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EBRD own goal on coal will undermine clean energy ambitions

As it convenes this year's annual meeting in Zagreb under the banner of "building sustainable growth", there are strong indications emerging that the EBRD is preparing to dirty its lending portfolio with increased investments into coal.

It is of course nothing new that the EBRD is investing in coal, although until recently it has had rather few coal mining projects. However, with climate issues gaining such prominence and civil society hopes that additional capital for the bank would be accompanied by some sus-

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Croatia: land of sun, sea and contradictory strategies

The EBRD needs to take a more coherent approach in the energy, transport and waste sectors if it wants to contribute to sustainable development in Croatia, writes Toni Vidan of Green Action/Friends of the Earth Croatia.

The EBRD is likely to have now approved a new country strategy for Croatia, with investments in energy efficiency and renewable energy featuring among the bank's plans. The previous strategy, approved in 2007, said exactly the same.

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EBRD OWN GOAL ON COAL WILL UNDERMINE CLEAN ENERGY AMBITIONS

tainable strings, a safe bet was that the EBRD's investments into coal would be decreasing. Yet this does not seem to be the case. The bank's recent Capital Resources Review 4 (CRR4) documents lay out intentions to invest in the coal sector, there has been a boom in EBRD coal mining lending in Mongolia, and according to early reports the EBRD's new mining strategy – currently delayed but expected to be finalised this year – will specify plans to back coal mining.

CEE Bankwatch Network is extremely disappointed by this new EBRD direction on coal, finding it extraordinary that the much-touted new capital injection for the bank could be about to sanction a return to twentieth-century energy investments and undermine the EBRD's developing renewables and energy efficiency portfolios.

Bankwatch is calling for:

- No EBRD coal mining investments except health and safety improvements that do not result in increased production or extension of the lifetime of mines
- No EBRD investments into new coal thermal power plants or units, and;
- EBRD investments into rehabilitations or environmental improvements only when these do not result in increased production or extension of the lifetime of the plants.

Coal mining

Since the EBRD started operations in Mongolia in 2006, four out of the 12 projects financed in the country have been for coal mining. Three of the projects, for Energy Resources I and II (EUR 30 million equity and a loan of up to EUR 180 million) and Leighton Mongolia (EUR 35 million loan) have supported the development of the Ukhaa Khudag deposit, from where much of the coal is exported by truck to China along more than 200 kilometres of dirt tracks. While the EBRD continues to make claims about adding value by increasing private sector participation and improved business conduct, it is far from clear why the bank should use its scarce resources to help companies extract coal more efficiently.

It seems that this pattern is set to continue in Mongolia, with the EBRD's recent CRR4 documents stating: "the Bank will continue to promote increased efficiency and [environmental and health & safety] standards of the emerging natural resources private sector, especially in the mining and mining-related industries. In addition, it will support the development of large scale projects that attract FDI and reputable international partners." With one single wind farm investment of EUR 476,000 to its name in Mongolia, the EBRD has a long way to go before its renewables investments begin to register on the same scale as its coal investments.

▲ Green light, thin ice, which way now for EBRD energy investments?

In Ukraine, meanwhile, the emphasis would appear to be on safety and privatisation: "The Bank will also support policy and projects to improve safety in the Ukrainian coal sector including through financing of new projects (particularly where these promote improved health and safety standards) and privatisation initiatives in the sector."

Balancing safety issues with the typical cost-cutting impulses that attend privatisation may prove to be something of a challenge, and when it comes to health and safety and mine modernisation, it is to be hoped that the EBRD has learned big lessons in recent years from its frustrating, sometimes calamitous engagement with ArcelorMittal on its mine modernisation programme in Kazakhstan. One key rule for the EBRD surely has to be: know as fully as possible the kind of company with whom you're heading down the mineshaft.

It has come to light, too, that anyone living in south-east Europe with reasonable expectations about a sustainable energy future for the region, one that taps into its wealth of local renewable resources, also has cause for alarm, as, according to the CRR4 document: "Consideration will be given to mining, ore and metal processing and coal projects which can be conducive to economic growth."

If that conditional "can be conducive to economic growth" doesn't sound too convincing, it does encapsulate the limitations of the conventional economic thinking still apparently coursing through the EBRD. If sustainable economic growth can be achieved at all, it's safe to say that it won't need coal to power it.

Coal-fired generation

More constant than the apparently new-found interest in coal mining are the array of EBRD investments in coal-fired power plants that have taken place in the last few years or that are under development. Projects in Kazakhstan, Russia, Slovenia (see the article below on the Sostanj lignite thermal power plant) are among the most notable, with the rehabilitation and modernisation of unit 6 of the Turceni thermo-power plant in Romania being a typical example.

The motivation for the EBRD's involvement is to increase the availability, efficiency and reliability of the plant, ensure its compliance with EU environmental Directives, and improve the automation and control system, fulfilling the UCTE requirements. As such the whole of the bank's EUR 80 million loan has been deemed to fall under its Sustainable Energy Initiative.

As the EBRD admits, the loan makes lignite-based electricity from the plant more competitive. This is because the refurbished unit is to be more efficient than the old one, and because a low-interest public loan is being used to meet standards that the plant is anyway obliged to meet. Yet, perversely, this automatically disadvantages the competitiveness of sustainable sources of energy at the same time.

In addition the project extends the unit's life by at least 15 years – something difficult to endorse in a time of looming climate change catastrophe, when we should be closing old coal plants and replacing them with more climate-friendly solutions.

In climate terms, then, and just simply in terms of what a beefed-up EBRD emphasis on coal may mean in practical terms for the public development lender's efforts to play a pioneering role in boosting renewables projects in central and eastern Europe, the new dawn of the black stuff at the EBRD is a definite step backwards at a time when we are supposed to be weaning ourselves off the likes of coal and oil.

Unless some necessary restrictions – as outlined above – are imposed as a minimum on the EBRD's future coal activities, it won't be the canary going down the mineshaft, it will be taxpayers' money.

CROATIA: LAND OF SUN, SEA AND CONTRADICTORY STRATEGIES

Yet progress has been glacial: by the end of 2009, the EBRD had invested only EUR 2.5 million into renewables in Croatia through the EnerCap private equity fund. Due to the opaque functioning of such vehicles it is unclear where this money has actually gone. Energy efficiency has fared only a little better, with an unknown portion of the EBRD's EUR 25 million investment in the Southeast Europe Energy Efficiency Fund being allocated for – again – unknown projects in Croatia. A smattering of projects in other sectors such as municipal infrastructure have incorporated energy efficiency components, but the new Western Balkans Sustainable Energy Direct Financing Facility does not yet seem to have made any investments in Croatia.

The EBRD has clearly stated its preference for renewables in Croatia, so why is everything going so slowly, and what can be done about it?

Anyone who works in the renewables sector in Croatia cites the same two principal problems: overly complicated permitting and grid connection procedures. The Croatian government passed secondary legislation on renewable energy feed-in tariffs in 2007, yet there seems to have been little progress in concrete investments since then.

While the financial crisis has certainly added to the barriers, behind this lie much deeper problems with the country's overall planning process.

Sectoral strategies versus the environment

In basic terms, the Croatian government still views renewable energy as an optional side dish adding some colour to its traditional menu of fossil fuels and nuclear. The controversial Croatian National Energy Strategy, approved in 2009, amply illustrates this point by planning two new coal thermo power plants (in a country with almost no coal reserves), trailing the possibility of building a nuclear power plant, as well as reviving the dead Druzhba-Adria oil pipeline project.

Yet when it comes to renewables, in spite of Croatia's obvious solar and wind potential, the strategy does not even match up to the EU's overall 20 percent by 2020 target. What it does do, however, is attempt to smuggle large hydro into the renewables category – the result, therefore, is that the strategy makes absolutely no net commitment to increase the share of new renewables by 2020. There is a clear contradiction here with the Croatian Strategy for Sustainable Development, unfortunately a weak document, and Croatia's climate commitments – both current and future.

The road to climate oblivion...

The unfolding scenario with Croatia's motorway-obsessed transport strategy is similar. Approved in November 1999 – when President Franjo Tudjman was still alive – the strategy fails to draw the lessons from decades of road-based transport development in the west and the difficulties in escaping from dependence on such an approach. Unfortunately it is the same document that is providing the template for the EBRD and the European Investment Bank now to dip into their pockets and help out on motorways where financing has dried up because of the financial crisis.

Anyone reading the document could be forgiven for thinking that the length of motorways per capita is the main measure of human welfare. If only the Croatian government applied as much zeal to other sectors as it has to building motorways, the country would certainly have acceeded to the EU long ago. The result is that by 2007 Croatia already had 21.59 km of motorway per 100 000 inhabitants, compared to, for example, 21.59 km in Austria and 15.3 km in Germany, land of the autobahn.

Meanwhile Croatia's railway system, while faring better than neighbouring countries to the south and east, has not enjoyed a level of investment sufficient to ensure that it offers a competitive alternative to road transport over longer distances. While a motorway towards Dubrovnik was – until it was hit by the crisis – under construction, there is thus far no sign of a rail link that could bring tourists to Croatia's southern coasts without their cars.

As with the energy strategy, Croatia's transport strategy does not take account of its climate commitments, nor of EU transport and sustainability goals. The strategy fails to take into account transport's increasingly heavy climate impact, the need for a shift to public transport modes, or expected future oil price rises. As such it makes a poor basis for investments that should be meeting modern needs, and urgently needs to be revised.

Wasted opportunities

The adoption of the National Waste Management Strategy (2005) and Waste Management Plan (2007) took place without any public consultations, thus severely impacting their quality. Both are unambitious and place end-of-pipe solutions at their heart.

Based on these, several waste management centre (WMC) projects have been developed in Croatia, of which the Istria and Primorsko-goranska County WMCs are the first to have EU funding approved. Both are also now under consideration for financing by the EBRD.

The projects unfortunately also share the same deficiency: that the level of recycling achieved will be underwhelming. The most effective technologies (source-separated recycling and waste reduction, plus mechanical biological treatment [MBT] with anaerobic digestion) have not been assessed. Green Action is firmly convinced of the need for new investment in the waste management sector but new capital injections need to prioritise ground level infrastructure such as separate collection, recycling and composting facilities rather than the last step in the waste hierarchy: disposal.

The European Union's revised Waste Framework Directive was approved in late 2008. It includes the first ever EU general recycling targets, incorporating household waste (50 percent of certain materials by 2020) and non-hazardous construction and demolition waste (70 percent by 2020). Although not particularly ambitious for some western European countries, meeting – and preferably surpassing – such targets in Croatia demands serious investments in recycling and composting.

It is discouraging that EU and EBRD money is being spent on waste treatment facilities, as these will do little to ensure that the Croatian government starts to pay adequate attention to waste prevention and recycling. Giving priority to the later stages of the waste hierarchy can crowd out funding for further recycling developments.

Right now the Croatian government needs a clear signal from the European Commission and the EBRD that end-of-pipe technologies like landfills and MBTs will not be financed until serious effort has been put into compliance with the Waste Framework Directive. Approving financing for projects like the Istria and Primorsko-goranska ones shows exactly the opposite, indicating that second-rate solutions will do, even though they will have to be replaced in a few years' time to comply with EU requirements.

What role for the EBRD?

If the EBRD wants to fulfill its mission of promoting sustainable development, it needs to look wider than individual projects and even sectoral strategies. The uncomfortable realities of the Croatian energy, transport, and waste sectors show that there are numerous contradictions between sectoral strategies and other imperatives such as climate targets, resource efficiency, and tourism.

It is unfortunate that the government of Croatia does not have an overall development strategy for the coming decades, as the country is in desperate need of a wide-ranging discussion about its priorities – developing and establishing such a strategy could help to prioritise competing wishes and interests. At the same time, though, the EBRD does need to examine documents like the Sustainable Development Strategy and examine the compatibility of proposed projects with climate commitments and EU policies when financing in Croatia. It also needs to encourage the Croatian government to develop more coherent sectoral policies, putting sustainable transport modes, recycling and composting, and renewable energy and energy efficiency first.

The EBRD may well be afraid that this would result in it not financing anything until the appropriate policies are in place, which could take years. However in one of the sectors where we would most like to see the EBRD making investments – renewable energy – this stalemate situation is indeed what is happening already. In discussions the EBRD has indicated that the administrative burden of permits and grid connection is the reason why it has not invested more into renewables in Croatia.

Yet the very point of the EBRD is to take the lead in new markets and to take on risks that private investors hesitate to take.

If the EBRD wants to contribute to increasing renewable energy in Croatia, surely the most effective way would be precisely to invest in small pilot projects, and through these push the Croatian government to streamline its permit procedures. It is clear that it is easier to finance large projects, but the EBRD is able to finance relatively small ones too, whether it be via direct investments or financial intermediaries.

The unattractive alternative is for the EBRD to finance whatever is offered to it in Croatia, and then watch the authorities make excuses for failing to meet their climate and recycling commitments, all the time knowing it need never have been this way.

Sustainable energy mischief in Ukraine

Anyone perusing EBRD reports or literature in recent years can't have missed the rising tide of sustainable energy projects contained therein, accompanied by increasing investment flows and achieved results. The chief catalyst of this has been the bank's Sustainable Energy Initiative (SEI). However, if the case of Ukraine is anything to go by, all might not be quite as it is being portrayed in the glossy handouts and brochures.

Ukraine recently commemorated the 24th anniversary of the Chernobyl accident and is in dire need of investments in sustainable energy projects. Under phase I of the EBRD's SEI in Ukraine, 21 percent – the biggest piece in the pie – has gone to the Rivne-Kyiv High Voltage Line project. The project name, however, masks its substance: indeed the city of Rivne does not require a high voltage link with Ukraine's capital city situated 300 kilometres away, but the Rivne nuclear power plant does, having recently seen undergone expansion with another 1000 MW unit that therefore requires additional transmission capacity to back its generation.

The EBRD has stepped in with a EUR 150 million for this power line project, with equal support also from the European Investment Bank (EIB). Is the classification of this project as sustainable energy just a single aberration? Not when one considers the EBRD's systematic readiness to support the construction of transmission lines for other Ukrainian nuclear plants.

Another project considered by both the EBRD and the EIB, the South Ukrainian Transmission Lines project, foresees the construction of a 750 kilovolt line from the biggest nuclear plant in Europe at Zaporizhska, while several projects in the Odessa region are expected to facilitate the transmission throughout the region of electricity produced by the South Ukrainian nuclear power plant. All of these projects are listed in the Energy Strategy of Ukraine as those aiming to enable Ukraine's integration in the European electricity grid and therefore to significantly increase the export of electricity abroad.

But these projects are not only controversial because they are supporting the Ukrainian nuclear industry. In each of them there are other conflicts, whether on environmental or social grounds, or a combination.

The first transmission project financed by the EBRD in Ukraine became the scene of a widely reported scandal at the end of 2009 when the project sponsor – the state energy utility Ukrenergo – violated the initial project design approved by the bank and routed a 330 kV transmission line through villages that were supposed to be bypassed. This led to clashes between peaceful but determined residents and police in the village of Usatove (see BW Mail 42).

At present the Rivne-Kyiv project is facing environmental challenges since Ukrenergo's consultants "forgot" about one nature protected area in the Kiev region in the project documentation, and the company is currently striving to obtain permission to carry out construction activities in this area. Meanwhile, the transmission line from the Zaporizhska nuclear plant is expected to cut through a national park and a number of other protected natural areas of local and national importance. The company involved, once again Ukrenergo, does not seem to be in any hurry to consult the routing with affected landowners, running the risk of a re-run of last year's Usatove experience, perhaps even on a wider scale.

So in spite of this catalogue of contradictions, the EBRD appears intent on funding output capacity for Ukrainian nuclear plants while providing ongoing support for a company with a clear record of riding roughshod over social and environmental interests – and this is all considered to be investment in sustainable energy. Furthermore, new transmission projects are listed as a priority for Ukraine in the background document for the EBRD's current capital resources review as well as in the Sustainable Energy Action Plan for Ukraine, signed byagreed between the EBRD and the Ukrainian government in June 2009.

The SEI in Ukraine is undoubtedly serving some objectively sound projects, such as a recent EUR 50 million package under phase II of SEI for the Ukraine Renewable Energy Direct Lending facility and other district heating energy efficiency initiatives. But simply hoovering up all

and any projects that come with 'energy efficiency' packaging – and then herding them under the sustainable energy banner – runs the risk of producing false economies.

On April 28, Ukraine occupied the front pages of the international press with reports on the parliamentary ratification of the gas-fleet deal with Russia, an arrangement that was accompanied, according to the Financial Times, by "shouted insults, fisticuffs, exploding smoke bombs and the occasional airborne eggs".

Much less attention was given to approval by the same parliamentary session of the 2010 state budget. The budget approved includes among other international investments the obtaining of EUR 350 million for the South Ukrainian transmission lines project – linked to the Zaporizhska nuclear power plant – from the EBRD and the EIB already in 2010. Will this be another major EBRD energy investment in Ukraine to disappear behind the smokescreen of SEI accounting, when so many smaller scale, truly sustainable projects are more deserving of its attention?

Mining's winners and losers on show in new film

A new Bankwatch-produced film 'All that glitters', directed by Tomas Kudrna, focuses on the lives of the villagers of Barskon, a remote settlement in the west of Kyrgyzstan that, since 1997, has also been home to a controversial gold mine. In 1998, nearly two tons of cyanide spilled from the gold mine operations, poisoning the nearby river and leaving several people dead and hundreds seeking medical treatment.

Bankwatch's interest in teaming up with the Czech film director stems from the involvement in the gold mine of two international public financial institutions: the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC). Bankwatch has worked over the years with local communities to bring their grievances to the attention of these international funders.

The EBRD and the IFC may have been involved in the Kyrgyz gold mine's development and funding, but the film that premiered in March at the international One World Film Festival in Prague depicts how the project failed to bring tangible development benefits for local people or for Kyrgyzstan.

Earlier this year the EBRD ended its involvement in the project by selling its minority stake in Centerra Gold, at the same time alleging that its support has demonstrated the viability of mining projects in Kyrgyzstan.

The evidence from the ground, though, points in other directions: development bank involvement in extractive industries like mining may be beneficial for the multinational firms leading these projects, but good intentions are powerless to prevent major, often lethal, impacts on the communities that live next door.

A preview of All that glitters is available online at: http://tinyurl.com/22nsxav

The film will be presented globally at various festivals in 2010, and for further information or requests write to: **david.hoffman@bankwatch.org**

Hopes and more fears in Central Asia

Recent weeks have seen the EBRD announcing plans to ramp up its involvement in Kyrgyzstan and Turkmenistan, in the former because of the relatively benign overthrow of Kurmanbek Bakiyev from power and the establishment of a provisional government that now faces a full plate of economic and social challenges, and in the latter because of a decision voted by the EBRD's board of directors – in the face of an unprecedented level of appeals and testimony from civil society groups – to formally extend relations between the bank and the authoritarian Turkmen regime with a view to increasing investments.

The EBRD reacted rapidly in extending support to the interim authorities in Kyrgyzstan, and aims to help "kick-start Kyrgyz recovery", principally via hoped for co-ordinated efforts from itself, the Asian Development Bank, the International Monetary Fund, the Islamic Development Bank, the United Nation Development Programme and the World Bank.

With an EBRD delegation having embarked to meet the interim authorities in Bishkek at the end of April, clearly the emphasis has been on swiftness of response. Yet the prominent Kyrgyz NGO activist Natalia Ablova, while acknowledging the need for emergency assistance from western donors to save the country in the short term from economic collapse, was also quick to outline to Bankwatch Mail the need for banks such as the EBRD not to rush into cementing too many agreements – and certainly no deals involving conditionalities and changes to regulatory frameworks – until the end of the provisional government's agreed six month period and the outcome of subsequent elections.

Describing a political atmosphere of "heated debate", Ablova, Director of the Bureau on Human Rights and Rule of Law, also pointed to promises that have so far been kept by the interim government, including NGO representation on a key commission that will preside over the organisation of a referendum on a new constitution and new elections. With so much facing the government, Ablova believes the emphasis has to be on needs assessment – with as inclusive a process as possible, and one including civil society voices alongside those of the international donors. She expressed her disappointment that thus far since the political shake-up the EBRD had not engaged with Kyrgyz civil society or sought their views.

While energy tariffs – widely believed to be the main catalyst for the protests and violence seen at the beginning of 2010 – have been cut back to their previous level after their doubling following a highly dubious privatisation involving the younger son of the deposed president Bakiyev, doubtless the role of the World Bank in such new 'efficiency' drives remains prominent in the minds of the public.

In a highly prescient statement signed by the Bureau on Human Rights and Rule of Law and many other Kyrgyz groups and sent to the then government and international financial institutions only in November last year, the groups focused their attention on the government's withdrawal from socially responsible development plans, citing the influence of "mentors from the World Bank and the International Monetary Fund".

Invoking famous lines from the great Russian writer Mikhail Bulgakov, the groups commented: "Instead of broad national consensus with regard to much needed modernisation, we are implementing someone's development scenario without understanding that we have been consuming 'a sturgeon of dubious freshness' during all these years."

In a policy briefing issued at the end of April, the International Crisis Group noted: "The authoritarian model of government has not worked in Kyrgyzstan, and is unlikely in the long run to work in the rest of Central Asia. Its superficial stability is attractive to Western leaders who are looking for a safe environment to pursue commercial or security interests, such as the current effort to prosecute the war in Afghanistan."

The appeal of the Turkmenistan government for the EBRD, as witnessed in the recent publication of the bank's new 'softer' country strategy, has been a subject of bafflement and outrage for many – but underlying everything has been a suspicion that the new arrangement with Turkmenistan, while in the end not overlooking the ongoing human rights abuses, does little more than open up the country's hydrocarbon reserves to western energy projects such as the Nabucco pipeline.

It is of course too early to say what influence the EBRD can have on Turkmenistan, but since the signing of the new country strategy a critical report on "Turkmenistan's Opaque Health System" by Medicins Sans Frontieres, that criticises the Turkmen government for concealing and manipulating data and for failing to implement international standards which are introduced in the country, has been met with harsh reprisals on anyone in the country thought to have contributed to the report, as well as the closure of medical centres that had links with Medicins Sans Frontieres.

The EBRD certainly has its work cut out to justify its new closer engagement with Turkmenistan. How tolerant can it afford to be of voices critical of President Berdymukhamedov's government literally being stamped out?

More sustainable development pipedreams? BTC shows how not to do Nabucco

"We needed to assure our shareholders that this project would be safe, that it would fairly benefit the population, and that it would bring sustainable benefit." Given what had come just a few months before, namely the flouting of scores of EBRD and World Bank environmental lending standards to allow half a billion dollars of project finance for the Baku-Tbilisi-Ceyhan (BTC) pipeline project, the words of then EBRD vice-president Noreen Doyle at the official BTC signing ceremony in Baku in February 2004 rang pretty hollow.

As has been witnessed over the course of the project's operational life to date, the "fair benefit-sustainable development" script might as well have been part of the James Bond film The World is Not Enough about a major Caspian export-pipeline – though it must have been cut out ultimately in the editing room due to risks of the audience not being able to suspend their disbelief quite so entirely. However much the international financial institutions (IFIs) repeat the mantra that fossil fuel export projects can bring 'development gains' of some sort or another, the historical record again and again suggests otherwise.

Now with the suspense growing week by week about the destiny of the EUR 8 billion Nabucco gas pipeline, and simmering subplots about the role being carved out for international development banks like the EBRD in the project financing, we cast an eye back over the promises not kept on BTC and lay out some basic principles that must apply if public finance once again gets cast in a supporting role for a mega fossil project in central and eastern Europe, and one that has a direct bearing on the Southern Caucasus, Turkmenistan and Iraq. That is, of course, if the banks concerned can square their own sound banking principles with a project whose financial merits still seem to be on very shaky ground.

No improvements in the state of democracy and civil society

The respective governments and the IFIs have long sought to convince that both the BTC pipeline and the Baku-Tbilisi-Erzurum (BTE) gas pipeline will bring economic prosperity and stronger democracy to the region. In November 2003, an EBRD press release trumpeted that: "Carefully managed and monitored, the revenues from these projects can build the social and economic infrastructure that will support Azerbaijan's and Georgia's transition from command to market economies and foster the democratic process." Yet political freedoms have not increased in the region. According to the latest surveys from the independent watchdog organisation Freedom House, Georgia since 2003 has seen a slight deterioration of the situation, while the state of democracy in Azerbaijan has deteriorated significantly under Ilham Aliev's rule – Freedom House's latest rating of 6.25 is close to the worst possible score 7..

Increased dependence on the export of hydrocarbons

Azerbaijan is one example in a long list of countries – both currently and in the past – whose economy has suffered from over-dependence on the export of hydrocarbons, sometimes referred to as a 'curse' that raises inflation and weakens other sectors of the economy. Data from the IMF shows that since the beginning of BTC operations this dependence has grown dramatically. In 2003 the share of oil and gas in Azerbaijan's GDP figures was 30 percent – by 2007 this had almost doubled to 58.6 percent.

Losses for transit countries

Georgia receives modest transit revenues for BTC that may reach the level of USD 50 million per year should the pipeline operate fully. At the same time it is obliged to cover all the costs of ensuring the security of the pipeline on its territory – at least half of the transit income goes to cover security costs. Widely reported at the end of December 2009, BOTAS, the Turkish operator of BTC claimed that the pipeline is proving to be unprofitable for Turkey and that it had suffered losses of USD 210 million in three years.

Concerns over pipeline security

Civil society organisations warned the IFIs to little effect that the BTC pipeline would be passing through conflict regions in the Southern Caucasus and Turkey, thus creating threats for the safety of the pipeline. These fears were realised in summer 2008 when a section of the pipeline was blown up in Turkey (with the Kurdistan Workers' Party claiming responsibility) and in August that year gas transportation through the BTE pipeline was interrupted due to the Georgian-Russian conflict and bombardment of the pipeline's immediate vicinity. In spite of numerous requests, the security risks and impacts on local populations were never adequately assessed by project sponsor, the oil giant BP.

Laying a 1,760 kilometre pipeline has not brought stability to the region

Despite numerous claims that BTC will bring higher stability to the region three years after its inauguration full scale conflict broke out in Georgia. There is no direct causal link between these two events, but numerous facts point to BTC being one of the catalysts of increased tension in the region, through for instance aggravation of Russian-Georgian relation and the militarisation of Azerbaijan.

▲ Energy – where we are now in May 2010. As Germany's first offshore windfarm goes online, a state of emergency is declared in Louisiana after BP's Deepwater Horizon oil platform blew

Oil flowing but few trickle down economic benefits in Georgia

The direct employment opportunities in Georgia that were proposed by the BTC promoters revolved chiefly around 4000 short-term jobs for unqualified staff – for the construction of the pipeline, workers flew in not only from developed countries, but also from Pakistan, India and even as far afield as Columbia. The land compensation processes with all their deficiencies and confusions have brought patchy benefits to those fortunate enough to be compensated while others have experienced drastic cuts to their livelihoods because of improper land compensation, ancillary damage caused by construction work and negative impacts on local business. Despite the government's claims that extreme poverty is constantly falling, Georgia's social service agency has reported that in 2009 the number of people receiving support from the government increased by 125,000, and now totals 1.76 million people, more than one third of the population.

Denying the necessity of Kazakh oil for the BTC, ignoring the environmental impacts on the Caspian

As far back as 2003 international NGOs campaigning on the BTC project were pointing to the role that Kazakhstan's oil would have to play in the project. This argument fell on deaf ears at the project promoters and the IFIs, yet finally in October 2008 the first oil from Kazakhstan was flowing through BTC. The stance taken by the EBRD and the International Finance Corporation on this issue meant that their assessments of the project failed to consider the implications of crude oil transportation across the Caspian Sea. Of course one of the major 'selling points' of the project was that it would not add to tanker traffic across the Bosphorus Straits.

Recommendations to the EBRD for Nabucco pipeline due diligence

If and when the EBRD, potentially in tandem with the European Investment Bank, embarks therefore on conducting due diligence of the Nabucco project, it would do well to acknowledge the mistakes and oversights of the recent past and ensure to:

- assess all the impacts of the Nabucco pipeline, no matter if they are likely to occur in the confirmed transit countries or potential supplier countries such as Turkmenistan, Azerbaijan or Iraq
- assess the effects that the strengthening of the gas sector in supplier and transit countries will have in their development of democrac principles and pluralism
- assess the impacts of the project on the economies of supplier countries, especially when it comes to their diversification away from dependence on oil and gas
- assess the unavoidable security dangers connected with the pipeline and associated infrastructure in conflict regions along the route, in for instance Turkish Kurdistan, the hotspots of the Southern Caucasus and Iraqi Kurdistan
- assess the project's impact on regional stability in the Southern Caucasus, Iraq, Turkey and the Caspian Basin.

Post-conflict aid to Georgia: mission accomplished or fait accompli?

The military conflict of August 2008 between Russia and Georgia brought misery to thousands of people who lost their beloved, their homes, or both. In response, and following swiftly on from ceasefire operations, the international donor community pledged billions in post-conflict aid to Georgia, money which soon after took on another guise: economic crisis support following the aftershocks of the autumn 2008 crash in the west. But where have these billions been flowing, and who has benefitted?

Soon after the cessation of the armed conflict, the World Bank, the Asian Development Bank (ADB), the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the International Monetary Fund, as well as the European Union and the USA, announced they would be disbursing roughly USD 4.5 billion based on the so-called Joint Needs Assessment (JNA) developed exclusively in consultation with the Government of Georgia.

While up to USD 500 million of this total has gone to address the urgent needs of the affected population including internally displaced people, the majority of the aid has been assigned for activities that, in accordance with the JNA, is intended to bring long-term economic sustainability for Georgia. This includes loans and grants to finance major infrastructural projects, including roads and power transmission lines, as well as to support the economic crisis-hit national banking system.

One and a half years on, however, it has become clear that while the USD 4.5 billion has been almost fully allocated, the impacts of that aid are still very much open to question. As a 2009 analysis – "In the line of fire: How international post-conflict aid billions are failing Georgia's people and environment" – from the Coalition Transparent Foreign Aid to Georgia and Bankwatch member group Green Alternative describes, the USD 3 million loan component provided by the international financial institutions (IFIs) is being directed mainly at previously proposed projects – that is, projects on the drawing board even before the conflict, that even then were attracting concerned attention from environmental and social watchdog groups.

One such project, rejected during Stalin's time, the large Oni hydropower cascade, 'emerged' once again with official indications pointing to potential EBRD and EIB support. While plans for this project in the Racha mountains involving a 105 metre dam were jolted by a 6.2 earthquake in September 2008, the project promoters (the Georgian Ministry of Energy and the Norwegian company Econ) have switched their attention to developing the Upper Mtkvari Cascade of two to three hydropower plants near the Turkish border. The project would impact an area of high archaeological value, and the invitation for tender bids has featured on the EBRD's website.

Another such project and one approved in March for a EUR 100 million loan by the EBRD – with EIB support also being sought – is the EUR 300 million Tbilisi Railway bypass project, that aims to improve the efficiency and safety of rail operations within the city of Tbilisi. However the project foresees the construction of a new railway line through one of the capital city's densely populated districts of Tbilisi, and safeguard measures to protect the city's drinking water supply among other things are widely regarded as being far from sufficient as presently conceived.

These and other major infrastructure projects that are gobbling up post-conflict IFI money, such as the ADB-backed Ajara highway, are also bringing questionable economic returns for Georgia. Construction of them tends to be carried out by foreign companies that primarily offer only low quality, short term contracts to local workers. With unemployment still at 16 percent, the number of people on benefit support from the government has also been trending up in the last year. On top of this, Georgia's external debt has already hit USD 3.5 billion and Georgians ultimately will be digging deep to pay for these new additional loans.

▲ IFI man resigned to another round of negotiations with Georgian project promoters

A portion of the aid has been deployed too to prevent liquidity crashes at Georgia's leading private banks – yet there is mounting evidence showing that those banks receiving significant support from the EBRD and the International Finance Corporation are not injecting funds into the real economy. The state of the local business environment, though, is causing increasing concern, in spite of Georgia's surprising elevation to number 11 in the World Bank's 'Doing Business' rankings for 2009. On a recent visit to Georgia, EBRD president Thomas Mirow's remarks that there is a "lack of healthy companies" in the country were reported in the national media. Government interference in the activities of Georgian SMEs is widely regarded as the major barrier currently frustrating expansion of the sector.

It is surely, then, a highly pressing question for international development lenders: if the projects and the ultimate value added are of such compromised quality, why are the big lending flows still being churned out and being spun as positives for Georgia?

At the heart of the difficulties lies a government that has offered no coherent economic development plan, other than the prevailing assumption that the national economy should and will be developed by the market. Perhaps it is unblinking donor sympathy with this approach that is restricting due and proper scrutiny.

Meanwhile a non-transparent privatisation agenda aims to attract short term cash inflows for the state budget, rather than prompting investors to develop new, credible – even, whisper it, sustainable – business. Still prevailing is a general environment that features weak rule of law and transparency norms, a lack of property rights protection, the non-existence of anti-monopoly legislation and competition policy, and the absence of free media. With these handicaps still rooted on the Georgian map there is little hope for now of stimulating the development of the real economy, of creating robust new businesses and, ultimately, jobs.

Real effort is required to address these failings. The IFIs may finally be taking note – they now need to act.

See the report "In the line of fire: How international post-conflict aid billions are failing Georgia's people and environment" in pdf at: www.greenalt.org/webmill/data/file/publications/In_the_line_of_fire.pdf

Ukrainian supermarket workers short-changed by EBRD loan

Since 2007 when the EBRD provided a USD 90 million loan to Furshet Group, the second largest supermarket operator in Ukraine, the company has developed rapidly, covering now the majority of the regions in the country. As expected, this loan has helped bring advances in service standards for consumers, but looking at the company from the inside – what changes has it brought to the employees? This year Bankwatch commissioned research into labour conditions in Furshet supermarkets in the Kiev and Donets'k regions, in particular to assess employees' rights, including gender issues.

The main findings of our investigation, derived from focus group interviews with Furshet workers from six supermarkets in Kiev, one in Donets'k and two in Makiyivka (located in the Donets'k region) differ along regional lines: Furshet's staff members in Kiev were found to be much more satisfied with their jobs (in terms of both employment conditions and salaries) than were staff in Donets'k and Makiyivka, a finding thought to be related to the company's complicated management structure and disjointed corporate policies. Notably, though, problems related to salaries in Furshet were identified by Kiev's regional labour inspectorate in November 2009.

A key discovery of the research was that there are no trade unions in Furshet supermarkets, a fairly common situation in Ukrainian supermarkets but one that certainly poses problems for Furshet workers – in the focus group carried out in the one Donetsk store, management banned all but one person from participating. The knock-on effects of this lack of union presence were found to be excessive workloads and restricted opportunities for employees' rights to be protected. In the last two years in the Auchan Ukraine supermarket chain – in which the Furshet Group is a 19 percent shareholder – a clear desire on the part of employees to join together in a bid to represent their interests met with reluctance from the company. As a result, the union was dissolved almost on the spot, the union's briefly designated head was forced to resign and other members left it "voluntarily".

A corollary of the company's anti-union approach is that many of the employee rights violations uncovered by the research are down to employees being uninformed and

unaware about their rights under Ukrainian legislation. At the same time, it was detected that the company's management neglects their obligation to duly inform employees about their duties, at times violating employees' rights simply because of ignorance and lack of resistance. Furshet's management, unfortunately, was not open to communication with the research team – official information was not provided and there was an unwillingness to react to the results gleaned from focus-group discussions with employees of the supermarkets.

The main violations of national labour legislation picked up in the course of the research were: no collective agreements with employees are in place; overtime, work on days off, and extra work not included in job descriptions is not compensated as required by law; a widely used system of internal penalties and fines not envisioned by any laws exists, and moreover it is neither transparent nor regulated by internal procedures or collective agreement, thus making possible management manipulation salaries.

While labour rights was the central concern of the research, gender rights also became significant due to the fact that in Furshet the majority of employees are women, occupying low-paid and non-prestigious jobs. Male workers are far fewer and are usually employed in special positions, such as loaders and in departments where physical effort is required, as well as occupying the majority of positions at the higher management level. On the shopfloor, where male staff tend to be lacking, women staff are often left to lift loads that exceed the permitted weights.

Chief among the research team's recommendations for addressing identified problem areas are: training for Furshet's management, including on gender issues; improvement of information flows about duties and employee rights; standardised corporate policy implementation across the company to eliminate regional differences in employee conditions, and; revisions to the salary system.

For a company that has benefitted so handsomely from an EBRD loan, Furshet Group's employee policies should be complying with national legislation, as required by the EBRD's previous environmental and social policy from 2003. Dating from 2007, the EBRD loan to Furshet predates more stringent Labour and Working Conditions provisions included in the current environmental and social policy. Nonetheless, with question marks hanging over the company's fulfillment of national legislative requirements, closer monitoring from the EBRD would seem to be overdue.

Energy Goliath scavenges for every last favour in ČEZ Republic

In spite of compelling objections raised by the small island state of Micronesia, and cloaked in highly controversial circumstances, in late April the Czech energy giant ČEZ received environmental approval to retrofit its Prunerov thermal power plant, the biggest in the Czech Republic and the twelfth worst polluting power station in Europe in terms of emissions per energy ratio. Micronesia, whose total carbon emissions are 40 times lower than the plant at Prunerov, and a wide alliance of Czech environmental groups had been objecting to the fact that ČEZ intends to use an old-fashioned technology instead of the best available, possibly more expensive, technology, which would increase Prunerov's energy efficiency by 42 percent.

The approval process for ČEZ's project has been deeply political, to say the least. In March, Czech prime minister Jan Fischer requested Jan Dusík, the then environment minister in the current non-political Czech government, to expedite the ruling on the environmental impact assessment (EIA) process of the Prunerov plant. In response, and at that stage unable to give a positive ruling on the EIA, Dusík resigned from his post, with the Czech Green party then withdrawing their support for the non-political government out of solidarity for the minister they had nominated to the post last year.

Prime minister Fischer subsequently looked to appoint Jakub Šebesta, the agriculture minister, for the environment post in spite of several conflicts of interest, including a tender for logging companies disputed by the Ministry of Environment. One week later, Fischer accepted the nomination of Rut Bízková, a spokeswoman for ČEZ in the late 90s, for the post of environment minister. One of Bízková's first acts was to disband the Climate Protection Department within the environment ministry, her next was to green light ČEZ's Prunerov upgrading – including the use of the company's preferred old-fashioned technology. Czech Greenpeace have since climbed atop the Czech parliament building and provided a banner backdrop to a briefing being given by the Czech prime minister, the banner reading: "Welcome to the ČEZ Republic".

CEZ, Europe's seventh largest power utility which has in recent years been engaging in an aggressive expansion programme in central and eastern Europe (including buying a majority stake in the Albanian electricty distribution company) and which has already received a EUR 200 million European Investment Bank loan in 2009, provoked a major scandal earlier this year when a video of its so-called "Non-technical Losses Department" was leaked to the media.

Resembling a paramilitary unit, it was revealed that members of this 'department' have undertaken commando-like exercises with guns and knifes aimed at electricty customers that the company suspected of illegally connecting to the grid. In one of the videos, uniformed individuals are seen visiting a man who flees to hide in a cellar and there, in panic, shoots himself to death. Czech police immediately accused 27 members of this shadowy department of more than 50 cases of criminal conduct, though the charges have since been dropped.

The head of Czech Greenpeace's energy campaign Janek Rovenský has been spearheading the group's campaign against the Prunerov upgrade, and expressed his suprise about the existence of this ČEZ department, though noted that Greenpeace had not encountered them during the group's direct actions at Prunerov. Rovenský condemned ČEZ's tactics, however, saying that "no private company should be allowed to have its own army."

As the Prunerov power politics were playing out, the EBRD announced the nomination of Jan Fischer to become vice-president of the bank. In a press release in mid-April, EBRD president Thomas Mirow commented: "Mr Fischer has a strong personal commitment to environmental and sustainability issues, and to the gender action initiatives of the Bank. He is a firm believer in the importance of civil society engagement and the importance of constructive relationships between civil society groups and the Bank." It is expected that Fischer will be accepted in the post once he stands down as Czech prime minister in June.

The recent shenanigans over the Prunerov plant have shocked and disappointed many. Should ČEZ ever come knocking at the EBRD's door requesting funding for its expansion plans across the region, there will surely be no shortage of campaign banners calling for the bank to take a firm "not welcome" approach.

Co-operation on Skopje Bypass goes a long way

Since 2002 the Skopje Bypass project in Macedonia has gone from being a highly problematic project attracting extensive public opposition to one of the best implemented road projects in the region. How has this come about?

The Skopje Bypass project involved the construction of a 25 kilometre highway around Skopje, Macedonia's capital city. The project sponsor, the state-owned Fund for National and Regional Roads of Macedonia, originally requested a loan of EUR 25 million from the European Bank for Reconstruction and Development (EBRD) for construction of the highway's second section. The road was intended to form part of Pan-European Corridor VIII, and to remove transit traffic from the city centre and decrease high levels of air pollution.

Local people's concerns and protests force the EBRD to act

In 2002, local people from the villages of Orman and Volkovo raised concerns about the vicinity of the bypass route to vital landmarks and resources in the area, such as a graveyard, a church and a water reservoir. Although the project sponsor did not want to hear the arguments, the EBRD did.

After numerous complaints directed at the bank's board of directors, the EBRD decided to commence an independent review of the route. The review came with findings that supported local people's concerns and proposed changes to the route. However, after further studies it was decided to keep the route as planned. Aware of the possible harmful effects, the EBRD insisted on measures to mitigate the negative environmental and social impacts – such as designing the road as a viaduct near the affected church – to avoid directly impacting it – and to carry out works near the reservoir without using detonation methods, to ensure that the drinking water would be the same quality as before and that no damage would be done to the reservoir.

Independent monitoring body ensured effective mitigation

Cognisant of the fact that, in the absence of national legislation, the Government of Macedonia and the project sponsor would not comply with the agreed measures, the EBRD advised the government to establish a special monitoring body – the Environmental Monitoring and Advisory Group (EMAG) – to ensure that the road construction would be carried out according to the design and the agreed mitigation measures.

The EMAG consisted of representatives of the Ministry of Transport, the project sponsor, the Ministry of Environment, local affected communities and NGOs, including Bankwatch's Macedonian member group Eco-Sense. The group was chaired by an independent Environmental Monitor, and it turned out to be a very effective way of bringing the right to make decisions regarding this public road development back to local people.

The EMAG functioned for four years, that is until the highway was built. It dealt with numerous issues, such as local roads, drinking water, safe passages, sliding grounds, the protection of river basins and river flooding, waste collection, and the planting of vegetation. The EMAG frequently

initiated discussions and drew up proposals for not yet existing legislation, communicating this to the relevant authorities, thus becoming a driving force for the future adoption of new regulations and principles.

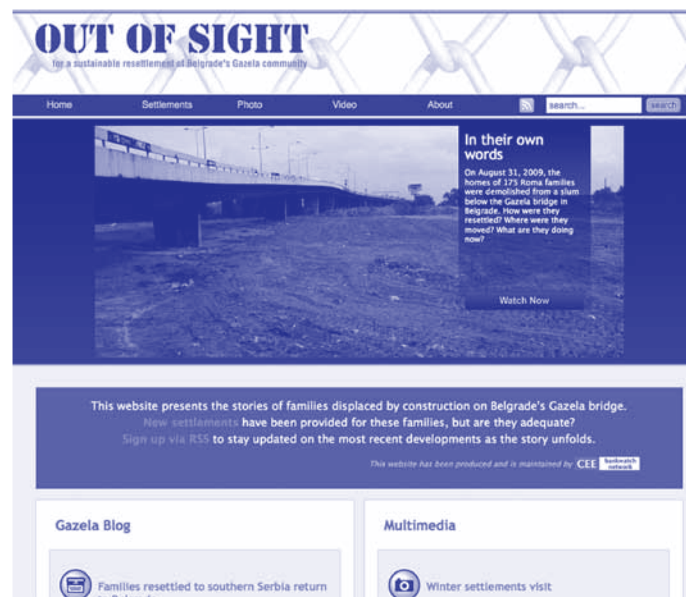
Successful environmental management so far

It is too early to tell whether the project has achieved its overall goals of reducing traffic and pollution in Skopje city centre. However, it is no exaggeration to say that the second section of the Skopje Bypass is the best constructed road in the country in terms of protection of the environment and human settlements, even though the route itself did not guarantee this. Indeed, running the route close to the villages made the construction even more difficult and led to many more measures being required. The Environmental Management Plan for the construction has been fully implemented by the construction company, and involved the first-time use of certain machinery and methods in Macedonia in order to carry out the various mitigation measures.

The key moment in the development of the Skopje Bypass project was undoubtedly the establishment of the EMAG, which enabled the implementation of all measures and ensured the protection of the environment and local settlements. A positive example with a successful outcome, then – Eco-sense believes that the EBRD should consider the establishment of EMAGs for all category "A" projects in its lending portfolio.

Out of sight – new Gazela web initiative

Now that disbursal of project financing has been approved by both the EBRD and the EIB for rehabilitating the Gazela bridge in Belgrade, monitoring of the dynamic situation surrounding the ongoing resettlement of 175 primarily Roma families that formerly lived below the bridge is needed more than ever.



Bankwatch and Serbian partner CEKOR have established the multimedia blog www.outofsight.tv for this particular purpose, to provide updates from the ground and a voice for the affected communities to tell their stories.

Using video, imagery and mapping, OutofSight.tv takes users on a tour to the different locations around Belgrade where the families have been temporarily accommodated, and provides ongoing updates about the conditions in the settlements to ensure that both the banks and the City of Belgrade live up to their commitments for realising a sustainable resettlement for Belgrade's Gazela community.

Slovenia's carbon-intensive energy plans set for EBRD backing

In many quarters the double impact of the economic crisis and the climate crisis has led to increasingly urgent calls for a shift towards a low carbon economy, one it is plausibly argued that would stimulate the creation of thousands of green jobs and enable the construction of low-carbon infrastructure. Yet Slovenia's government is still pondering whether or not to support the planned upgrading of the Sostanj Thermal Power Plant with the construction of a new 600 MW Unit – fuelled by lignite and a potential EUR 150 million EBRD loan – that would replace several old, less efficient blocks at the power plant, or to start looking into more sustainable and environmentally sound projects.

At a time when Slovenia is reviewing its National Energy Programme and facing increasingly stringent climate and renewable energy targets, it appears short-sighted and unreasonable to implement a project that would have such a significant and irreversible impact on the future of Slovenia. The significance of the investment goes beyond its EUR 1.1 billion price tag – the new unit's expected development, energy, financial and environmental impacts will last beyond 2050.

The project is facing increasing scrutiny and concern from the public and environmental groups, and has been accompanied by irregularities, a lack of public participation, a rising price tag, misleading information, a lack of alternatives as well as the suspicion of corruption.

One of the legal flaws, evident from the project's environmental impact assessment (EIA), is the non-provision of any alternatives to the project, something required by Slovenian law. The same applies to alternative sites for a new thermal power plant or alternative coal technologies, none of which have been examined. The EIA also fails to consider the use of renewables, energy efficiency measures or the "do nothing" option. With such a complete lack of alternatives in the picture, a well-informed and objective decision cannot be made.

The project does not inspire much confidence either in economic terms. In October 2006, the Ministry of the Economy originally announced the project to construct Block 6, at an estimated cost of approximately EUR 600 million. Less than a year later, in September 2007, the estimate had reached EUR 780 million. By October 2009, EUR 1.1 billion – almost double the original sum – was being aired, and more price hikes cannot be ruled out.

Notably, one of the goals of the Unit 6 project is in fact to reduce specific CO_2 emissions. However, despite the replacement of several old, less efficient blocks, the new 600 MW block will actually contribute to increased lignite electricity generation, that will result in an overall increase in CO_2 emissions. Yet the project developer is currently determined to manipulate the information concerning which of the old blocks will remain active and which non-active, causing serious uncertainty and blocking the possibility to objectively establish the emission levels of the entire power plant.

To be able to contribute to the necessary global action aimed at stabilising global warming at 2 degrees, Slovenia has to deliver on a reduction in its greenhouse gases of at least 80 percent by 2050. According to the projected CO_2 emissions for the SostanjThermal Power Plant, the entire eligible emissions quota for Slovenia to meet its 80 percent reduction would be used up by Sostanj alone. A final green light for this new Unit 6 would raise serious question marks about Slovenia's ability to comply with its global climate and energy commitments and responsibilities.

As a strategic objective, the EBRD is focusing – on paper at least – on boosting energy efficiency and looking at ways to address the climate change challenge by supporting the transition to a low-carbon economy in its region of operations. Nevertheless, the EBRD is seriously considering the provision of a loan of EUR 150 million to the Slovene utility Termoelektrarna Sostanj for the construction of the new 600 MW lignite-fired power plant block. An EBRD board decision on the loan is currently scheduled for July this year.

Such a loan, and further expected EUR 200 million worth of loans from the EBRD's partner banks, will only support the development of an environmentally damaging project that contributes to the continued burning of one of the least efficient and most polluting energy sources. It will extend Slovenia's dependency on fossil fuels and lead to a further locking-in to a carbon-based economy.

How this project fits in to Slovenia's future strategy aimed at achieving a low carbon economy, and how it relates to the EBRD's own strategic objectives, remains then an unsolved mystery.

What is clear is that the Slovenian government has made the Sostanj thermal power plant a priority, and other needed investments in renewables and energy efficiency are not being given sufficient priority on its energy shopping list – no surprise, therefore, that the budgetary imperatives for sustainable energy are being neglected. Tackling climate change requires strong political will, and in Slovenia for now that has gone missing.

Christian Brandt, Focus

EBRD oblivious to Hungarian PPP pooh-pooh?

Where precisely does the EBRD stand on the issue of using public-private partnerships (PPPs) for infrastructure investments in central and eastern Europe? It's a question that has become more acute as a result of the economic crisis, with a body no less than the IMF seriously questioning their value and the wisdom of using them in tight fiscal circumstances. The suspicion, however, is that EBRD dogma on PPPs is dictating the agenda, ignoring some blunt realities – and this may well present serious consequences for vital projects and the region's mostly struggling economies.

Take the recently released draft of the EBRD's country strategy for Poland. On page 25, in a section on 'Infrastructure and Municipal Environment – Crisis response/Transition goals', it is stated boldly and unequivocally: "Acceleration of the development of the motorway network needs to take place by active support of road PPP initiatives."

Six pages earlier, however, the strategy document describes how "There have been a number of PPP projects (the A2 and A4 roads) which have encountered major difficulties not only in relation to open and transparent tendering but also during implementation (such as land acquisition, cost overruns, lower than expected traffic, and lack of interest from private investors)." EBRD acknowledgement, then, of the traditional, real world failings of PPP road projects.

Yet PPP projects are still being approved by the bank, including on the basis of previous supposed success stories. Take this rationale for the D1 motorway project in Slovakia, signed by the bank in December 2009: "The proposed projects will further demonstrate viability of motorway concessions in the region (following the success of the PPP road programme in Hungary and the closing of R 1 – the first road PPP in Slovakia)."

The success or otherwise of PPPs in Hungary has been receiving a lot more scrutiny in recent times, no doubt as a result of post-mortems into the country's crisis-ravaged finances. Hungarian media has been widely reporting that until 2006 the Hungarian government attempted to use motorway PPPs to cosmetically decrease its deficit. This practice ceased when, at the end of 2005, Eurostat disallowed the use of the private sector's participation in PPPs as income in Hungary's budget.

The legacy of motorway PPPs in Hungary, it has been reported, is an annual financial obligation of HUF 100 billion (approximately EUR 350 million) for years to come. A December 18 report on Hungary's main news portal also went on to suggest that the abolition of the inter-ministerial committee responsible for assessing and monitoring PPPs strongly suggests that the Hungarian government will no longer be considering PPPs.

When the only government in the region with any number of PPP projects implemented appears to be giving up on them, it's clearly time for a rethink at the EBRD about its support for such projects. With the current revision of the bank's concessions policy, now is the time for a real debate about the merits or otherwise of PPPs.

Bankwatch's 2008 report on PPPs and public funders, "Never mind the balance sheet", is available in English and 10 CEE languages at:

http://bankwatch.org/publications/document.shtml?x=2132584

More energy insecurity – new report

Bankwatch and its Albanian partner EDEN Center have published a report detailing how Italian energy company Enel's plans to construct a 1600 megawatt coal-fired thermal power plant in Porto Romano, Albania would increase Albania's carbon dioxide emissions by more than 2.5 times their current level.

The project – that could attract international financial institution (IFI) support – would likely see 85 percent of the plant's electricity being exported to Italy, leaving Albania with the environmental consequences. With the report, the groups are stepping up their calls to potential investors, in particular the IFIs, to support countries like Albania undertake energy efficiency and clean energy projects that bring long-term local benefits, rather than continuing the trend of assisting western energy giants to make an easy, dirty buck in less developed countries.

The new report is available in pdf at:

http://bankwatch.org/documents/PortoRomanoOverTheEdge.pdf

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