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The EBRD and EIB's Sustainable Municipal Infrastructure Investments in the Western Balkans and Eastern Neighbourhood

In the face of ambitious international goals to promote sustainable development and to stem climate change and its negative effects, a transformation of urban life can make a significant contribution to reducing emissions, consumption, and land use. International financial institutions (IFIs) such as the EBRD and EIB have addressed global calls for sustainable urban transformation by providing much-needed funding for the implementation, upgrade, and expansion of infrastructure in municipalities. However, in order for this infrastructure to be truly sustainable, it must meet the needs of the people who will use it – meaning citizens must be involved in its planning – and it must meet the highest criteria in terms of its impact on the environment and human well-being. From October to December 2019, Bankwatch conducted a study to understand how civil society organisations (CSOs) in the Western Balkans and Eastern Neighbourhood perceive IFI-funded infrastructure projects and strategic plans in their municipalities. For more on our methodology, see Annex 1: Methodology.

How Do CSOs View the EBRD and EIB's Investments in Sustainable Municipal Infrastructure?

We surveyed 16 CSO representatives from the two regions of focus about their experiences with EBRD- and EIB-funded projects in their municipalities and investigated the banks' own track records on disclosure of public information and sustainability in this sector. Both the EBRD and EIB have made a commitment to sustainable infrastructure and to democratic and participatory practices in their lending.² However, the major problem with IFI funding for municipal

- The Western Balkans and Eastern Neighbourhood include the following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kosovo*, Moldova, Montenegro, North Macedonia, Serbia, and Ukraine. *The designation of "Kosovo" is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
- The EBRD's Green Economy Transition is the Bank's framework for financing climate change resilience, sustainability, and low carbon technology. Sustainable municipal infrastructure projects are financed through various ways according to this framework, including through the Green Cities programme. It has an Environmental and Social Policy that is designed to help ensure its investments promote sustainable development. The EIB also proclaims a commitment to sustainability in all of its sectors, and follows its Environmental and Social Standards to help translate this commitment into its operations.

infrastructure, according to our respondents, is that IFIs are not able to hold local authorities accountable for ensuring transparency, public participation, strategically-guided development, the implementation of the most sustainable technology, and in some cases local laws or the terms of the projects. As a result, authorities may misuse IFI funding, failing to adequately plan and implement projects that are environmentally-friendly and support human rights. One reason for this is that municipal infrastructure projects are frequently categorised within the banks' system as projects that have limited risks and impacts on their surroundings (as were 63 out of the 74 projects analysed for this study)³, and thus are subject to less stringent requirements and monitoring. Our analysis raised the following key issues.

1) Local authorities do not provide sufficient opportunities for public information and consultation, effectively blocking meaningful citizen participation in municipal infrastructure projects.

Informed public participation in project development is essential for ensuring projects meet the needs of the community, including the needs of vulnerable groups. However, neither the banks nor the local authorities have consistently given the public an opportunity to engage with these processes for municipal infrastructure projects, according to our respondents.

Performance Requirement 10 in the EBRD's 2019 Environmental and Social Policy requires EBRD clients to conduct meaningful consultation that is proportionate to the nature and scale of the project, its stakeholders and its potential environmental or social risks and impacts, so the overall intention is clear. But in reality, this means project sponsors are not always required to carry our assessments and to develop public documents such as EIAs, Environmental and Social Action Plans (ESAPs), and Stakeholder Engagement Plans (SEPs) for such projects, and where they are, the banks do not always adequately ensure their quality.

Our analysis shows that the banks have also failed to provide less formal forms of information that are crucial for the public's awareness. For example, in a majority of cases (28 of the EBRD's operations and 14 of the EIB's), a summary or overview of potential environmental and social harms that might result from the proposed project was not disclosed by the banks, and in most cases (43 of the EBRD's operations and 15 of the EIB's) it was not clearly specified which environmental and social safeguards were triggered for a project. In addition, we found that in a majority of cases, details on prevention and mitigation measures that would be taken in the projects were not disclosed by the banks (25 of the EBRD's operations and 20 of the EIB's). Information on consultation dates and locations was only present in 7 out of 74 cases, meaning that for 47 of the EBRD's operations and 20 of the EIB's operations this information was missing from the banks' websites.

The banks' expectation is that local authorities should provide this information. According to our respondents, in most cases, this is not happening, or is highly inadequate. Although our respondents agreed that basic information about the existence of projects is typically available, in at least ten separate projects, they claimed that there was no further information available about the terms of the loan, contracts, environmental or social assessments, or project plans provided by local actors, and that this information is available only once decision making on the project has been finished or the project has been completed. In at least three cases (Belgrade Solid Waste, Mariupol Trolleybus, and Banja Luka District Heating), there was a lack of public information about increases in taxes, fees or prices that citizens would have to pay for services. In Mariupol, this resulted in protests⁴ and subsequent intimidation and charges pressed against protesters⁵; in Banja Luka this resulted in a legal case that rose to the level of the Constitutional Court. Accessing information was also cited by most respondents as a challenge: information requests in

³ See Annex 2 for a full list of projects analysed as part of this research study.

⁴ "У Маріуполі подорожчав проїзд: містяни протестують, перевізники пропонують альтернативу.", *Channel* 5, 5 March 2020, https://www.5.ua/regiony/u-mariupoli-podorozhchav-proizd-mistiany-protestuiut-pereviznyky-proponuiut-alternatyvu-187865.html; "У Маріуполі обурені містяни перекрили центральний проспект – чому мітингують?" *Channel* 5, 3 March 2020, https://www.5.ua/regiony/u-mariupoli-obureni-mistiany-perekryly-tsentralnyi-prospekt-chomu-mitynhuiut-187723.html.

⁵ "У Маріуполі протести проти підвищення тарифів обернулися у кримінальну справу", *I-UA TV*, 14 March 2019, https://i-ua.tv/society/14991-u-mariupoli-protesty-proty-pidvyshchennia-taryfiv-obemulysia-u-kryminalnu-spravu.

some cases were ignored, and in one case public documents were not located where they were supposed to be (Belgrade Solid Waste). Furthermore, respondents were concerned that information was often not understandable for citizens.

A variety of indirect and direct interference tactics were used to suppress meaningful public participation in consultations: consultations were not promoted to the public; key interested populations were not included; poor dates and times were selected (i.e. near holidays, during the work day); not enough space was provided for participants; the selected location was inconvenient, particularly for the key affected population; technical information was not simplified; presenters left no time for participation; and no clear information was provided about how to submit comments and suggestions. Respondents doubted that there was public consultation at all in the EBRD's UPTF: Mariupol Trolleybus, the EBRD's UPTF: Zhytomyr Trolleybus, and the EBRD's Belgrade Public Transport and Traffic Infrastructure (2011). Including citizens' needs as an integral part of the planning process through better public information and consultation would help citizens to better understand the projects and make it more likely that they support changes, such as tariff increases. In addition, project promoters would better understand the needs of service users, so that they can improve the quality of the services.

2) Local authorities use strategic plans to support their own interests rather than pursue integrated development in their municipality, and they may already be using the EBRD-supported Green City Action Plan (GCAP) in the same way.

Strategic planning is essential to the sustainability of municipal development – such plans ensure the various parts of the city work together to form an integrated network of sustainable, complementary systems, rather than isolated, piecemeal projects that lack consideration for how the city is functioning holistically. Strategic plans in respondents' municipalities were plentiful, but were frequently ignored or used as a method of interference. The main concern (stated by eight respondents) was that strategic plans were 'just a piece of paper' that could not compel authorities to do anything. Instead, planning typically proceeds in an ad hoc way, with the plans used primarily to justify the favoured projects of local authorities. Local authorities can change urban plans and action plans or interpret holes or discrepancies in legal frameworks and standards to match contracts rather than the city's needs (Belgrade Solid Waste). Respondents expressed an overall lack of trust in strategic plans, as currently developed, as a step towards achieving sustainable development.

The EBRD's GCAPs, the bank's attempt at fuelling green financing in a strategic way, risk the same fate. According to the GCAP methodology, other existing strategic documents should be taken into account when drafting the plans, and municipalities are encouraged to officially adopt them upon their conclusion. However, this does not necessarily ensure that the GCAP becomes part of the legally set planning framework in the countries, or that there are any special conditions imposed on the plans to ensure they are used in conjunction with other resources to contribute to the holistic development of the municipality.

Furthermore, the GCAPs have too often failed to include citizens and vulnerable groups in their development, to the detriment of the plans' contents, and the EBRD has funded trigger projects that are seriously questionable from a sustainability, accessibility and safety standpoint (such as the Belgrade Green Boulevard). Eight respondents expressed that citizens were not involved enough in the GCAP consultation workshops and should be more thoughtfully included. As a result, several respondents expressed concern that the proposed policy actions in the plan were not meaningfully sustainable or appropriate for the city's needs, and one alleged that the estimated costs for policy actions were inflated with no justification. See Case Studies 1 and 2 for more on this topic. Unless IFIs ensure that the projects they finance are part of the municipality's drive towards integrated and

UPTF Mariupol Trolleybus and UPTF Zhytomyr Trolleybus may also have been funded by the EIB's Ukraine Urban Public Transport FL, but due to lack of publicly available information about what was funded under this project this is not confirmed by this study. The Belgrade project is outside of the temporal scope of the study, but is included here because of its connection to current projects.

inclusive development, which has citizens at its heart, their funds are likely to be continually wasted on projects that do not substantially contribute to their sustainability goals.

The EBRD has assured Bankwatch that it agrees that GCAP stakeholder engagement workshops should be conducted inclusively and early in the process and that it has been working to better inform participating cities, as well as consultants working on the development of GCAPs, on the importance of involving a wider group of stakeholders and local residents in the preparation of GCAPs. As part of this effort, stakeholder engagement has been further formalised and Stakeholder Engagement Plans have been added as one of the GCAP deliverables for all assignments commencing after January 2020. The Bank has also developed a guidance note for GCAP consultants in support of the Green Cities methodology, outlining the Bank's expectations in relation to stakeholder engagement during the GCAP development and providing guidance to cities and consultants on integrating stakeholder engagement through the development of the GCAP. These additional efforts are welcome, and while changing decision-makers' attitudes towards the public is likely to take time, we look forward to seeing the results.

CASE STUDY 1 - Green City Action Plan for Tbilisi: A Mere Formality?

Tbilisi faces a number of serious environmental challenges and failures in urban planning, particularly in the area of urban roads and transport. Due to massive recent growth in these sectors, air pollution was the top environmental concern of Georgian citizens in a 2019 opinion poll. To address these issues, a number of conflicting and overlapping programs have been implemented with no cohesive strategic plan. Tbilisi has been involved in several different international groups dedicated to improving the sustainable growth and quality of life in the city, such as the Covenant of Mayors for Climate and Energy and 100 Resilient Cities. The Asian Development Bank (ADB) supported a USD 300 million Sustainable Urban Transport Investment Program (SUTIP), including USD 1.5 million for the preparation of a Sustainable Urban Mobility Plan (SUMP), in the city from 2010-2017. In 2017, the EBRD-supported Green City Action Plan (GCAP) entered into this already crowded space.

In practice, this increased attention to Tbilisi's urban development has failed to turn the city into a greener, more sustainable place to live, even though millions of dollars have been poured in and there has been an overabundance of ideas about how it should be done.

Despite its promises, the GCAP has also failed to launch an integrated approach to urban development in Tbilisi and to become integrated into the city's urban planning more broadly. We asked Tbilisi City Hall to provide an update on the implementation of the GCAP. The Tbilisi Municipal legal department answered in detail to our questions regarding the implementation of the Action Plan, but only in relation to urban mobility. Although activities in other areas such as waste, water and energy efficiency are included in the plan, these were ignored in City Hall's response. Thus, it appears that the Tbilisi GCAP has been turned into an urban mobility improvement plan, rather than a comprehensive plan for Tbilisi's green development.

But the plan is not succeeding in this area either: the GCAP aims to reduce at least 85 per cent of the current air pollution through the introduction of new electric and compressed-natural-gas buses. The EBRD has financed two loans (EUR 27 million in 2016 and EUR 80 million in 2019) for such buses. Although the GCAP stipulates that all bus fleets should be CNG and/or electric, the city purchased buses with its own funds that operate on diesel Euro 6. Tbilisi City Hall claims that small buses, needed for some streets and districts in Tbilisi, cannot run on CNG. This is a clear deviation from the goal set forth in the GCAP.

One of the main reasons Tbilisi's urban planning has failed thus far has been the lack of public participation. Meaningful public participation was missing in the preparation of GCAP: there was only one meeting held between City Hall, experts and NGOs in the premises of the Czech Embassy. Public participation was also missing during the preparation of the ADB's SUMP and other documents, as well as during the decision-making on specific actions, such as what type of buses to purchase.

The Tbilisi City Municipal Legal Department acknowledged these issues and underlined that the citizens' involvement in the implementation of different components of the GCAP was restricted to participation in quantitative and qualitative surveys, focus groups, public opinion polls. City Hall also explains, 'the municipality has no experience of involvement of local inhabitants in participatory planning but that issue will be addressed during the preparation of the sustainable urban mobility action plan'.

The EBRD's efforts to establish equal employment opportunities for men and women in the public transport sector should be underlined. Still, with regard to planning, a matter of concern is the failure of plans to include the perspectives of vulnerable groups and to properly address gender risks, even though an ADB study recommended that numerous activities need to be implemented by city planners and IFIs to 'include women participants in transport planning and design of future upgrade programs'.

We recommend that the city provide citizens, including those who are most vulnerable and disadvantaged, with more substantial information around the GCAP and other strategic documents, communicating clearly with citizens about the need for climate action and safety, and describing the ways they can result in improved quality of life. Effective communication between scientists, planners, managers and the public is essential in order to achieve the aim of making Tbilisi a 'green city'.

We also believe that a dedicated policy of open public participation for the involvement of the people in city development issues is necessary for the success of urban planning and development. As the city has numerous different plans under different national or international processes (Resilient Cities Initiative, Green Cities, Covenant of Mayors for Climate and Energy, etc.), it is important to have a unit within the City Hall that will integrate the different action plans and ensure the involvement of all stakeholders in decision making.

Finally, the IFIs should seriously consider their involvement in municipal development, and should only invest in plans and projects that are well integrated in the city's broader urban planning, and that contribute to the holistic development of the city and social well-being. Funding for municipal projects should be dependent on the city making reforms to the way it conducts public participation and planning.

CASE STUDY 2 - Skopje: Public Participation for a Better GCAP

Skopje's GCAP workshops show the clear risks of not including citizens' voices in the development of the plan. In contrast with the principles of community participation as set forth in the EBRD's GCAP methodology, in Skopje the process was invite-only for a limited number of stakeholders, and excluded many of the key citizens and interest groups active on the topic until CSOs got wind of the process.

Even after learning about the community participation process, the CSOs had to receive permission from EBRD employees from the Green Cities' department, from the local North Macedonia office, as well as from the external consultants leading the GCAP process, in order to receive invitations to the workshop - but only once the process has already begun. Bankwatch member group Eko-svest never received its invitation to the second workshop, although it found out the workshop had been held as planned.

Although apparently the result of an email error, this demonstrates a key issue in the outreach and communication surrounding the GCAP, in large part due to the complex structure behind the Green Cities programme, where there are many layers of actors, and as a result many opportunities for miscommunication. After requesting the extension of the deadline for comments on the Technical Assessment presented at this workshop, it took a public reaction in the media and three phone calls with the EBRD's CSO Unit, in addition to email communication, in order to arrange additional time for the CSOs. In the end, through conversations with the consultants, it became clear that the CSOs' comments on the Technical Assessment had benefited the process and influenced the list of possible actions that would be considered for the GCAP.

The third workshop, envisaged to obtain collective feedback from present stakeholders on the comprehensive list of potential projects that could be included in the GCAP listed projects – how relevant and feasible they are for Skopje, as well as estimates for the cost of the initial investments and operating costs, was held in November 2019. The workshop split participants, primarily public utilities' employees, into breakout groups based on their sector of expertise (transportation, solid waste, land use, etc.). Eko-svest's experience in the Transportation group indicated several issues.

First, the transportation breakout group did not discuss the sector overall, or a holistic vision for the city, but instead discussed policy items one-by-one, without any context. Thus, throughout the conversation most participants were detached from the concept of sustainability. Although a few participants mentioned it as part of specific technical solutions, it was seldom referred to as an overarching framework. Second, public utilities employees were the primary participants, and they stuck to their area of expertise. Third, the numeric ranking worksheets used to prioritise projects are likely to represent these same perspectives of those already working in the sector, rather than a true picture of what the city really needs, especially if we consider the range of stakeholders and the mobility needs of disadvantaged groups.

At the end of the workshop when each group presented their ideas, it became clear that Eko-svest's participation had obvious benefits. When the Transportation group facilitator referenced the points and frameworks we had introduced before all of the participants, we saw that CSOs have the ability to influence the group's outcomes by advancing strong, well-evidenced arguments. This was unique from the other groups, with the exception of the group discussing Land Use, which also had CSO representatives present. All other groups failed to mention overarching sustainability frameworks and the benefits of holistic and inclusive planning.

The GCAP process has relied too heavily on the opinions of representatives from public utilities – but this result shows that CSOs are essential to contribute the feedback necessary to write a proper plan and to keep the goal of integrated and inclusive urban development at the heart of the GCAP. Eko-svest's experience in Skopje also shows that the involvement of CSOs must happen in the earliest stage of the GCAP development in order to influence the baseline upon which plans are made. This could significantly improve the chances that the GCAP becomes a useful tool for integrated urban development.

3) IFI involvement has not ensured that the technology implemented has met the highest sustainability standards, but has instead allowed projects that either result in little to no contribution to sustainability and/or violate human rights to go forward.

If IFIs make a commitment to finance sustainable infrastructure, they need to ensure projects meet the highest standards – both with respect to the technology used and to human well-being. Respondents provided eight examples of projects that claimed to be sustainable, but did not have a sustainable procedure and/or outcome with respect to local, national and international environmental goals, including:

• In Mariupol, the EBRD provided funds for the purchase of new trolleybuses. Although the project's affordability analysis determined the project would provide services in line with affordability constraints, citizens were surprised when the city raised the cost of public transport, quoting running costs. They claimed the decision did not take into account the affordability concerns of the public. Moreover, people complained that the cost increase was not related to improvement of the quality of the public transport services.

- In two cases of EBRD-funded district heating projects (both in BiH), ⁷ respondents raised concerns over emissions both those from the plants and those from citizens using more coal, because allegedly the price of wood has risen as a result of the plant's use of domestic biomass from wood. ⁸ In a third energy-from-waste project (Belgrade Solid Waste PPP), there is a similar concern about the emissions likely to be released from burning the city's waste.
- In the EBRD-, OeEB- and IFC-financed Belgrade Solid Waste PPP, concerns that the planned incinerator will crowd out recycling and waste prevention have not been adequately addressed by the banks.
- Despite its goal to contribute to the health and safety of citizens, the heavy construction required to construct new water
 pipes in Tirana, funded by an EBRD loan, has added to the city's already intense construction, adding dust, noise
 pollution, safety risks and traffic to the streets. The EBRD-funded Belgrade Green Boulevard has had similar construction
 impacts, and is not expected to reduce air pollution or increase green spaces in the city. The EBRD has responded to
 gaps in the implementation of both projects by increasing monitoring over the construction. See Case Study 3 for more
 on the Belgrade Green Boulevard.

CASE STUDY 3 - Belgrade: Repeated Failures on Urban Roads

The EBRD's financing for urban roads in Belgrade illustrates some of the key risks with the EBRD's framework for financing sustainable municipal infrastructure projects. After a Problem-solving initiative filed against the disastrous reconstruction of Slavija Square as part of 'Belgrade Public Transport and Traffic Infrastructure' in 2017 and 2018 failed to produce any meaningful results due to the failure of local authorities to engage, the EBRD still went ahead with financing another urban roads project in the city.

The 'Belgrade Green Boulevard', which in 2017 received a EUR 20 million loan⁹ to update tram tracks and replace the pavement, was met with yet another complaint from citizens, who alleged that there was nothing green about the boulevard: it would simply repave the existing road, adding additional car lanes without improving accessibility, adding bike lanes or any greenery, and that the new design would slow down trams. The complaint was dismissed as ineligible for remedy by the complaint mechanism of the EBRD in October 2018, after yet another a failed attempt to engage city authorities.

The loan was disbursed, and construction on the roads was begun during the summer of 2019. Citizens have suffered from disruptive impacts, noise, dust pollution and poor construction practices at the site, which stretches several blocks through the centre of Belgrade, endangering the health and safety of humans in possible violation of the bank's Environmental and Social Policy. In response to a letter from the local CSO Ulice za Bicikliste that presented evidence of these impacts, the EBRD requested from the City that the contractor take additional measures to ensure safety at the site, and received assurances that conditions would improve. The bank also promised to have environmental and safety consultants perform an audit of the construction before the next phase and to advise on how to address any outstanding issues.

One of these projects is Banja Luka District Heating, and the other is Toplana Zenica d.o.o.. Toplana Zenica d.o.o. is not classified by the EBRD as a Municipal Environmental Infrastructure project (and thus not part of the database for this study), but was mentioned by one respondent and included in the study's findings because it will transfer the production of steam and blast air from ArcelorMittal Zenica's steelworks towards district heating and water heating.

[&]quot;Veća potražnja povećala cijene ogrevnog drveta", *BL Portal*, 15 September 2019, https://www.bl-portal.com/drustvo/veca-potraznja-povecala-cijene-ogrevnog-drveta/; "Rast cijene drva za ogrjev, do zime cijena će nastaviti rasti", *Dnevnk*, 4 June 2018, <a href="https://www.dnevnik.ba/vijesti/rast-cijene-drva-za-ogrjev-do-zime-cijena-ce-nastaviti-rasti"; Banja Luka District Heating complaint, EBRD, 6 May 2018, https://www.ebrd.com/documents/occo/banja-luka-district-heating-complaint.pdf?blobnocache=true. In the case of Banja Luka District Heating, it is worth noting that both issues are contested: The EBRD has claimed that regular monitoring has shown that the plant is compliant with EU emissions norms, but this sharply contrasts with residents' experience of the plant's operation. The EBRD maintains that the increase in the price of wood is due to demand from Italy; however, residents claim that this contributes to increased wood prices.

⁹ At the time of publication, the loan has been only partially disbursed, in accordance with the project's implementation schedule.

The results remain to be seen, but the EBRD's involvement in Belgrade's urban road development is an example of failure to learn lessons from previous projects. Authorities are able to exploit holes in the Bank's safeguards and the Bank's lack of authority over smaller projects in order to ignore important principles, such as participatory governance, human safety and wellbeing. This is a particular problem in the case of urban roads because the continuity and accumulation of projects poses significant risks and can have large impacts, but they are not overseen as if they were a large project.

The EBRD's Environmental and Social Policy lacks strong safeguards that can apply to transport and urban roads sustainability, due to these projects' distinction as Category B projects. For these, it tends to be the case that the EBRD relies for key elements of its performance requirements, such as stakeholder engagement, public consultation, and handling of grievances, to clients. Often these are publicly owned municipal service companies governed by the local authorities, and in the case of the Green Boulevard project it is the City of Belgrade.

In practice, the stakeholders in these Belgrade cases found that this meant there was really no way to hold the city authorities or the EBRD accountable for any violations in the planning and implementation process. Local authorities retain responsibility, and local laws govern processes. In the case of Belgrade, this is a problem because the local system lacks the effective operation of key open government mechanisms (public information, consultation, participation, etc.), and thus there are no meaningful resolution options available when issues arise. This is furthermore concerning when given the fact that the EBRD is funding a series of roads with construction and air pollution impacts. When taken all together, such roads do have great potential for larger scale environmental and social impacts in the construction and operational phases.

The EBRD's financing for urban roads in Belgrade illustrates some of the key risks with the EBRD's framework for financing sustainable municipal infrastructure projects. Lack of adequate oversight of municipal infrastructure projects can have disastrous consequences on the health and wellbeing of citizens, neighbourhoods, and entire urban areas. Furthermore, the EBRD's actions open the doors for the serious mismanagement of the Bank's funds, irregularities in implementation, and the failure to provide solutions that limit air pollution, protect and enhance urban green areas, increase energy efficiency, and other environmental goals for urban spaces. The combination of insufficient EBRD and local accountability measures ultimately leads to barriers to justice and remedy.

Our database of EBRD and EIB operations in municipal infrastructure from 2016-2019 supports this conclusion. For example, landfills, biomass and waste-to-energy feature in the solid waste operations of both banks, as do compressed natural gas and diesel buses¹⁰ in the transportation projects of the EBRD. Both banks also tend to refer in their public documents to infrastructure upgrades (to public buildings, transportation, etc.) in general terms or with limited information about emission reductions, not specifying how the project will contribute to wider sustainability goals.

Projects have also had negative human rights or social impacts. Construction and traffic in the EBRD's Belgrade Green Boulevard and GrCF: UKT Tirana Water Company cases put pressure on urban spaces and have extremely adverse impacts on local businesses and communities, and especially on the vulnerable groups living where construction is taking place.

Increased service prices (heating, public transportation, waste management) put financial pressure on already struggling households, and if projects are done without public consultation, citizens can feel negatively about paying taxes, fees, and price increases (an issue in UPTF: Mariupol Trolleybus and Banja Luka District Heating, for example). Affordability for poor and vulnerable households needs a separate attention, as does the quality of the services and increased safety (for women and girls) and accessibility (for disabled people).

[&]quot;EBRD to finance new buses for six cities in Georgia", *EBRD*, 29 November 2019, https://www.ebrd.com/news/2019/ebrd-to-finance-new-buses-for-six-cities-in-georgia.html.

Involuntary resettlement in such processes can also result in the lack of rights afforded to relocated persons, and the impact of needing to find a new home. This exacerbates the current problem of evictions and uncertain property rights in many former Socialist countries (Belgrade Solid Waste). If the IFIs do not more seriously consider the rights of communities, and especially the rights of the most vulnerable and marginalised people to healthy, safe places to live, their investments will contribute to the very effects of urbanisation that they claim to want to ameliorate.

4) Communities have been unsuccessful in most attempts thus far to use IFI or local mechanisms to hold local authorities accountable for alleged violations of the law and key democratic principles.

When local authorities breach IFI safeguards or national law in the implementation of a project, it is necessary that they be held accountable – whether by the IFI's mechanism or judicial mechanisms – or future funding should be conditioned upon meaningful reforms.

Even though the responsibility rests with the local authorities, in very few cases were our respondents or other citizen groups able to actually influence compliance with the terms of loans, IFI safeguards, national and European Union law. To public knowledge, none of the 10 complaints made to the EBRD or EIB on the projects in the database has been successful so far (see Case Study 3 for an example).

Our respondents claimed that local authorities can violate project procedures for which there is no real way to be held accountable, whether because there is no national law on the topic or because the judicial system in their countries lacks independence (Belgrade Solid Waste, Mariupol Public Transportation). They alleged that clients can easily design a project to be just shy of the necessary capacity so that they do not need to complete an EIA (Banja Luka District Heating). They frequently protect themselves by failing to provide full information: in the case of Banja Luka District heating, there is no transparency over the way the loan is being spent, which has resulted in allegations that the company has seriously mismanaged the loan and speculations that it cannot pay it back.¹¹

Some projects are held up for months (Energy Efficient Refurbishment of Zenica Hospital) and in some cases years (Montenegro Water and Sanitation), and the public is usually not well informed of the reason for the delay of the project.

In only two cases were local actors held accountable for their actions. In the case of Banja Luka District Heating, clients successfully sued the heating company for delivering heat and charging them for it after customers refused to sign a contract for such services – the case made it all the way to the Constitutional Court of Republika Srpska. At the same time, the EBRD considered that 'the introduction of a new tariff system' is one of the signs of a positive transition impact and good governance. In Belgrade, authorities revoked the acceptance of a scoping document of the EIA for Belgrade Solid Waste PPP that CSOs pointed out had been illegally accepted before legalizing the relevant urban planning documents.

If IFIs continue to finance local authorities who blatantly defy safeguards and standards, for example with regards to transparency and stakeholder engagement, they risk that their funds will be misused by local authorities – the record thus far shows there are insufficient means to prevent them from doing so.

Maja Bjelajac, "Korupcija u 'Eko-toplani Banjaluka' - Čeka se istraga EBRD", Impuls, 01 June 2018, https://impulsportal.net/index.php/impuls-teme/impuls-istrazuje/13859-maja-bjelajac-korupcija-u-eko-toplanama-banjaluka-ceka-se-istraga-ebrd.

[&]quot;Ustavni sud: Neustavno tjeranje građana da kupe ono što ne žele! Šta dalje?", *Gerila*, 28 November 2019, https://www.gerila.info/naslovna/ustavni-sud-neustavno-tjeranje-gradjana-da-kupe-ono-sto-ne-zele-sta-dalje/?fbclid=lwAR2Qbj1f6WknwXx11yL7ql83Fa2KppSukVeyES_plo2-eiDQQocl85wxFrE.

Moreover, by failing to ensure transparent and democratic planning and implementation in municipal infrastructure projects, the banks introduce significant risks that threaten their ultimate sustainability goals. Local authorities often conduct project planning and implementation in undemocratic ways, and citizens do not have any reliable accountability mechanism to turn to. This is particularly exacerbated in PPP projects with private sector clients like the Belgrade Solid Waste PPP, where the local authorities are responsible for preparing and monitoring the projects and implementing measures like the Resettlement Action Plan, but the banks have even less leverage over them than when they are direct clients.

Recommendations

IFIs have much work to do before their sustainable investments can be truly counted as such. This is a pressing need, due to the increasing demand for better quality municipal services, which are crucial for upholding human rights, and the importance of municipal development for climate change goals. We recommend the following to ensure truly sustainable municipal development.

Recommendations for the EBRD and EIB

- 1. *Invest in policy dialogue and capacity building for MEI clients* with regards to transparency, public participation, grievance handling and redress. IFIs should lead by example and should start disclosing more project information themselves, create dedicated platforms and portals for disclosure and sharing of good practice. They should invest in technical cooperation for areas of compliance risk or high public concern, for example regarding inclusion of vulnerable and marginalised groups, gender mainstreaming, affordability, social innovation.
- 2. Enforce more detailed conditions at both the project and planning level to ensure public participation and sustainable outcomes. To prevent the misuse of IFI funds, do not take for granted that clients are truly committed to sustainability and public participation. Put more detailed requirements in place for city authorities and project promoters regarding public consultation and information, especially for projects which do not require a full EIA and for GCAPs.
 - Consider developing and integrating detailed guidance notes, terms of references for consultants, as well as mandatory indicators for meaningful public participation which may be applied to different projects (i.e., the number and profile of people participating, number of people informed via different channels, involvement of marginalised groups, involved stakeholders receive feedback on their comments; well-argued comments are taken into account and bring significant changes to the documents being developed, etc.).
- 3. Improve monitoring and oversight of MEI projects to ensure public participation, quality implementation and sustainable outcomes, and to reduce the risks of misuse or non-compliance. Explore opportunities for community-based or participatory monitoring within projects and introduce this approach at every stage of the project cycle. If necessary, withhold funding for cities that fail to comply with policy requirements and carry out meaningful public consultations or to take public inputs into account on projects (including those that do not require an EIA) and/or Green City Action Plans. If local authorities breach standards or do not cooperate with accountability mechanisms, future funding should be conditional on adequate efforts to address these issues.
- 4. Ensure that projects in municipalities contribute to integrated urban planning and the sustainable transformation of municipal spaces. Make sure that investments are not made on an ad hoc basis, but that they are instead part of a drive towards integrated development of the city that addresses all stakeholders and multiple different aspects of urban life simultaneously. Cooperate with other IFIs operating in the same city to integrate (or unify, based on the most progressive approaches) requirements for strategic urban planning and reduce the burden on municipalities, and ensure coherence

between plans and projects. Explore opportunities for community-based or participatory monitoring within projects and introduce this approach at every stage of the project cycle.

- 5. Finance only sustainable infrastructure solutions. Ensure that updates to bank environmental and social policies include requirements for sustainability on all aspects of urban infrastructure in line with EU legislation and policies, such as the EU Taxonomy for Sustainable Finance.
- 6. Make a stronger commitment to human rights in your municipal infrastructure operations. Include in all municipal infrastructure and Green Cities operations an explicit commitment to respect all human rights, including civic, gender, labour, economic, cultural, environmental and social rights. Undertake transparent and participatory human rights impact assessments of the project before and after approval, and include the findings and monitor their evolution through a review of the projects.
- 7. We recommend the EBRD take specific steps related to its programming: Update the Bank's Green Economy Transition criteria to ensure that only truly sustainable projects are financed, for example using the EU Taxonomy. Make the Green Cities website a location for actual information disclosure about the GCAPs and Green Cities' financed projects rather than a marketing site for the initiative with some information about the GCAPs, and disclose more information on a more regular basis about the GCAP development processes.

Recommendations for Municipal Authorities

- 1. *Improve information sharing*. Publish complete, detailed information about projects in easy to access locations (online and hard copy, in formats accessible to all community members as regards language and disabilities) and ensure that it contains both easy-to-understand summaries of important information, for the average community member, as well as technical details.
 - Establish effective mechanisms that facilitate sharing information, particularly between affected communities and authorities. Communicate service changes to the public up front, and clearly provide a choice of services based on full information of costs associated. This work should be done before a project starts, by enhancing public involvement in urban planning and decision-making. When you make a mistake, admit it and show the public clearly how it will be fixed.
- 2. Include the public in a meaningful way in the planning and implementation of projects. In general, make use of the public's expertise and experiences at the very early stages of planning. Instead of seeing CSOs and the public as a disturbance, look at their potential to help improve the city's priorities and individual projects.
 - Carry out public consultations for infrastructure plans and projects even when there is no formal legal requirement for it. Do not hold public consultations during holiday periods or working hours when many people cannot attend. Hold them at a venue that is accessible for the affected people. Advertise public consultations in a way that will ensure the affected people will be aware of them: do not expect that people will read small ads in obscure publications or notifications on websites—put up posters near the project site.

Open meetings are an important tool for consultations, but smaller meetings or surveys with affected groups also need to be carried out. Whether in written communication or at public events, give concrete answers, which include concrete data where possible, to questions from the public. Following consultations, show—with conviction, not just as a tick-box exercise—how you have taken public comments into consideration.

- 3. Pursue urban planning that is genuinely integrated. Think holistically about the development of the city where you work and develop urban planning, and strategic urban planning documents, accordingly. Fewer, high quality documents that provide a guide for the integrated development of your municipality are more important than numerous documents that are never used.
 - Consider developing structures in your municipality that would transform the way planning happens, and seek to incorporate existing organisations who are working on the topic into your plans. This could include innovation labs, citizen working groups, alternative citizen "ministries," etc. View the GCAP as an opportunity not just to get funding, but as a way to contribute to high quality planning, and ensure that citizen voices are included in the process to enhance joint ownership of the process as well as the relevance of the plan for addressing real problems faced by the community.
- 4. *Hold stricter standards for your partners*. Uphold strict standard for investors, construction companies, and consultants, as well as local authorities themselves, and strengthen local accountability mechanisms. Demand that international financial institutions have human rights policies and monitor their implementation.

Recommendations for CSOs

- 1. Keep participating in public consultations and both formal and independent monitoring and evaluation related to IFI-funded projects. In cases where city authorities do not take comments made during public consultation into account, detailed information will still be needed to convey the issues to IFIs—they will want to see that CSOs have really tried to solve their issues at the local level.
 - Both formal and independent monitoring of projects can contribute to evidence at many levels of accountability, and your work is essential here. In formal processes, support the inclusion of members from your community. Relationships with bank employees, consultants, and other involved parties can be helpful in ensuring that your voice is heard.
- 2. When communicating problems about IFI-financed projects, be as concrete as possible. Try to make reference to specific IFI policies, and feel free to consult Bankwatch for advice about this.
- 3. Communicating directly with the public can be an important tool for generating broader interest and involvement, especially in cases where projects will impact the daily lives of specific communities. Consider how to generate this interest and play the role that the local authorities should play in terms of providing access to information and advertising public consultations.
- 4. Make connections with other CSOs, those within your municipality and outside of it, to enhance collaborative efforts, as well as share information, strategies and tactics. Especially important is cooperation with those outside of the specific field in which you work—individuals from CSOs operating in other sectors, as well as private individuals (including academics and legal professionals) can help fill gaps in skills and knowledge and contribute to a well-rounded set of expertise in analysing and addressing problems in municipal infrastructure.

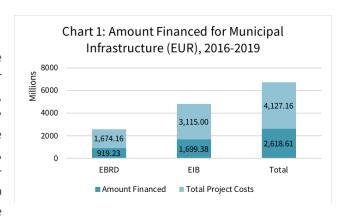
Annex 1: Methodology

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Bankwatch analysed the EBRD and EIB's operations in sustainable municipal infrastructure (in the sectors of water and wastewater (including irrigation), public transport, urban roads and lighting, solid waste management, district heating, energy and energy efficiency, and general urban development) to determine how the banks' investments have done so far on inclusive governance, accountability, planning, environmental outcomes and respect for human rights. The study covers all operations signed by the EBRD and EIB during the period January 2016-December 2019 in the



following countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kosovo, Moldova, Montenegro, the Republic of North Macedonia, Serbia, and Ukraine. ¹⁴ Between 2016 and 2019, the EBRD signed 50 different municipal infrastructure operations and the EIB signed 24. ¹⁵ Four of these projects are co-financed by both the EBRD and the EIB. ¹⁶ Thus, the database covers 74 operations (70 discrete projects/frameworks) signed in the last four years. Perhaps a better measure of involvement in this area is the amount financed for operations in the sustainable municipal infrastructure sector (see Chart 1). ¹⁷

Bankwatch used three methods of data collection: 1) Documentary analysis of EBRD project files and EIB project files (as well as press releases) was undertaken to map the European IFI-financed sustainable municipal infrastructure projects and their stakeholders in the Western Balkans and Eastern Neighbourhood. ¹⁸ 2) Bankwatch administered 16 structured interview surveys to representatives from environmental CSOs working in municipalities that have been the site of one of these investments. Surveys were transcribed word-for-word, coded using coding software, and analysed for frequency, salience, and co-occurrence of codes that emerge. 3) In-person participant observation and interviews, as well as desk research, were conducted to develop case studies of three cities (Belgrade, Skopje and Tbilisi) referenced in this brief, which supplement the data with more detail. This brief is a concise summary of a full report produced by Bankwatch and available upon request.

We define sustainable municipal infrastructure as the basic physical and organizational structures and facilities required for the delivery of services in municipal and urban areas in a manner that is environmentally and socially sustainable and that guarantees basic human rights to those individuals and communities that use them. This brief uses two terms to refer to the loans and projects discussed.

European Parliament. "Fact Sheets on the European Union - The Union's enlargement and neighbourhood." Fact Sheets on the European Union. https://www.europarl.europa.eu/factsheets/en/section/207/the-union-s-enlargement-and-neighbourhood.

Operation refers to "any equity, loan, guarantee or borrowing transaction" of the EBRD or EIB. Project refers to a specific infrastructure undertaking. For example, the construction of a wastewater plant in Skopje is a project, but the two loans signed by the EBRD and the EIB to finance this project are operations.

These projects are: GrCF2 W2 - Skopje Wastewater Project/Skopje WWTP; GrCF 2: Minsk VK/Minsk Wastewater Treatment Plant Reconstruction; Green City Framework: Chisinau buildings/Chisinau Energy Efficiency; and Kharkiv Metro Extension. As mentioned in an earlier footnote, there are additional projects which are likely to have been co-financed by the EBRD and EIB within the framework loans for public transportation in Ukraine (Ukraine Public Transport Framework (UPTF) - EBRD / Ukraine Urban Public Transport FL - EIB). Because the EBRD has not made project summary documents available for the sub-projects under this loan, there is no way to guarantee based on our existing resources whether UPTF projects were co-financed by the EIB or by some other financier. However, the EBRD has made some documents available for a sub-project made under the second UPTF loan (UPTF2 - Poltava Trolleybus). This is a welcome improvement in document disclosure; however, more is needed. Two other projects that are co-financed by the EBRD and the EIB are not included here. Belgrade Public Transport and Traffic Infrastructure is not included in the database because the EBRD's initial loan was signed in 2011. Gjilan Wastewater Development Project, has been signed by the EBRD but not the EIB, according to its website; thus, only the EBRD's loan is included.

Duplicates were subtracted from the total cost of all projects to address double counting. In cases where there was a discrepancy between the total cost of the project as listed by the Banks documentation, the amount which equalled (or was closest to) the sum of the EBRD and EIB's contributions was left in the database and the amount which differed from this sum was removed. Investments made by EU funds and the IFC were not included in the database because there were so few of them; however, they are mentioned in the text of the report.

EBRD, Project Summary Document Database, EBRD, <a href="https://www.ebrd.com/work-with-us/project-finance/proj

Annex 2: Full Project List

Date (Signed)	Project ID	Country	Project Title	Bank
11 Dec 2019	50848	Serbia	Serbian Climate Resilience & Irrigation Programme SCRIP	EBRD
10 Dec 2019	51441	Serbia	Novi Sad - Bus Fleet Renewal	EBRD
27 Nov 2019	51207	Georgia	GrCF2 W2 - Tbilisi Bus extension	EBRD
27 Nov 2019	50842	Georgia	Georgia Urban Transport Enhancement Programme	EBRD
27 Nov 2019	50376	North Macedonia	GrCF2 W2 - Skopje Wastewater Project	EBRD
24 Sep 2019	49108	Belarus	Shklov Wastewater Subproject	EBRD
24 Sep 2019	49107	Belarus	Zhlobin Wastewater Subproject	EBRD
13 Sep 2019	51214	ВіН	GrCF2 W2 - Banja Luka Water - Phase 1	EBRD
30 July 2019	50055	Ukraine	UPTF2 - Poltava Trolleybus	EBRD
23 Jul 2019	47582	Georgia	GrCF - Tbilisi Solid Waste	EBRD
23 Jul 2019	51004	Serbia	Sabac Buildings Energy Efficiency	EBRD
11 Jun 2019	49085	Belarus	Vitebsk Region Clean Water Project	EBRD
03 Jun 2019	50503	Moldova	GrCF - Balti Trolleybus	EBRD
9 May 2019	50437	Kosovo	Gjilan Wastewater Development Project	EBRD
26 Feb 2019	49728	Ukraine	UPTF - Dnipro Trolleybus	EBRD
28 Jan 2019	50185	North Macedonia	GrCF: Skopje Bus project	EBRD
18 Jan 2019	49844	Ukraine	UPTF - Lviv Trolleybus	EBRD
29 Nov 2018	48237	Ukraine	UPTF - Zhytomyr Trolleybus	EBRD
20 Nov 2018	49483	Belarus	GrCF2: Minsk VK	EBRD
28 Sep 2018	48195	Ukraine	UPTF: Kharkiv Trolleybus	EBRD
12 Sep 2018	48988	Ukraine	UPTF - Kryvyi Rih Trolleybus	EBRD
12 Jul 2018	49653	Azerbaijan	DFF - KF Baku Bus	EBRD
06 Jul 2018	49557	Ukraine	UPTF - Mariupol Trolleybus	EBRD
05 Jul 2018	49631	ВіН	Zivinice Regional Solid Waste Project	EBRD
27 Jun 2018	49431	ВіН	GrCF-Energy Efficient Refurbishment of Zenica Hospital	EBRD

7 Jun 2018	46960	Belarus	Puhovichi Solid Waste Project	EBRD
01 Jun 2018	49437	Ukraine	GrCF - Lviv Solid Waste	EBRD
20 Mar 2018	46758	Serbia	Belgrade Solid Waste PPP	EBRD
19 Mar 2018	49161	Albania	GrCF: UKT Tirana Water Company	EBRD
28 Dec 2017	48019	Ukraine	PSEEF: Kremenchuk Public Buildings EE	EBRD
11 Dec 2017	46411	Ukraine	Kharkiv Metro Extension	EBRD
17 Nov 2017	47899	Moldova	Green City Framework: Chisinau buildings	EBRD
13 Nov 2017	49407	ВіН	GrCF - Banja Luka District Heating	EBRD
01 Sep 2017	49463	North Macedonia	KB-MMF: Municipality of Centar in Skopje	EBRD
01 Sep 2017	49463	North Macedonia	KB-MMF Municipality of Gostivar	EBRD
13 Jul 2017	48104	Georgia	GrCF - Batumi Bus	EBRD
11 Jul 2017	49267	Serbia	GrCF - Belgrade Green Boulevard	EBRD
11 May 2017	48252	ВіН	GrCF: Sarajevo Water	EBRD
26 Dec 2016	48756	Ukraine	UPTF:Ivano-Frankivsk Trolleybus	EBRD
21 Dec 2016	48235	Ukraine	UPTF - Kremenchuk Trolleybus	EBRD
17 Nov 2016	48232	Ukraine	UPTF: Lviv Automated Fare Collection	EBRD
24 Oct 2016	47427	Belarus	Lida Wastewater Subproject	EBRD
24 Oct 2016	47426	Belarus	Orsha Wastewater Subproject	EBRD
24 Oct 2016	47422	Belarus	Polotsk Wastewater Subproject	EBRD
31 Aug 2016	47809	ВіН	Visoko Water Supply	EBRD
12 Jul 2016	48098	Georgia	Georgia Solid Waste Management Project	EBRD
24 Jun 2016	46489	Kosovo	Pristina Urban Transport Project	EBRD
11 May 2016	46540	Armenia	Gyumri Urban Roads	EBRD
11 May 2016	47166	Georgia	Tbilisi Bus Project	EBRD
29 Jan 2016	45779	Ukraine	Lviv Wastewater Biogas	EBRD
20 Dec 2019	20180281	BiH	Water and Sanitation RS II	EIB
20 Dec 2019	20170232	North Macedonia	Skopje WWTP	EIB
20 Dec 2019	20170697	BiH	Flood Protection Measures RS	EIB

22 Nov 2019	20180013	Belarus	Belarus Sustainable Energy Scale-Up	EIB
18 Oct 2019	20140483	Moldova	Moldova Solid Waste Framework Loan	EIB
16 Oct 2019	20170192	Serbia	Belgrade Palilula Sewerage System	EIB
25 Jul 2019	20180014	Belarus	Belarus Utility Services Modernization	EIB
5 Jul 2019	20161020	Albania	Lana River Front - Urban Redevelopment	EIB
7 May 2019	20170147	Serbia	Municipal Infrastructure Resilience Framework	EIB
15 Apr 2019	20180072	Serbia	Partnership for Local Development	EIB
17 Dec 2018	20170206	Ukraine	Ukraine Transport Connectivity	EIB
20 Nov 2018	20170024	Belarus	Minsk Wastewater Treatment Plant Reconstruction	EIB
9 Jul 2018	20160819	Ukraine	Ukraine Urban Road Safety	EIB
11 Dec 2017	20130199	Ukraine	Kharkiv Metro Extension	EIB
1 Dec 2017	20150124	Armenia	Yerevan Energy Efficiency	EIB
16 Nov 2017	20140161	Moldova	Chisinau Energy Efficiency	EIB
28 Jul 2017	20160585	Georgia	GWP Tbilisi Waste Water and Infrastructure	EIB
12 Jul 2017	20040340	Serbia	Clinical Centers	EIB
29 Dec 2016	20050221	Montenegro	Montenegro Water and Sanitation	EIB
29 Dec 2016	20100049	ВіН	RS Hospitals	EIB
9 Dec 2016	20160405	Georgia	Georgia Upgrade of Municipal Infrastructure	EIB
28 Nov 2016	20090405	Serbia	Upgrading of Judiciary Buildings	EIB
11 Nov 2016	20150503	Ukraine	Ukraine Urban Public Transport FL	EIB
11 Feb 2016	20150172	Georgia	Georgia Urban Reconstruction and Development FL	EIB

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