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Commission seeking to boost EIB development lending despite failures and lack of details

The European Commission's proposal for a 'Decision' of the European Parliament and the European Council granting a European Union guarantee to the EIB against losses under loans and guarantees for projects outside the EU – part of the EIB's so-called 'mid-term review process' – is in danger of not only allowing overly-broad interpretation of important obligations, but also seeks to increase the role of the EIB's mandate regardless of the bank's poor record to date and the critical conclusions of the recent review of the EIB's external lending mandate.

continued on page 3

EU Budget review missing in action

Every seven years the European Union sets out on a review of its financial set up, the EU Budget, that provides the EU with the financial means to achieve its policy goals. In 2007 the European Commission opened a public consultation aimed at modernising the EU Budget, a process that initially at least attracted extensive attention and feedback from European civil society. But today reform of the EU Budget remains a distant prospect – the Commission has

continued on page 2

CONTENTS:

- ① Commission seeking to boost EIB development lending despite failures and lack of details
- ② EU Budget review missing in action
- ③ Developments in development lending – what Lisbon means for EIB lending outside Europe
- ④ A non-meeting of minds once again at the EIB's annual meeting
- ⑤ EU Funds: More light equals fewer shades of grey
- ⑥ Fossil farce a cure for Greek tragedy?
- ⑦ EIB treads cautiously over controversial Slovak road project for now
- ⑧ Romania's EU billions: PPP piranhas sniff a killing
- ⑨ The troubled bridges over Belgrade's water
- ⑩ NGOs point the way to sustainable transport for the Western Balkans
- ⑪ Transparency at the EU's bank – but not in our name

EU BUDGET REVIEW MISSING IN ACTION

largely ignored inputs from civil society organisations and risks missing the opportunity to deliver a sustainable development path towards a low carbon society.

At a conference on the future of the European Budget in November 2008, then EU Budget Commissioner Dalia Grybauskaitė declared: "Europe is ready for ambitious change". Indeed after one year of public consultation the European Commission received over 300 detailed submissions by member states, think tanks, academics and a wide range of civil society organisations, including CEE Bankwatch Network.

Currently, however, the consultation has effectively ground to a halt, the time and money invested in it seemingly up in smoke. For disgruntled participants, the prospect now is that the Commission is not only renegeing on previous commitments but is passing up the chance to prepare Europe to meet its long term climate target, its 2020 greenhouse gas (GHG) reduction targets and, ultimately, any hope of achieving the ambitious vision of a low-carbon, resource efficient society in 2050.

These of course are only the objectives the EU has been setting itself so far. On top and as part of the process civil society has been calling for more ambitious climate targets, robust leadership in the post-Copenhagen negotiations (an opportunity which has been once again dropped as Climate Commissioner Hedegaard has had to pull back from her 30 percent GHG reduction target proposal upon pressure from Germany and France), significant incentives to stimulate green sector technologies and energy efficiency investments, plus the shifting of public finances such as the EU funds from constructing road infrastructure towards sustainable (urban) transport systems or 100 percent green public procurement.

Where are we now?

Two years after the launch of the budget review process the Commission has still to present an EU budget reform proposal, originally announced for 2009. This should have served, with the consultation inputs playing their part, as the basis for broad public discussion among stakeholders at both the EU and national level about the priorities for the future budget.

Yet this wider discussion is not going to happen as time is running out; the current financial period ends in 2013 and the new financial perspectives being prepared already. Even though the Commission has announced a so-called 'college paper' for July or September that will state its priorities for the next budget period, this manifestation will not allow for changes to the budget set-up in principle, nor will it leave room for shifts within the budget that seek to promote smarter spending of the available resources.

So how can it be that this two-year process will fall flat on its face, even as Europe is facing ever steeper challenges? As Herbert Hoover-type economic prescriptions get forced down the throats of the European public, shouldn't one of the few opportunities for actual public spending be the focus of some quality debate and prioritisation?

One reason for the Commission not pushing the public consultation and the budget reform process further comes from within the institution itself. In 2009, Jose Manuel Barroso was obliged to get down on one knee for his renomination as Commission president – the idea was not to rock the boat by displeasing member states with ambitious reform proposals, nor to have the incoming commissioners under Barroso II encumbered with a hard-to-stomach inheritance.

Alongside these only so human concerns hindering the budget reform, another process was meanwhile laying the cornerstone for Europe's future: the EU's economic strategy for the next ten years, the so-called 'EU 2020' agenda that prioritises the EU's political projects for the next decade and which the EU budget has to help realise.

A final aspect of the current budget reform fatigue – or the apparent impossibility for its restructuring – has in turn its roots in the current financial and budgetary difficulties of the Member States themselves. Increases to the budget, the opening up of new resources or the relinquishing of certain benefits are all off the current radar. And don't even mention the Common Agricultural Policy!

What will remain from this budget reform exercise besides gloomy memories of a missed opportunity to provide a solid and long term basis for the sustainable development of the EU and the bitter taste of another Commission initiative that started out ambitiously, then wasted a lot of resources and finally got run out of town on the wrong end of the political treadmill?

An ace in the hole could in fact be the 'EU 2020' agenda as it opens a qualitative new perspective to the EU budget compared to the Lisbon strategy: sustainable growth and the promotion of a more resource efficient and greener economy rank as top priorities. It can only be hoped that the new agenda's promising flagship initiative "Resource efficient Europe" – aimed at providing the means to combat climate change and boost clean and efficient energy – will not be traded off against pure economic growth assessed via increases in the volume of production.

Otherwise, see you at the next budget review process in 2016, doubtless under even less convenient conditions for smoothly shifting EU spending towards environmental and social sustainability.

COMMISSION SEEKING TO BOOST EIB DEVELOPMENT LENDING DESPITE FAILURES AND LACK OF DETAILS

With the vote on the Commission proposal scheduled to take place in the first half of 2011 – and where the European Parliament's newly gained co-decision powers will play an important role – EIB-watching groups that have studied the Commission text are concerned about its ultimate practicability.

Even though the new proposal introduces important issues such as increased EIB emphasis on development objectives, the promotion of human rights and environmental sustainability, improved due diligence, project appraisal and monitoring, the groups are warning that the proposal does not go far enough to ensure that such prerequisites for development finance will be properly implemented by the bank.

While calls for the EIB to systematically carry out ex-ante development impact assessments and monitoring of its projects are more than welcomed (and long overdue), serious doubts and concerns hang over them due to a lack of indication about how the EIB is to apply these obligations, in effect leaving it to the bank to elaborate its own procedures and methods for assessing its development impacts.

Of fundamental concern is that the Commission's 'Decision' puts an increased onus on development, even though the cumulative evidence to date points to the EIB's lack of suitability for such a development role. Civil society groups – including CEE Bankwatch Network – are therefore calling for the EIB not to receive the EUR 2 billion optional mandate for a new climate mandate and for the scope and extent of EIB lending operations outside the EU, that fall under the Community guarantee, to be progressively reduced.

Anna Roggenbuck, Bankwatch's EIB coordinator, commented: "The potential release of the two billion euro optional mandate is a curious response to the recent Wise Persons' Panel conclusions that described the EIB's poor translation of EU policies, its shoddy project monitoring, insufficient local involvement and inability to satisfy the mandate's development requirements. It is doubly unacceptable that this money would be taking the form of loans for adaptation when the developed countries bear major responsibility for climate change. The two billion should be used for climate adaptation measures by transferring it into the UNFCCC controlled funds that will allow grant funding for adaptation in the most vulnerable regions and countries."

As for the financing of climate change 'mitigation' measures, this should be granted a Community guarantee if it involves only the most environmentally sustainable projects that are in line with EU climate change cross-cutting priorities – and that means excluding the fossil fuels sector, unsustainable large dams and carbon capture and storage projects. The lack of detailed financing criteria for

climate change mitigation projects is evident and raises more concerns.

The Commission's 'Decision' also fails to address the question of ownership of the EIB's operations in the developing countries even while proposing an increase in the EIB's involvement in the developing world. On ownership, the promotion of local consultation, and the obligation to inform in advance project-impacted people about the results of due diligence – in these areas the EIB's track record has been poor despite the need for them to feature in any democracy.

Perhaps a key undermining aspect in all of this harks back to an age-old institutional curse at the EIB: poor transparency standards. The Decision does not oblige the EIB to disclose in advance its due diligence reports or the reports provided by the bank to the Commission (and thence from the Commission to the European Parliament and the Council), nor does it have anything to say about disclosing information on the EIB's non-transparent Global Loans, namely the beneficiaries, development impact assessments, or the monitoring of these loans. The Decision should have clear requirements on granting a Community guarantee only for financial intermediaries (commercial bank beneficiaries) that do not operate in offshore financial centres, have substantial local ownership and are duly equipped to implement a pro-development



▲ DEVELOPMENT HANGING ON, JUST, AS THE COMMISSION AND THE EIB CHARGE ON

approach that can support local small- and medium-sized enterprises.

What comes powerfully across from the Commission's 'Decision' is that it is a proposal aiming to increase the scope of the EIB's mandate regardless of the EIB's well-docu-

mented limitations, and it leaves many concrete aspects for subsequent decisions. The Commission, the Council and the European Parliament should now, in the reasonable amount of time still at their disposal, be striving to shape the proposal so that it ties EIB external lending as concretely as possible to legally enforceable criteria.

Developments in development lending – what Lisbon means for EIB lending outside Europe

The European Investment Bank is required to support the EU's external action and development policies when lending to developing countries. In this article Rowan Ryrie and Anaïs Berthier from ClientEarth examine the impact the Lisbon Treaty has had on the legislation surrounding these policies and how this affects the EIB's external lending.

The EIB lends outside Europe under a number of financial instruments including the Investment Facility established under the Cotonou Agreement, the external lending mandate and at its own risk. When lending to developing countries the EIB is always required to take the EU's development cooperation objective of reducing poverty into account in accordance with Article 209(3) of the Treaty on the Functioning of the European Union (TFEU).

The external lending mandate includes a guarantee from the EU that protects the EIB from financial risk when lending outside Europe to projects in over 70 countries. One of the conditions of the guarantee is that the EIB lending under the guarantee must support certain EU policy objectives. A European Court of Justice case in 2008 clarified that, in addition to supporting the EU's broad aims for actions outside the EU, the EIB is specifically required to support development cooperation and economic, financial and technical cooperation objectives. Any failure by the EIB to support development cooperation objectives would therefore conflict with this court decision as well as with the treaty provisions discussed below.

The Lisbon Treaty

The Lisbon Treaty has changed the content of the policy objectives the EIB is required to support. The principles and policies intended to guide the EU's external actions have been defined in the Treaty on European Union (Article 21) in a way that was not found in legislation prior to the Lisbon Treaty. In addition the Treaty provisions relating specifically to development cooperation (TFEU Articles 208-211) and economic, financial and technical cooperation (TFEU Article 212) have changed.

Article 21 of the Treaty on European Union sets out a range of aims for EU external action. These include pre-

serving peace, protecting human rights, providing humanitarian aid, promoting good global governance, fostering sustainable development with the aim of eradicating poverty and preserving and improving the environment. EIB lending, both under the community guarantee and at its own risk must not conflict with any of these aims. This means, for example, that any EIB-funded projects likely to cause damage to the environment or involving the unsustainable management of natural resources must not be funded by the EIB under the community guarantee.

The aims of EU development cooperation have been simplified by the Lisbon Treaty to the single objective of reducing and, in the long term, eradicating poverty. Changes to the Treaty mean that the EIB is under different obligations to support this objective – and the differences are contingent upon whether the bank is lending to developed or developing countries.

The EIB and developing countries

The EIB must take the objective of reducing and eventually eradicating poverty into account in all decisions it takes that are likely to affect developing countries under Articles 208 and 209 TFEU. This means all decisions relating to specific projects that will take place in developing countries, and all bank policies relating to the allocation of funding between developed and developing countries, must take the objective of poverty reduction into account.

This requirement to support the aim of reducing poverty applies to all EIB lending to developing countries, not only lending under the external lending mandate and the community guarantee.

The EIB and developed countries

EIB lending to developed countries under the community guarantee must be consistent with the EU's development cooperation objective of reducing poverty. This requirement to ensure lending to developed countries doesn't conflict with the aim of poverty alleviation is weaker than the requirement to take poverty alleviation into account in relation to developing countries.

Conclusion

When lending to developing countries, or on projects likely to affect developing countries, the EIB is under an obligation to actively support the objective of reducing poverty. Lending to developed countries must not conflict with the aim of poverty alleviation but it is not required to actively support the objective in the same way.

The EIB is also prohibited from lending to projects that would have a negative impact on levels of poverty, peace, the environment or human rights. Any failure by the EIB

to take the poverty alleviation impact of a project into account when making decisions about allocating funding, or any decision to lend to a project that contributes to environmental or social harm, should be open to challenge.

ClientEarth has produced a series of briefings expanding on the ideas discussed in this article which can be found at www.clientearth.org/development-lending-resources

ClientEarth is an organisation of activist lawyers committed to securing a healthy planet.

A non-meeting of minds once again at the EIB's annual meeting

Civil society efforts to directly engage with the governing bodies of the European Investment Bank around the bank's annual meeting (June 8) have fallen on if not deaf ears then at least ears that remain to be convinced about the merits of having a frank exchange of views.

In the calendar of annual meetings of the international financial institutions, the EIB's annual meeting remains off limits for NGOs in contrast to the often fruitful discussions allowed with the staff and governing bodies of institutions like the World Bank and the European Bank for Reconstruction and Development.

To mark this year's EIB annual meeting, CEE Bankwatch Network and Counter Balance: Challenging the European Investment Bank have written to the EIB's governors ahead of their 52nd annual meeting in Luxembourg.

The groups urged the governors – as representatives of the member states – to act on the recent review of the EIB's lending under the Community guarantee that revealed the institutional and policy shortcomings that prevent the EIB from successfully meeting its development lending obligations outside the EU, in particular reminding of “the pressing need for streamlining the EIB's operations outside the EU towards selected sectors that have clear long-term development impacts and also on improving the EIB's accountability vis-a-vis local affected communities and European taxpayers.”

Also flagged by the groups was the increasingly burning issue of the transparency of the EIB's lending via financial intermediaries. Taking into account the significant increase in the EIB's financing through financial intermediaries in 2009 and the further increase expected in 2010, the governors were invited to ensure that the EIB responds to the European Parliament's adopted Resolution on the EIB's Annual Report for 2008, which includes a request that the EIB “better monitor and make more



▲ CIVIL SOCIETY EFFORTS TO GET TO THE HEART OF THE EIB HAVE TAKEN SOME INTERESTING TWISTS AND TURNS

transparent the nature and final destination of its global loans in support of SMEs.”

With one of the EIB's biggest current tasks being to help in the EU-wide fight against climate change, the bank's governors were reminded of the gaping hole that currently exists between the institution's lending for renewable energy and energy efficiency measures in the old member states and in the new member states. The groups called

for urgently ramped-up EIB lending to support central and eastern European countries in their efforts to develop substantially less carbon-intensive economies.

Bankwatch's 2009 study into the EIB's energy lending – Change the lending, not the climate – is available in pdf at: http://bankwatch.org/documents/changing_the_climate.pdf

EU Funds: More light equals fewer shades of grey

Just who is benefiting from the EU's Cohesion funding? The question has never been so acute as it is today, and a European Parliament own initiative report, drafted by Michail Tremopoulos from the Regional Development Committee, appears to be coming at the right time to ask questions about – and hopefully advocate for – greater transparency of EU spending.

CEE Bankwatch Network believes that improving the effectiveness and public ownership of EU funding, as well as making them more attuned to social need, can be achieved if the European Commission and member states open the door to more partnership and access to information.

As of today, publicly available information on projects financed by the EU differs very much from country to country – it is currently up to the individual member states to decide on what information for beneficiaries is published and when. As a result, very often information on projects (or alternatives) and their environmental, social and economic benefits are not available on the internet (or published at all). Our position, honed over years of unfortunately harsh experience, is that the loose legal framework that prevails makes transparency of the EU spending an absolute imperative if groups like Bankwatch and others are to ensure public monitoring that can deliver real public

value. Such information in fact is classed as information of public interest under the Aarhus Convention and it must be published before EU funds are granted if corruption and the misuse of limited public resources is to be avoided.

Totalling EUR 344 billion for the 2007-2013 period, the funds are taking on an ever-more vital role as a primary public investment source in those EU countries acutely affected by the economic crisis and euro-zone stability problems. Yet corrupt practices surrounding the use of the funds in countries such as Bulgaria, Slovakia and Greece – to name just a few – have to be stamped out.

Therefore Bankwatch very much welcomes the strong proposals coming from the upcoming European Parliament report, such as the call for timely publication and access to project documentation as soon as the Commission receives applications for granting EU funds above the EUR 50 million level. We hope that the report will be voted in plenary in June, and also that the Commission will already start working on improving the legal requirements and current practice so as to provide the public with more light – and insight – on how these funds are being spent.

See also Bankwatch's EU Funds-dedicated website: <http://www.sustainableeufunds.org/>

Fossil farce a cure for Greek tragedy?

Late May saw Greece's biggest refiner, Hellenic Petroleum, announcing that it had secured a EUR 400 million loan from the European Investment Bank to help fund the upgrade of Hellenic's Elefsina refinery near Athens. “Cleaner fuels” will result from the refinery upgrade, it said in the accompanying EIB press release, with the bank's vice-president Plutarchos Sakellaris commenting: “We are increasing significantly our lending to counteract the impact of the crisis on the Greek and European economies.”

There was something quite unsettling, even nausea-inducing about this newly announced loan – and it wasn't just

that Hellenic Petroleum seems to be doing rather nicely in spite of everything, with profits in 2009 of EUR 175 million and presumably, as a result, with some clout to raise capital by itself. It was more the depressing, redolent reek of so-called stimulus measures – not exactly abundant in the Greek economy – being shipped out to the fossil fuel sector in the first place.

Meanwhile the International Energy Agency (IEA) has been totting up the subsidies provided to the oil, gas and coal sectors. It has just calculated that more than USD 550 billion per year, roughly 75 percent more than previously thought, is still supporting these unsustainable sectors.

Talking forthrightly to the Financial Times, the IEA's chief economist Fatih Birol said removing subsidies was a policy that could change the energy game “quickly and substantially”, and that such subsidies are “the appendix of the global energy system which needs to be removed for a healthy, sustainable development future”.

Note to the EIB and others: a ruptured appendix has to come out sooner or later, preferably a lot sooner rather than later.

▶ **A PICTURE OF AN OIL-DRENCHED PELICAN IN THE LOUISIANA WETLANDS WAS DEEMED TOO TRAGIC TO REPRODUCE – SO A BIT OF COMEDY FROM A BP PETROL STATION**



EIB treads cautiously over controversial Slovak road project for now

The first public-private partnership (PPP) highway project jointly approved for financing by the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) aims to construct a 75 kilometre section of the D1 motorway in Slovakia. However, it has not received clearance from the European Commission. Four sections out of five have received a green light for construction from the Commission but the most controversial section – Turany-Hubová – still awaits clearance.

The chosen routing of the Turany-Hubová section has been on the receiving end of criticism from NGOs and national nature expert groups since May 2009. A first notification of breaches in legislation was sent to the EIB via its Complaints Office on May 5, 2009.

These breaches – of both Slovak and European legislation, to which the Commission and the EBRD have also been alerted – involve and include a vague Natura 2000 impact assessment with weak mitigation and no compensation measures, plus the overlooking of a less damaging routing variant for the motorway section that was recommended in the environmental impact assessment in favour of an alternative routing that crosses two national parks, Natura 2000 sites and cuts the village of Sutovo.

The EIB launched its Complaints Office's review soon after on May 13, coming back with a comprehensive conclusion report on November 17. This report described how prior to the signing of the project Finance Contract the Slovak government should provide the documentation

proving that the Habitat Directive has been fulfilled, and that the zoning and building permits have been approved by the competent authorities and are in accordance with national and European law.

Subsequently, in April 2010, Bankwatch member group Friends of the Earth-CEPA and SOS Birdlife Slovakia sent a further critical document to the Commission, the EIB and the EBRD related to the Natura 2000 assessment. The findings of nature protection experts showed that a key project-related study from Peťková & Mika in 2007 is rather vague and is not based on complete, methodically and clearly specified sources of information – thus, it should not be considered as an appropriate assessment under article 6(3) of the Habitat directive 92/43/EEC or as any supporting document required for the project's approval procedure.

Moreover, based on the project documentation, the decisions of the relevant Slovak authorities show that no compensation measures and very weak mitigation measures have been determined. As a consequence, Slovak nature specialists have stressed that in order to be in accordance with the Habitat Directive, a new much more appropriate assessment must be carried out.

Thanks to the EIB's Complaints Office, the Commission has begun to look deeper into the D1 project. With the project documentation undergoing rigorous review from the Commission, this has significantly postponed the decision making process from the side of the EIB and the EBRD, and therefore the financial closure of the project is still open.

In spite of all this and the lack of clarity on certain of the environmental matters, the EBRD has moved forward and approved a EUR 250 million loan for the D1 motorway.

The EIB, however, is still waiting for the Commission's appraisal in order to come to its own conclusion. On May 11 this year, an update was sent to the EIB describing how none of the recommendations stated in the Complaints Office's Conclusion Report from November last year have been fulfilled by the Slovak authorities. The project continues to categorically breach national and European legislation.

Romania's EU billions: PPP piranhas sniff a killing

In recent weeks Romanian workers and pensioners have been taking to the streets of Bucharest to protest IMF-imposed measures that are likely to see the Romanian government decide on slashing public wages by 25 percent and pensions by 15 percent in early summer. If, as expected, the measures go through, Romanians concerned about the state of their own finances as well as those of their country should begin to focus their attention on the wave of PPP deals that could be about to lash down on them from the west.

Late April saw a seminar at the UK embassy in Bucharest on the topic of PPPs, with British business executives joining Nicholas John Anstee, the Lord Mayor of the City of London, in extolling the virtues of the controversial investment mechanism. Anstee was apparently keen to impress on his Romanian hosts the importance of companies that provide services to the state under the PPP mechanism – in such investment sectors as infrastructure, transport and water supply – being paid “correctly and on time”.

Of course, the immediate subtext for such sermonising is Romanian corruption. Whether Anstee troubled his hosts with a description of the litany of delayed, massively cost-inflated deals that have been delivered by the private sector in UK PPP deals over the years is unclear. But the ob-

The Commission has appealed to the Slovak government to fulfil the environmental conditions in order to proceed with the project. The latest date for the financial closure of the project is scheduled for June 11, one day before Slovak parliamentary elections.

For more information about the D1 motorway project, see a recent Bankwatch issue paper in pdf at: http://bankwatch.org/documents/IP_EBRD_D1motorway_10May2010.pdf

jective for the western PPP piranhas couldn't be clearer: the EUR 30 billion of EU structural funding due to Romania by the end of the current financing period in 2013.

Hang on, though – the Lord Mayor of London? PPP investments? That's right, after years of byzantine struggles, just a few weeks after the UK business delegation's PPP proselytising in Romania, London's other mayor, Boris Johnson, ended the PPP deal for London Underground upgrading. On this occasion the ever outspoken Johnson couldn't have been less hyperbolic in his description of the PPP deal as a “colossal waste” – it is reckoned to have cost the public GBP 400 million in legal and other fees.

Elsewhere research is starting to show that in the UK all the current talk by politicians and the media about the massive hole in public finances is still shying away from discussion of the role played in this by PPP schemes in recent years. The public in Romania – and in other central and eastern countries – need to be on their guard.

Bankwatch's study on PPPs is available in nine languages at: <http://bankwatch.org/publications/document.shtml?x=2132584>

The troubled bridges over Belgrade's water

The reconstruction in recent years of the Gazela Bridge that spans the River Sava in Belgrade, Serbia and, with it, the resettlement of more than 1000 Roma inhabitants living in urban slum conditions under the bridge has been the first major examination of the political and institutional will for Roma inclusion within Belgrade since the fall of Milosevic in 2000.

As such it was supposed to establish the legal, institutional and human setting for the future tackling of more than

130 additional slums of similar profile and with more or less similar problems within the boundaries of Belgrade. It was also expected to provide an important indication of how the problem of more than 200,000 mostly Roma inhabitants of different illegal urban and non-urban dwellings would be dealt with in Serbia as a whole.

How, then, have things panned out? Some deciphering of bankspeak is instructive on this point. A press release from the European Investment Bank (EIB) this spring began thus:

“The EIB's Board of Directors approved on 11 March 2010, under new contractual conditions, the first disbursement of up to EUR 10 million for the Gazela Bridge Rehabilitation project in Serbia.”

These “new contractual conditions”, mentioned in passing and without further explanation from one of the Gazela Bridge project's international funders, in fact allude to the failure of Belgrade City and Serbian Authorities to fulfill their obligations to provide sustainable long-term housing and to restore the livelihoods of the project's affected people, namely the Roma people that previously lived beneath both sides of the bridge. Some almost tacit recognition, then, from the EIB – and by extension the co-funding European Bank for Reconstruction and Development (EBRD) – of the achievements of the major struggle waged by NGOs that monitored and campaigned on the Gazela Bridge Project for four long years: to enable the EIB to disburse the first EUR 10 million tranche of its approved loan for the project, it would be dropping some of its environmental pre-conditions that the communities and NGOs had insisted on. Still, nice of the EIB to acknowledge this.

From the outset of Gazela reconstruction process it was apparent that insurmountable deficiencies, shortcomings and limitations were prevalent in the institutions, the legal frameworks and the attitudes of the project's key players – the EIB, the EBRD, and the Belgrade and Serbian authorities, those bodies that were supposed to lead on and manage the preparation of the planning and implementation of, for example, the project's Resettlement Action Plan – the key safety net supposed to ensure the project's sustainability.

It is worth recapping the systematic failures that have dogged the project throughout:

1) The lack of comprehensive and overarching consultations with affected and host communities.

The Belgrade authorities and both international banks relied on security excuses, principally the safety of the project affected people when pitted against the protests of potential host communities and radical fascist groups, to avoid communicating precise plans with the affected and potential host communities.

2) The lack of a transparent, consultative selection of resettlement locations.

Throughout the course of the project there has been constant downplaying of the importance of detailing a precise and open list of potential resettlement sites. As a result it was a commonplace situation that, following media speculation about potential locations, strong insecure feelings were manifest among affected Roma and host communities. During the process more than 80 locations were

secretly discussed but never openly, transparently or in anything approaching a detailed way – and never with the people actually affected, either project affected people or the host communities.

3) Lack of responsiveness from Belgrade and Serbia authorities to information requests and involvement from the side of NGOs and interested communities.

NGOs have been primarily treated as an obstacle and a threat to planning and implementation. It was (and still is) almost impossible to get timely and sufficient information from either the City or National authorities, and it has been a similar story with the involved banks. Publicly financed civil and bank servants have proved themselves to be more than reluctant to give information to the public. At all levels Serbian authorities have questioned the importance of NGO involvement in decision-making with the excuse that NGOs don't possess political legitimacy in quantifiably large numbers, this demonstrating their lack of understanding of political dynamics and the democratic process. Unfortunately the banks tended to take this side of national authorities in this matter, thus supporting the distortion of political processes in Belgrade and Serbia.

4) The inability of the EIB, and the EBRD as its technical assistant, to grasp the wider political, economic and social implications of the Gazela project for Roma inclusion in Serbia; and to act so as to provide a political, economic, legal, institutional and financial underpinning for the project, to ensure that all of these challenges are tackled and solved in a democratic and inclusive way.

The assessment of the impinging political risks was taken (if it was done at all) without taking into consideration all the necessary analysis of risks and legality of decisions about Roma without the real presentation of Roma interests. The lack of political presentation of Roma in the Serbian and Belgrade parliaments that are supposed to exercise control, and to accept all the plans that are related to sovereign guaranties, especially after local and national elections in 2008 under the changed election law that disadvantaged the presentation of Roma and some other minorities in the national parliament, resulted in mostly unsustainable inclusion policies regarding Roma in Belgrade City.

5) Lack of understanding of project requirements as a result of the standards of the banks and their loose interpretation, resulting in big surprises when the Serbian authorities finally understood all the obligations of the process.

The relevant authorities presented the requirements of resettlement as almost volatile, as an individual specific case that could not be used in any other Roma (and oth-

er) resettlement cases. This was presented as a product of the non-principled pressure of some NGOs and the banks that authorities need to provide long term decent housing and employment solution for project affected people.

6) For more than two and half years the media coverage of the project was overshadowed by systematic leaks of rumours, along with unsubstantiated and contradicting projections of locations, timelines, housing solutions – all of which added to the already complicated backdrop of the Gazela project.

'Unacceptable costs' of the Gazela project loan – the provision of long-term housing and jobs – were consistently attributed to pressure from the banks and NGOs.

What – and where – next?

The prognosis is clear – despite their involvement and in 2008/2009 in fact presiding over the Decade of Roma, the Belgrade and national authorities effectively failed to embrace a spirit of inclusion when it came to Gazela. Their perception of society's poorest inhabitants was less about potential and value and much more concerned with perceived burden and spending.

But why are these problems so important? Because they need to be learned from, and some urgent lessons need to be channelled so as to establish institutional, legal, and economic mechanisms that can adequately tackle the problems of a similar scale and importance in yet another project financed by the EIB just a few hundred

metres away from the site of the Gazela Bridge resettlement, with yet another Bridge in play: the Sava Crossing.

This new 'Sava' process should take on board all the important lessons learned from the Gazela experience and should strive to avoid the emergence of yet another confusing, non-transparent and non inclusive mess.

As in the case of Gazela, the problem of job opportunity should be perceived as a productive opportunity, with special attention to be focused on solving the administrative obstacles that are still now blocking the establishment of sustainable job opportunities for resettled population in areas such as social entrepreneurship, public company employment and public works.

Similar importance should be attached to full, open and thorough consultation with project affected people and host communities when it comes to the measures necessary for the integration and inclusion of resettled people. Central to this should be the integrated management of the whole process by dedicated teams coordinated by ministries and City secretariats that are able to provide the same level of attention and quality of service not only to visible Belgrade but also to resettlements outside the capital in the case of Sava and other upcoming resettlements linked to the Gazela case.

These are minimal requirements if the sustainability of Sava project is to be secured and the necessary inclusion provided in spite of the economic, political and even moral crisis ongoing in Serbia.

NGOs point the way to sustainable transport for the Western Balkans

A new transport treaty between the European Union and the states of the western Balkans is to be signed soon – but until only the last few weeks any discussion on the role of the environment and people in it had been sadly lacking. The new treaty aims to draw a round map that will develop transport in the region, aiming to harmonise its standards and policies with those of the EU.

The EU has an over-arching interest in extending its major transport corridors in the Balkans to complete the link to Greece and other key ports on the Adriatic coast. By promoting the liberalisation of the transport sector in the accession countries, the EU intends to enable its carriers to provide services in Balkan countries. Although sustainable development has been a guiding principle for EU policies for decades, the process in the current case had until recently been notably lacking any such principle.

A sustainable transport element was included only now thanks to the 3rd Western Balkan Civil Society Forum that brought together around 150 representatives of civil society organisations and social partners in Brussels on May 18-19. The event was organised by the European Economic and Social Committee (EESC), which represents the economic and social components of organised civil society in the EU.

The involvement of environmental NGOs active in the Western Balkan region in discussions around the region's future is essential. Environmental NGOs have valid, unignorable perspectives to bring to the public table when it comes to energy and transport issues in particular, as these two development sectors pose the greatest threat to the environment. Although the EESC had not reached out to environmental NGOs from the Western Balkan region in the past, it did recognise the need to involve envi-

ronmental NGOs in this Forum, leading to special invitations for representatives from the region.

In the Western Balkan countries, the enforcement of EU legislation is currently lagging. Environmental legislation is not a priority for the Western Balkan countries for a number of reasons, including a lack of understanding of the long-term benefits and win-win opportunities in economic development that can result from protecting and preserving our ecosystems. Thus, the role of the EU institutions should involve the promotion and guaranteeing of adequate measures and provisions in all EU documents to ensure that this happens.

Ana Colovic Lesoska, from Eco-sense, and National coordinator for Bankwatch in Macedonia, commented during the meeting: "When preparing national and regional level transport plans, strategies and, subsequently, projects, the Strategic Environmental Assessment, Environmental Impact Assessment (EIA) and EIA in a transboundary context are essential tools for making sure that the planned activities under the strategies and plans are sound for people and the environment."

"As the Balkan Peninsula is very rich in biodiversity, its countries must not allow the destruction of valuable species and habitats but protect them as much as possible," added Miodrag Dakic, from the Center for Environment in Bosnia and Herzegovina.

"The full transposition of and compliance with the EU's Birds' Directive, Habitats' Directive", the Bern Convention and Water Framework Directive have to be considered as essential requirements for advancing transport plans and projects."

The representatives of several civil society organisations working in the field of environment (CEE Bankwatch Network, CEKOR from Serbia, Eco-sense from Macedonia,

EDEN Center from Albania and Center for Environment from Bosnia and Herzegovina) raised important issues regarding the region's emerging and imminent transport developments. Aware of the fact that Western Balkan countries tend to prioritise the construction of new motorways that serve international transit – and for which international development funds are easier to attract – they called for a greater balance in the selected modes as well as for more focus on the railways and their improvement at the regional, national and local levels.

The groups further advocated for the need to firstly assess the region's infrastructure needs and identify the possibilities for sustainable mobility options, rather than focusing solely on core regional networks and main corridors.

Finally the environmental NGOs elaborated on the need for their involvement in the monitoring of the implementation of the Treaty establishing the Transport Community via the establishment of a special Forum or body, similar to the already planned Social Forum. It was agreed during subsequent discussions that such a Forum will have the expertise in environmental issues related to transport and would be able to make recommendations for future implementation at the ministerial level within the Transport Community.

As the conclusions of the Forum were unanimously adopted by the participants and the applause filled the room, the environmental NGO representatives' thoughts turned to their ultimate acceptance by the European Commission. If the conclusions do end up being accepted, and the proposals are implemented, this would represent a great success for all: for the NGOs, who strived for their involvement, for the EESC, who worked hard in addressing the NGOs' concerns, and for the European Commission, intent on bringing the Western Balkan countries closer into the fold and enhancing regional cooperation. Above all else, a success – hopefully – for transport and the environment in the Balkans.

Transparency at the EU's bank – but not in our name

In February this year, and after an extensive consultation process, the European Investment Bank (EIB) adopted two revised policies related to transparency and its complaints mechanism. Alas, and despite some progress on the margins, the EIB seems to have overlooked its fundamental EU institution character – with all the attached implications – when it comes to the basic availability of information related to its activities.

The EIB should no longer be allowed to close its eyes to the crisis of democracy in the European Union, revealed on the troubled road travelled – or not – by the EU constitution and the ratification of the Lisbon Treaty: as a still

shadowy institution (despite the most recent incarnation of its website and the new tagline "the EU's bank") it has in part contributed to the EU project's current problematic status, to the general public incredulity of what is permissible by unelected representatives within the higher echelons of the EU decision-making bodies.

Yet, unfortunately, the EIB still appears intent on ensuring peace and tranquility in its quiet offices in Luxembourg, instead of actively playing a part in strengthening democracy and citizen participation, goals which it is obliged to foster like other EU institutions. Such goals – whisper it – may even be in the bank's own long-term interests.

TRANSPARENCY AT THE EU'S BANK – BUT NOT IN OUR NAME

The adoption of the new policies was hailed by the bank's Board of Directors as "exemplary" and the policies as providing a high level of transparency. Yet in spite of a wide range of inputs from civil society groups calling on the EIB to take a more pro-active approach to information disclosure in the interests of the environment and good value for EU money, the EIB's discomfort with real openness surrounding its lending has again come to the surface.

In saying that, though, a positive step forward in the new policy has come about because of the EIB's requirements to adhere to the Lisbon Treaty – this concerns better access to EIB documents, where there is now a clear commitment that exceptions to disclosure will be treated narrowly and after analysis of individual cases, an improvement on the EIB's previous Public Disclosure Policy. It should be noted, though, that this improved compliance with the EU's access to documents regulation refers to the part that focuses on justifications for refusal to disclose documents. While it is also important and welcomed, this does not lead directly to improvements in the institutional transparency of the EIB.

In the meantime the European Ombudsman has recently called on EU administration to become more transparent and citizen-friendly. Nevertheless, the right for access to documents and information, besides being one of the basic principles of "The Charter of Fundamental Rights of the European Union", will not ensure that citizens would understand what the EIB does – and why it does it.

The EIB ought to be clearly explaining why it is supporting particular projects and how such support is related to Community goals. Marginal changes have come about from this review of the EIB's transparency policy with the result that, for the foreseeable future, the EIB's operations will continue to be exclusively about big lending numbers, with far too many gaps in information to allow for a proper assessment of what good – and potentially bad – projects the EIB is supporting in the EU's name.

For instance the new policy does not even allow for public disclosure of environmental and social appraisal reports before a project is approved, nor is a rationale for a project's eligibility for EIB financing to be provided. What is now available is a restricted project summary that provides only some basic information about the location and the beneficiary. While the EIB claims it is committed to

listen to the public, in reality it provides little opportunity for the public and, most importantly, for project affected individuals to engage fully with decisions regarding its project plans.

This deficiency has now taken on more urgency as a result of another developing process – the mid-term review of the EIB's financing outside the EU. The European Commission has recently concluded in its proposal for a Decision that the EIB should enhance the promotion of local consultation on the projects it finances with the Community guarantee. The timing of this access to information in both appropriate language and an understandable form will be crucial to put the Commission proposal in force.

There is a further dimension too – a number of comments to the transparency policy review were about the need to ensure the transparency of EIB financing through financial intermediaries. This particular type of EIB lending has been trending significantly up, by 55 percent in 2009 with a further rise expected in 2010. Yet information about the outcomes of this lending to intermediaries remains inaccessible, as does the crucial question of who benefits from it.

It is increasingly clear, however, that greater accountability and transparency of such loans is urgently needed to ensure that they are used for socially and environmentally sustainable projects, while outside the EU their deployment must coher with development policy. Currently though it is not even possible to establish basic aggregated data about these loans, such as the size of the SMEs benefiting or the level of disbursement of particular global loans.

Clearly further changes in the policy will be needed to ensure due disclosure of information about the transfer of benefits, about agreements on the environmental and social standards applied in these loans, and about monitoring reports regarding the development impacts of EIB global loans.

The EIB has not gone far enough with the review of its transparency policy, something particularly disappointing given the backdrop of the global economic turmoil where untransparent activities have led to abuses of privilege and highly irresponsible investment behaviours. Ultimately the EIB remains the least transparent of the major public international financial institutions. It will not like it, but yet another review of its transparency policy is already overdue.

Editorial board: Greig Aitken,
David Hoffman, Petr Hlobil
Contributors: Anaïs Berthier, Ana Colovic,
Zvezdan Kalmar, Lucie Lackovicova, Anna
Roggenbuck, Rowan Ryrrie, Anelia Stefanova,
Markus Trilling, Kasja Zegadlo
Layout: Tereza Hejmová

**Newsletter of CEE Bankwatch Network
on international financial flows**
Address: Na Rozcesti 6, Prague 9, 190 00,
Czech Republic, Tel/fax: 420-274 816 571
Email: main@bankwatch.org
Website: www.bankwatch.org