

The European Investment Bank and Central Asia: NGO comments to the EIB's regional strategy

The EU's investments into Central Asia are essential for the development of the region's economy. The European Investment Bank (EIB) can provide a new incentive for the growth of public well-being. However, failure to establish the proper priorities for the EIB's projects may negatively affect people and environment. Hence, we recommend that the EIB gives due consideration to the suggestions given below.

1. "The EU and Central Asia: Strategy for a New Partnership" (01.06.2007) stipulates that the European Union (EU) is interested in safety, stability, adherence to human rights and rule of law in Central Asia (CA). Under "The EU and Central Asia: Strategy for a New Partnership", the European Investment Bank (EIB) will play an important role to finance the projects in Central Asia which the EU is interested in.

Thus, the EIB should take into consideration the difficulties related to human rights and legal compliance, as well as the high levels of corruption in the region. The EIB should act depending on the situation. As Turkmenistan and Uzbekistan face major human rights compliance problems, it may be appropriate for the EIB not to invest into these countries for the time being. E.g., the EBRD sees that the possibility to invest into Uzbekistan depends on the progress in the human rights area by a number of criteria. Otherwise there is a risk that the EIB's funds and authority will serve authoritarian and anti-democratic regimes of these countries rather than the general public.

3. As the EIB is an official financial institution of the EU, it should be regulated by both requirements of the national laws of the region's countries, and the European laws and international agreements ratified by the EU. The latter is of particular importance for the areas where local standards and requirements are lower than the European ones. E.g., compliance with the Aarhus Convention, which is ratified in all countries of the region, except Uzbekistan, cannot be called satisfactory.

This approach should be applied to all EIB projects irrespective of the project category and the borrower's legal status (private or state).

4. According to the Memorandum of Understanding (15.12.2006) between the EIB and the EBRD in respect of joint assistance in a number of countries including CA, the EBRD will, as a rule, be responsible for the preparation of joint projects (2.2). The EIB and the EBRD shall comply with each other's standards in the project preparations (2.5.i).

This provision is an issue of concern since the EIB and the EBRD act under different legal bases. Hence, the EIB's operational mandate should clearly define that in the implementation of joint projects with the EBRD the latter will comply with its own policies and standards and meet the requirements of European laws and international agreements ratified by the EU. The experience of the EBRD project implementation in the region has shown repeated failures of the Bank's borrowers to comply with the Aarhus Convention (e.g. Arcelor Mittal – Temirtau in Kazakhstan).

5. One of the main focuses of the EU strategy is to expand the energy cooperation with CA to diversify external energy resources and increase the EU's energy security. In view of this, the EU will support the development of new oil and gas resources and the improvement of the existing energy infrastructure.

As the whole world understands that energy security cannot be provided by fossil fuels only, possible EBRD financing of oil and gas production projects and pipeline construction

raises concern. Not only will it increase the already high level of natural resource consumption, but it will also contribute to the further establishment of the resource-oriented economy of the region formed as such during the Soviet Union. The financing of these projects will be in conflict with the EIB's own commitments related to sustainable development (www.eib.org/projects/topics/environment/responsibility/index.htm).

Another issue of concern is that the implementation of such projects in the region results in the increase of environmental pollution, mass human rights violation and corruption scandals. An illustrative example is the conflict between the people of the village of Berezovka (Western Kazakhstan) and Karachaganak Petroleum Operating (BG, Eni, Chevron, Lukoil) (<http://www.greensalvation.org/en/index.php?page=berezovka-en>).

Therefore, in our opinion, the EIB should not support any projects related to the production and transportation of hydrocarbon raw materials and mineral resources.

6. In the area of natural resources consumption, we recommend that the EIB supports the construction of enterprises for production of final goods, rather than primary raw materials processing. This would not only diversify the economy and increase the product sales profit, but also create additional jobs. The EIB should also consider similar investments in agriculture. For instance, the Republic of Kazakhstan imports 40 to 60% of products in the food basket (www.liter.kz 28.11.2008).

8. The EIB should pay particular attention to projects in the area of implementation of advanced resource and energy saving technologies and the development of alternative energy sources, since the region clearly faces a shortage of these. This meets both EU interests in CA and the EIB's priorities (<http://www.eib.org/projects/topics/environment/renewable-energy/index.htm>).

Central Asia has a considerable unused energy-saving potential. It applies both to the losses in energy production and transmission, and its use.

9. Besides oil and gas, a key aspect of energy cooperation between the EU and CA is water resources management, including water power production and distribution.

We are concerned about the EIB's possible financing of large hydropower stations construction in the region which may have major social and economic impacts. As the EIB has recently entered into a cooperation agreement with Tajikistan, it should pay particular attention to the investment of large hydropower projects in the country. The EIB should use the recommendations of the World Commission on Dams and secure the approval of its investment plans with other countries through which the main waterways would pass. It is unacceptable so that the projects financed by the EIB could be used as a political leverage in the region.

Another threat is a possible deployment of water power projects in protected nature lands. Negative examples in the Republic of Kazakhstan are the construction of the Issyk HPS-2 in the Ile-Alatau national park, and plans to build the Bulak HPS on the Irtysh river, the flooding area of which may cover the State Forest Nature Reserve "Semei Ormany".

10. The EU strategy provides for the support of the development and expansion of regional transport infrastructure. In this area, project propositions for the EIB should be subject to thorough social, economic and environmental assessment. Development banks sometimes receive offers to finance dubious projects from the economic point of view, which could have essential environmental impacts and threaten the integrity of protected nature lands (such as the Almaty-Issyk-Kul road construction project, via a grant of the EBRD).

11. There are a number of activities which should not be financed by the EBRD in Central Asia. Here, the EIB should at least comply with the list of project types which are not financed by the

development banks operating in the region (EBRD, ADB, World Bank)
(<http://www.ebrd.com/about/policies/enviro/policy/2008policy.pdf>
;<http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement.pdf>)

We look forward to a constructive dialogue between the organisations in the region and the EIB. Among other things this would represent a willingness for the EIB to provide early – and timely – notice of the projects to be financed in the region.

March 16, 2009

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