The European Investment Bank (EIB) announced that it would begin work on revising its information policy. This came as welcome news to environmental groups and other organisations that had been pushing for the Bank to be more open and transparent in its lending practices. Until then, the Bank's policy on information access had been quite simple: basically, the EIB would not release any project-related information.

For two years, non-governmental organisations offered input and tried again and again to participate in the policy review process. In June 2001, NGOs presented detailed suggestions for change, including a proposal for improving public consultations.

Finally in November...
If the roadway’s planning process was riddled with mistakes, then it should come as no wonder that its design leaves much to be desired. For many villages the current, smaller road is their only link to other communities. Once the highway is built, they will be without any supplementary road for low-speed vehicles, since no such road is planned. It is not even clear where some villages will have access to the new road.

No studies were done on the expanded road’s effects on health. Every day, people living on both sides of the existing road are exposed to high levels of air and noise pollution. Traffic is already quite heavy, and expected to increase once the highway is built. The EIA fails to assess, however, what kind of impact there will be on human health.

Because the report also failed to take into account the road’s effect on wild animals, no facilities for the migration of wild animals were included in the project design.

Several Bulgarian environmental groups wrote to the EIB to share their concerns about the project flaws, especially the faulty environmental impact assessment. The EIB’s response was that “the type of reconstruction works - the widening of an existing road - did not require a full EIA, including public consultations on the environmental impacts”. Disregarding Commissioner Wallstrom’s clear criticism of the EIA process, the Bank also stated that, “though European Union legislation on EIA had not yet been adopted in Bulgaria at the time of the development consent for the project, the EIA process that was followed was similar to EU requirements for a project of this type”.

Dora Djankova from Studena village knows little about EU requirements regarding EIA procedures. But, sitting in her house worrying about the approaching highway, even she can tell that something must be wrong if people still don’t know whether tomorrow they will wake up to find a highway in their front yard.

Money for Nothing

Questions for the benefits from the EU Phare project in Bulgaria

The first stage of a EUR 3.3 million Phare Cross Border Cooperation motorway project is currently nearing completion. However, construction of the 174-kilometre long Sofia-Kulata E-79 motorway - 18 kilometres of which are also being funded by the European Investment Bank (see Road to Ruin) - seems to have brought dubious results.

The project, which actually consists of two motorways (’Ljulin’ and ’Struma’), was designed with little concern for either local people or nature. Although a 174-kilometre motorway construction would surely create several serious problems for environmentally sensitive areas, the project design is still going on.

Still unresolved is the future of the Kresna Gorge, a Natura 2000 candidate site along the Struma motorway. Three routes for the motorway proposed in the feasibility study would pass through the Gorge, threatening biodiversity protected by Bulgarian and EU legislation. From the start of the Phare project, Bulgarian environmental NGOs have continuously asked for an alternative route outside the gorge, something required by article 6 of the EU’s Habitat Directive. However, the company asked to carry out the study was told to study only routes within the gorge.

It wasn't until an appeal by Bulgarian NGOs to the European Commission, and after European Member of Parliament Erik Meijer raised the issue in Brussels, that the EC Delegation in Bulgaria organised two meetings for interested parties in November 2000. At one of these meetings, on November 17, it was announced that the study would include the development of alternative route-beds. In addition, DG Enlargement announced that "the Commission will closely follow, especially through its Delegation in Sofia, the planning of the Struma motorway, in order to ensure that the less damaging route for the environment is used and that alternative solutions have been considered". The need for including alternatives in EU-funded projects - as required by EU acquis - was further emphasised by Commissioner Margot Wallstrom in letters to Bulgarian NGOs.

Somehow, the Bulgarian authorities didn’t listen. On January 31, 2003 the head of the EC Delegation in Bulgaria reported that the instructions for the feasibility study still did not call for a study of alternative routes, and the authority responsible for contracting the study never bothered to apply for funding from the Commission to undertake such a study. He called on the authorities to remember that the "feasibility study must take a full cognisance of Bulgarian legislation, including any harmonisation there may be with the EU standards.” In addition, it became clear that the Phare money for project had been almost entirely spent and that any detailed design of the Struma motorway was not going to happen anytime soon.

The outcome: Bulgaria has a feasibility study report, but one which offers no alternatives, doesn’t comply with EU legislation and proposes a ‘solution’ that would significantly impair the environment. Phare program funds were absorbed, but the paper work was done so, the authorities say, what’s the problem? Here’s the problem: How much more money are Bulgarian and European taxpayers going to pay to finish a sub-standard motorway? When will the European Union begin to enforce its standards concerning both procedure and environmental protection? That’s what we are asking ourselves.
... continued from page 1

2002, after almost two years of preparations, the EIB quietly released its new information policy, with very little fanfare. In fact, nobody was notified - they just quietly put it up on their web site, hidden away like some mutant offspring chained in the attic.

None of the NGOs' recommendations made it into the Bank's final document. There were some vague provisions for transparency and lip-service to openness, but it seems the policy is dead on arrival. There still are no clear rules on what documents - apart from some general information such as the Bank's Annual Report - the public may receive. The policy's set of exceptions is vague enough to basically allow the Bank to refuse any potential request for information on projects the Bank is financing or considering.

Often, the new-and-improved policy uses non-committal phrases promising to release information 'whenever possible' and 'as early as feasible'. There are no dates, no timelines, no names of documents to be released.

The new policy is biased in favour of large corporate clients over the interested public. For instance, the Bank still reserves the right to withhold information based on its so-called 'obligation of professional secrecy' and the 'commercial interests' of its public and private clients - provisions which could be used to prevent the bank from putting on the web all the projects in its pipeline. (Last year, the EIB began releasing information about projects currently being considered for financing, but even then only roughly one-third of all projects made it online.) The Bank's clients reserve full right to withhold information, although this information should be made public since the planned projects often affect nearby communities.

A positive development in the new policy is the possibility for lodging a complaint with the Secretary General of the Bank. European citizens already have the opportunity to submit complaints to the European Ombudsman.

Although the changes in the policy are largely cosmetic, they open up an interesting possibility. The more positive language shows at least an attempt to appear more open, so maybe it is time to test that openness.

Therefore we would like to encourage all of those working on specific projects financed by the EIB to ask for information and tell us your experience. We believe and have to prove that the Bank needs to have clear rules on access to documents and not only vague statements.

EIB information policy documents are available on www.eib.org. NGO comments from June 2001 can be found at www.bankwatch.org/issues/meib.html

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Did EIB Loans Intend to Ruin Regional Railways?

Wednesday, January 29, 2003, 3.00 a.m. Train service in Slovakia grinds to a halt in the railway trade unions' last-gasp effort to save 25 regional lines. But the government and railway company continue in their refusal to operate these lines - at least until recently established regional units can begin to take over their costs and operation - and so the strike drags on for three days. The largest strike in the history of the Slovak Republic had a profound impact on companies dependent on rail for the delivery of goods, and Slovak citizens experienced for the first time what it is like to live without train service. Many residents - especially those from small villages, for whom 'sleep well tonight' meant taking a nap on the early morning train to work - now face the daily reality of crowding onto the morning bus, skidding on the icy roads through the hilly country of Slovakia. Not only for the duration of the strike, but for good.

All over the country, people had their own opinions on who was to blame for this painful situation, but only very few could have guessed to what extent the European Investment Bank - a public institution of the European Union - was involved. Indeed, back in 1999, when Slovakia received a railway reconstruction loan from the EIB, only a few foreign media outlets pointed out the peculiar conditions attached. Among others, these included a reduction in the length of the country's railway network by eliminating or privatising (which in Slovakia practically means the same thing) 32 lines by 2002. Not only were these conditions not debated with the Slovak public, they were not even discussed between the EIB and the Slovak government.

In the middle of July 1999, the media reported that "the government and the Slovak Railways were given two weeks to reply to the conditions, and if they agree to meet them, the EIB is ready to immediately provide the loan." (Symsite no. 1191, June 17, 1999). The railways are heavily in debt thanks to not only the practices of Prime Minister Vladimir Meciar (1992-98) and gang, but to almost the same extent the actions of current Prime Minister Mikulas Dzurinda (who employs many close friends and relatives in government), and were so eager to receive the initial tranche of EUR 120 million that the two weeks were quite enough for them to agree to the conditions. The details of the conditions are even today known to only a privileged few, and only very few citizens had any idea of how destructive for passenger railway transport they were.

"Slovakia cuts rail service in response to EIB pressure."
In October 2001, the Centre for Environmental Public Advocacy, Friends of the Earth - Slovakia and the CEE Bankwatch Network officially asked the EIB, the Slovak Ministry of Transport, Post and Telecommunications and Slovak Railways to disclose the set of loan conditions. All three public institutions refused to do so on the basis of a confidentiality clause conveniently tucked into the loan agreement. According to the EIB, the Bank “cannot provide the loan contract; it is up to the promoter and/or the competent authority to disclose a loan contract with the Bank, subject to the relevant legal regulations.” According to the Slovak institutions “the loan agreement allows us to make public neither the agreed loan conditions nor the time schedule for their implementation”.

The loan was provided by one public institution to another public institution, and is fully guaranteed by the state of Slovakia. There is no doubt that no single excuse exists for keeping such a loan agreement confidential. On the contrary, it should be generally accepted practice that any draft agreements between two public institutions should be disclosed in full and in a timely manner so as to ensure fair public discussion before any legally binding agreement is signed.

In November 2000, the EIB quietly released, after almost two years of preparations, a new public information policy. Sadly, the revised policy does not solve the fact that the Bank is not required to disclose information about public loans made to democratically elected governments. Instead, the Bank hides behind non-committal phrases promising to release information ‘whenever possible’ and ‘as early as feasible’ - empty promises that are easily circumvented and change little. As in Slovakia, the Bank can fall back on the clever inclusion of a ‘provision of confidentiality’ into loan agreements. The new public information policy appears to be just another rhetorical exercise, a well-known forte of the Bank’s bureaucrats, whose trained cynicism is to a large extent funded from the taxes of EU citizens, many of whom would be shocked at what is happening with their money.

Meanwhile, however, some Slovaks are trying to slash through the jungle of red tape. The Centre for Environmental Public Advocacy, a member organisation of both Friends of the Earth and the CEE Bankwatch Network, continues in its efforts to obtain the official text of the railway loan agreement, and hopes to make it publicly available. If necessary, non-governmental organisations will attempt legal action to enforce the public’s right to information related to the EIB loans, first through the Slovak courts, and should this prove unsuccessful, by bringing the case to the Ombudsman of the EU.

For more information, contact Peter Mihok at mihok@changenet.sk

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**Participation for Better Planning Documents?**

Latvia, similarly to other EU candidate countries, hopes to become a member of the in 2004. As EU Structural funds and Cohesion fund would be made available for co-financing development and infrastructure projects, Latvia has to prepare a strategic plan for managing this money. Elaboration of Development Plan was learning process for governmental institutions in Latvia on how to involve all stakeholders, including society. However, it was also a challenge for NGOs for meaningful participation in the process.

Preparation of Development Plan for Latvia, which is at the same draft Single Programming Document started in spring 2002. The Development Plan, that is the strategic plan for use of structural assistance from EU Structural and Cohesion funds in 2004 - 2006 should be based on National Development Plan that was supposed to be approved earlier. In case of Latvia, operational part of National Development Plan was never approved by government of Latvia, nor accepted by European Commission. Moreover, comments from European Commission were critical about absence of strategic vision and goals, lack of coherence among data in different chapters.

Beforehand, NGOs and even experts involved in National Development Plan process were criticizing the National Development Plan Unit for big rush and not involving society in preparation process of National Development Plan, lack of transparency and clear rules of decision-making about prioritised projects. Thus clear correlation between rush in the National Development Plan process without involving NGOs and quality of document could be observed.

Latvian NGOs expected that Ministry of Finance would take its lesson and would put all efforts to elaborate good DP that is supported by wide groups of society. Representatives from different sector NGOs were invited for introduction seminar where goals of this strategic document and its process was explained, however many questions were still open e.g. opportunities and role for involvement of society. Meanwhile working group was established to work on Strategic Environmental Assessment that was a pilot project. Strategic Environmental Assessment group included also one representative from environmental NGO. Working group started to work on the draft document assessing the significant environmental impacts that can result from implementation of activities included in Development Plan. Positive that many comments from Strategic Environmental Assessment work group discussions on reducing environmental impacts were taken into account and incorporated in the draft DP document that was later given to public for comments.

Consultation process with society was launched in the beginning of September 2002 giving one month for providing comments. This is reasonable time frame for
preparation of comments and input into the draft document especially in comparison to preparation process of National Development Plan when just one week or one weekend was given for comments. Number of civil society groups commenting on draft Development Plan did not exceed ten among them universities, association for passengers’ transport, business supporting NGOs and environmental NGO. From NGO perspective, participation rate was not high and actually indicates that civil society and its organizations in Latvia do not feel the ownership over it. Still the Ministry of Finance evaluated participation rate as satisfactory, taking account that number of comments and quality of them were much higher than for National Development Plan in 2001. All NGOs that provided their comments were invited to discuss the issues they have raised.

Although governmental institutions were much better prepared and organized several consultation meetings with civil society organizations, there are some indications that the process was organized in formal way without expecting meaningful input from NGOs. Besides being under time pressure and deadlines had very negative impact to the quality of draft Development Plan document e.g. overlaps of measures, inadequate or missing information and statistical data, wrong formulations, goals are not transferred to the goals of Development Plan etc. NGOs in Latvia still question whether good strategic document can be based on bad strategy? It was also confusing that Steering group of Development Plan made significant changes to draft document while it was sent out for public commenting, thus many comments appeared to be not valid any more. Thus confused with experience from previous consultation NGOs were reluctant to comment on the draft Development Plan considering that participation would not change anything. It would require a lot of time and efforts to build up trust of NGOs again.

**Not too Late to Put Things Right**

This month, the European Investment Bank will be faced with what at first glance appears to be a simple question: should the Bank provide a loan to help the government of the Czech Republic build a section of new highway? By voting yes or no, however, the EIB will be taking a stand not only on transportation in the Czech Republic, but also on environmental values supposedly championed by its EU parent, and even the credibility of the Czech democratic system.

The D8 motorway is part of the Berlin-Prague-Budapest-Sofia-Istanbul European multi-modal transport corridor IV. From Prague, the D8 heads north and connects with the German A17 motorway in the Eastern Krusne Hory/Osterzgebirge. The section passing through this low mountain range is the one the EIB will be voting on, and one of two remaining to be built.

The fact that two ‘sections’ remain to be built is indicative of how this project came to be. The D8 has been built in such a way that the least controversial segments were built first, thus increasing the political pressure for issuing permits for the ‘missing links’. Alternative routes had been proposed but ignored. Now the pressure to continue along the current alignment is almost insurmountable. Even along the current route, alternatives exist. However, Environmental Impact Assessments for the D8 project excluded these from the very beginning. Completely ignored were options with reasonably long tunnels, options bypassing the most valuable sites, and any serious mitigation measures. When the Strategic EIA for the entire Motorway Development Scheme came out in favour of alternatives, the government simply ignored the experts’ recommendations.

The EIB has now been approached by the Czech government to help complete the section across the Eastern Krusne Hory. This area is not exactly the best location for a motorway: the area includes possible SPA sites, as evaluated according to the EC Birds Directive, as well as number of valuable habitats. The area therefore may become part of the EU’s Natura 2000 network. With the exception of just one section above a short tunnel, however, the road will in effect cut this area in two. So much for European Union nature protection.

Ironically, the other section of highway which is under preparation also counts on EIB funding. This section runs straight through a protected area - 15 kilometres of road cutting across the Ceske Stredohori Protected Landscape Area. Here, too, alternative routes or reasonably long tunnels passing under the most sensitive areas were ignored. Will the EIB rubber-stamp Czech disregard for the environment a second time around?

A more disturbing influence of international finance (in the form of EU and EIB money) is its unintended encouragement of undemocratic practices in the former communist bloc. Politicians and bureaucrats from Prague to Prishtina are still averse to public criticism. An Old World attitude exists here that the experts know best and public input is but a formal-
ty to be done to fulfil EU regulations. The promise of democracy - so bright in the heady days of 1989 - has given away to a cynicism that borders on defeat. As they watch politicians ignore public input and follow one scandal after another, many people turn off altogether, feeling that they have little to offer, and who would listen anyway?

The EIB needs to do more to promote democracy in Central and Eastern Europe. It could well start at home. Although it receives funding from the European Union, the EIB has dragged its heels in opening its doors (and more importantly, its books) to the public. Projects financed by the EIB have enormous social and environmental consequences, but much information regarding these projects remains "confidential". Attempts to contact the Bank are often frustrating - Hnuti DUHA (Bankwatch's Czech member group) has been waiting two months for a reply on the D8 situation. Recently introduced changes to the Bank's public information policy were largely cosmetic. It is time the Bank sent a signal to the leaders and the people of the accession countries that it does indeed believe in public participation and environmental principles, and that these ideas are not just words put on paper, but something to be protected and cherished.

The Balkan Stability Pact: What is it good for?

In June 1999, as the Kosovo crises exploded, the EU initiated an important international agreement signed by the Balkan countries, major donor countries and international organisations such as the World Bank, EBRD, EIB, and OECD. They set out to "secure lasting peace, prosperity and stability for South Eastern Europe; foster effective regional co-operation; and give firm European anchorage to the region." The Balkan Stability Pact was to be a model for international cooperation, especially when it came to securing much-needed financing from Western Europe to rebuild the region's infrastructure.

Although the Pact attracted huge amounts of money for the region, it remains unclear how the projects supported by the Pact were prioritised. For instance, the proposed extension of the Sofia Airport received more funding than the all spending on private sector development initiatives, economic reforms, business development, vocational training and education, environmental projects, and social development. It is obvious that some decisions were made far away from the region, decisions more concerned with taking into account international needs than the local population's needs. In fact, nobody asked the people what they wanted. In a situation of political, economic and social insecurity, governments as well as international institutions made little effort to involve or even inform the public about their priorities and strategies.

Recent actions by the government of Bulgaria around the Sofia Airport project have called into question the cooperative spirit of the Pact and its involvement in attracting donors support. When construction began with the aid of European Union ISPA funds, Bulgarian authorities claimed that the Pact had not been involved in the process of attracting financing. This for the single most important development project supported by the Pact.

The Bulgarian government's muddling of facts doesn't end there. The available information about the project varies significantly in the documentation, and the total cost of the project is not at all clear. First, the total cost of the project was estimated at EUR 150 million. The European Investment Bank provided EUR 60 million and the Kuwait fund for Arab Economic Development another EUR 40 million. Only another EUR 50 million remained to be found. The involvement of the EIB is questionable, because it gave a loan before the project was finalised.

By 2002, the project's total estimated cost had somehow increased to EUR 210 million. A financial supplement of EUR 50 million came from the ISPA pre-accession fund, but the Bulgarian state budget still needed to cover the remaining EUR 62 million.

Since beginning construction early this year, the Bulgarian authorities have stated publicly that the total cost of the project was now only EUR 192 million, of which only 38 million was from the Bulgarian budget. The Ministry of Transport and Communications denied any participation of the Stability Pact in the procedures for attracting investments, saying that they had applied and received the ISPA financial assistance by themselves.

Construction may have begun, but the numbers and figures are still not clear. Neither is it clear who identifies the priority projects for the Balkans - and what role the Stability Pact has in all this. And what the bill for the Bulgarian taxpayer will be, nobody can tell either.

More information is available at www.stabilitypactwatch.info

Editorial Board
Ana Colovic, Petr Hlobil, Manana Kochladze, Ivona Malbasic, Steve von Pohl, and Klara Schirova

Contribution
Keti Medarova, Peter Mihok, Alda Ozola, Steve von Pohl, Pavel Pribyl, Anelia Stefanova, and Magda Stoczkwiewicz

Layout
Larisa Grujic

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Mail Address: Kratka 26, Prague 10, 10000, Czech Republic