

# Can the European Bank for Reconstruction and Development deliver effective sustainable infrastructure in the transport and municipal sectors?

Recommendations for the EBRD's new Sustainable Infrastructure Strategy



The EBRD holds a unique sustainability mandate among multilateral development banks. As stated in the Agreement Establishing the European Bank for Reconstruction and Development, one of the EBRD's commitments is 'to promote in the full range of its activities environmentally sound and sustainable development'.<sup>1</sup> To this end, it has taken a number of important steps.

In 2016, the EBRD introduced its Green Economy Transition (GET) approach, initiating a major shift in its strategy for investing in climate action. Three years later in 2019, it established the Sustainable Infrastructure Group (SIG), which is a team within the bank responsible for developing and delivering investments in sustainable infrastructure. In 2020, in an attempt to reinvent itself as a green bank, the EBRD updated its GET approach for the period 2021 to 2025, setting a target of investing more than 50 per cent of its annual investment budget in the green economy by 2025.<sup>2</sup> Finally, in December 2022, the EBRD's board approved a methodology to determine the Paris Agreement alignment of EBRD investments,<sup>3</sup> which requires the EBRD to fully align its operations with the climate mitigation and adaptation goals of the Paris Agreement from 1 January 2023.

But what does all this mean in practice and how is the EBRD delivering on its sustainability mandate and climate action commitments? This briefing attempts to answer these questions and makes recommendations aimed at contributing to the preparation of the EBRD's new Sustainable Infrastructure Strategy for the period 2025 to 2029, which will merge the EBRD's Municipal and Environmental Infrastructure (MEI) Sector Strategy and Transport Sector Strategy into one updated document.

The information shared in this briefing is drawn from Bankwatch's on-the-ground experience with EBRD investments in Armenia, Bosnia and Herzegovina (BiH), Georgia, Kyrgyzstan, Serbia and Uzbekistan. The briefing itself is divided into three sections: solid waste projects, urban transport projects, and highway projects.

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<sup>1</sup> European Bank for Reconstruction and Development, [Basic documents of the European Bank for Reconstruction and Development](#), *European Bank for Reconstruction and Development*, 5, 30 September 2013.

<sup>2</sup> European Bank for Reconstruction and Development, [Green Economy Transition Approach 2021-2025](#), *European Bank for Reconstruction and Development*, 5, 10 July 2020.

<sup>3</sup> European Bank for Reconstruction and Development, [Methodology to determine the Paris Agreement alignment of EBRD investments](#), *European Bank for Reconstruction and Development*, 5, December 2022.

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Each section is supplemented with case studies followed by recommendations adapted from the EBRD's transition qualities<sup>4</sup> and the three pillars of sustainable development: environmental sustainability, social sustainability and economic sustainability. Our recommendations are designed to help the EBRD ensure that its investments in the MEI and transport sectors are:

- **Green:** Investments should prioritise environmentally friendly practices to help the EBRD's countries of operation break free from fossil fuel dependence. This involves shifting the approach to mobility and transport by promoting low-emission and sustainable modes of transport, increasing energy efficiency and the efficient use of resources, adhering to circular economy principles and the EBRD's Paris alignment methodology, and improving environmental conditions in cities.
- **Inclusive and well-governed:** The strategy should include measures that ensure transparency and accountability throughout the decision-making process, accessibility, and protection of the rights and livelihoods of people affected by EBRD-funded projects. Members of vulnerable groups suffering intersectional discrimination and marginalisation should receive tangible benefits from the investments.
- **Economically and financially sustainable:** This entails making realistic projections for tariff increases related to public services such as solid waste collection or public transport, giving consideration to what vulnerable groups can afford and allocating sufficient operational costs to ensure infrastructure remains compliant with EU standards. The EBRD should maximise opportunities aimed at involving the private sector and developing markets for recyclable materials.

EBRD projects in both the MEI and transport sectors can impact – both positively and negatively – the rights of millions of people living in cities and close to linear transport infrastructure. Therefore, to avoid harm, project delays, as well as legal and financial risks, important decisions on the siting of MEI facilities, the routing of transport corridors, and the assessment and management of potential risks and impacts on nature, cultural heritage, communities and livelihoods need to be made transparently and in consultation with rights holders and stakeholders.

Although this briefing does not elaborate on environmental and social safeguards, the development of the upcoming Sustainable Infrastructure Strategy needs to dovetail with the revision of the EBRD's good governance policies. It also needs to consider and incorporate lessons learned from its approach to addressing complaints filed in relation to the solid waste public-private partnership project in Belgrade, Serbia and recent environmental and social compliance reviews of highway projects in Georgia and BiH carried out by the EBRD's Independent Project Accountability Mechanism (IPAM).

Finally, the EBRD needs to present a convincing 'theory of change' for its new Sustainable Infrastructure Strategy guided by clear objectives and indicators. This is important for ensuring accurate reporting on both the anticipated and achieved impacts of its investments in the MEI and transport sectors.

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<sup>4</sup> European Bank for Reconstruction and Development, [EBRD and transition](#), *European Bank for Reconstruction and Development*, accessed 31 January 2024.

Since 2019, several internal evaluations at the EBRD have highlighted gaps in reporting on the results of its GET approach. In July 2023, the EBRD Evaluation Department released its latest report on the ‘evaluability’ of the approach. The assessment reveals that the EBRD is set to implement a monitoring, reporting and verification (MRV) system, a first among international financial institutions. According to the assessment, the system is designed to track the EBRD’s progress in achieving its corporate commitments in three key areas: the GET approach, alignment with the Paris Agreement, and climate risk.

At the same time, the authors of the evaluation underline a lack of clarity surrounding the application of GET reporting, both internally and externally, as well as the process of formulating and disclosing ex ante measures and ex post data. In their estimation, the MRV is not intended as a tool for evaluating the absence of targets or clear programme objectives when benchmarking performance.<sup>5</sup>

## 1. MEI: Solid waste projects

To support our analysis and recommendations for the solid waste sector, we present four case studies that document the negative effects of EBRD-funded projects in Yerevan (Armenia), Bishkek (Kyrgyzstan), Osh (Kyrgyzstan) and Karakalpakstan (Uzbekistan). All four projects have the following problems in common:

- delays in implementation, ranging from roughly two years in Karakalpakstan to over 10 years in the case of Bishkek;
- no measures for waste prevention and reduction, which is in breach of the EU’s waste management hierarchy and the principles of the circular economy;
- poor financial feasibility analysis of the construction and operation of infrastructure, often owing to unrealistic projections for tariff increases;
- negative impacts on the livelihoods of vulnerable groups due to a lack of transparency on livelihood restoration assessments, budgeting and institutional commitments, and reporting on the results of implemented measures;
- problems with siting next to residential areas, which, in the case of the Bishkek solid waste project, has shortened the lifespan of the facility and adversely impacted the health and well-being of local communities;
- poor or no engagement with stakeholders, including affected communities living in proximity to disposal sites and city residents, on issues such as separation and collection options.

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<sup>5</sup> European Bank for Reconstruction and Development Evaluation Department, [Improving Evaluability to improve impact. Is the EBRD on track? Phase 1. Evaluability Assessment of the EBRD’s Green Economy Transition](#), European Bank for Reconstruction and Development, 2, 3, July 2023.

## Case study 1: Bishkek solid waste project,<sup>6</sup> Kyrgyzstan

In 2013, the EBRD provided a EUR 11 million loan and a EUR 3 million grant to the Kyrgyz Republic to facilitate solid waste collection, waste sorting and recycling, the closure of the Bishkek dumpsite, and the construction of an urgently needed sanitary landfill. The total cost of the project was estimated at EUR 22 million, including an additional EUR 8 million grant provided by an international donor. The EBRD also earmarked nearly EUR 1.5 million in additional grants for technical cooperation from the EBRD Shareholder Special Fund and its own resources.



Trash cans in Bishkek. Photo: CEE Bankwatch Network

The project has encountered numerous problems. Fires at the old dumpsite, which have been burning for decades, have played a significant role in contributing to the air quality crisis in Bishkek. It was only in December 2023 that the Uzbek government finally announced that they had extinguished the fires for good.<sup>7</sup>



Waste collected from the Bishkek landfill by residents of the nearby settlement. Photo: CEE Bankwatch Network

An update of the EBRD’s project summary document from December 2022 reveals a long list of challenges that has led to a 10-year delay in implementing the project, including ‘frequent changes in management, delays caused by [the] COVID-19 pandemic, re-organization of municipal enterprises with a respective split of functionalities, changes in contractors, changes to project area and scope, amongst other reasons’.<sup>8</sup>

In late October 2023, the EBRD provided an update on the anticipated completion of the new landfill<sup>9</sup> and the rollout of waste separation and treatment measures. In November 2023, hot on the heels of this announcement, Bankwatch visited Bishkek on a fact-finding mission, meeting with members of local civil society, the Bishkek mayor’s environmental and transport departments, and the EBRD’s resident office in Kyrgyzstan.

<sup>6</sup> European Bank for Reconstruction and Development, [Bishkek Solid Waste](#), *European Bank for Reconstruction and Development*, last updated 17 January 2023.

<sup>7</sup> Meerimai Alybekova, [‘Smog in Bishkek reduced to 15 percent - Ministry of Natural Resources’](#), *24.kg*, 8 December 2023.

<sup>8</sup> European Bank for Reconstruction and Development, [Bishkek Solid Waste](#), *European Bank for Reconstruction and Development*, last updated 17 January 2023.

<sup>9</sup> Anton Usov, [‘EBRD and EU help improve solid waste management in Kyrgyz Republic’](#), *European Bank for Reconstruction and Development*, 31 October 2023.

According to the authorities we interviewed, the new landfill site, which is located close to residential areas and important water reservoirs in the northern part of the city, is now expected to operate for only five to seven, up to a maximum of 10 years. We discovered that, due to the ill-judged choice of location and the failure to implement a waste-sorting system capable of salvaging valuable fractions of the waste stream, the authorities are now investigating the possibility of locating either a waste treatment or waste incineration facility in another area of the city.

It seems the only positive outcome of the project has been a reduction in the heavy volumes of textile waste generated by Bishkek's rapidly expanding textile industry. The Bankwatch team also learned of a pilot scheme involving four waste separation points in the city. However, plans to expand the pilot scheme are unclear.

### Case study 2: Osh solid waste project,<sup>10</sup> Kyrgyzstan



*Dumpsite in Osh, Kyrgyzstan. Photo: CEE Bankwatch Network*

In 2015, the EBRD approved a loan of up to EUR 2 million to finance critical solid waste investments in Osh and its four neighbouring municipalities: Kyzyl-Kyshtak, Nariman, Shark, and Toloykon. Additional financing was provided by the European Investment Bank (EIB) and the EU's Investment Facility for Central Asia in the form of a EUR 3 million loan and a EUR 5 million grant, respectively. The funds are earmarked for constructing a new sanitary landfill and modernising the collection and transportation system, measures

<sup>10</sup> European Bank for Reconstruction and Development, [Osh Solid Waste](#), *European Bank for Reconstruction and Development*, accessed 29 January 2024.

that are expected to improve solid waste services and mitigate the environmental impacts of waste disposal.

Bankwatch visited Osh on a fact-finding mission in November 2023. We were informed that the municipal company responsible for implementing the project had made several improvements on the waste collection side, purchasing new waste collection vehicles and containers, renovating their operations centre for collection workers, and improving occupational health and safety measures. However, like in Bishkek, progress on the landfill site has been significantly delayed, reportedly due to insufficient funds and difficulties in implementing tariff increases for waste collection.

On a visit to one of two pilot separation points in Osh, we found citizens bringing their own separated recyclables. At the location, a worker was present to inspect the materials and help them recycle their waste in the dedicated bins provided. Despite welcoming the initiative, members of local civil society recommended to us that further points be added to provide households with more convenient access.

### Case study 3: Yerevan solid waste project,<sup>11</sup> Armenia



*Nubarashen landfill, Armenia. Photo: CEE Bankwatch Network*

In 2015, the EBRD provided a sovereign loan of EUR 8 million to finance the construction of an EU-compliant landfill in Yerevan. The project was co-financed with an EUR 8 million loan from the EIB and grants from the EU Neighbourhood Investment Fund, the Eastern Europe Energy Efficiency and Environment Partnership, the EBRD Shareholder Special Fund, and the governments of Austria and the Czech Republic.

According to an update of the EBRD's project summary document from May 2022, the procurement process for the landfill construction tender was expected to conclude 'in 2022'. It also stated that a livelihood restoration plan (LRP) for waste pickers working on the landfill had been developed, and that a consultant had been assigned to assist the company with the implementation of environmental and social actions during the preconstruction stage.

In March 2023, Bankwatch visited Nubarashen landfill in Yerevan, met with the EBRD's resident office as well as representatives of the City of Yerevan and the public waste management company. To our surprise, we discovered that the construction of the new landfill, more than seven years after the project was first approved, had not yet started. We also saw no signs of improvement in the working conditions of waste pickers at the dumpsite. Although the EBRD's project summary document currently indicates that the status

<sup>11</sup> European Bank for Reconstruction and Development, [Yerevan Solid Waste Project](#), *European Bank for Reconstruction and Development*, last updated 25 May 2022.

of the project is ‘repaying’, we learned that the EBRD loan remains in the hands of the government and has yet to be used.

In November 2023, the EBRD informed Bankwatch that the economic feasibility of the project was under review and later, in December 2023, that consultations with the authorities were ongoing. The fate of the project remains unclear.

#### Case study 4: Karakalpakstan solid waste project,<sup>12</sup> Uzbekistan

In April 2021, the EBRD disclosed that it was considering providing a sovereign loan of up to USD 70 million (EUR 57.8 million) to the Republic of Uzbekistan. According to the project summary document, the proceeds of the loan would be used for two major initiatives: the modernisation of the solid waste management infrastructure in three districts in the autonomous republic of Karakalpakstan – Turktul, Kungrad and Karauzyak – and the construction of a new landfill in the city of Nukus.

In addition to EU-compliant landfills, plans for the project involved the construction of waste-sorting plants and waste transfer stations, and the supply of specialised equipment and vehicles to Toza Hudad, the company responsible for overseeing the project. To support the planning and implementation of the project, the EBRD Shareholder Special Fund provided an additional EUR 770 000 in technical cooperation grants. The project was approved by the EBRD Board of Directors in March 2022.



*Pigs at a dumpsite in Karakalpakstan, Uzbekistan. Photo: CEE Bankwatch Network*

As early as in 2021, Bankwatch notified the EBRD’s due diligence department about the concerns of local communities living near the landfill sites. These concerns were never addressed. In November 2022, a Bankwatch team visited the sites to meet with locals negatively impacted by the project. It came to light that neither the project promoters nor the technical cooperation consultants had properly engaged with the impacted individuals or involved them in the preparation of their assessments. In December 2022, the EBRD informed us that they had received a request from the Uzbek government to cancel the project. However, no further details were provided.

#### Recommendations for solid waste projects

These case studies demonstrate that EBRD-funded municipal solid waste projects tend to overly prioritise infrastructure to the detriment of establishing sustainable and financially viable solid waste management systems. Based on the above examples, it is clear that the EBRD does not do enough to ensure that solid

<sup>12</sup> European Bank for Reconstruction and Development, [Karakalpakstan Solid Waste Project](#), *European Bank for Reconstruction and Development*, last updated 25 February 2022.



waste projects align with (1) the principles of the circular economy and (2) the implementation of the EU's waste hierarchy, which prioritises waste prevention and resource efficiency over waste disposal.

In light of these shortcomings, we urge the EBRD to incorporate the following recommendations in its upcoming Sustainable Infrastructure Strategy:

- **Green:** Municipal solid waste projects should be guided by the principles of the circular economy, the EU's waste management hierarchy, and the Paris alignment methodology. Pilot schemes for reducing waste and separating recyclables at source need to be scaled up as a key strategy to decrease and divert valuable fractions from the waste stream, ultimately expanding the lifespan of infrastructure.
- **Inclusive and well-governed:** In its financing of solid waste projects, the EBRD should prioritise transparency and accountability in the decision-making process to ensure that the rights and livelihoods of affected and vulnerable people are protected.
- **Economically and financially sustainable:** Municipal investments in solid waste management should be based on realistic projections for tariff increases while allowing for operational costs that align with EU-compliant infrastructure. The EBRD should support its clients and local businesses in establishing deposit return systems and recycling industries. This should involve technical cooperation, policy initiatives, and encouraging resource efficiency and circularity. In addition, it should promote involvement of the private sector and the development of markets for recyclable materials.

## 2. MEI: Urban transport projects

To support our analysis and recommendations, we present two case studies from Tbilisi and Sarajevo, where more than 10 projects worth more than EUR 370 million have been implemented in the last five years. Despite the EBRD's ambitious efforts to 'green' and expand public transport networks and fleets in these cities with the introduction of electric buses, trams, trolley-buses, and metro trains, public transport is still playing catch-up with the ever-increasing numbers of privately owned cars.

Incidentally, Tbilisi and Sarajevo are not the only cities in the EBRD's sphere of influence to be plagued by poor public transport. During our visits to Bishkek and Osh in November 2023, we learned that the urban transport problems in Kyrgyzstan are similar to, or even more acute than, those in Georgia and BiH.

In formulating its new Sustainable Infrastructure Strategy, the EBRD should address the following issues affecting urban transport in Tbilisi and Sarajevo:

- the absence of a sustainable urban mobility plan (SUMP) in Tbilisi is holding back the development of infrastructure and the shift to sustainable modes of transport;
- the failure to engage in dialogue with citizens and public transport users in an effort to understand their needs;
- the restructuring of municipal companies in Sarajevo has occurred without transparency, resulting in the de facto privatisation of public transport services;

- unreliable public transport has resulted in long waiting times and overcrowding;
- insufficient measures to ensure the safety of women, young people, and gender and sexual minorities in line with internationally recognised best practices;
- poor accessibility options for people with disabilities and parents with strollers; on the accessible buses that are available, overcrowding and lack of space still restrict access;
- traffic congestion and worsening air quality are chronic problems in Tbilisi, Sarajevo and other cities where the EBRD invests in urban transport such as Bishkek;
- the scarcity of low- or zero-emission zones combined with the absence of park-and-ride schemes and other initiatives have led to unrestricted access for cars in zones with improved public transport coverage;
- inadequate multimodal planning and infrastructure has resulted in a dearth of rail options for city commuters.

### Case study 5: Public transport projects in Tbilisi, Georgia

Between 2016 and 2023, the EBRD approved six sovereign loans to Georgia for public transport, bus and metro projects in Tbilisi. Of the six projects, three are active, one has been completed, and two have been cancelled. For these projects, the EBRD provided financing totalling more than EUR 300 million in loans and more than EUR 7 million in technical cooperation grants.



People waiting at a bus station in Tbilisi, Georgia. Photo: CEE Bankwatch Network

The EBRD claims that the six projects are part of a broader programme aimed at assisting Tbilisi to reform its management of public transport by financing the renewal of bus and metro systems and restructuring the network. According to the project summary document for the now-cancelled third phase of the Tbilisi bus project, the renewal of the bus fleet was expected to ‘bring significant social benefits by facilitating easy access for passengers, and those with limited movement, including the elderly and the disabled; and improve the reliability, safety and efficiency of public transport’.<sup>13</sup>

While the rollout of new CNG and low-floor bus fleets have improved accessibility, passengers still have to deal with long waiting times, overcrowding, and instances of gender-based violence and harassment on a daily basis. In other words, the anticipated

<sup>13</sup> European Bank for Reconstruction and Development, [GrCF2 W2 - Tbilisi Bus Phase III](#), *European Bank for Reconstruction and Development*, last updated 5 May 2022.

improvements in ‘reliability, safety and efficiency’ have been barely noticeable for Tbilisi’s public transport users.<sup>14</sup>

Meanwhile, the rapid rise in car ownership has exacerbated the demand for parking, limited the space available to cyclists on the few bike lanes and paths available in Tbilisi, increased illegal parking on pedestrian areas and pavements, and, perhaps most concerningly, worsened air quality. A recent poll<sup>15</sup> conducted by the Georgian non-governmental organisation Green Alternative, a member of the CEE Bankwatch Network, found that a majority of Tbilisi residents believe that Tbilisi City Hall has been ineffective in implementing public transport reforms and neglectful of their needs.<sup>16</sup>

Regrettably, these financial injections have failed to adequately address the persisting issues affecting the city’s transportation sector, primarily due to mismanagement of the loans acquired. For instance, despite receiving a loan from the EBRD to rehabilitate a total of 12 metro stations in January 2023,<sup>17</sup> Tbilisi City Hall has yet to formulate a rehabilitation plan, compile a list of essential works, or devise a strategic approach for temporarily closing metro stations, such as providing alternative routes for the city’s residents.<sup>18</sup>

To address these deficiencies, the approach taken thus far must be completely overhauled. This means emphasising transparency and the participation of citizens. For these projects to be implemented in a cohesive and effective way, the public must be actively involved in the decision-making process when it comes to planning renovations and formulating strategies. This approach will not only foster transparency, but also incorporate a range of perspectives into the overarching framework for rejuvenating the city’s public transport infrastructure.

The situation in Tbilisi shows that investments in public transport infrastructure and services cannot have transformative impacts if they are not supported by sustainable mobility policies and ongoing dialogue with the people who use them.

Pouring millions into infrastructure and vehicles cannot resolve problems embedded in a deeply flawed system that fails to integrate transport and urban land use planning, and lacks measures to control the number of cars in public areas. This policy is not only unsustainable but also unjust, since women, children, older people, and members of low-income households are less likely to own cars and rely more on the public transport system.

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<sup>14</sup> Mariam Patsatsia, [Tbilisi’s transport policy conundrums: between resolution and resistance](#), CEE Bankwatch Network, Green Alternative, August 2023.

<sup>15</sup> Green Alternative, [Tbilisi Transport Policy: Public Opinion Poll](#), Green Alternative, 2022.

<sup>16</sup> Mariam Patsatsia, [Urban public transport reform in Tbilisi](#), CEE Bankwatch Network, 29 September 2022.

<sup>17</sup> European Bank for Reconstruction and Development, [GrCF2 W1 - Tbilisi Metro Modernisation](#), European Bank for Reconstruction and Development, last updated 23 December 2022.

<sup>18</sup> Natia Mikhelidze, Mariam Kachkachashvili, [თბილისის მეტრო – რას მოგვარებს 12 სადგურის მოდერნიზაცია](#), iFact, 11 September 2023.

## Case study 6: Urban transport projects in Sarajevo, BiH



*People in a busy street in Sarajevo. Photo: CEE Bankwatch Network*

Since 2020, the EBRD has invested more than EUR 70 million in four municipal transport projects in Sarajevo. The projects, all of which are currently active, have technical cooperation components, but the grant amounts have not been disclosed. The project objectives outlined in the EBRD project summary documents are distinctly ambitious in scope.

For instance, the Sarajevo E-tram extension project aims to tackle traffic congestion, especially during peak hours, by offering improved, faster and more environmentally friendly alternatives for urban travel, encouraging a shift away from privately owned vehicles and diesel buses,<sup>19</sup> while the Sarajevo urban roads project strives to assist Sarajevo Canton in upgrading its strategic road network by improving urban transport within the city itself and the wider suburban area.<sup>20</sup>

In June 2023, a Bankwatch team visited Sarajevo to assess the progress made in reaching these objectives. We met with members of civil society as well as representatives of the EBRD's regional office, who briefed us on the ongoing efforts of Sarajevo Canton to restructure municipal public transport operations in the city.

In March 2022, the government of Sarajevo Canton announced that it would replace the 'financially troubled' public transport operator, KJKP Gras.<sup>21</sup> In April 2023, the EBRD published a contract award notice, which revealed that KPMG had been selected to assist Sarajevo Canton in setting up a new public transport

<sup>19</sup> European Bank for Reconstruction and Development, [GrCF2\\_W2\\_E2 - Sarajevo E-Tram Extension](#), *European Bank for Reconstruction and Development*, last updated 29 July 2022.

<sup>20</sup> European Bank for Reconstruction and Development, [Sarajevo Urban Roads](#), *European Bank for Reconstruction and Development*, accessed 30 January 2024.

<sup>21</sup> Dragana Petrushevska, [Bosnia's Sarajevo Canton seeks consultant to set up public transport company – EBRD](#), *SeeNews*, 12 July 2022.

operator tasked with prioritising the ‘long-term sustainable development’ of tram and trolley-bus services. The contract also included details of a transition plan for transferring existing personnel and assets in compliance with EBRD regulations.<sup>22</sup>

However, very limited information has been publicly disclosed on the process involved in establishing the new company. Disappointingly, no effort has been made to engage in dialogue with Sarajevo’s residents, members of civil society, or relevant experts on a way forward. Meanwhile, attempts by the media to investigate the restructuring process have raised more questions than answers.<sup>23</sup> However, based on the information we have received from civil society representatives, the privatisation process would seem to have already begun; a private bus company called Centrotrans recently assumed a number of Gras bus lines in Sarajevo.

In December 2020, the City Council of Sarajevo adopted the Sarajevo Sustainable Urban Mobility Plan for the Sarajevo Canton and the City of Sarajevo.<sup>24</sup> Developed by a team of international experts led by the German government’s development agency, the plan promotes cycling, walking, and urban public transport as efficient and active ways of navigating the city. Since the adoption of the plan, there have been notable improvements in cycling infrastructure, including the introduction of a new bike-sharing system. Additionally, steps have been taken to modernise the urban infrastructure network and reduce traffic congestion during rush hour.

Nevertheless, the civil society experts we met in Sarajevo in June 2023 emphasised that in order to effectively address the city’s environmental and mobility challenges, promoting the use of public transport must be accompanied by measures aimed at limiting car use, such as establishing car-free and low- or zero-emission zones.

Indeed, the prevalence of old and polluting vehicles in Sarajevo is one of the main contributors to the city’s notoriously poor air quality, which is exacerbated by the proliferation of tall buildings (blocking the circulation of air) and the increased reliance on coal for heating during the winter.<sup>25</sup> Damningly, in December 2023, IQAir, a Swiss technology company that collects and monitors data on air quality, ranked Sarajevo as the world’s most polluted city.<sup>26</sup>

As a follow-up to its visit, Bankwatch commissioned Sarajevo Open Centre to conduct research on gender issues in the city. In addition to presenting good practices from Vienna, London and Madrid that can be replicated in Sarajevo, the study provided recommendations for making Sarajevo’s public transport safer,

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<sup>22</sup> European Bank for Reconstruction and Development, [Bosnia and Herzegovina: Consulting services for assistance with establishing the new company for public transport services in Sarajevo Canton, including legal assistance, setting up an organisation, hiring and management policies and GAP](#), EBRD Client e-Procurement Portal, 18 April 2023.

<sup>23</sup> Dino Cviko, ‘[Reforma Sarajevskog javnog prijevoza: Još nema najavljenog novog preduzeća. GRAS-u tri godine blokiran račun](#)’, *Žurnal*, 17 August 2023.

<sup>24</sup> CEDES, Westport Consulting, [NTSI-INSTITUT, Plan održive urbane mobilnosti Kantona Sarajevo i Grada Sarajevo - SUMP](#), *Deutsche Gesellschaft für Internationale Zusammenarbeit*, July 2020.

<sup>25</sup> Radio Free Europe/Radio Liberty’s Balkan Service, AP, ‘[Sarajevo tops list as world’s most polluted city amid choking smog](#)’, *Radio Free Europe/Radio Liberty*, 21 December 2023.

<sup>26</sup> Euronews, AP, ‘[Sarajevo tops world’s most polluted cities list](#)’, *Euronews*, 21 December 2023.

more accessible, and more affordable for women. The major challenges women face on public transport in Sarajevo are:

- lack of access to an unreliable public transport system;
- inadequate facilities on vehicles and at public transport stops and stations, resulting in issues such as overcrowding, dim lighting, and patchy video surveillance;
- limited amenities for pregnant women, women with children, and women with disabilities, such as designated spots for strollers and wheelchairs;
- increased exposure to sexual harassment and violence;
- high transport fares that disproportionately affect women.<sup>27</sup>

### Recommendations for urban transport projects

Based on our experiences in Tbilisi and Sarajevo, the EBRD often overestimates the anticipated benefits of the projects it funds. First, EBRD investments in these cities have had limited success in making urban public transport any safer. Second, a shift to more sustainable modes of public transport must always be considered in relation to the ever-increasing number of privately owned cars. Overhauling a car-dominated urban transport system cannot be achieved without implementing measures to limit car use, particularly in areas served by new public transport infrastructure that have the potential to become low-emission zones.

In light of these shortcomings, we urge the EBRD to incorporate the following recommendations in its upcoming Sustainable Infrastructure Strategy:

- **Green:** EBRD's urban transport investments should embrace intermodal planning and adopt a sustainable approach to urban mobility to enable a shift to more environmentally friendly options such as walking and cycling, and limit car access by introducing park-and ride schemes and low-, zero-emission, or car-free zones in cities.
- **Inclusive and well-governed:** EBRD's urban transport investments should set out measures that prevent gender-based violence and harassment, introduce good practices for ensuring the safety and comfort of vulnerable passengers, and improve accessibility options for people with disabilities.
- **Economically and financially sustainable:** EBRD's urban transport investments should help make public transport affordable for all, especially for vulnerable and marginalised groups.

### 3. Transport: Highway projects

Our recommendations for highway projects are based on Bankwatch's experience with monitoring the development of two transport corridors: the Kvesheti–Kobi Road project in Georgia, part of the North-South Road Corridor; and the South Mostar–Kvanj Tunnel in the Federation of BiH (FBiH), part of the Trans-

<sup>27</sup> Amina Dizdar, [Gender-related issues in the urban mobility sector in the Canton of Sarajevo](#), Sarajevo Open Centre, CEE Bankwatch Network, 5 December 2023.

European Corridor Vc. The sections around Mostar in FBiH have been delayed for more than 10 years owing to several controversial changes to the corridor's route.

In 2020, the EBRD's accountability mechanism IPAM found that both projects were non-compliant with the EBRD's environmental and social standards. Since then, IPAM has received five more complaints in relation to Corridor Vc, four of which have yet to be resolved.

In our view, the failure to apply standards and achieve the objectives set by both of these projects stems from the EBRD's flawed approach to highway projects. We therefore recommend that the EBRD's upcoming Sustainable Infrastructure Strategy incorporates measures to address the following persistent issues:

- the failure to incorporate intermodal planning in decarbonising the transport sector has led to inadequate financial resources and space for rail corridors, impacting both freight and passenger transport and hindering efforts to reduce the significant greenhouse gas emissions released by the sector;
- the current cost-benefit analysis employed fails to consider the impacts of transport corridors on communities (connectivity versus land and livelihood loss, inadequate land compensation) and countries (transit and trade benefits versus road construction, operation and maintenance costs);
- slicing of corridors into numerous sections, often funded by different investors, has resulted in patchy impact assessments and a lack of accountability for the cumulative impacts;
- selecting routes without properly considering alternatives and often prior to comprehensive and participatory impact assessments;
- poor governance and a lack of public participation in decision-making by families and communities affected by the routes;
- flawed approaches to resettlement, land expropriation and compensation for negative impacts on health and livelihoods, especially in cases where individual households or communities are not willing to be resettled, or when national legislation does not align with international standards;
- tolerance for reprisals against affected people and coercive practices on projects, such as vilifying opponents of highway routes and undermining the credibility of their requests, launching smear campaigns and intimidating people who dare to protect their property rights and livelihoods 'against the public interest' (BiH), and criminalising landowners for alleged fraudulent land registration and compensation (Georgia).

## Case study 7: North–South Corridor, Kvesheti–Kobi Road, Georgia



*Khada valley, Georgia. Photo: CEE Bankwatch Network*

In 2019, the EBRD approved a EUR 53.4 million loan to Georgia to co-finance the construction of the new Kvesheti–Kobi bypass. The Asian Development Bank (ADB) provided the largest share of the investment at EUR 370.2 million, with Georgia’s government providing EUR 73.7 million.<sup>28</sup> The Kvesheti–Kobi Road is a key section of the North–South Corridor, which connects Georgia with Türkiye, Azerbaijan and Europe.

The new 23-kilometre bypass road, which includes the construction of a nine-kilometre tunnel connecting Tskere and Kobi, replaces the old 35-kilometre road from Kvesheti to Kobi. An additional five kilometres of all-weather access roads will serve adjacent villages. The project includes five tunnels spanning a total length of about 11.6 kilometres and six bridges totalling about 1.6 kilometres in length. In December 2023, Georgia’s Ministry of Regional Development and Infrastructure announced that 90 per cent of the project had been completed and that construction was expected to be finalised in 2024.<sup>29</sup>

The objective of the Kvesheti–Kobi bypass is to improve connectivity, access and safety on the North–South Corridor and drive economic development. According to the EBRD’s project summary document, the Kvesheti–Kobi is a top priority for the government as it seeks to turn Georgia into a transport, logistics and

<sup>28</sup> European Bank for Reconstruction and Development, [North-South Corridor \(Kvesheti-Kobi\) Road Project](#), *European Bank for Reconstruction and Development*, accessed 31 January 2024.

<sup>29</sup> Agenda.ge, [‘New section added to Georgia’s longest tunnel with “90% of work completed” - Infrastructure Ministry’](#), *Agenda.ge*, 1 December 2023.



trade hub connecting Europe and Asia. This involves strengthening the country's two main transit routes: the East–West and North–South transport corridors.

Although the project started in 2020, two years before Russia's war in Ukraine and the imposition of wide economic and trade sanctions against the aggressor, many critics have since questioned the logic behind Georgia footing the bill for expanding transport links with its belligerent neighbour to the north. Given that Russia is currently occupying a fifth of the country's territory and diplomatic relations between the two countries are suspended, the project is seen by critics as a security risk.<sup>30</sup> There is also concern over Georgia's growing economic reliance on Russia,<sup>31</sup> raising questions about the motives of the EBRD in investing in infrastructure that deepens this dependence.

Aside from the political implications, the project has had devastating social, environmental and cultural impacts, particularly on the Khada valley in the Greater Caucasus. Compliance reviews conducted by the EBRD's and ADB's accountability mechanisms have found that significant deficiencies in planning and implementation have caused significant harm to the region.

In addition, there have been irregularities in land registration and compensation, accompanied by numerous incidences of intimidation in the valley.<sup>32,33</sup> Initially, during the 2020 parliamentary election campaign, the authorities encouraged locals in the Khada valley to register their land and property in order to be eligible for compensation for land loss. However, since 2021, villagers have been accused of fraudulent land appropriation, with regional prosecutors opening investigations against 20 residents in the village of Arakhveti.<sup>34,35</sup>

At the beginning of 2023, the Roads Department of Georgia began reclaiming compensation from over 75 households that had registered land, despite having been granted land titles in a move supported by the ADB and EBRD. Subsequently, the Prosecutor's Office of Georgia initiated criminal proceedings against those who refused to comply with the demand to return the compensation. As protests and anger grew among the communities, the government deployed police forces to calm the unrest.<sup>36</sup>

In November 2023, Georgia's parliament passed an amnesty law exempting individuals who obtained possession of state-owned agricultural land through alleged fraud or illegal means before 1 September 2023 from prosecution, provided they compensate the state for damage caused by 1 September 2024. Our analysis indicates that in all cases where the Prosecutor's Office opened investigations, the agricultural plots in question were situated in areas close to major infrastructure projects, including those backed by

<sup>30</sup> Davit Tamazashvili, Lasha Chonkadze, [Road to Russia – Special Report](#), *Georgian News*, 2 October 2023.

<sup>31</sup> Transparency International Georgia, [Georgia's Economic Dependence on Russia Continues to Grow: January-June 2023](#), *Transparency International Georgia*, 29 September 2023.

<sup>32</sup> Green Alternative, [Unresolved problems of the North-South Corridor \(Kvesheti-Kobi\) Road Project – FFM Report](#), *Green Alternative*, October 2021.

<sup>33</sup> Mtisambebi.ge, [ქვემოტი-კობის გზის ზონაში მიწების თაღლითურად დაუფლების ბრალდებით მოქალაქეები დააკავეს](#), *Mtisambebi.ge*, 16 December 2021.

<sup>34</sup> Ilo Kardava, ['Why we are building the Georgian-Russian highway across the Khada gorge'](#), *Mtisambebi.ge*, 14 December 2021.

<sup>35</sup> Lasha Orjonikidze, [როგორ დევნის ხელისუფლება ხადელებს გზის მშენებლობისთვის](#), *Mtisambebi.ge*, 10 December 2021.

<sup>36</sup> Manana Kochladze, Mariam Devidze, [The Georgian Road to Russia: when everything goes south](#), *CEE Bankwatch Network*, 3 August 2023.

international financial institutions. Based on our recent conversations with people in the Khada valley, they feel they have no choice but to comply with the ruling to avoid criminal charges.

### Case study 8: Corridor Vc, South Mostar–Kvanj Tunnel, BiH



*Construction of the Corridor Vc. Photo: CEE Bankwatch Network*

Corridor Vc, which forms part of the south-eastern axis of the Trans-European Transport Network (TEN-T), is a major international transport route that connects Hungary and Croatia to BiH and the Adriatic Sea. The corridor stretches 330 kilometres through BiH, connecting the north and south of the country. The EU, EIB and EBRD have invested more than EUR 2 billion in the corridor. The loans have been disbursed in order to facilitate trade, develop tourism, promote regional and national growth, and contribute to economic and social cohesion in the region.

The EBRD first provided financing for Corridor Vc in 2003. Since then, it has invested heavily in the project, comprising loans and grants worth a total of more than EUR 1 billion. The first project from 2003 is now complete, with the most recent from 2022 signed in January 2024; the other five are repaying. The EBRD is involved in the construction of no less than 15 sections of the corridor.

There are numerous problems with the way in which the Corridor Vc has been routed, such as the decision to ‘slice’ the corridor into multiple sections and then use those sections to determine the eventual alignment. The route planners have also failed to comprehensively assess the impacts of these ad hoc decisions on communities and biodiversity. In most cases, political considerations have outweighed expert opinions.

IPAM is currently investigating six active complaints in relation to inadequate public participation in decision-making on the selection of the corridor sections and its associated environmental and social impacts. The IPAM compliance review of the South Mostar–Kvanj Tunnel section <sup>37</sup> identified a number of violations of EBRD policy, performance requirements and good international practice. For example, it provides detailed evidence of non-compliance regarding route selection and the inclusion of affected people and vulnerable ethnic groups in the census for resettlement and economic displacement.



*Local resident affected by the construction of Corridor Vc. Photo: CEE Bankwatch Network*

In IPAM’s assessment, claimants were ‘subject to mistreatment, intimidation, threats, and stigmatization and in some cases physical attacks’.<sup>38</sup> In the case of communities in South Mostar, many of these people have been traumatised by the horrors of war and have lost their homes on previous occasions. They now find themselves in the position of having to fight for the most basic of rights: their ancestral land, a clean environment, and democratic decision-making.

In 2022, after concerns were raised about the potential for corruption in tender processes during construction of Corridor Vc due to a lack of transparency and public consultations, the European Anti-Fraud Office (OLAF), in cooperation with the EIB, launched an investigation into the EIB-financed section of the Kvanj–Buna tunnel. The investigators uncovered a number of irregularities:

*OLAF proved that members of the management of the economic operator exerted undue influence on the members of the tender evaluation committee to exclude one bidder from the process and select a preferred bidder. OLAF also proved that both the rules set out in the Finance Contract between the EIB and the candidate country and the EIB Guidelines on procurement procedures were breached.*<sup>39</sup>

The timely intervention led to the cancellation of the tender, saving an estimated EUR 97.8 million in misused funds.<sup>40</sup>

## Recommendations for highway projects

Transport corridors can profoundly affect biodiversity, landscapes, cultural heritage and the land rights of affected communities. Therefore, they require good governance when it comes to route planning and resettlement actions. Corridors are key for trade and economic development. They also play an important

<sup>37</sup> Independent Project Accountability Mechanism, [Compliance Review Report: Corridor Vc in FBH – Part 3, EBRD Project Number 49058, Case 2020/06](#), European Bank for Reconstruction and Development, October 2023.

<sup>38</sup> Ibidem, 17, 51.

<sup>39</sup> European Anti-Fraud Office, [The OLAF report 2022 – Investigative activities. OLAF’s investigative performance and fraud trends in 2022. Preventing undue expenditure](#), European Anti-Fraud Office, accessed 1 February 2024.

<sup>40</sup> Fokus.ba, [‘The European Anti-Fraud Office is investigating Elmedin Voloder and Autoceste FBiH!’](#), Fokus.ba, 29 August 2022.

political role in connecting countries and regions, which can have significant implications for national and regional security. However, not enough is being done to decarbonise the transport sector, implement intermodal planning, and prioritise rail for both freight and passenger transport.

In light of these shortcomings, we urge the EBRD to incorporate the following recommendations in its upcoming Sustainable Infrastructure Strategy:

- **Green:** The EBRD should support countries in decarbonising their transport sector by balancing rail and road investments at national and regional levels. In addition, comprehensive biodiversity impact assessments should be conducted and made available early in the route selection process.
- **Inclusive and well-governed:** The EBRD should ensure transparency, public participation and best practices in land expropriation for the protection of local communities. It should also conduct assessments of resettlement and economic displacement, particularly for households within the immediate impact and buffer zones along the route.
- **Economically and financially sustainable:** The EBRD should conduct more stringent cost-benefit assessments in order to justify countries taking on debt for the sake of facilitating regional connectivity, while also considering the potential for land and livelihood loss and in such cases providing proper compensation for those affected.