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EU budget 2014-20: The only way is up for climate allocations

The debates, discussions and negotiations over the EU budget for 2014-20, the so-called Multiannual Financial Framework (MFF), have been bubbling behind the scenes for many months now, but in many senses they are just getting underway. This is crunch time now.

The 'Trialogue' negotiating process, being lead by the Cypriot Presidency of the EU, and involving the European parliament, the European commission and the European council (the member states), started for real in September, and the race is on for binding conclusions to be agreed by the end of the year that will frame the ways in which roughly 1 trillion euros is spent all over Europe.

A clear indication of how tortuous the whole process is going to be was provided by European Council president Herman van Rompuy's recent announcement of a newly scheduled European summit meeting for November 22-23 that is intended to be purely dedicated to the MFF 2014-20.

So far things are shaping up to be a repetition of the same sad old story we've seen during EU budget preparations for previous funding periods: instead of acknowledging that the EU budget – relatively small compared to national government budgets – should serve primarily European objectives and policies, member states are instead opting for a narrow-minded approach and pursuing purely national interests during the negotiations.

While the European Commission's MFF proposal gave a clear qualitative and strategic direction for future EU spending, the member states are either solely showing an interest in how to trigger as much cash as possible out of the common EU pot, or playing to their domestic audiences by promoting a cut of their contributions to the common budget.

Reaching agreement on the overall budget figures may see the "Friends of Cohesion" (a group of member states, mainly from CEE, that receive more EU funding than they transfer to Brussels in late night, last minute horse-trading where they have to defend their share against the so-called "friends of better spending". The latter grouping of states may rather be categorised as "friends of cutting the EU budget", a group of member states lead by Germany and the UK (the "net payers" to the EU budget) who want to downscale the future EU budget while maintaining their rebates.

Climate mainstreaming

It was of course the European commission that started the budget ball rolling in earnest with the publication of its Budget for Europe 2020 package last summer. In it the commission recommended that in order to reach the EU's agreed climate and energy targets by 2020, at least 20 percent of the future MFF 2014-2020 should support climate action.

Environment NGOs such as Bankwatch that have worked on EU funds issues over many years, and that are actively engaging in the current negotiations, strongly support this 'climate mainstreaming' initiative – only they are asking to increase it to 25 percent of the next MFF. This proposal was supported by a recent report from the European parliament's Environment committee calling for at least 30 percent MFF dedication to climate action.

In tandem, NGOs are insisting on a robust implementation of this climate mainstreaming to ensure that all relevant EU funds maximise their climate benefits. Among the measures that would enhance delivery of these benefits are rewarding projects that have the best climate performance with certain financial incentives,

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The EU's pie in the sky: New analysis questions further funding support for aviation

A recently published analysis from Bankwatch that examines existing EU funding support for airports in Poland concludes that such EU support for airport infrastructure in Poland and other EU countries has to be phased out in the next EU budget period 2014-2020.

The study, 'Flights of fancy: A case study on aviation and EU funds in Poland', also recommends that EU investments in rail infrastructure should be redirected from connecting airports – particularly smaller ones – to railway lines that serve the mobility needs of regional communities, currently lacking much-needed investment.

According to the Bankwatch study, Poland's existing airport network is not as dense as those in EU-15 countries. Nonetheless, the network currently manages to satisfy air transport demand and none of the airports have reached their capacity limits. Yet, with EU support of up to EUR 800 million, major investment is taking place in the 2007-2013 budget period, including the upgrading and extensions of existing Polish airports.

As identified in Flights of fancy, of more concern are proposed investments in new Polish airports, most of which are unlikely to attract sufficient traffic in order to be profitable. Their construction is set to increase the burden on regional budgets: regional authorities need to provide co-financing to the EU investments, and as shareholders they will bear the costs of maintaining and operating these airports.

"Only the big Polish airports are financially viable," says Patrycja Romaniuk, Bankwatch's EU Funds coordinator in Poland. "The smaller airports do not attract sufficient traffic. In some cases, in order to attract any passenger traffic at all, re-

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and ensuring that climate change is a specific selection criteria in the programming cycle for projects that should get underway in member states next year if and when the MFF is settled.

These demands are vital, because here is the thing: in spite of the commission's 20 percent proposal, NGOs calculate that currently only around 10 percent of the next MFF will support climate action.

There is still a huge gap of 154 billion euros between current proposals and 25 percent climate spending in the next MFF. Only three funds, representing 12 percent of the total MFF, reach the target: the LIFE program (55 percent for climate action), Horizon 2020 (35 percent) and the Connecting Europe Facility (33 percent). All other funding lines are a long way off the target: external action is at 14.3 percent, and Cohesion Policy, aimed at supporting the development of Europe's regions, only reaches 11.3 percent.

This funding gap may cause extra headaches for member states at a later stage, as the currently amended regulations (Annex I of Common Provisions Regulation) demand that "the visibility of contributions towards the goal of a spending of at least 20% of the Union budget on climate change mitigation shall be ensured."

With only 3.7 percent currently for climate action according to NGO estimates, the Common Agricultural Policy is by far the most worrying EU fund in terms of climate mainstreaming.

Cohesion needs to be more than just a sticking plaster

As EU budgetary spending under Cohesion policy is of prime importance for the new member states in which Bankwatch operates, our focus during the Trialogue process is on ensuring that these particular EU funds contribute to reaching the EU 2020 environmental targets, creating regional green jobs, enhancing economic opportunities and addressing the environmental challenges of climate change, biodiversity loss and resource inefficiency.

The Cohesion funds can and should do more than simply come to the rescue of beleaguered national budgets in these times of austerity and widespread recession. They should instead help to set economic development on a radically more sustainable and inclusive path.

This, we believe, can only be ensured if the Trialogue parties – European parliament, European commission and European council – work together constructively with Europe's 500 million inhabitants and our collective environment uppermost in their minds.

Press headlines on the future Budget discussions are already replete with the word 'battle'; there is even a liberal sprinkling of 'blood on the carpet' warnings beginning to appear in descriptions of what lies ahead in the negotiations. Bankwatch has the following main suggestions to the various parties – all aimed at peaceful, equitable and sustainable outcomes derived from future Cohesion policy spending.

Enshrining the Partnership Principle

In order to ensure the equal engagement of environmental and socio-economic partners throughout MFF 2014–20 programming and funds deployment, we support the European Parliament's proposal for strong partnership through multi-level governance and the European Code of Conduct. This needs to be reflected in the national level monitoring committees but also during the preparation of partnership contracts and Operational Programmes, with technical assistance money made available for partners. Broader, more inclusive engagement in these processes – when allowed to happen – has brought qualitative improvements to EU funds spending (see discussion of the Well Spent map of projects inside this edition of Bankwatch Mail.)

Furthermore, the European Commission should adopt the entire Partnership Contract proposed by the member state.In this context it is of particular importance that all elements of the Partnership contract remain under the Commission's oversight, especially those related to evaluating environmental performance in the past and the future, Member states would like to see only the financial part of the Partnership contract being subject to the Commission's approval.

Strengthening biodiversity and environmental considerations

We support the European Parliament's proposal for stronger language on sustainable development to be inserted into the Cohesion policy framework, including specifically for biodiversity and ecosystem protection. We support too the European Parliament's proposals to assess the climate impacts of programmes, complementing Strategic Environmental Assessment and the biodiversity impacts of major projects.

EU leaders have repeatedly committed to halt the decline of biodiversity, while at the same time governments and the European commission are spending far too little money on the implementation of the Natura 2000 scheme – the backbone of nature conservation in Europe. In central and eastern Europe, there are multiple cases of Natura 2000 sites being threatened by infrastructure projects such as major road projects and airports that seek EU funding support.

Much tougher protective measures therefore need to be at the heart of the future Cohesion policy. We also support the European Parliament's proposal to explicitly mention Natura 2000 under the environment investment priority within Cohesion policy, and further support the European Parliament's proposal for 'ecosystem-based' climate adaptation and risk prevention.

The need to ramp up the quality of Cohesion policy investments

The Council is proposing to weaken ex-ante conditions attached to Cohesion investments. This would have repercussions for the oversight and ultimate quality of investments. Instead we would like to see an improvement in the results orientation of the Cohesion Policy: this requires ex-ante conditions and an adequate performance framework based on targets and indicators.

Ensuring the European Regional Development Fund delivers its low carbon potential...

Within the Cohesion policy, the ERDF is an important spending instrument that reaches all corners of the EU. We are calling first of all for a higher thematic concentration for the low carbon objective within ERDF sponsored projects in order to contribute to the Europe 2020 Strategy and 2020 targets on renewable energy, energy efficiency and climate change.

We recommend a minimum of 22 percent low carbon investments flow via the ERDF to developed regions, with 12 percent to go to less developed regions (or even 15 percent if low-carbon investments from the Cohesion Fund are taken into account), as is currently proposed by the European Parliament.

Moreover, there is the very real possibility that investment priorities in the ERDF could be further impaired, very likely harming the realisation of Europe 2020 Strategy targets. Thus we support:

- The European Parliament's proposal for SME support to explicitly include eco-innovation and resource efficiency.
- A compromise to limit the scope of cogeneration and district heating and cooling support to high efficiency distribution networks – this would avoid the subsidising of fossil fuels.
- The Council's proposal to expand the low carbon objective to specifically mention sustainable multi-modal urban mobility and land based measures – such a step would have positive impacts on climate mitigation and adaptation.
- The Council and European Parliament's proposal explicitly mentioning the 'restoration' of biodiversity under the environment investment priority.

...**and zero tolerance for rebranding fossil fuel subsidies as low carbon initiatives**

Within the complex, inter-related regulatory texts that are being discussed as part of the MFF 2014–20 discussion, there is one highly alarming drive to permit EU funding support for fossil fuel infrastructure under the guise of low carbon investment.

Within the ERDF's draft regulatory text, the Council is seeking to ensure the subsidising of fossil fuels by supporting the development of gas under the transport and infrastructure investment priority. Similarly, within the draft text that will guide Cohesion Fund spending, there is a European Parliament proposal to expand the scope of cogeneration and district heating and cooling that would allow for funding for fossil fuel related investments.

One of the prime movers in these cloak and dagger fossil fuel manouevres is MEP Jan Olbrycht. Despite a vote against the Polish MEP's proposal in the European parliament's Regional committee this summer, Olbrycht is not lying down and appears intent on pushing his perverse concept within the Trialogue process.

If such a notion gains any credence as part of the negotiations, it would undermine much of the pro-climate motivation that exists within the current negotiating texts.

Agreement on more ambitious pro-climate imperatives throughout the future Cohesion policy, as Bankwatch is calling for, ought to relegate the 'fossil fuel as low carbon' mantra to the waste paper basket under the negotiating table.

Learn more: Keep up to date with the EU budget negotiations on Twitter by following @SustEUfunds

The EU's pie in the sky... from page 1

gional authorities offer payments to airline companies in order to sustain connections. Discounts are also offered to airlines by regional authorities when negotiating airport fees."

A report compiled in 2011 by a popular aviation portal (pasazer.com) concluded that only Poland's larger airports (Warsaw, Kraków, Katowice, Gdansk, Wrocław, Poznan) generate profits, while the remaining smaller airports operate at a loss. Profitability is clearly linked to the number of passengers served – the airport in Poznan, with 1.4 million passengers per year, is slightly above the profitability threshold. The poor financial performance of airports is a burden on shareholders, including those regional and local budgets concerned.

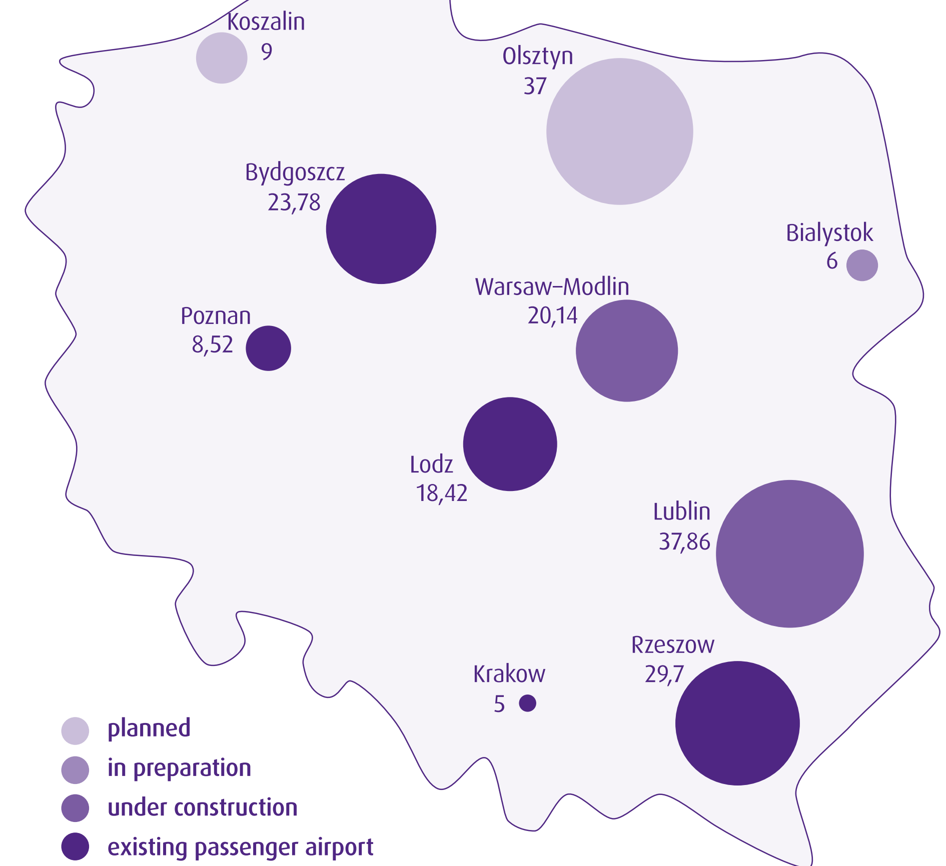
The role of the EU funds in the expansion of Polish airports is even more questionable, Bankwatch believes, when aviation enjoys significant public budget support both in Europe and globally, in spite of the high external costs associated with the sector's contribution to climate change. The most basic elements of this support currently taking place in the EU are tax exemptions, namely no fuel taxation for the aviation industry, and the zero VAT rating on international air tickets.

Aviation development, but who benefits?

Poland has experienced rapid growth in air transport in the last decade, fueled by its accession to the EU and economic development, with 8.8 million passengers in 2004, jumping to 21.7 million in 2011, according to statistics from Poland's Civil Aviation Office. Almost all existing airports are undergoing expansion and modernisation, while several new regional airports are also to be opened shortly.

As part of Poland's Operational Programme (OP) Infrastructure & Environment, eight TEN-T airports (Warsaw, Kraków, Katowice, Wrocław, Poznan, Gdansk, Rzeszów, Szczecin) are set to receive EUR 353 million from the Cohesion Fund for investments aimed at upgrading and expanding their infrastructure. In addition, all airports that serve international traffic can apply for funding under 'Measure 8.4 – Safety and protection of air transport'. The anticipated allocation for this measure is EUR 50 million from the European Regional Development Fund (ERDF).

Yet, the ex-ante assessment for Operational Programme Infrastructure & Environment has



▲ **Polish airport investments to be co-financed by the EU up to 2013, depicted by allocated amount of funding (in million euros)**

questioned the rationale of financing air transport infrastructure within the programme.

According to this assessment, air transport was deemed to be a profit-making transport sector, capable of financing its own infrastructure. Public support for air transport was judged to be unjustified given that there is little fiscal commitment from this sector to the public budget. This finding, however, was overlooked: responding to it, the final text of the OP justified the choice to finance air transport infrastructure by the 'pro-development' nature of this transport mode.

At the European level, the rationale driving EU support for airport infrastructure from the ERDF has been evaluated for the European Commission as part of the ex-post evaluation of the ERDF 2000-2006. The conclusions from this study are mixed. The evaluated investments in airport expansion have resulted in numerous new connections and are deemed to have stimulated the overall development of the regions concerned, although the provided evidence of this 'development' was thin.

The evaluation also mentions certain important reservations about ERDF funding for airports, based on two case studies carried out in Liverpool (UK) and Bari (Italy):

- Investments in airport expansion could have taken place under commercial terms, given the income generated by higher traffic levels.
- New air connections can have a perverse effect on the local economy by providing the residents of the region with the opportunity to spend time and money elsewhere.

Returning to the Polish context, the European Commission, as well as experts from JASPERS (Joint Assistance to Support Projects in European

Regions), have already played a significant role in limiting the number and scope of planned airport investments with EU funds:

- The original proposal for the Regional OP in Swietokrzyskie envisioned a regional airport near Kielce, though this was rejected by the European Commission.
- A new regional airport near Opole was included in the Regional OP for Opolskie, but was abandoned after input from JASPERS.
- JASPERS experts suggested the downsizing of the terminal for the new Lublin airport – following this intervention, the planned terminal was downscaled from 23,000 to 11,000 square metres.
- Authorities in the Lubuskie region planned to allocate PLN 20 million obtained by the region in 2011 from the performance reserve of EU funds for investments in the regional airport (Babimost, near Zielona Góra) – however this proposal was deemed controversial by regional politicians and rejected by the European Commission.

Connecting the dots rather than communities

According to the Bankwatch study, EU investments for rail links to airports have a questionable rationale, particularly those connecting the smaller airports. One of the most questionable examples is in the Warminsko-Mazurskie region.

The only railway upgrade – of any sort – being carried out under the Regional OP for Warminsko-Mazurskie involves the linking of the regional capital Olsztyn with Szymany, a planned new airport site, and will cost over PLN 100 million.

The investment in the airport itself has not yet started and its finalisation within the current EU funds programming period is not certain. Even if completed, the airport is not likely to attract a sufficiently high number of connections and passengers to justify the demand for a dedicated train connection.

NEW POLISH AIRPORTS CLASHING WITH PROTECTED AREAS

Proposed EU funds-backed investments in some of Poland's new regional airports have been raising alarm on account of their clashes with protected areas. In question are the planned (but suspended) Tykocin investment in the vicinity of the Biebrza National Park and the Narew National Park, as well as the secondary airport for Warsaw (Modlin).

The proposed Tykocin airport would negatively impact the integrity of eight Natura 2000 sites, including extensive bird populations based there. This could also pose a threat to air traffic safety due to the high probability of birds colliding with aircraft.

The environmental impact assessment (EIA) for the Tykocin airport failed to adequately address alternative locations for the airport as well as the impact of the airport's operations on the surrounding Natura 2000 areas. Despite protests from NGOs including OTOP (the Polish partner of Birdlife) and local communities, the Regional Directorate for Environmental Protection issued a positive decision for the investment.

However, this decision was revoked in 2011 by Poland's General Directorate for Environmental Protection, following complaints from NGOs. The EIA for the airport is to be prepared again. However, the construction will not be financed via Cohesion Policy 2007-2013 money as the project will not be finalised in time to be eligible for EU support. The regional government therefore shifted the majority of the funding reserved for the airport to upgrades of regional roads. However, EUR 6 million was maintained for preparing analyses and project documentation for the project in order for the construction to be financed as early as possible in the 2014-2020 programming period.

Similar nature protection issues accompanied the environmental procedures for the airport in Modlin near Warsaw, currently under construction and due to be opened in 2012.

The airport is situated next to the confluence of two major Polish rivers, the Narew and Vistula, a key stopover site for migrating birds close to several Natura 2000 sites. Not only will the airport impact the surrounding environment but it also may pose dangers to flights due to likely collisions with birds. The EIA did not assess alternative locations and did not properly address the impacts of the airport (including its operation) on bird populations in the vicinity.

In spite of complaints filed by NGOs, the environmental decision for the project was upheld in Polish courts. The project has not yet been approved by the European Commission, which has been notified by NGOs about the environmental concerns.

Bankwatch coordinator Patrycja Romaniuk says, "This EU funding could have been used for other railway upgrades, based an assessment of the most urgent needs and the potential to attract passengers."

Find out more: 'Flights of fancy: A case study on aviation and EU funds in Poland' is available in pdf at: http://bankwatch.org/publications/flights-fancy-case-study-aviation-and-eu-funds-poland

Making sure **EU funds** pave the way to **cleaner transport**

The European Parliament has called for 'sustainable transport' to be a top priority for the next round of EU cohesion spending. Does this mean that we'll be seeing a new generation of genuinely clean transport projects across Europe? Not just yet, argues Nina Renshaw of sustainable transport campaign group T&E.

The negotiators arguing over how EU cohesion money should be spent between 2014 and 2020 still have a long road ahead of them. It's not yet even certain how much money is at stake, but if the current funding period is anything to go by, we can expect around EUR 10bn per year to be spent on transport projects. Compared to how much of their own money national governments put into transport projects, this isn't huge, but what is for sure is that the rules dictating how EU funds can be spent are a game changer.

As Bankwatch's 'Flights of Fancy' report points out, the offer of preferential funding rates for certain kinds of project can tip the balance. In the case of Poland this has lead to a slew of regional airports and rail links to serve airports that might not have got off the ground otherwise.

EU transport spending is at a crossroads. Do we choose the path to promote projects which will cut transport greenhouse gas emissions by at least 60 percent to 2050, or do we stick to the usual route and continue pumping out more emissions far beyond that deadline? Merely calling for 'sustainable transport will not achieve much. Planners and project promoters must be required to show that there will be real long-term benefits for the environment, as a condition for receiving future EU funds.

The balance now should be tipped in favour of projects that really decrease emissions and offer value for money for users, such as those in urban areas, commuter rail links, or road-user charging systems that encourage drivers to share and to switch to cleaner cars.

That means the EU should take airports off their wish list. But it doesn't mean a free pass for all rail projects. Take rail links to airports; they're not climate-friendly if they serve to get more people into planes. Similarly, should an underground metro system be first choice if a new fleet of low-emission buses is cheaper? Clearer EU guidance and incentives are needed to steer national governments in a smarter direction this time around.

The **EU budget** needs to be **greener**, not **leaner** and **meaner**

It is now widely acknowledged that there is enormous potential to reap environmental, social and economic dividends through improving the energy efficiency of Europe's 160 million buildings. And yet actual investments in energy efficiency measures remain very small in comparison to this potential. To achieve the EU objective of a 20 percent improvement in energy efficiency by 2020 (from 1990 levels), the European Investment Bank estimates that EUR 85 billion per year is needed, with EUR 60 billion per year required for buildings alone. The forthcoming EU budget for 2014–20, currently being negotiated, has a vital role to play here, for both Europe's more developed and less developed countries.

The future budget seeks among other things to deliver Europe 2020 objectives, and thus supporting the shift towards a low-carbon economy in all sectors is paramount in the European commission's budget proposals to date. Backing this up, a figure of at least 20 percent of the total budget for climate change related activities has been put on the table by the commission. More specifically, a doubling of current allocations for energy efficiency and renewable energy to EUR 17 billion has also been proposed under the European Regional Development Fund.

Given the scale of the challenges we now face, these figures should be higher – some members of the European Parliament have recently been vocal in calling for this 20 percent 'climate mainstreaming' to be bumped up to 30 percent. Meanwhile, with certain of the EU's larger member states calling for real terms cuts in the future EU budget, there are growing fears that the budget's climate potential could be seriously impaired. Here's why this must not happen.

Kirklees Council in West Yorkshire, where I serve as a Green Party councillor, has been a leading local authority in the UK in addressing fuel poverty and improving the energy efficiency of people's homes. An insulation programme that we implemented between 2007 and 2011 offered free loft and cavity wall insulation to all households irrespective of income or tenure.

Thousands of homes were insulated and Kirklees is recognised by the UK's Department of Energy and Climate Change (DECC) as the council in the UK that has been most successful at insulating its housing stock.

The question now for Kirklees and hundreds of other councils up and down the UK is: where next?

The UK government's 'Green Deal' that has just been launched aims to improve insulation in 14 million of the UK's leaky homes. However, there is scepticsm from many quarters as to whether or not the Green Deal is fit for purpose. For one thing. the loans offered to improve the energy efficiency of people's homes under the Green Deal are expected to be offering interest rates at around the seven percent mark, while in Germany similar loans are offered at one percent.

David Kennedy, chief executive of the government's official advisors, the Committee on climate change, has warned of the Green Deal's finance model: "We think there is a significant risk in leaving it to the market, as that has never worked anywhere in the world and is unlikely to happen in the UK."

The Green Deal's unique selling point is that the loans offered to home-owners are supposed to be more than covered by the savings made as result of the measures installed. This is called 'the Golden Rule', but more expensive measures such as solid wall insulation will have to be highly subsidised by the utilities through the Energy Company Obligation.

Consumer resistance to solid wall insulation is expected to be high mainly due to aesthetic reasons. The Golden Rule is not guaranteed and changes in people's circumstances or how they use the home could impact negatively (or positively) on savings made. Industry is expecting a slow start for the Green Deal in traditional loft and cavity wall insulation sectors a downturn in orders and staff redundancies seems likely. Early attacks on the Green Deal from the UK press are underway and will probably accelerate as the scheme is launched.

> "EU funds could really make a difference, bridging the gap between local schemes that lack finance but that have every likelihood of succeeding."

The Green Deal is being introduced at a time when 'feed in tariffs' for solar PV and other renewable technologies are being massively cut, leading to a reduction in capacity in the micro-generation sector. It is against this backdrop that the UK's ability to achieve an array of EU environmental targets must be judged.

When asked DECC officials are bullish about being able to hit the EU target for 16 percent of total energy from renewable sources by 2020. The evidence would indicate otherwise, particularly with regard to the renewable heat and transport sectors.

Positive action in the UK on energy efficiency is likely to occur where local authorities and energy utilities disregard problematic policies such as the Green Deal and instead develop their own programmes. Local authorities have the 'reach' for this. They have access to community networks and to a great extent the trust of their communities as official bodies where people feel they have a recourse if they have concerns.

Energy utilities do have funding of GBP 1.3 Billion per year through the Energy Company Obligation, but if matched funding is required to make a scheme fly then local authorities like many public bodies are highly constrained both in terms of capital and revenue expenditure.

This is where EU funds could really make a difference, bridging the gap between local schemes that lack finance but that nonetheless have every likelihood of succeeding.

The best route for such EU funds at a time of limited budgets would be via a route where councils and energy utilities have to demonstrate the robust nature of their proposals in terms of delivery as the key to open EU funding. High quality, 'deep' renovation proposals are essential here – cosmetic fixes such as replacement windows should be a non-starter. And the UK could maximise leverage on EU funds to co-finance projects if the UK government sets the EU funding element to cover 85 percent of costs. This will ensure we get more back from the EU on projects that give us a better deal from Europe, and certainly a greener one.

Designing such a programme coud be developed in conjunction with the Local Government Association (LGA), the representative body for councils in England and Wales. The LGA is regularly engaging with DECC on government policy and is one of the most informed bodies in the country on the delivery of energy efficiency programmes.

These are difficult times for many sectors of industry, but through imaginative links between the EU and local government bodies in the UK, we can produce imaginative and effective programmes that deliver carbon and financial savings while generating jobs and, for many, much needed hope.

Andrew Cooper has been a Green Party Councillor in Kirklees, West Yorkshire, since 1999. He has worked in the housing and energy sector since 1993 when he became Kirklees Council's first Energy Efficiency Coordinator.

Feeding the fire: EU money blocked for one Czech incinerator, yet more still in the pipeline

Back in August, the Czech Republic's handling of municipal waste attracted criticism from the European Commission, when it was identified as one of several EU member states not doing enough to recycle as well as actually infringing European legislation.

Of these failing waste states, the Commission notes: "Failings include poor or non-existent waste prevention policies, a lack of incentives to divert waste from landfills, and inadequate waste infrastructure. Heavy reliance on landfilling means that better waste management options such as re-use and recycling are consistently underexploited. The outlook is accordingly poor."

This outlook will remain poor if the Czech Republic doesn't start reconsidering its fondness for waste incinerators.

Bankwatch has campaigned – often successfully – against several such projects. The most recent success came in the Czech Republic in August with the announced abandonment of plans to develop the GBP 185 million Karvina municipal waste incinerator with support from EU funds allotted in the current EU programming period 2007–2013.

But while the project will not be moving forward at this stage, it's not unlikely that Karvina will get another chance for EU funding support in the forthcoming programming period 2014–2020, since the current Czech government still proposes to favour incinerators over recycling.

The Karvina incinerator, officially called the Regional integrated centre for recovery of municipal waste in the Moravian-Silesian Region (in north-east Czech Republic), had been intended to be ready for operations in 2015. The promoter company is KIC Odpady, whose shareholders are the region and municipalities of Ostrava, Karviná, Havířov, Opava and Frýdek-Místek.

The project financing was heavily reliant on public money, in particular on EU Cohesion Policy money, a loan from the European Investment Bank, and regional and municipal budgets. Earlier this summer the European Commission deemed that it could only provide a 20 percent subsidy under Cohesion money for incinerator projects, while the promoters had been relying on a 40 percent figure – the CZK 1 billion shortfall has been a major factor behind the spiking of the project for now.

Another contributing factor has been a legal action brought by environmental groups, including Bankwatch member group Hnuti Duha, related to the planning of the incinerator. In January this year the Ostrava Regional Court issued a preliminary verdict that puts on hold the validity of the zoning and planning decision for the proposed incinerator site because a rare dragonfly species lives in the vicinity. Since a valid zoning and planning decision is necessary for the construction permit and also for the application for EU funding, the decision posed a serious roadblock for the project.

There are wider issues and question marks about the Karvina incinerator's suitability that Hnuti Duha has raised and that continue to dog the project:

- The choice of incineration as a waste management option in the modified Czech National Waste Management Plan and the Regional Waste Management plan for the Moravian-Silesian Region has been controversial particularly as mechanical-biological treatment (MBT) of municipal waste has been identified in numerous studies as a more effective option. Indeed, the construction of a waste incinerator is viewed by some experts as a potential 'lock-in' option, preventing the development of separate collection and recycling.
- NGOs and experts are concerned about the quality of the project's environmental impact assessment process, particularly over the insufficient assessment of alternatives and the coherence of the Karvina incinerator project with the waste management hierarchy.
- Moreover, the very design of the project includes the option of significantly scaling up its annual waste burning capacity of 192,000 tons per year. This potential expansion in the future contradicts the project's environmental decision that stipulates that the capacity of an individual incinerator within a specific region or territory must not exceed half of the total annual production of municipal solid waste in that area.

According to Ivo Kropáček, waste campaigner for Hnuti Duha, "One major concern is that EU funds could thus be being lined up for future expansion of the Karvina incinerator. Yet there isn't sufficient waste and there's not going to be, unless of course there are plans to import waste from abroad."

More smoke and mirrors

If the Czech government realises its plans to prioritise waste incineration over recycling, Karvina and similar projects will continue to be put forward for EU funding. A new Action plan for biomass, accepted by the Czech government just last month, sends all the wrong signals though. This document contains:

- A plan for increasing volumes of municipal solid waste (a 29 percent increase by 2020).
- A plan to stop increasing the recycling ratio of municipal solid waste.
- A plan to build incinerators to handle two million tons of municipal waste (there are currently three incinerators operating in the Czech Republic with capacity of only around 630,000 tons).

A sit down between the European Commission and the Czech Ministry of Environment also in September to discuss the country's waste management performance did not bring any indications – at least in public – of improvements. Moreover, the last week of September saw the publication of the first draft of a new national waste management plan for 2013–2022. Contained in this document are controversial proposals to build incinerators – potentially 14 or more – to deal with 2.6 million tons of municipal waste. Hnuti Duha has already slammed these proposals as completely unrealistic as likely costs would amount to at least GBP 2.6 billion over eight years.

It can only be hoped that the Commission will maintain close scrutiny of these developments, and not incentivise more ill-conceived, unpopular projects with the promise of future EU funding.

Bankwatch contest

Entries have started arriving at Bankwatch Towers with concepts and ideas for sustainable, community-based projects – the kind of projects that we think should be receiving much more support from the EU budget. If you live in Bulgaria, the Czech Republic, Croatia, Latvia, Hungary, Macedonia or Slovakia, send us your ideas for a chance to realise them with a 3,000 euro prize.

For more information, see:
www.bankwatch.org/contest

Latest waste plans set to keep Sofia bottom of Europe's waste pile

In recent years Sofia municipality has been looking for a modern waste management solution, but all in the wrong direction. At the end of 2011, the Bulgarian capital submitted its latest application for funding to the European Commission. Regrettably, this featured a capital-intensive waste treatment facility and virtually no measures directed at higher levels of the so-called 'waste hierarchy' – namely prevention and reuse.

The waste facility in question is a mechanical biological treatment (MBT) plant estimated to cost at least EUR 107 million, with EUR 83 million of this being sought from the EU funds under the European Regional Development Fund, supplemented by a EUR 12 million loan from the European Investment Bank.

The envisioned MBT plant would take in the bulk of the mixed municipal solid waste generated in Sofia, and output one third of it for landfilling, with just three percent of low quality and low value recyclable materials recovered. The remaining two thirds of the output promise to be a financial burden to local taxpayers. 'Compost-like output', to comprise 17 percent of the MBT plant's output, is, simply put, low quality compost. A feasibility study has fixed the price of this material at zero, due to uncertainties about its usage. Due to its content of hazardous materials, CLO is unfit for agricultural use and, very likely, it will end up in the new landfill, significantly shortening its lifetime. Refuse-derived fuel (RDF), the remaining 38 percent of the output, will also incur costs: even now Sofia pays some 30 euros per tonne for burning RDF in a cement kiln.

To make matters worse, the plan is to apply for more EU funding – estimated at about EUR 100 million – in order to install RDF-burning capacity in the municipally-owned district-heating plant Toplofikacia Sofia. Replacing natural gas with solid fuel from mixed municipal waste will inevitably increase ambient concentrations of fine particulate matter which in Sofia are already above EU limits.

Attempts to obtain public access to the feasibility studies for this district-heating plant project by Bulgarian Bankwatch member Za Zemiata have so far been blocked by the local authorities, and Za Zemiata is awaiting a decision on this from the Supreme Administrative Court.

Scraping the bottom of the waste barrel

Bulgaria is the EU's laggard in terms of waste management performance and implementation of EU waste legislation, with nearly 100 percent landfilling. In the five years since accession to the EU in 2007, Bulgaria has made no progress on waste prevention and reuse, and rather insignificant advances towards achieving higher source separation, recycling, biological treatment and landfill diversion of waste.

Similarly, Sofia's recycling performance is extremely poor. Estimates show that Sofia recycles only around 20 percent of all waste generated from household, administrative and commercial sources. The 'producer responsibility' system for separate collection of packaging is dysfunctional and shrinking instead of improving – as of now, one third of Sofia's population does not have access to containers for separate collection of recyclables, while the number of containers is insufficient to guarantee convenient access for most of the remaining population.

Since less waste is being steered towards higher levels of the waste hierarchy, the lack of long-term planning and informed decision-making creates the need for 'end-of-pipe' technological fixes, such as the proposed MBT.

However, alternatives to this plan exist. One proposal from Za Zemiata places emphasis on investments directed close to the sources of waste, instead of the current end-of-pipe approach, in order to capture resources rather than treat waste. This involves optimising the source separation of recyclable and compostable materials by introducing door-to-door collection in place of the existing public street containers, as well as a pay-as-you-throw waste tax.

In this alternative scenario, improved resource management by 2015 could yield over EUR 8 million annually from high-value recyclables and over EUR 1 million from energy obtained via biological waste treated to produce biogas. In contrast, when material flows are considered, the MBT scenario has a net annual cost of EUR 1.5 million, as income from low-quality recyclables (EUR 3 million) is exceeded by the costs of burning RDF and disposing of CLO.

The cost-benefit analysis of the project confirms that the major project risks relate to RDF and CLO market value. This gap in revenues would have to be covered by increasing the waste tax charges for local inhabitants and businesses. With comparable operational and investment costs for waste collection in both scenarios, the alternative creates more green jobs and extends the lifetime of the landfill, while avoiding harmful air emissions and the destruction of valuable resources.

Although European Commission approval of the project was expected in early 2012, this still has not happened. Meanwhile, the results of the tender for the MBT plant's construction were due to come out at the end of August, but have not yet been announced. Seemingly, then, the deficiencies of the project are once more behind its delay, as was the case in 2010 when the Commission refused to finance the project until it was thoroughly revised.

If approved, the proposed Sofia MBT plant will represent a net cost to society, the environment and the economy, as it will work against the efficient use of resources and against achieving the goal of 50 percent preparation for reuse/recycling by 2020, as set by the EU's Waste Framework Directive. It will also worsen air quality and associated negative impacts on human health and the environment in Sofia.

As the project is reliant on 85 percent co-financing from the EU funds, the Commission decision when it comes will be critical for the future of Sofia's waste management system.

According to Evgenia Tasheva, Zero waste coordinator at Za Zemiata, the Commission should not fund the project as it is currently conceived: "Due to the flawed rationale of this project, we'd like to see the Commission either simply not approving the request for finance, or setting tough conditionalities and giving one last chance to Sofia municipality to submit a proposal that is in line with EU waste hierarchy and resource efficiency efforts. The Commission should require that an up-to-date and reliable study of Sofia's waste composition is carried out. This is likely to lead to the conclusion that before any new costly treatment facilities are implemented, more efforts should be made to increase the capture of recyclables and biowaste from households, offices, businesses and administration in Sofia."

NEW STUDY: CLEAN ENERGY INVESTMENTS WILL PAY OFF AT SCALE

How much investment money is needed to create 60,000 jobs, and how much to save half a million tonnes of CO_2 emissions annually? These are the kinds of calculations that a new Bankwatch study has been making with an eye on the uses of the EU's future Cohesion policy funds in central and eastern Europe.

No half measures: Investment needs in energy efficiency and renewables in the CEE countries examines how much money is needed to create jobs and reach Europe's climate targets. Assessing seven countries in central and eastern Europe (Bulgaria, Czech Republic, Hungary, Latvia, Poland, Slovakia and Slovenia), investment needs of EUR 172 billion over seven years were identified for energy efficiency and renewable energy programmes.

The current plans for the Structural and Cohesion Funds (2014-20) unfortunately look rather different: the roughly EUR 31 billion proposed by the European Commission for low-carbon measures in all EU countries would not nearly be enough.

Yet those 60,000 jobs and huge emissions' savings could be achieved by investing EUR 2.1 billion into the renovation of houses in Bulgaria – and 680,000 households would see a huge difference in their heating bills. These benefits, the study finds, can be replicated in all the CEE countries analysed.

As the study's title suggests, it is not half baked measures that we need, but a dedicated pursuit of low-carbon investments that would mitigate both climate change and the impacts of the economic crisis. Increased climate earmarking in the future EU budget will pay off. This is no moment to be considering reductions in the budget's climate investments, or for low-carbon money to be hijacked by fossil fuel projects.

Find out more: The *No half measures* study is available in pdf at: http://bankwatch.org/sites/default/files/no-half-measures.pdf

EU budget debate: Some one trillion euro questions and answers

The negotiations over the future EU budget for 2014-20 are well underway now, often being described under the epitaph 'EU budget battle'.

We tolerate no blood-letting on the pages of Bankwatch Mail. So Keti Medarova-Bergstrom, Senior Policy Analyst at the Institute for European Environmental Policy, and Pawel Swidlicki, Research Analyst at Open Europe, instead put their heads together to identify why and where EU budgetary spending has got it wrong in the past and propose how roughly one trillion euros can better serve Europe's environment, economy and people in the next funding period.

European decision-makers – lay down your budget weapons and listen!

Keti Medarova-Bergstrom

Europe's future challenges are very different from when the EU budget was first created. They include globalisation, climate change and an aging society as well as the ongoing economic and debt crises. Most of this agenda is not sufficiently reflected in the EU budget. The preoccupation with the scale of the EU's resources continues to overshadow more important discussions on substance, resulting in only incremental changes.

The central question for the EU budget is spending it in the right way on the real priorities. The budget simply hasn't kept pace with the changing needs of Europe and now the goal is re-alignment. There is a lot to play for.

Of course size matters too but a compromise on this is a political certainty, and the protracted and self-interested rows can distract from the substance. This discussion needs to be led by a focus on areas of outstanding EU 'added value', where the EU can complement national expenditure. Areas of longer-term strategic relevance, such as research, innovation and infrastructure are key. Without a well-managed, better targeted and quality-focused EU budget many of the EU's objectives will not be achieved.

Now there is a historic opportunity to set the EU on a path to a low carbon and resource efficient economy – building recovery on a longer term vision. This requires investment in appropriate infrastructure, including cross border measures, on energy supply and conservation, on training and human capital, innovation and research.

There are enormous investment requirements in improved electrical transmission and renewable energy on their own, some identified in the chronically under-funded SET plan. There is a growing body of evidence that indicates that investing in climate and resource intelligent measures can deliver multiple benefits for different policy areas, including security of energy supply.

Climate change is real and the impacts are already unfolding. Any expenditure that is not climate-proofed runs the risk of wasting scarce public money. The EU is in a good position to assist member states with stepping up action to promote 'win-win' solutions and ensure better targeting of spending that delivers genuine EU added value. This requires the underlying logic for intervention to be revisited thoroughly, and more stringent criteria adopted for priority-setting in each of the different funding mechanisms.

Currently, though, such a debate is not happening and the risk of perpetuating business as usual is increasing.

A second and necessary step would be to embed certain safeguards and procedural requirements in the future EU budget. More weight needs to be put on ex-ante conditionality, effective monitoring and securing the desired outcomes; with less weight on an ex-post control system. Such a move would promote better performance and quality of spending.

The EU is facing complex, interlinked problems, that require knowledge-intensive governance. Blindly cutting back 'administrative burden' can lead to higher overall inefficiencies in decision-making. In many cases the EU is in a comparatively better position to handle certain policies, including the single market, aviation, strategic rail, food safety etc than the sum of national authorities acting individually. Appropriate EU action can be cost-saving for member states, rather than cost-increasing. Therefore, possible administrative 'costs' should be seen as 'investment' in improving the implementation and result-orientation of future spending.

A focus on results means accepting some well-considered administration, not necessarily freeing the member states to spend as they wish.

> “There is no reason for regions in countries like the UK, Sweden and Luxembourg to send their tax revenues to Brussels only to receive it back with strings attached.”

Pawel Swidlicki

I agree with you that the EU budget fails to reflect the ways in which the world has changed since the EU was first established, with the bloated and inefficient Common Agricultural Policy probably the best example of this. It is vital that the debate on its substance – well represented in academic, business and journalistic circles – is finally properly reflected at the EU policy-making level.

Unfortunately, due to the number of vested interests dependent on EU spending and the EU institutions' (and some member states') bias towards the status quo – partially driven by fear that reform would undermine their competencies – means that this is a real struggle.

However, I think that the size of the budget is just as important as its substance, not least at a time when national budgets are under unprecedented strain. In the Eurozone in particular, tough austerity packages are being imposed at the behest of the Commission, which then perversely demands an increase in its own budget. This is unsustainable not only financially, but also politically, especially given that there is ample scope for savings at the EU level.

You mention re-aligning the EU budget with Europe's priorities and ensuring that spending delivers 'EU added value', both of which I wholeheartedly agree with, but this must also include a critical examination of what these terms mean. For example, while there is a benefit to pooling EU expertise and spending on innovation, research and development – an area of the budget that should be increased – there is no benefit to having the EU involved in regional development in all EU member states. It makes sense for the EU to assist infrastructure in the new member states, but there is no reason for regions in countries like the UK, Sweden and Luxembourg to send their tax revenues to Brussels only to receive it back with strings attached.

You mention the large scale energy and infrastructure projects that Europe will need in the future and undoubtedly there is a role for the EU to play in terms of funding and coordinating niche research projects, and also in terms of facilitating the exchange of best practices. However, I'd be very wary of locking policy objectives and funding at the EU level for two reasons.

First, the EU's track record in delivering such large-scale projects is very poor, with its global navigation satellite system (Galileo) and Thermonuclear Experimental Reactor projects experiencing significant delays and/or cost overruns. Second, locking energy policy at the EU level leaves little scope for member states to adjust their own national responses to climate change and energy provision – a crucial policy area – if they feel this is necessary.

In terms of better safeguards, more effective monitoring and ex-ante conditionality, these are all welcome goals, as under the current system responsibility falls into a black hole somewhere between the EU and national governments to the detriment of taxpayers.

Every item of EU expenditure needs to be scrutinised to determine whether it delivers added value. The priority is of course the 'big ticket' items such as the agricultural subsidies and the structural funds, both of which need to be radically slimmed down and refocused. But many of the smaller items – the European Parliament's 'communications' budget to take but one example – also need to be looked at to show that the EU budget cannot remain untouched by the world evolving around it.

Keti Medarova-Bergstrom

I agree that the size of the EU budget is indeed a very important issue, especially in the current context of austerity and debt crises; at a political level, unfortunately, this discussion usually comes at the cost of a healthy discussion on priorities and substance.

Both of us argue that 'EU added value' is a critical criterion that should guide future spending. However, the problem is that there is no common agreement or definition of what this actually means in practice. In fact, one of the problems is that the various Commission proposals on the post-2013 EU funding instruments interpret EU added value in different ways. Often this concept is used to justify current patterns of spending rather than introducing a yardstick for a serious approach to re-focusing and priority-setting. This points to the need for more operational criteria for what is meant by EU added value. Such an exercise would be valuable, even at this stage.

Let's take the issue of climate change and energy. You argue that action on climate change and energy should not be locked in to the EU level. There is indeed a rationale for national intervention in a wide variety of fields and circumstances, for example bottom up climate adaptation responses are likely to be more effective if they are tailored to specific local conditions, needs and institutions.

However, we have now committed to joint EU action in several important areas, including a combined effort to meet mitigation targets. This makes sense within a single market where competitiveness considerations inhibit governments from acting alone. EU level action will deliver higher added value and potential savings in many spheres, for example promoting low-carbon infrastructures, particularly across borders and/or kick starting riskier innovations which are likely to be underfunded by national governments alone or by the private sector.

Further to this, of course there is a lot of EU spending which is not only inefficient but also inherently in contradiction with EU policy objectives. For example, supporting carbon intensive developments (eg, fossil fuels extraction or road based transportation) can be in conflict with long term climate and decarbonisation objectives.

EU added value, therefore, should be understood not only in relation to better alignment of spending to EU objectives but also by ensuring greater policy coherence.

> “EU added value, therefore, should be understood not only in relation to better alignment of spending to EU objectives but also by ensuring greater policy coherence.”

You mention implementation delays and mismanaged projects. Unfortunately, these are not limited only to EU projects and I have never suggested additional large-scale Euro projects, simply a more forward looking approach to national investment receiving EU support. While I would not argue for inflating administrative budgets, I stress that investing in soft measures such as new skills, training, improving the knowledge base and governance tools are vital as they can improve implementation and reap efficiency benefits in the long-term.

Pawel Swidlicki

It is often said that EU politics exists in its own unique bubble removed from the real world, and unfortunately the negotiations over the EU budget – both the 2013 annual budget and the 2014-2020 financial framework – are in danger of lending credence to this claim.

Given the spiralling debt crisis and the resulting austerity and reform packages implemented in member states, there could not be a better or more appropriate time for the EU institutions and member states to take radical and innovative action on the budget – both in terms of size and substance – and I'm pleased that this is something we both agree on.

Alongside the high-level political discussion which needs to occur, EU and national civil servants need to simultaneously look critically at current spending priorities in order to determine where they have helped to stimulate jobs and growth, where they have had no overall effect and where they have been actively harmful. This exercise would hopefully go some way to identifying the currently nebulous concept of 'EU added value'. For example, as I said in my first response, there is added value in funding infrastructure schemes – including in the low carbon sector – in the new member states which could not otherwise be delivered, but less so in wealthier member states.

Indeed, our research has found that in the most crisis affected countries , and Spain in particular, EU funding contributed to the overheating of the construction sector by flooding it with extra money, with the country still struggling to clean up the mess from the resulting financial bubble. Across Europe many projects have been funded via the EU budget which are now under-utilised or abandoned altogether, including a new airport in Spain. Such projects were funded more due to the fact that there was money available, and less due to the existence of a genuine economic need.

The crisis affected countries in particular need more flexible and more targeted EU funding instruments than what the structural funds can offer, especially in terms of restricting their labour markets. Yet this has barely been reflected in the Commission's proposals.

Instead, the prevailing school of thought seems to be that the mere act of spending money will somehow deliver jobs and growth, ignoring the very different records that EU funding has had across member states and even across regions within member states.

I agree that in some areas there is also a coherence gap between EU policy and EU spending, such as between supporting carbon intensive developments while also funding – and legislating for – low carbon alternatives. Another good example is the EU funding anti-smoking health campaigns while at the same time providing subsidies to tobacco farmers. Many of these instances are the result of effective lobbying and special pleading by vested interests, and it is an area where the European Parliament really needs to step up its game.

On a final note, while I also agree with you on the need to invest in skills, training and innovation, a parallel review must take place into EU regulations – not least in the area of social and employment law – to ensure that EU funding and EU policies work in tandem and do not serve to undermine one another as is sometimes the case.

Keti Medarova-Bergstrom

Indeed, there is evidence showing several cases where there has been a big pot of money available for the wrong things. But let's not forget that more than 80 per cent of the EU budget is managed at national and regional levels. Decisions on spending priorities under two of the main segments of the budget, Cohesion Policy and Rural Development, are not made in Brussels but mainly in national capitals.

Theoretically, a more place-based agenda should be pursued where development opportunities, built on robust assessments, capitalise on local assets and develop indigenous potentials. Often, however, decision-makers, especially at lower levels of governance, tend to opt for solutions and traditional infrastructure projects, based on inflated traffic forecasts and poor cost-benefit analyses. Your example from Spain is an excellent illustration of this. Once again, this points to the need for greater EU level coordination of spending with a reinforced use of ex-ante conditionalities geared towards improved results. Blindly cutting back on EU administrative capacities therefore would not be helpful.

'Additionality' of EU spending is also key. In other words, funds should only be used to address existing market failures, deliver public goods and complement existing national/private funding, rather than crowding it out.

One option to address this is to strengthen the ex-ante assessment of investment needs in order to maximise the benefits of EU spending. Another helpful development would be to move towards the greater application of financial instruments (eg, loans, guarantees and equity) compared to traditional grant-based support. Arguably, due to their revolving nature, financial instruments could incentivise better quality projects, mobilise additional public/private capital and reinvest the profits/revenues in new projects. If properly designed and with associated risks being well managed, financial instruments could offer better value for money in certain instances.

It is interesting that we both agree on a number of fundamental issues even though we come from different perspectives. We both point to the urgent need for genuine reform of the EU budget. Similar aspirations accompanied the 2007 EU Budget Review process that was originally initiated as a 'no taboo' process aimed at revisiting every element of EU spending. The mood and good intentions however have changed over time. As demonstrated at the last General Affairs Council that took place on 24 September in Brussels, member states are as divided as ever on their positions regarding the future MFF. Regrettably, this could produce close to a zero-sum game for the European economy, citizens and the environment.

In conclusion, even though it is small in size compared to national budgets, the EU budget remains a critical tool that should be used to facilitate competitive and greener development pathways in Europe. Now is the time to be bold, the time for EU leaders to make firm commitments on EU spending priorities with at least 20 per cent of the overall MFF concentrated on low carbon and climate resilient developments. In the current economic context, the stakes are simply too high to revert to a business-as-usual approach yet again.

Pawel Swidlicki

You are correct to point out that many of the actual spending decisions are made at the national and local level, but in fact the truth is slightly more complex because the money comes from Brussels with various strings attached.

While some of these are necessary, for example to counteract fraud, many restrict what national authorities and member states can spend their own taxpayers' money on. For example, we found that in the UK's Cornwall region EU funds could not be used to assist the niche food sector even though this was an industry with huge growth potential in an economically disadvantaged area. I would argue this requires less EU co-ordination and more scope for wealthy member states – while still contributing to the common pot – to be able to finance and execute their own regional development policies.

Another problem at present is the lack of clarity where responsibility lies for spending decisions, with accountability all too often disappearing into a black hole somewhere between Brussels and national capitals. The most extreme manifestation of this are some of the absurd projects financed with EU cash, such as the ski slope built on Bornholm, a flat and temperate Danish island. When the media highlighted the case, both EU and Danish officials blamed each other for the lack of appropriate scrutiny. While similar examples of waste and poor decision-making can of course be found in national spending, at least it is easier to exercise more control and scrutiny over the latter.

We both agree that 'additionally' is an important criterion, especially in the context of delivering public goods. This is why we have proposed a radical transformation of the CAP from a vehicle for delivering billions of euros in subsidies to farmers, landowners and organisations – many of them already very wealthy – to an EU-wide system where funding is premised on the ability to deliver environmental benefits such as biodiversity. This could be delivered at the same time as cutting the cost of a policy area that is wildly out of sync with the social and economic realities of 21st century Europe.

I would also agree with a greater role for ex-ante and ex-post conditionality, albeit it with the caveat that this would be most effective in combination with more simplified objectives. At the moment EU funds suffer from a range of objectives, some of which, as you also pointed out earlier, can be in direct conflict with one another. In this context your proposal for diversifying funding instruments away from only using grants is interesting and deserves to be explored in greater depth.

A quick point regarding EU spending on 'administration' – of course this should not be cut back blindly. Yet while also enabling the essential functioning of EU institutions, far too much spending under this heading is directed towards dubious vanity projects. While the overall sums may be small in the context of the overall budgets, we are still talking about millions of euros at a time when member states are cutting back essential services, something which is politically unsustainable.

In conclusion, I think it is possible to have an EU budget that is smaller, and yet delivers far better value for European citizens, businesses and the environment. It is encouraging that despite coming from different perspectives and not agreeing on all the details, we agree that the status quo of the EU budget is unacceptable and that it is time for radical action.

EU money well spent – New map of projects

Bankwatch, Friends of the Earth Europe and WWF have collaborated to produce a new map that illustrates some of the best practice Cohesion policy investments in infrastructure projects to be realised during the 2007-13 financial period.

Taken from all over Europe, these successful projetcs vary in purpose from large scale energy generation projects, to those that help preserve biodiversity, through to localised transport schemes for small municipalities.

With a substantial budget of almost 350 billion euros for the period 2007-13, the EU's Cohesion policy is a formidable investment tool for promoting regional development across the 27 member states.

Looking forward to the next EU funding period in 2014-20, Cohesion policy should be all about creating opportunities to support projects that can bring about sustainable economic benefits while respecting our natural limits.

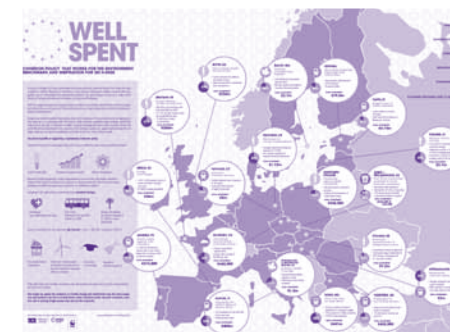
The cases featured on the map inspire, thanks to the environmental best practice running through them and the many and varied benefits that are now flowing from them.

These examples need to be in the minds of the future Cohesion policy architects.

Sustainable, effective and environmentally focused initiatives are out there – the task now is for future funds to multiply them all across the EU.

The map is available online, with full descriptions of the successful projects, at: www.wellspent.eu

Stay up to date: Follow tweets from @SustEUfunds for all the latest developments on the EU budget negotiations.



WELL SPENT IN SLOVAKIA

Polana region, Slovakia.

Project: Bioenergy reconstruction of village boiler rooms.

Total investment: 7.2 million euros, 93 percent of which EU funded.

Results:

- Increased energy independence
- 67 percent saving on energy costs
- 21 new jobs created
- Decrease in greenhouse gas emissions of 2,643 tonnes per year
- Successful community approach

EU funds to make Latvia the greenest country in the world? A vision still on paper

This summer Latvia's minister for environment and regional development, along with some other like-minded politicians, appeared to kick-start a green revolution by proposing to set a 'green vision' for the small Baltic country's National Development Plan (NDP) for the 2014-2020 period.

The NDP will set priorities for Latvia's EU funds investments, and since EU funds make up around 70 percent of all public investment in Latvia, the plan is considered to be a key document. After several rounds of public consultations on various drafts, the final draft of the NDP is expected to be approved by the Cabinet in the second half of October.

The appearance of a 'Green vision' document, to complement the 'real' NDP, was seen by many in Latvia as a green alternative, bringing green issues into the spotlight as well as sparking high level political debate. Above all, the green vision suggests that green development is feasible, and it stresses the importance of energy efficiency and the use of renewable energy sources for Latvia's future.

What the country should not do, though, is fall into the trap of continuing with 'business as usual', namely depleting the environment in the cause of securing economic growth, and only thinking about how to clean it up at some date in the future.

This unsustainable way forward, in fact, is what the NDP appears to be all about. The European Commission for one has expressed its disappointment due to the environment being largely absent in the draft versions of the NDP.

Latvian NGOs initially welcomed the process involved in the NDP drafting as it was open, transparent and participatory from the beginning. As the process proceeded, however, transparency decreased, especially when politicians started playing a more prominent role in drafting the plan.

Alongside these concerns are the lack of environmental safeguards contained in the NDP. NGOs have been calling for the plan to follow the EU's 2020 targets and to consider meaningful ways to achieve green and low carbon development.

Official responses have tended to stress that Latvia has no environment-related problems and instead there needs to be a focus on economic growth and demographic issues. This view ignores the increasing pressure on biodiversity protection outside nature protection areas, such as Latvia's valuable forests and meadows, as well as growing concerns over waste management practices that feature low rates of recycling and processing of raw materials.

Although some NGO comments were taken on board during the NDP consultations – the NDP's objective refers to sustainable development – substantial improvements and changes that would expand the plan failed to appear. This was the spur for the environment minister, Edmunds Sprūdžs, to release the green vision document.

Public consultation on both documents ended on September 21 and whether or not public comments have made it into the final plans remains to be seen.

Sprūdžs remains convinced that there is public demand for a common development vision and that the green vision should be the one.

Czech transport investments going nowhere fast

Investments in transport infrastructure, particularly in the road sector, in the Czech Republic are stark reminders of wider failures in the country's decision making that have left public confidence in national officialdom at all time lows. Some of these investments have also lead to hefty penalties being imposed by the European Commission. With planning underway for future EU funding in the Czech transport sector, now is not the time for the Commission to take its eye off the ball.

The financing of transport infrastructure in the Czech Republic is exorbitant for a number of reasons. First, existing infrastructure is technically unfit as a result of historical under-financing for maintenance and rehabilitation that lasted for decades under communist rule. Second, the whole sector has been blighted by ineffectiveness in the preparation and construction of transport projects – and the lack of a clear, strategic determination of priorities at national level is to blame here.

The upshot has been, for example, that certain motorway projects have been proposed and constructed despite lacking the necessary traffic volumes, or even being necessary at all. Often poorly built, one infamous motorway project is the D47 near Ostrava.

A major contributory factor for such white elephant projects is that over the last two decades it has become the norm for the interests of the construction business, linked to Czech politicians, to outweigh the public interest: realising an effective transport network, with minimised impacts on the environment and people's wallets and health, has fallen by the wayside as a result.

There are a variety of cases where original expected construction costs have doubled – or even in some cases quadrupled – during project implementation. At the same time, the inhabitants of dozens of towns and municipalities suffer from excessive transit traffic (the share of freight road transport between 1995 and 2010 rose from 57 to 79 percent), while the Czech rail network in most directions is not able to compete with roads in terms of travel times and sometimes also capacity. The debt on the maintenance of regional railways, roads and bridges continues to deepen, and is now reaching similar levels as the projected costs of new capacity transport infrastructure planned for construction.

As a result of recurrent unacceptable practices in planning, decision-making and construction costs, the European Commission has correctly refused to green light the financing of a number of transport projects, particularly roads such as the notorious D8 motorway, that had been listed as priorities in the current Czech operational programme for transport.

Furthermore, in September 2012, the Commission announced the first penalty measure: due to the violation of basic fiscal rules for the use of EU funds, with the operational programme for transport among the main wrongdoers, approximately EUR one billion was cut from the Czech Republic's overall allocations of EU money for the 2007-13 period. And this is unlikely to be the final word on the matter.

Thus, the Czech Republic is not only squandering the chance to advance its transport infrastructure via the EU funds, but since money – billions of euros indeed – for certain major projects such as the D8 motorway and the upgrading of the D1 motorway has already been spent (ie, pre-paid nationally), further pressure is mounting on the national budget deficit, with repercussions for basic social and health services and the education system that are now in the firing line for spending cuts.

A way forward

Is there a chance to move ahead? Perhaps yes, but it will not be a straightforward task.

The European Commission has insisted that the Transport ministry begin the process of preparing a Transport Sectoral Strategy that should serve as a basis for drawing up the operational programme for transport for the 2014-20 EU funding period. This strategy needs to reflect crunch issues – other than socio-economic factors, above all there is a need to reduce the environmental impacts of transport in the Czech Republic, including measures to decrease the sector's growing carbon footprint in line with EU strategies.

Key to this is ensuring that the strategy focuses on the long term goal of increasing the share of rail transport and decreasing the sector's overall environmental impacts. The strategy must therefore support the following measures:

- Investments for upgrading the railways, not only on the trans-European or backbone routes.
- The construction and development of services in multimodal terminals.
- The introduction of intelligent transport systems in order to increase the safety and capacity of transport connections.
- Investments aimed at the development of integrated transport systems in agglomeration areas.
- Decreasing some of road transport's negative impacts through the construction of bypasses and roads with appropriate capacity.
- The extension of the 'polluter pays' principle, for example through the extension of freight road transport charging to selected secondary and tertiary roads. This would not only serve to increase the attractiveness of railways, but also lead to a curbing of the negative trend of bypassing charged sections of the road network, resulting too in less destruction of lower category roads.
- Specifying indicators in the transport sector that will enable monitoring of the level of the change (eg, modal shift, decreases in transport-related emissions) that can be realised thanks to the use of the EU funds.

In the coming few years, the development of the Czech Republic's transport infrastructure can not happen without significant involvement of the EU funds. The formulation of a good strategy for the 2014-20 period is therefore essential to guide and ensure prudent investments, together with appropriate oversight of the spending.

The deeply regretable – and avoidable – stink over the current operational programme for transport, where the European Commission has had to wield a big stick, shows nonetheless that if we want to see effective use of cohesion money in the Czech Republic there has to be no let up in monitoring of the national authorities.

MORE QUESTIONS ASKED ABOUT EBRD AND EIB TRANSPARENCY

The European Investment Bank and the European Bank for Reconstruction and Development have been awarded some of the worst transparency scores for international finance institutions in this year's Aid Transparency Index, published in early October by the campaign group Publish What You Fund.

With a score of 44 percent the EIB comes 36th out of 72 organisations assessed. The EBRD came in 21st with a score of 54.8 percent. Bankwatch's EBRD coordinator Ionut Apostol commented: "The news that the EBRD has failed to make significant progress on transparency is particularly concerning as this year the EBRD expanded its area of operations to include North Africa, a region where transparency in building post revolutionary societies is key."

Bankwatch's EIB coordinator Anna Roggenbuck reacted to the EIB just barely scraping into Publish What You Fund's 'moderate' transparency category, saying: "This is unacceptable for an official EU body. Europeans and those impacted by the EIB's investments have the right to know exactly where and how the EU bank spends its money. The EIB must comply fully with EU legislation on access to information. And it must begin proactively disseminating comprehensive information about its operations to the public in a way that goes beyond the limited facts and figures currently available on its website."

A particular problem undermining the transparency of both public banks is their continuing reference to commercial confidentiality as a justification for concealing important information from the public. The European Parliament has repeatedly called on the EIB to make more information available, especially in light of the EU growth package that includes a EUR 60 billion increase in EIB lending.

David Hall-Matthews, Director of Publish What You Fund, said: "There is too little readily available information about aid, which undermines the efforts of those who both give and receive it. Transparency is essential if aid is to truly deliver on its promise."

Read more: The 2012 Aid Transparency Index is available at: http://www.publishwhatyoufund.org/

Croatian coal power plans advancing despite legal violations and economic unfeasibility

It has been a busy time of late for the planned EUR 800 million, 500 MW Plomin C coal power plant. The Croatian government is pressing ahead with the project under the assumption that it will – along with the equally controversial EBRD-financed Ombla hydropower plant – save Croatia's ailing economy. Yet it is far from certain who will actually participate in the project, let alone finance it.

Like the controversial Šoštanj unit 6 project in Slovenia, Plomin C threatens to prevent Croatia from following long–term EU climate goals by locking in high levels of CO2 emissions until beyond 2050. But will international financial institutions such as the EBRD and the EIB learn from Šoštanj and keep a safe distance this time? Or will they dive right in again and come out with their noses bloodied?

On the surface, Plomin C looks to be advancing qucikly. However a closer look shows that the project is riddled with serious flaws.

On September 20 a resolution was issued by the Croatian ministry of environment approving the project's EIA, and an IPPC permit was issued. NGOs Zelena akcija and Zelena Istra have made it clear that they plan to challenge these approvals in court – the project is in conflict with the Istria County spatial plan, according to the groups, as the plan clearly states that any new unit at the site must run on gas and that the total capacity of all units at the site may not exceed 335 MW. The existing Plomin 2 has a capacity of 210 MW and the new unit is planned to have 500 MW.

A few days later, on 28 September, four companies were shortlisted after a call for expressions of interest for a strategic partner for the project had yielded 6–7 candidates (a far cry from the initial 45 which minister of economy Radimir Cacic had claimed in media reports in August). The four companies are Edison from Italy, KOSEP from South Korea, Marubeni from Japan and Pol–Mot from Poland.

Apart from Edison, these are hardly big names in the European energy market – Pol–Mot is better known as a manufacturer of tractors and automotive components. Conspicuous by its absence was German company RWE, the strategic partner for the existing Plomin 2 plant, and considered to be a hot favourite for Plomin C, in spite of having clearly stated at its annual meeting in April that it was not planning to invest in the project.

Worryingly, the Croatian government seems to be completely ignoring advice from prominent expert Prof. Dr. Enzo Tirelli, who led the construction of Plomin 2. In July this year Tirelli published an economic analysis that found that constructing a new unit at Plomin using imported coal will prove to be economically unviable.

It is to be hoped that potential investors and financiers of the project will not push forward so blindly and will stop to hear the unmistakeable message coming from countries like the UK, US and Germany, where tens and – in the case of the US – more than a hundred coal plant plans have been stopped, partly for economic reasons, and partly because of local opposition.

Hoyer and out: New EIB president muddles through European parliament hearing

With the European Investment Bank having recently postponed the annual face-to-face dialogue with NGOs that the bank's former president Philippe Maystadt initiated in autumn 2011 (see Bankwatch Mail 50), it was good to see new EIB president Werner Hoyer being put on the spot in September by MEPs during a hearing at the Europeam parliament's Economic and Monetary Affairs Committee.

Subjecting Mr Hoyer to a rigorous range of questions, many of which drew on concerns raised by NGOs in recent years, it would be no surprise if the committee members drew less than satisfactory conclusions about, to be charitable, the EIB president's considered – if less than considerable – responses.

Under questioning from MEPs, according to Hoyer the EIB is taking seriously the issue of its lending going to companies based in tax havens. And on this acutely important topic, that was about it from Hoyer.

On whether EIB loans are making it to SMEs via intermediary institutions, a vital part of the EIB's response to the ongoing economic crisis, Hoyer didn't manage to answer within the time given, although he did state that all questions raised would be answered in writing, if not in person. A question from ALDE MEP Wolf Klinz on what are the indicators used by the EIB to assess the success of a project also fell by the wayside due to a lack of time.

Where Hoyer was more discursive was on the EIB's future engagement with coal – specifically coal-fired power plants, where he said that the bank may have a role to play.

The EIB is already involved in the hugely controversial Šoštanj lignite power plant project in Slovenia, where marginal improvements in efficiency and reduced carbon emissions will still see Slovenia locked into fossil fuels for 30-40 years and prevent the necessary national emission decreases from taking place. There is speculation too that an EIB investment into energy transmission lines in Poland is aiding a coal–fired power plant – and there may be more Polish coal investments to come from the EIB.

It may be inferred then that the Polish fossil fuel lobby has the EIB firmly in its sights. Hoyer described how, with coal and fossil fuels in general, there are contradicting requests coming from MEPs – one saying the bank should go into coal, another saying the opposite. He also repeated the need to satisfy the often contradicting needs and positions of the EU's 27 member states.

Yet as the EIB is mandated to support and help implement EU policies, the EU's 2020 and 2050 climate and low-carbon strategies ought to be taking priority in the bank's approach to investments.

As the latest alarming climate report, commissioned by 20 governments, has revealed, more than 100 million people will die and global economic growth will be cut by 3.2 percent of GDP by 2030 if the world fails to tackle climate change. The same report estimates the cost of moving the world to a low-carbon economy at about 0.5 percent of GDP this decade. With significant capital at its disposal, the EIB remains a major investment player, and in this context should be re-doubling its efforts to boost energy efficiency and renewables projects, not being distracted by coal plants.

The EIB is the biggest IFI lender in the world. It should, then, be focusing on the bigger picture, the climate crisis, rather than allowing itself to be buffeted by requests for one final fossil fuel fix.

Egypt's **turmoil** is a **distraction** from the west's economic **agenda**

The storming of the US embassy in Cairo has diverted attention once again from the real issues facing Egypt. It couldn't have come at a better time for those who want to convince the Egyptian people to accept an International Monetary Fund loan and other western IFI interventions, and thus extend former president Hosni Mubarak's liberalisation of the economy.

While the western media and politicians seem content to view Egypt through the prism of political rights versus Islam, the economic causes of the revolution, the waves of strikes and economic demands of the activists are barely discussed.

This allows the US and European governments to portray the USD 4.8bn IMF loan under negotiation – the "assistance" funds that will shortly start flowing into public–private "partnerships" and free trade zones being planned by the EU – as "gifts" to the Egyptian people. The bearers of these "gifts" include the European Bank for Reconstruction and Development, now trying to extend its mandate to north Africa having been created to introduce the "free market" into post–Soviet eastern Europe, and the European Investment Bank. Highly critical rightwing commentaries about the US embassy incident have even suggested withdrawing such "gifts" until the Egyptian government can keep its people under control. The banks, though, appear very much intent on forging ahead.

The diversion into religious tension is also helpful to economic conservatives in the Egyptian administration, who are intent on pushing through the IMF loan, repaying Mubarak's odious debts and opening the country to western capital. It allows President Mohammed Morsi to stand firm against the US on issues that are more symbolic, while giving way to its economic agenda.

The IMF agenda is not popular. When it tried to negotiate a loan with the unelected interim military government last year, it was turned down on the grounds that the resulting IMF interference would be unacceptable.

At the time, the opposition Muslim Brotherhood said it was firmly against the loan. Today, in government, the party hierarchy is supporting it, despite serious doubts in the wider organisation, where many are rightly concerned that an IMF agenda is incompatible with Islamic principles of finance.

The loan is also causing heated debates in Cairo's coffee shops and on the blogosphere. The IMF says it has changed its ways since working with Mubarak to restructure the Egyptian economy in the 1990s, and won't ask for many conditions this time around.

However, many people remain sceptical about the IMF's agenda – privatisation, indirect taxation, removal of subsidies (many of which are corrupt, but some of which do genuinely support the poor) and an economy based around exports. As one government insider said last week: "In Egypt, we call privatisation what it is – stealing." A propaganda campaign aims to convince Egyptians that "there is no alternative".

Many of those who helped to organise the revolution are acutely aware of the need to focus on the economy.

"The question is not whether to take a loan, but who will run this country for the next five years,"Amr Adly from the Egyptian Initiative for Personal Rights told an anti-privatisation conference in Cairo. He's right because the IMF's plan is to extend and promote new loans to Egypt so that it can continue to pay (rather than question) Mubarak's debts, and use this influence to impose a whole host of liberalisation policies.

Indeed, the IMF's plan is already moving forward. On 8 September, a team of US corporate representatives arrived in Cairo, including representatives from Boeing, Google, Exxon and Morgan Stanley. The 100–strong delegation, the largest US business mission to Egypt, urged the government to adopt more business–friendly legislation. Prime Minister Hisham Qandil told them: "We want you here to invest and make profits." He promised easier profit repatriation for companies coming into the country.

Certainly, Egypt's foreign currency reserves are depleting, and problems remain with its balance of payments. But it does have real alternatives. There's support – even from within the ruling party – for suspending payments on Mubarak–era debts and holding a public consultation to decide which debts should be repudiated.

An economy that benefits Egypt's people depends on a national and regional development strategy similar to those that are being pursued in many Latin American countries. Countries such as Ecuador and Bolivia have shown that such policies not only create more growth, but lead to much fairer distribution of wealth in society and falling poverty. Incidentally, they are also much closer to Islamic ideas of what constitutes a "just economy" than anything being proposed by the IMF.

In Egypt, the path to genuine development is open – in many ways, it will never offer better or clearer alternatives. But all of this will be impossible if the IMF gets its way. Ironically, the supposed political challenge to the west represented by the US embassy incident might actually help deter a much greater challenge to western power in the region represented by the campaign against the IMF loan.

How the facts got in the way of a good EBRD Roma headline

This summer's 'silly season' featured a a blog post on the EBRD website replete with the claim that the bank has helped turn Serbia into a "role model for social inclusion of Roma". This claim immediately rang hollow in light of the ongoing plethora of abuses of Roma rights in Serbia.

Belgrade authorities have an alarming tendency to resettle Roma families without proper prior notice and consultation, in the process separating families and relocating people to far away places and in improper conditions. Amnesty International has repeatedly condemned the manner in which such resettlements are done, claiming that Serbia is breaking its international human rights obligations.

It was therefore surprising to read the EBRD congratulating itself for its involvement in a recycling initiative offering Roma people employment in Belgrade. While the recycling initiative is certainly laudable, what was striking about this bit of news was the EBRD claim that the project has allowed Belgrade to become a role model for social inclusion of Roma.

The recycling centre in question is intended to help the reintegration of Roma, including those that have been resettled because of the construction of Gazela Bridge, planned to be financed by the EIB with the resettlement technical assistance carried out by the EBRD. The Gazela resettlements were a huge human rights scandal, and a recycling centre – as welcome as it is – can only be viewed as a start towards providing proper solutions for these forcefully displaced people.

Here, unfortunately, is what else has been happening of late to Roma communities in Belgrade.

On 26 April this year, 100 out of more than 240 families forcibly evicted from Belgrade's Belvil settlement (a community resettled because of constructions related to the Sava Bridge) and who were not Belgrade residents were bussed out of the capital and taken to towns and cities across the country. Five families that were returned to the southern Serbian city of Nis – 18 people in all, including children and a new-born baby – have had a particularly hard time. They spent three months in an abandoned warehouse, with no proper sanitation or electricity and only in late July finally received access to running water. For this, Amnesty International has accused the Belgrade authorities of breaking their international human rights obligations.

Moreover, as part of the resettlement processes related to both the Gazela and Sava projects, Roma people have been resettled in metal accommodation containers on the Belgrade periphery far from their income source of recycling activities. Here they have not been permitted to collect or store waste items that they can recycle or sell at the sites.

In the case of the Gazela Bridge, 61 families have been bussed to southern Serbia from the Gazela Bridge environs in spite of already having emigrated from there due to the lack of income opportunities. Around 114 families from Gazela Bridge were bussed to the outskirts of Belgrade and given accommodation in metal containers.

More widely, and most importantly, Serbia still lacks a national legal framework for resettlement, displaying a total lack of political will to solve the problems of Roma and other vulnerable groups in Serbia. Belgrade still does not have an action plan for the inclusion of Roma, and instead is adopting a piecemeal case-by-case approach, with standards depending on whether international financial institutions are involved or not. In cases where these bodies are not involved, resettlement simply consists of eviction, with no alternative accommodation provided.

According to the Serbian government, "there are some 600 Roma settlements in Serbia and over 100 in Belgrade alone". In Belgrade there are around 30,000 Roma who continue to live in sub-standard, unhygienic settlements without adequate or – in many cases – any services.

EBRD clanger offset by pledges from new president

Against this troubling background, the recycling centre highlighted by the EBRD near the Orlovsko Naselje container settlement in the Zvezdara district started operations in 2011, with about 30 informal waste collectors – mainly Roma – organised in a co-operative, and able to make some earnings through the centre. In 2012 the number of collectors is predicted to rise to between 50 and 100. This is a good start and the initiative is praiseworthy.

However, inflating this small ray of light into the idea that Belgrade has in general become a role model for social inclusion of Roma is not only dishonest but may also make it much harder to promote Roma rights in the city. As might be expected to happen, the EBRD's clumsy publicity resulted in an outburst of self-congratulatory articles in the Serbian media.

The plight of the Roma in Belgrade was raised at the beginning of September with Sir Suma Chakrabarti, the new president of the EBRD, during a meeting with Serbian civil society. Jovana Vukovic, director of the Belgrade-based human rights NGO Regional Center for Minorities, expressed concern over the failure of the EBRD and the Belgrade and Serbia authorities to provide for people resettled in metal containers as a result of the Gazela project in 2009. Vukovic called on the EBRD to take responsibility and provide support for a long term housing solution, as well as the need to produce a strategy to support the resettled population's efforts to find employment and a decent standard of living.

Chakrabarti expressed surprise that the situation is so grave and pledged that he would personally request a revision of the process, the formulation of a plan to assist the economic activity of the resettled population and that a plan for long term housing would be provided for all the resettled families affected by the Gazela and Sava projects.

Find out more: The 'Out of Sight' website promotes sustainable resettlement of Belgrade's Gazela community: http://outofsight.tv/

THE OIL ROAD – HOW A DONE DEAL CONTINUES TO UNRAVEL

Half way through *The Oil Road*, James Marriot and Mika Minio–Paluello's remarkable recounting of their journey along the Baku-Tbilisi-Ceyhan (BTC) pipeline from Azerbaijan to the City of London, a narrative peppered with a wealth of cultural, social and economic history and kaleidoscopic insight from the Caspian region and beyond, there is an extract from Turkish writer Yasar Kemal's *Ince Memed*:

'Poor farmers always make room for a calf in their home, close by the fire, next to where they lay theor own beds. They bed the calf in fresh grass mixed with flowers. The hut then smells of spring flowers, of grass, of calf-dung and of the young animal. The smell of a calf is like the smell of milk. If anyone opened his hand wide to caress an ear with the palm, he would feel a pleasant thrill, it was so soft and cool.'

The Oil Road is about less pleasant things: it is a forensic analysis of how poor farmers, hundreds of communities and entire nations – not to mention their sovereign legislatures – have been forced to make room for BP's BTC pipeline and, more widely, western energy imperialism with its attendant financial support structures.

This 'making room' for the BTC pipeline has involved a catalogue of abuses, from poor (or just no) compensation for land acquisition, the harassment and intimidation of villlagers and activists alike by security services, through to cover-ups over the pipeline's integrity and a major explosion that took place in Refahiye in northern Turkey in August 2008, three years after the pipeline opened.

Compensation efforts via among other things BP's Community Investment Program (CIP) have been widely hailed by the company and international investors as evidence of the project's ability to deliver 'sustainable development'.

As a counter balance to this, *The Oil Road* presents evidence of how NGOs (or rather GONGOs – 'government supporting NGOs') in the BTC countries have taken the money to shill for the pipeline.

One standout moment in the book comes when Minio–Paluello, on patrol with a camera in a Turkish village next to the pipeline, is confronted by an NGO representative administering the BTC CIP: "I will stop you, I'll smash your camera," he is told. With incriminating video footage concealed in a sock, Minio–Paluello is then carted off for several hours of state police detention.

Progressing further into *The Oil Road*, the more it assumes the detective-thriller genre – and not just because of the authors' regular observing of BTC workers in orange jumpsuits and hard hats, evocative of those helpless minions serving so many James Bond villians.

The air of cover-up resonates throughout the book, not least with regards to its financing. Private banks financing the BTC deal, including Royal Bank of Scotland, went along with 157 violations of the Equator principles.

The EBRD and the IFC also had to bend their rules in order to provide former BP CEO John Browne not just half a billion dollars of public finance but also priceless 'political comfort'.

In the heart of London in early 2009, the authors learn from a key BP investor that BTC is a 'done deal'. Other than its enjoyable, educational scope, the biggest compliment I can pay this book is that it is an eye-opener, bringing the BTC pipeline's problems that persist into full view – and I say that as someone intimately involved in the BTC campaign in 2003 and 2004, and for whom too the project has taken on, regretably, a certain 'done deal' aspect.

This is reportage of the highest calibre. As PLATORM's Marriot and Minio–Paluello relate their shadowing of the BTC pipeline's marker posts in the ground, they lay down their own vital markers: not only for western consumers and BTC communities but for other people facing up to fossil fuel fantasies in the name of development, fantasies that continue to be bankrolled by western capital's finest public and private financiers.

The Oil Road is published by Verso Books

Trust us, we're euphoric – Private equity and a tax haven part of the EBRD's first post-Arab Spring swoop

Public investment millions provided to a private equity fund based in a tax haven – these days, with the buccaneer activities of private equity firms and the use and abuse of tax havens very much in the public spotlight, this kind of thing could validly be expected to provoke a public outcry.

Yet when such investments are made under the cloak of international 'development finance', as the European Bank for Reconstruction and Development did last week, there is not only cursory media reporting but, by the sounds of it, some hearty back-slapping within the EBRD itself.

The deal in question, a EUR 20 million equity investment in Maghreb Private Equity Fund III , is part of the EBRD's first raft of signed-off investments for the Middle East and North Africa (MENA) region.

Private equity may set some alarm bells ringing (just ask the Obama presidential campaign) but the Maghreb Private Equity Fund III is also based in Mauritius, a renowned tax haven, a fact not alluded to in the EBRD's press materials. It is, however, cited in the bank's project summary document that was published unusually late: not months in advance of the EBRD's board meeting to discuss it, as is the norm, but on the same day as the board approved it.

Accompanying the press announcement of this private equity deal, and two others involving 'intermediated finance' (see below) in the EBRD's new region of operations, was a Tweet from the bank's recently appointed president, Suma Chakrabarti:

Clearly much excitement, then, as the EBRD's lengthily trailed and controversial entry into the MENA region became a reality. Given the nature of these investments, though, and their highly uncertain ability to deliver developmental value in these acutely needy economies, what exactly is there to shout about?.

Black hole development finance

Last week's private equity deal and the two other accompanying investments in Jordan and Morocco see the EBRD relying on intermediary institutions to select and pass on loans to thousands of final beneficiaries, usually in the small- and medium-sized enterprises (SME) sector.

While the intention of these investments is to spur economic development by lending to SMEs, the investment model (so called 'intermediated finance') raises more questions than answers.

For one thing, based on the EBRD's track record in eastern Europe over more than a decade, accountability for this type of lending is nowhere to be seen due to commercial confidentiality. The EBRD is not compelled to (and very rarely does) reveal publicly who the final beneficiaries are, or what they have been doing with the funding; nor do the intermediary institutions, be they commercial banks, private equity firms or hedge funds.

And yes, the World Bank's private lending arm, the IFC, has invested in a hedge fund under the 'development' banner. As Nick Hildyard of The Corner House has recently pointed out, though:

'An IFC review of its private equity portfolio has concluded that any correlation between high profits and wider positive development outcomes was relatively weak, and that the most pronounced impact of private equity investments was in "improvements in private sector development", such as encouraging changes in the law favourable to the private sector. In effect, what is good for private equity is good for private equity – but not necessarily for the wider public.'

What's more, a May 2011 report of the World Bank Independent Evaluation Group, Assessing IFC's Poverty Focus and Results, found that less than half of the projects reviewed (the IFC invests only in the private sector) were designed to deliver development outcomes, and just one third of the projects addressed market failures, such as enhancing access to markets or employment of the poor.

A further red flag

If you're new to intermediated finance, then, it doesn't exactly seem to add up. But there's the added red flag that the investments announced by the EBRD include a client that is registered in a tax haven. In spite of its development bank status, and similar to other institutions such as the World Bank and the European Investment Bank, the EBRD is still permitted to provide financing to entities based in tax havens. The risks of doing so, particularly in a development context, are becoming increasingly well documented – as usual the peerless Tax Justice Network has been leading the way.

More evidence is provided in a recently published report from the development NGO Eurodad. *Private profit for public good? Can investing in private companies deliver for the poor?* maps out the recent rapid growth in the intermediated finance sums being doled out with a 'development' stamp by the international financial institutions, and has uncovered thealarming trends that come with it.

As the Eurodad report points out, 'Unfortunately development banks and private financial institutions have a spotty record when it comes to the development impact of their projects, so "trust us" does not qualify as an effective method of monitoring and evaluation.'

Development ineffectiveness

The UK Department for International Development (DfID), the UK government agency responsible for interacting with and channelling UK development money to the EBRD and other agencies, has arrived at similar conclusions regarding the EBRD and development. DfID's 2011 multilateral aid review rated the EBRD among the bottom ten of 43 institutions assessed in 'contributing to UK development objectives'.

At the time of this review EBRD president Chakrabarti was the top civil servant at DfID, so these findings can not have escaped his attention. Transforming the EBRD into an institution that delivers much more effectively on development goals is surely one of the key challenges for Chakrabarti's presidency.

What's in store for Egypt?

It is highly concerning that the EBRD has opted to signal its entry into a new region of operations with these type of investments. More of the same can now be expected, involving not millions but billions of public money. With EBRD investments expected shortly to commence flowing into Egypt, where tax haven abuse by Hosni Mubarak, his family and other cronies was rife, the people of the region must be scratching their heads about the west's post-revolution response.

The EBRD's dubious infant steps into North Africa and the Middle East, not to mention its already very grey-tinged footprints in eastern Europe, could be set on a more appropriate path. To do so requires this development bank to grant full public disclosure of where these funds are going, who is benefiting and what the real added value in terms of job creation and environmental sustainability actually is.

Read more: Eurodad's report 'Private profit for public good? Can investing in private companies deliver for the poor?' is available at: http://eurodad.org/1543000/

Editorial board: Greig Aitken, Sven Haertig-Tokarz, David Hoffman Petr Hlobil
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Design: rjones73.carbonmade.com
Layout: Tereza Hejmová

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Address: CEE Bankwatch Network
Na Rozcesti 1434/6
Praha 9, 190 00 Czech Republic

E-mail: main@bankwatch.org
Web: www.bankwatch.org
Twitter: @ceebankwatch