

# Bankwatch

2020 annual report

CEE

Bankwatch  
Network

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### Bankwatch Executive Committee

Peep Mardiste  
Piotr Trzaskowski  
Jana Maussen  
Dora Sivka  
Istvan Farkas

### Review Committee

Greig Aitken  
Anna Roggenbruck  
James N. Barnes



# Letter from the Executive Director



Dear friends,

I am not wont to hyperbole, but I can say for certain that 2020 was a year unlike any in generations. The coronavirus pandemic fundamentally altered life as we know it and how we as a species understand our place on this earth.

Quite the backdrop against which I assumed the reins in May as the fourth executive director in the organisation's storied twenty five years (a muted milestone that we will revisit in more 'normal' times.)

The challenges have been immense. As an international network rooted in a membership with eyes and ears to the ground where development finance takes place, we've had to adapt to among other things restrictions on the mobility that is integral for maintaining relationships with communities whose demands inform our policy agenda.

While intended to slow the pandemic's spread, these restrictions have also had the unintended consequence of affecting the ability of locals to organise, engage in meaningful consultations with authorities and to resist projects that may well be fast-tracked in the name of a pandemic response but that do not conform to local wishes for development.

Yet I remain immensely hopeful for things to come, for if, in spite of the challenges of 2020, our campaign achievements from the year portend the future. Across the Balkans, our team continues to wean the region from its deadly addiction to coal: a major investor pulled the plug on the massive Kosova e Re plant, rendering the project all but dead, and the North Macedonian government signed a date by which it will phase out coal in its national energy and climate plan.

As the region looks to alternatives, we successfully stripped bare the false solutions being advocated by some for the benefit of a few: Serbia announced the suspension of a harmful scheme for hydropower subsidies, as did Bosnia and Herzegovina, while Romania's last new coal power plant project was cancelled.

We continue to engage with financial institutions and take them to task when policy violations occur. Recourse mechanisms at both the European Bank for Reconstruction and Development and the European Investment Bank sided with locals' claims of rights violations in their funding of the billion dollar Nenskra dam in Georgia. The European Ombudsman also opened an inquiry into the Southern Gas Corridor, the EU's largest-ever fossil fuel project, following a Bankwatch complaint about the EIB's dodgy climate maths in approving a loan for the pipeline.

At the same time, unprecedented levels of financial support are being made available to recover from the downturn wrought by the pandemic. As chair of the Green 10 network of Europe's largest environmental groups, we pressured the Commission to ensure a green recovery through investment measures in the national energy and climate plans. We pioneered the first assessment of the national recovery and resilience plans, sounding an alarm about threats to the European Green Deal due to the low quality of public engagement. Finally, we put our expertise in service of local communities across seven countries of the region, developing Territorial Plan checklists so that people-centered strategies to move beyond coal can lead to a just transition.

With a focus on preventing harmful investments while advocating for quality spending, I believe it is not hyperbole to imagine that we can as a whole build back better, more resilient and sustainable societies for generations to come.

Best regards,

**Mark Martin**  
*Executive Director*

# Who we are

Bankwatch is the sum of its members

1

Za Zemiata  
Bulgaria



2

Zelena Akcija  
Croatia



3

Centre for Transport  
and Energy  
Czech Republic



4

Friends of the Earth  
Estonia



5

Green Alternative  
Georgia



6

MTVSZ, Friends of  
the Earth  
Croatia



7

Latvian Green  
Movement  
Latvia



8

Ekosvest  
Macedonia



9

Polish Green  
Network  
Poland



10

CEKOR  
Serbia



11

CEPA, Friends  
of the Earth  
Slovakia



12

Ecoaction to  
Kyiv  
Ukraine



13

National Ecological  
Centre of Ukraine  
Ukraine



## Affiliated Members

14

Hnutí DUHA/Friends  
of the Earth  
Czech Republic

15

Sakhalin  
Environment Watch  
Russia

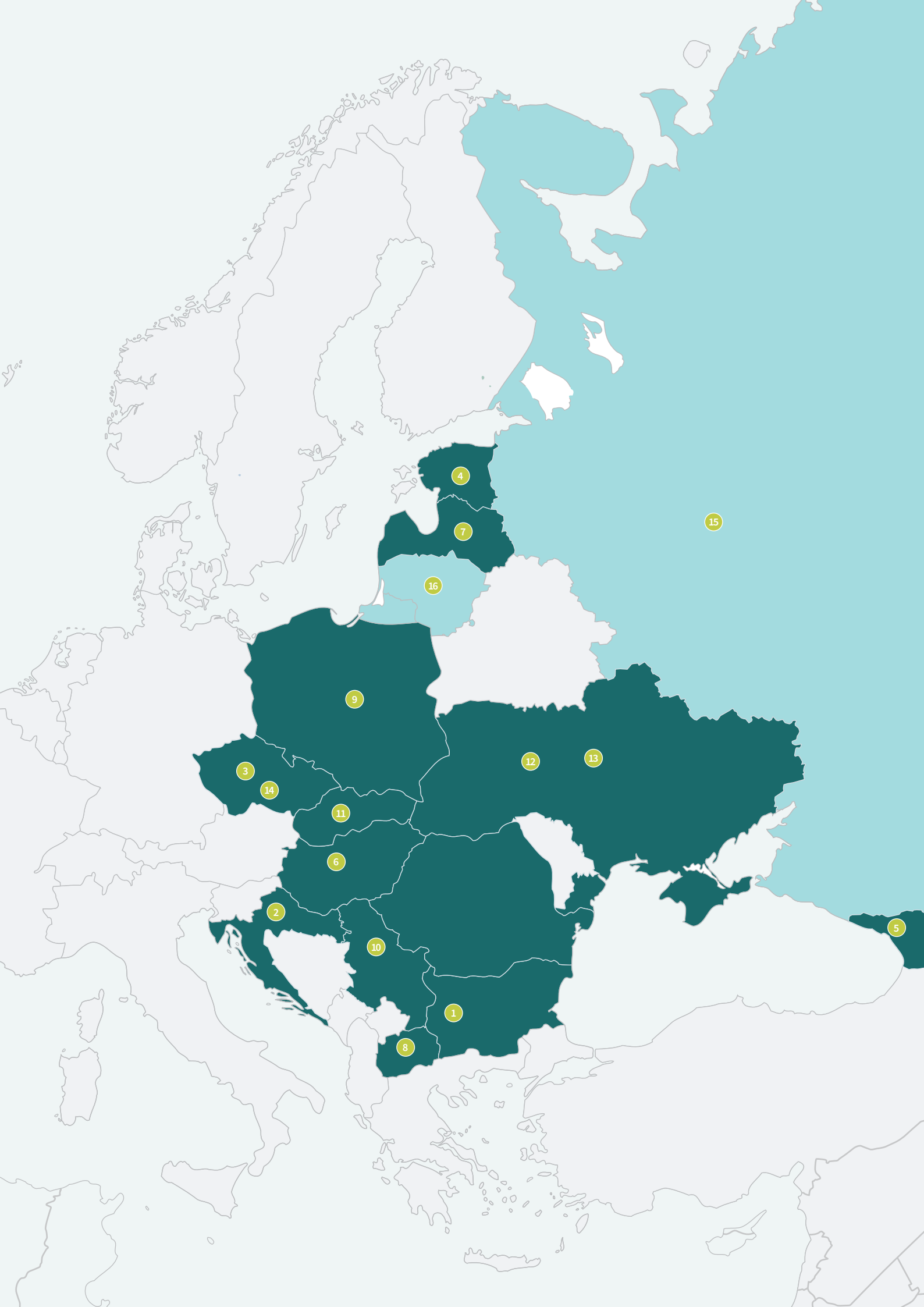
16

Atgaja  
Lithuania

## Branches

Bankwatch  
Romania





# Where we made a difference in 2020

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## Not all renewables are created equal

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Hydropower plants are the most controversial source of renewable energy in the Balkans, and a wave of opposition has resulted from their seemingly unchecked spread across the regions's rivers and streams, particularly with smaller projects whose impacts are disproportionate to their contribution to the electricity supply.

Part of the boom could be attributed to the subsidies schemes which unfairly benefit hydropower to the detriment of solar and wind power. But thanks in part to our work on the ground supporting partners to press their governments for change, the tide is turning on this wave of harmful projects. A Bankwatch report exposed how such systems invite nepotism and can lead to projects sited in environmentally-sensitive areas where communities depend on the rivers.

In January 2020, Serbia took a commendable first step and announced that it had suspended its outdated renewables incentives scheme pending changes in the legislation, which finally took place in early 2021. In a similar fashion, in November the Government of the Federation of Bosnia-Herzegovina (FBiH) followed suit and pledged to stop granting incentives for new small hydropower plants from 1 January 2021.



## For whom the bell tolls

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Kosovo relies more heavily on coal power than any other country in Europe. In spite of this, for years the country was still pushing ahead with plans for a new plant, threatening to maintain its dependence on its low-quality, highly polluting, lignite coal. Bankwatch has for years worked with local groups to help move the country beyond coal to more sustainable forms of energy.

Following decisions by both the World Bank and the European Bank for Reconstruction and Development to pull out of the planned Kosova e Re coal power plant, the project received a further blow when the contractor announced in March 2020 that it was abandoning the project, rendering Kosova e Re dead.

Kosovo must now decide how to move forward. The country has wasted years on pursuing a coal project that could have instead been spent addressing distribution network losses and investing in sustainable forms of renewable energy, that are now more economically viable than coal. There is no more time to lose on coal. It is no longer a resource, but a liability.



## See no evil

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When the European Commission announced in July 2020 the largest stimulus in the history of the EU to fend off the worst of the pandemic, hopes were high that Member States would deliver money to build back better, more resilient societies. After all: at least a third of the funds from the 672 billion euros Recovery and Resilience Facility should be spent on projects that address climate breakdown and the rapid loss of biodiversity. In order to get ready for the recovery planning process, we documented together with partners concrete investment proposals in the national energy and climate plans of 14 Member States to bolster our case for ensuring a green recovery.

But after having participated in the formulation of several of Europe's long-term budgets, Bankwatch was well aware that, unless carefully monitored, EU funds can be misspent. Our suspicions were confirmed when we published in November our analysis of how the recovery spending plans were shaping up found: next to no details were being shared with the public about how the money would be spent.

This first of its kind report shed light on the opaque planning process and helped draw the attention of other civil society groups and the European Commission to what Member States were up to. With increased scrutiny to the plans, hopes are high that the recovery funding will lead up to its potential and drive a green recovery.

Bankwatch also coordinated the Green 10 network of Europe's largest environmental organisations and used the platform to push for stronger safeguards from the Commission to protect a green recovery.

## Long time coming

After more than two years of investigation, the independent accountability mechanisms at both the European Investment Bank and the European Bank for Reconstruction and Development ruled that both had violated their policies in financing the Nenskra hydropower plant in Georgia. The ruling was vindication for the indigenous Svan people who have for years fought against a wave of hydropower projects in the mountainous northern corner of the country.

The news that the project fails to comply with international standards comes as yet another controversy for the 280 MW hydropower plant project, which has already been the subject of years of opposition from local communities, warnings about its financial liability by the banks, and abandonment by a major construction contractor, to name just a few. This project is unwanted by locals and Georgians alike and shows the role that people can play in determining a country's future development.

The ruling serves as a test case for the accountability mechanisms at both banks to show how seriously they are committed to providing redress for communities. Using these recourse avenues continues to be an important strategy for people in the banks' regions of operation, as in the Amulsar mine in neighbouring Armenia, where Bankwatch helped locals initiate a similar process in 2020.





## Calling out EU bank's dodgy climate maths

The litany of disastrous issues continues to grow for the EU's flagship energy project, the Southern Gas Corridor, a massive gas pipeline spanning the Caucasus and Balkans to deliver gas from the Caspian sea to EU markets. In December 2020, Bankwatch and partners filed a complaint to the European Ombudsman, alleging that the EIB failed to properly assess the project's impacts on the climate when it lent nearly a billion euros to the corridor.

In its carbon footprint assessment of the Trans Adriatic Pipeline, the EIB understated 2.5 times less greenhouse gas emissions than the figure in the environmental and social impact assessment that had been submitted by the consortium building the pipeline. In the case of Trans Anatolian Pipeline, the EIB's estimate was 3.5 times lower than that in the project's environmental and social impact assessment.

A more truthful estimation would factor in emissions resulting from both the extraction of the gas at the Shah Deniz field in Azerbaijan, its entire transportation, and its eventual use in power plants in Europe.

The shortcomings in the EIB's assessment is particularly troubling given the launch midyear of its Climate Bank Roadmap 2021-2025 initiative. Bankwatch prepared 21 detailed recommendations for how the bank could lead the EU in addressing this existential crisis, but so far it appears that it has yet to heed the calls for urgent action.

## A first for the Western Balkans

In February the North Macedonian government approved a national energy strategy that makes it the first country in the Western Balkans to consider a coal phase-out before 2030. Two of the strategy's scenarios entail a coal exit by 2025, with the third delaying the closure of the Bitola lignite power plant until 2040. A final decision on the phase-out date is likely to be made in 2021.

Lignite has been responsible for around half of the country's electricity generation in recent years, contributing to the Western Balkans' chronic air pollution problems. The energy strategy now plans to significantly ramp up solar and wind power.

North Macedonia was also chosen as the location for the inaugural Lung Run, a solutions oriented trail race where participants gather data about real time emissions from coal facilities. Though in-person events were prohibited in 2020, 70 runners from 14 countries joined the event.



## Defending democracy in a digital era

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Among the challenges to our work wrought by the pandemic were the restrictions placed on gatherings, meaning that the public consultations which are a cornerstone of good governance could not go forward. For these reasons, Bankwatch explored new avenues for ensuring that the voices of those affected by bank projects could have their say over these developments. Though the amount of time possible in the field reduced, our efforts to support partners was not, and we shifted exclusively to digital organising: we gathered evidence from locals on the ground to communicate with decision makers and bank staff, and we helped complainants and the accountability mechanisms do virtual fact-finding and due diligence.

In October, we convened civil society for the first ever virtual dialogue with the EBRD's Board of Directors. A central theme of these discussions was the backsliding on democracy in many of the bank's regions of operations, particularly in countries like Belarus, Egypt, Serbia and in particular Uzbekistan, a country where our efforts started to pay dividends in 2020.

We launched a dedicated Telegram channel and a monthly newsletter in Russian to better inform Uzbeks about public mechanisms to influence the banks. Two webinars were organised for local activists about public participation in decision-making and monitoring pandemic recovery-related budget spendings. The network of partner groups and activists in Uzbekistan grew by engaging them in communication with the EBRD and the Asian Development Bank. Finally, activists in Uzbekistan affected by bank investments knew their rights when it comes to information disclosure and non-retaliation.

## Planning for success

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With communities across central and eastern Europe preparing for the inevitable life after coal, Bankwatch is working to equip governments with the right tools to ensure that local voices are included in designing a just transition away from fossil fuels.

We developed a first-of-its kind checklist to ensure that the territorial plans for the coal regions that are required by the European Commission to access billions of euros from the Just Transition Fund respect the wishes of all stakeholders. Building on our experience with supporting this transition in seven countries across the region, the checklist is meant to help experts, national authorities and local communities get these Territorial Plans right.

The checklist covers measures like concrete indicators that the Territorial Plans should include, for example when it comes to emissions and jobs; criteria on how to make sure the Plans do not support polluting or dated industries in the regions; specific advice on how to make participation work.

# Cities for people

With 55 per cent of the world's population and 74 per cent of Europe's population living in urban areas, the leadership and governance of cities has been put to the test this year. Cities are undergoing unprecedented changes as lockdowns are being lifted and citizens are learning how to live with the coronavirus in crowded urban centres.

The recovery process is adding new challenges to city infrastructure and municipal services, yet with those challenges come new opportunities. For example, some cities are 'clamping down on cars' and people are turning to cycling, not only as a more climate-friendly mobility option, but also as a way to avoid crowded public transport.

With the new challenges and opportunities comes billions in public money to be invested in new safer, more sustainable and resilient urban infrastructure. Transparency, public participation, gender equality and accountability must be the building blocks of urban recovery and transformation.

Thanks in part to our recommendations, the EBRD improved its methodology for the Green Cities Action Plans initiative to include a greater focus on good governance, transparency and gender engagement. Participation of Bankwatch member groups and partners across the Balkans, Georgia and Ukraine helped to ensure that the cities of the future where the EBRD invests will be more oriented towards the people that call them home.



# The organisation's lifeblood - our funders

We thank each and every one of our donors, past and present, for making our work possible and their trust and confidence in the job we do to bring international finance to account.

Assets	EUR	Liabilities	EUR
Fixed Assets	1 007	Reserve Fund	116 318
Claims	223 536	Grant Fund	854 955
Cash in Hand	195	Committed Transfers	93 898
Bank Accounts	1 019 723	Accumulated Financial Result	51 779
Valuables	0	Short Term Liabilities	133 044
Interperiod Active Clearances	12 380	Interperiod Passive Clearances	6 848
<b>TOTAL ASSETS</b>	<b>1 256 842</b>	<b>TOTAL LIABILITIES</b>	<b>1 256 842</b>

Income*	EUR	Expenditures*	EUR
DG Environment	350 232	Salaries	973 716
European Climate Foundation	324 745	Running costs	87 362
Swedish Intern. Develop. Agency	319 312	Travel and meetings	41 948
German Ministry of Environment	243 152	Equipment	16 634
DG Development	109 628	Consultants and legal assistance	118 550
BothENDs	29 038	Publications	46 599
Open Society Foundation	44 232	Network overheads	59 534
Europe Beyond Coal	24 696	Support for partners	174 217
Partners cofinancing	24 340	<b>TOTAL EXPENDITURES</b>	<b>1 518 562</b>
Various	49 186		
<b>TOTAL INCOME</b>	<b>1 518 562</b>		

\*Funding and expenditures relate to transactions reported to donors and include also data for participating member and partner organisations.

EU diplomats are right to call out the European Commission for its ‘outdated’ pandemic response but wrong to continue squabbling over the size of the stimulus. A more urgent debate is needed about how to spend it. The surest way to economic recovery after COVID-19 is through stimulus plans that simultaneously address the threat of climate change.

— Executive Director Mark Martin in the *Financial Times*, June 2020