation like the International Energy Agency is warning that a failure to move away from fossil fuels now will prevent our chances to avoid dangerous climate change inside the next five years?
2. The EBRD's new policies should shift from a market economy focus to a sustainability focus, or at least a balancing of the two. Banking on the competitive advantages of its countries of operations may be the most logical choice in the short term. However, supporting the dependence of resource-rich countries on exports of oil, gas, coal or gold is ultimately exposing them to vulnerabilities related to the fluctuating demand and prices of these commodities, and thus threatening economic instability in the longer term. So if you are a bank promoting sustainable development and diversification of the economy of a country, why should your mining policy permit more than 90 percent of your investments in a country like Mongolia going to support mining?

Ultimately, it can be argued that in a storm, like the deepening economic crisis, that's where the EBRD's focus should be – on helping financial institutions and businesses to keep the economy afloat. However, the economy does not exist in a vacuum – and as we have seen, the roots and ongoing momentum of the economic crisis lie exactly in the deficit of democracy, transparency and consideration of critical feedback from taxpayers and electorates.

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