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EIB energy policy review – Time to lock out climate destructive investments for good

The European Investment Bank (EIB), the EU's bank and also the biggest public financial institution in the world by lending volume, has launched a public consultation on its energy policy and is seeking views from the public and other stakeholders that should feed into a review of one of the EIB's most crucial lending sectors.

The EIB's energy policy review is taking place just as a string of major international agencies – including the United Nations, the World Bank and the European Environment Agency – have issued dire warnings about runaway climate change and the urgent need for major new investments into energy efficiency measures and clean renewable energy technologies.

This time last year, Bankwatch's study 'Carbon Rising' revealed how EIB energy lending in recent years has failed to relate to long term EU climate protection objectives such as de-carbonisation of the energy sector by 2050 – and this from a bank intended to support EU policy objectives.

For example, as the Carbon Rising study showed, between 2007 and 2010 fossil fuels came out as the top beneficiary in the EIB's energy sector lending, resulting in a high carbon 'lock-in' effect – such EIB investments notably involved the financing of coal-fired power plants, whether in Bielsko Biała in southern Poland or at the Sostanj coal power plant in Slovenia, as well as several other similar EIB loan deals.

In 2011 (see graph on page 2), according to the latest Bankwatch research, EIB lending to the fossil fuels industry in the EU has decreased on average to one fifth of its overall energy lending, though it is uncertain whether this is a blip or if EIB fossil fuel lending will continue to trend downwards. Worryingly though, in 2011 EIB fossil fuel lending in the EU's new member states of central and eastern Europe is still over 34 percent of the bank's energy lending for the region.

As an EU institution, in theory bound by EU policies and strategies, the EIB needs clear political guidelines to set the direction for its future energy sector lending and the types of projects it supports.

This kind of clarity is long overdue, due to the fact that when it comes to energy, the EIB has been operating to date within the framework of the EU's own energy policy that is based on three pillars: sustainability, security of supply and competitiveness. Alas, trying to strike a balance between these pillars has led the EIB to support projects like Sostanj in Slovenia and a number of other coal power plants that will lock in assets, as well as the countries themselves, into the dirtiest sources of energy for decades to come.

At the same time, though, the EIB has introduced its Climate Action program in an effort to mainstream climate considerations into its lending.

What is now at stake in the EIB energy policy review is whether instead of trying to satisfy competing demands, the EIB's mandate should be better clarified and focused to make the bank a lead institution promoting the de-carbonisation of the energy sector and of our societies in general.

According to Anna Roggenbuck, Bankwatch's EIB coordinator: "A new approach from the EIB is needed to ensure that its investments are in fact adding value to the sustainable development of the EU. In order to increase benefits for the EU as a whole, the EIB should be strongly prioritising projects that meet the requirements of

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EBRD mulls latest mega-corp support – for Monsanto

Monsanto, the world's largest seed producer and one of the most well-known promoters of genetically-modified crops worldwide, is in line to receive USD 40 million of public financial support from the European Bank for Reconstruction and Development (EBRD), the bank disclosed last month.

The proposed support, according to project information on the EBRD website, involves 'unfunded risk participation' for cases where farming companies cannot pay for seeds and agrochemicals that they have signed up to with Monsanto. The USD 40 million pot is to be aimed at medium-large farmers and a small selection of key distributors in Bulgaria, Hungary, Russia, Serbia, Turkey, and Ukraine.

Since its initial announcement of the potential Monsanto deal, the EBRD has already moved the board date for a final decision on the deal from January next year to April.

Concerns have been mounting about why the world's fourth largest agrochemical company, one that features in the Fortune 500 list of top global businesses, should be being considered for public financial support.

Serbian environment groups, including Bankwatch member CEKOR, protested outside the EBRD country office in Belgrade on November 30. Chief among their demands was that the EBRD refuse to finalise this support for Monsanto and instead focus in Serbia on developing financial programmes to assist small-scale green, organic and other producers in the country.

In Germany, Kirsten Tackmann, a member of the German parliament and responsible for rural affairs for the Die Linke party, has requested a statement from the federal government on its views regarding the potential deal – Germany being a key EBRD shareholder.

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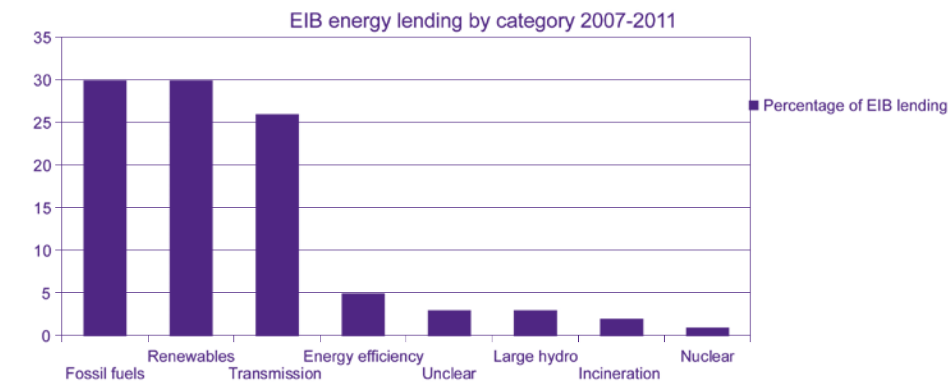
all the three energy pillars, such as projects in demand side energy efficiency and renewable energy sources. These help to reduce the EU's dependency on imported hydrocarbons, contribute to sustainability and are fully cost competitive, especially when we factor in social and environmental externalities."

Grim climate scenarios on the rise

The International Energy Agency (IEA), in its World Energy Outlook 2011, recommended that any investments after 2017 in any sector producing GHGs – whether in transport, energy, manufacturing etc – should be aimed at zero-carbon utilities, otherwise the below two degree Celsius trajectory is seriously in doubt. With the growing pile of respected climate literature stacking up and pointing in one direction (principally, remove all fossil fuel subsidies, and concentrate on energy efficiency and renewables), the EIB needs to look much more critically at planned fossil fuel refurbishment and replacement projects, such as are now being lined up in many countries in central and eastern Europe.

The blunt question for the EIB is: are multiple retrofits of ageing coal fired power plants, for example, compatible with 50–70 percent global GHG reductions by 2050, not to mention 80–95 percent GHG reductions in the EU?

The EIB also needs to tighten up its project selection criteria, to ensure that its investments provide real added value rather than simply going ahead with finance for projects that may bring power plants into compliance with current legislation but that will more widely frustrate efforts to make the transition to an energy efficient, new renewables-based economy. On this criteria, the EIB should not finance replacements or refurbishments of coal-fired power plants after 2013 or of gas-fired plants after 2014. If these are required in order for a plant to be competitive with other energy sources, it should be a concern of the plant owners but not an EIB focus.



Kuba Gogolewski, Bankwatch's energy campaigner in Poland, explains further: "While we understand that energy security is a concern, it is possible to reconcile these needs with climate protection through the financing of climate-friendly technologies. The development of renewable energy technologies and the potential for energy and resources savings presents enormous investment potentials, coupled with the possibility of creating millions of jobs across Europe. The EIB must now seize this opportunity."

Job creation is of course particularly strong when it comes to demand side energy efficiency. Within the construction sector, energy efficiency measures in buildings are champions in terms of job creation. A respected 2010 study from the Central European University, that examined the employment impacts of a large-scale deep building energy retrofit programme in Hungary, found that: "The labour intensity for deep renovations […] 26 full-time job equivalents (FTE) units per million Euro invested is more than double the labour intensity of the entire construction industry – 12 FTE/million EUR." Such impressive figures can apply too in other countries – but investment is now needed.

This is a clear message taken up recently by the IEA in its World Energy Outlook 2012. While recognising the fact that policy makers looking for simultaneous progress towards energy security, economic and environmental objectives "are facing increasingly complex – and sometimes contradictory – choices", the IEA also notes that even with existing policies in place like the EU's 2020 objectives, a significant share of the potential to improve energy efficiency still remains untapped.

'Win-win-win' for Europe – surely a no-brainer?

The EIB's energy policy review is clearly upon us now at a crunch time in the European and global energy debate. Bankwatch will contend that the EIB has the opportunity to become a leader – even a champion – in the global arena by focusing its future energy investments in projects and programs that bring 'win-win-win' solutions for the EU in terms of economic, social and climate benefits.

EIB lending for renewable energy and energy efficiency projects has in recent years increased from 40 percent in 2010 to 47 per cent of total energy lending in 2011, reflecting the strong growth and development of these markets and the priority being given to these sectors during this period.

Yet the EIB cannot afford to rest on its laurels, and continue to be distracted by fossil fuel investments in their various guises. The bank must play a key role in catalysing the increased investment needed for Europe's low carbon economy and for ensuring that the EU sharply improves its response to the climate change challenge. We therefore challenge the EIB to do more.

Read more: The 'Carbon Rising' report is available at: http://bankwatch.org/publications/carbon-rising-european-investment-bank-energy-lending-2007-2010

EBRD mulls latest mega-corp support – for Monsanto... from page 1

At the end of last month, 157 NGOs from around the world – including Bankwatch – sent a letter to EBRD management arguing against the approval of what they described as 'this financial aid package for Monsanto', while also calling on the bank to reassess its approach to food security, from a focus on promoting large-scale industrial farming to supporting more sustainable, biodiversity friendly and smaller scale farms.

Whether highly controversial genetically modified organisms (GMOs) will feature in Monsanto's eastern European expansion is a moot point, with the EBRD for now claiming that GMOs will not be involved. Exactly how the EBRD will be able to ensure that its financing has nothing to do with support for GMOs will be an abiding concern as the bank approaches a final funding decision, though uncertainty is bound to loom large given Monsanto's track record.

What is known, though, is that one of the EBRD's core goals is to promote the private sector and competition in transition countries. However, as Ionut Apostol, Bankwatch's EBRD coordinator, points out: "How could giving money to one of the world's richest corporations possibly count as fulfilling this mission?"

The EBRD is no stranger to handing out 'soft' public money, often as 'political insurance', to major corporations moving into eastern markets. In the last ten years it has backed Volkswagen's expansion into Russia, handed out a series of loans to cement giant Lafarge, and notoriously loaned EUR 250 million to BP for the Baku-Tbilisi-Ceyhan pipeline project.

The EBRD has also regularly provided millions in various loans to the steel giant ArcelorMittal for environmental 'clean-ups' in the company's facilities across eastern Europe. A string of disturbing events have seriously undermined the idea that ArcelorMittal has used this public loan money effectively. Indeed, in 2010, the EBRD's evaluation department gave a Mittal project in Krivy Rih, Ukraine the bank's worst ever project evaluation.

Thanks a trillion! EU budget summit fails – but green spending hopes still alive

It was no surprise when the European Council summit meeting dedicated to deciding the EU's budget for 2014-2020 broke down in Brussels on the afternoon of November 23 with no deal having been reached. The main surprises were how early on the Friday afternoon the EU's 27 member states decided enough was enough, as well as the relative lack of rancour on display.

The general spin line was provided by European Council president Herman van Rompuy, whose Herculean mission had been to secure a deal, with pre-summit suggestions that he would keep Europe's leaders locked up until the Sunday in an effort to bridge some firmly entrenched differences of opinion mostly centred on the size of the 2014–2020 budget pot. Van Rompuy's post-summit statement tried to put the emphasis on the positives: "The bilateral talks yesterday and the constructive discussion within the European Council show a sufficient degree of potential convergence to make an agreement possible in the beginning of next year."

And so it is widely expected that the EU budget wagons will be drawn up for more negotiations at another EU summit either in January next year or, more likely, February. What does seem to have been achieved is broad acceptance that the European Commission's approximately EUR one trillion proposal figure will have to be cut, with van Rompuy again pointing out that the proposal he tabled during the summit is: "80 billion euro below the Commission proposal and a real cut compared to the 2007–2013 period. This is a first in EU budget talks."

Commission president José Manuel Barroso also appears to have fallen into line with this view, though the European parliament – for the first time having veto power over the seven year bloc spending – may still be shaping for a fight in the new year.

Bankwatch and other environment groups, that had been surveying the pre-summit budget battleground with a fair degree of incomprehension and frustration, are now stepping up their calls for the future negotiations to have quality EU spending squarely at the top of the agenda. The collapsed talks may have been yet one more example of Europe's leaders letting down the continent, but if there is one vital lesson to be learned it is that squabbling over gross sums of money can now be overcome by a focusing instead on the huge potential of the budget to improving quality of life in Europe, our shared environment and our economic prospects.

Going into the new year, we will be stepping up our call for 25 percent of the EU budget for 2014–2020 to go to green spending (the Commission's 20 percent 'climate mainstreaming' proposal remains intact within Herman van Rompuy's latest proposal document). Such a figure would unlock substantial investment money for projects like energy savings and renewables that can cut Europe's greenhouse gas emissions, create millions of new green jobs and reduce fuel poverty. The justification for going beyond 20 percent? Well, the string of new reports from such organisations as the United Nations, the International Energy Agency and the European Environment Agency on the eve of the failed summit, all painting an emphatically worsening climate change picture, are important indicators of the scale of the challenge now facing Europe and the wider world.

Now is not the time for half measures. A deal on the future EU budget must now be realised at the earliest opportunity, and that message appears to be sinking in around Europe's capitals. Whether Europe's leaders recognise that they cannot afford to let a positive, quality-driven, green deal go begging again does remain, scandalously, open to some doubt.

BANKWATCH GEARING UP FOR THE 'BUSINESS END' OF THE 2014-2020 EU FUNDING PERIOD

There will be MFF 2014-2020 closure, in some shape or form, and presumably at some stage in 2013 – at least, that is, when it comes to the European level negotiating and haggling over the future EU budget. But what comes after?

Europe's individual member states may be thinking about breathing a huge sigh of relief once the collective bargaining over the MFF concludes. But, of course, they all know that the focus will have to shift to the national level, and the need to work out across their own respective ministries how to spend the allotted EU cash for the next seven years, in line with new – hopefully much greener – spending criteria.

This is bound to be viewed as a thankless task by those at the sharp end. But here at Bankwatch, we regard this as the key moment – when member states, unhindered by multilateral compromises (except within national ministries), can really forge ahead and put quality EU spending at the top of their domestic agendas.

With our long-term EU Funds partners Friends of the Earth Europe, Bankwatch is organising a series of timely events to remind how sustained and constructive dialogue between official institutions and citizens can result in highly rewarding initiatives – all derived from EU budgetary spending.

Awards ceremony to honour European citizens' best ideas for innovative, sustainable, community-based EU projects

Citizens from eight central and eastern European countries, in which the Bankwatch Contest for best ideas for sustainable use of the EU funds took place, will present their winning projects to the European Commission, the public and other stakeholders.

This common forum for discussions around winners' ideas and the overall outcomes of the national contests focus on the future Cohesion Policy within the context of the presented grass-roots demand.

The event will take place in Brussels on **19 February 2013**. Mark it in your diary now – venue and precise timings to be confirmed.

HAVE A GOOD IDEA?

WE CAN HELP

Bankwatch, in cooperation with the 'SFteam for Sustainable Future' and Friends of the Earth Europe, will hold a conference on Partnership in Cohesion Policy

Just before the finalisation of the legislative proposals for the future EU Cohesion policy and just as Partnership contracts are being negotiated in member states, this conference will bring together representatives of the EU institutions with various stakeholders from central and eastern European member states for a discussion about the application of the partnership principle in the process of EU funds programming.

Participants will have the opportunity to share and discuss their positions on the draft legislative provisions on partnership, with a particular focus on arguments for wide and deep partnership, and the engagement of Europe's citizens in future Cohesion policy decision-making.

The event will take place in Brussels on 20 February 2013. Time and venue still to be confirmed.

For enquiries about these events, contact: alexandrak@bankwatch.org

How many IFIs – and how many millions – does it take to make a safe road?

Last month, residents in the village of Krupets in Ukraine blocked the Kyiv-Chop road that runs straight through the village. Their protest – the road was blocked off for more than 90 minutes – came as a result of horrifying car accidents (including ten fatal car accidents since the beginning of this year) that have taken place in their community due to the lack of a speed limit, street lighting and appropriate traffic signs. The regional prosecutor office has initiated a case against the regional roads agency for alleged violation of road and traffic safety standards.

Lethal car accidents, an increasing number of road traffic victims, riots in villages along the route of the road – this is the current reality of the Kyiv-Chop highway, one of the most important arteries in Ukraine's road network.

You might be thinking that this is no doubt a very old and unsafe road, in need of rehabilitation and upgrading to European standards. In fact, for more than a decade now, the Kyiv-Chop highway has had over half a billion euros thrown at it for these very purposes.

Since 2000 the European Bank for Reconstruction and Development (EBRD) has been providing financing for the rehabilitation and upgrade of the M06 Kiev-Chop highway to European standards. In 2006, the Third Project "Kiev-Chop M06 Road Rehabilitation" got underway – alongside the EBRD's contribution was co-financing from the European Investment Bank (EIB). The total amount of money disbursed to date for three rehabilitation and upgrade projects is EUR 575 million.

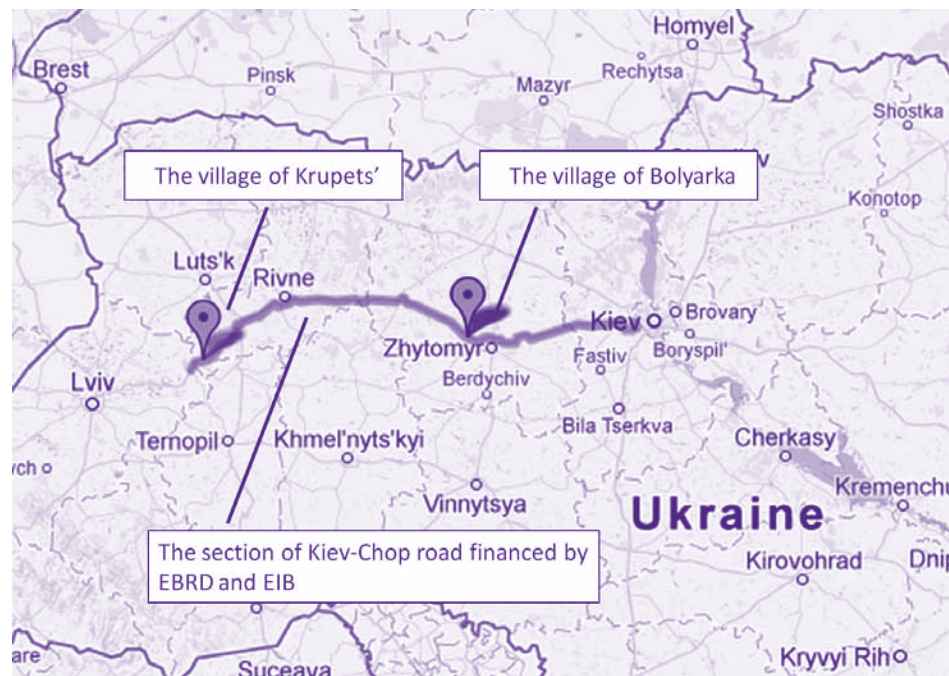
The Ukrainian government had been under pressure to complete the third project, involving the majority of the highway's length, ahead of this summer's Euro 2012 football championship. This was duly achieved – online forums dedicated to roads and driving in Ukraine were awash with enthusiastic comments, such as: "Wow, what a road! After rehabilitation I've been driving at 150 km/h without even noticing it". While the roadbed itself is of good quality, the interests of local communities that live along the road have been largely ignored.

The protests in the village of Krupets are by no means unique. In April 2012 Bankwatch informed the EBRD about the situation in the village of Bolyarka, another unlucky settlement along Kiev-Chop and situated 260 kilometres from Krupets. As a result of missing pedestrian pavements, villagers are forced to walk on the road itself as heavy trucks speed by at 120 km/h in the village.

Further areas of concern include: no single traffic light has been installed; the street lightning stopped functioning immediately after Euro 2012 was over; the private property of villagers has been damaged due to faulty drainage construction, and; the road's construction does not allow for horse driven carts to safely cross the road, this in a village where half of the population are farmers and rely on horses.

It seems, however, that even appeals from the EBRD have not been sufficient to influence Ukravtodor and ensure construction – finally – of a couple of pedestrian walks. Nothing has changed since 2010 when villagers started knocking every possible door – Ukavtodor, the Turkish construction company Gulsan, the UK consulting company Hyder, the regional authorities and the EBRD. Half a billion euros of European public money has not been enough to provide for traffic signs being installed correctly.

The Kyiv-Chop highway, as the name suggests, is no road to nowhere. For those affected communities along its route seeking redress for project failings, though, they might as well be living in nowhere land.



Asleep at the wheel – Ford cuts jobs in Europe, the EU's bank delivers for Ford in Turkey

The European Investment Bank (EIB) has come under fire in recent weeks thanks to a loan granted to Ford Europe. The EU's bank signed off on a EUR 200 million loan to the car giant for the company's relocation of production to Turkey not long after Ford Europe announced the shutdown of its production sites in Genk, Belgium, and Southampton in England.

As reported by European media, the EIB's support for Ford in Turkey, coming just as the company cut around 4,500 jobs in Belgium and England, has been slammed by European parliamentarians and the European Commission alike. How the EIB coordinates its lending in line with European interests has been put in the spotlight, a long-abiding concern of NGOs such as Bankwatch and Counter Balance.

The EIB's Turkish deal for Ford was deemed egregious enough to warrant debate between MEPs and the European Commission in a European Parliament plenary on November 20. Accroding to Peter Skinner, a UK MEP with the Progressive Alliance of Socialists and Democrats grouping, the European Commission should "wake up and decide what the EIB can and cannot do".

László Andor, European Commissioner for Employment, Social Affairs and Inclusion, is reported to have recognised this inconsistency and the need for better coordination with the EIB. Responding to MEPs, Andor apparently intends to study EIB decision-making over its lending more closely and to discuss how the bank reaches its financing decisions.

Commissioner Andor could of course start by asking a basic question: why is the EIB lending a large amount of money to a corporation whose parent company is posting billion dollar profits, while European companies big and small are – let's not mince words – blowing a gasket across the board?

Europe's PPP crisis – European Commission and EIB magic up the 'project bonds' elixir

Although public authorities appear increasingly to be turning their backs on public-private partnerships (PPPs) for delivery of services and the provision of infrastructure, the beleaguered investment vehicle continues to be aggressively promoted by the European Commission and the European Investment Bank (EIB). An official in-depth evaluation of this financing model, however, remains long overdue.

The EIB has recently published a market update for PPPs in Europe for the first half of 2012. The update shows that during this period the European PPP market recorded its lowest volume for ten years: only seven EU states closed PPP deals during the first six months of this year, with the UK signing most contracts (16) but France, with 11 projects worth a total of EUR 2.9 billion, remaining the largest PPP market in terms of volume.earance 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.

Bankwatch has long been critical of PPP models of infrastructure financing, based on a fair amount of evidence of PPPs that have failed to deliver positive results in central and eastern Europe. Thus, fresh data from the EIB itself that more and more EU governments are deciding not to 'build now and pay heavily later' is in many ways positive news.

All the same, the EIB's findings do raise the question of what is going on – why are there fewer PPP projects being signed of late?

Are PPPs simply another victim of the ongoing economic crisis? Or have governments finally started to take heed of warnings issued by PPP critics for well over a decade now? Unfortunately the EIB's update offers no answers to these questions.

However, another recently published EIB document does comment that:

"Since the onset of the financial crisis, commercial bank debt has become more difficult to secure and lending terms (e.g. pricing, tenors, loan volumes) have deteriorated significantly, affecting the bankability and value for money of PPP projects."

It is undeniable that the crisis since autumn 2008 has hit PPPs hard, as the example of the M25 motorway widening in the UK – an EIB backed project – shows. The UK National Audit Office found that the price of the contract increased by approximately EUR 826 million to roughly EUR 4.25 billion between the time when Connect Plus became preferred bidder and the contract letting in May 2009.

Financing terms for the M25 project were much more expensive than before the credit crisis and accounted for 67 percent of this price increase. While this project did – controversially – go ahead, many other PPP projects caught up in the crisis backwash did not.

One of the answers to the emerging 'PPP crisis', according to the European Commission, is the Project Bonds Initiative, in which the EIB will play a role by guaranteeing bonds issued for PPPs in EU member states. Last month, Commissioner Olli Rehn and EIB President Werner Hoyer presented project bonds at an event marking the signing of the cooperation agreement between the EIB and the Commission to establish the pilot phase of the initiative.

But project bonds are the answer to the wrong question. Instead of asking how to finance more PPPs, and helping private companies to transfer even more of their risks onto the public sector, the EU institutions should be taking a long, hard look at whether to finance more PPPs at all and, if so, under what conditions.

The Commission and the EIB have not shown any inclination to undertake this kind of in-depth and critical evaluation of PPPs so far, although around the EU the evidence is becoming ever stronger that PPPs are a risky model for governments to follow. Reliance on them is – believe it or not – resulting in mammoth, long-term budget burdens. Just look at Hungary, Portugal and the UK as the most noticeable PPP-binging casualties.

Instead of properly diagnosing the problem, though, the Commission and the EIB prefer to keep on magicking up elixirs to sustain a far from miraculous investment model. Project bonds may be able to prop up PPP investments in the short term, but how many rabbits can European authorities continue to pull out of the hat – when the hat is fast falling apart?

Read more: Bankwatch's ground-breaking analysis of IFI-backed PPP projects in central and eastern Europe is available at: http://bankwatch.org/documents/never_mind_the_balance_sheet.pdf

Not a silver bullet for public infrastructure. Bankwatch's website 'Overpriced and underwritten' exposes the hidden costs of PPPs. See: www.bankwatch.org/public-private-partnerships

Some points of **departure** – Interview **with** the **new president** of the EBRD

Sir Suma Chakrabarti became the sixth president of the EBRD this summer. Bankwatch Mail caught up with him recently to ask him his views on the bank's operations in central and eastern Europe and, now, further afield, as well as on a few of the more acute issues that are currently high on the agenda – both for the EBRD and watchdog organisations like Bankwatch.

You've travelled extensively in the EBRD's countries of operations since taking up office this summer. What do you think are these countries' main challenges at the moment? And what added value can the EBRD bring to its areas of operations, compared to other international financial institutions (IFIs)?

Suma Chakrabarti: I've visited many EBRD countries of operations already and I plan to keep doing that throughout my time as president. I think it's very important for any president to get out and about and work on the ground, not just stay in London in the bank's headquarters.

The EBRD is quite different from other international organisations. Obviously, there is the focus on private sector development, that's the most important thing and this is fundamentally different from other organisations, and this gives us value added in our niche. Secondly, some of the challenges that are currently faced by the countries in our areas of operations are things that we can help tackle in a very significant way.

First of all, in our traditional area, central and eastern Europe, there is a big crisis in terms of getting growth and recovery going, so we have now been working on a growth and recovery plan with other IFIs (the European Investment Bank and the World Bank) and have announced that this isn't just about money: money doesn't buy you everything, as the old song goes. I think it's very important to talk about policy reform and it's very important, as we lend to these countries, to lend particularly to the real economy to get growth going. We also talk very frankly with the governments about the need for policy reforms. That's what I am seeing and pushing during my visits.

Second, when it comes to the new area of operations, the southern and eastern Mediterranean, we just got started with the first loans for Morocco, Tunisia and Jordan and I am hoping that the first loan for Egypt will be approved by the end of this year as well.

It's very important that the EBRD does a really good job in trying to help consolidate the Arab Spring gains, and that means particularly working on issues to do with youth unemployment, small and medium scale enterprises, and gender issues, particularly ownership and participation by women in private sector development – all of this we are working on. And my trips give me a very good perspective to push this agenda.

As it moves into the southern and eastern Mediterranean region, is the EBRD reassessing the economic model it promotes (privatisation, liberalisation and commercialisation) after the global economic crisis and also to respond to the demands of the Arab Spring?

S.C.: I think fundamentally the EBRD is all about open market economies, that is actually in one of the articles of the charter establishing the bank, so our economic model is one that tries to develop the market economy approach. We do that partly by the development of the private sector, that means in some cases liberalising markets to help the private sector grow but it also means doing business ethically, properly. It may sometimes mean privatisation as well.

> "We're not just head-bangers of the private sector only: we have to have a balanced approach on that, though fundamentally we are about private sector growth."

We have supported that and I will continue to support good privatisation strategies, but they have to be good strategies. There have been also privatisations, not that the EBRD supported them, that in some countries have not gone well – so it's very important to support good privatisations, not bad ones.

But, at the same time, for an open market economy to really flourish you have to have very good state institutions. I don't think what our model is suggesting is something like a night-watchman state; the state has to be there as a regulator, and with institutions of governance that help economies grow – that has been the case in every successful economy. So we're not just head-bangers of the private sector only: we have to have a balanced approach on that, though fundamentally we are about private sector growth.

In central and eastern Europe, corruption remains a huge problem still affecting the size of public coffers and the quality of publicly funded projects. Some of the EBRD financing in our region has gone to projects where the management has been at least suspected, and sometimes investigated, of corruption (the most high profile cases currently are Kolubara in Serbia and Sostanj in Slovenia). Why doesn't the EBRD publicly distance itself from projects where such serious breaches are noted? How can due diligence at EBRD be improved to make sure public money is not wasted in such ventures?

S.C.: I won't talk about the particular projects, just about the general approach. I think that the EBRD is recognised internationally, and certainly among our government shareholders, for having a very good track record on these issues, partly because we have a really strong compliance function and very strong procedures designed to detect corruption in our projects. One of the things that struck me when I came to the bank was how strong the due diligence at the bank is, much stronger than I imagined.

I'll just give you an example: when I came to the bank, I was given a list of people I should meet in some of our countries of operations. I brought this list with me to the EBRD and I was told that at least five of the people on that list I should not meet, because of due diligence. And that just shows you how tough and upfront our colleagues are on these issues.

Now, what do we do when we hear about corruption allegations on projects: I think there is always a judgement call for any institution about whether you distance yourself completely, to get out, do nothing, to avoid being involved, etc, or you help to try and actually find out, first of all, if the allegation is correct, and in case it's correct you may help sort it out. And I think any decent institution that is committed for the long term to a region has a responsibility to try and help the countries clean up their act. Just running away every time there is a corruption allegation would be a pretty odd thing for an institution like the EBRD to do.

So, first thing: get the due diligence right before you get into a deal; when you're in a loan, if there is an allegation you have to investigate it thoroughly and see whether it's right to withdraw or to stay there and try to improve practices by using the example to actually achieve systemic change.

But if you are already committed to the loan, what kind of instruments do you still have at your disposal to affect the behaviour of corrupted parties?

S.C.: By being involved in the company there are internal mechanisms and external ones. Internally, when we're involved with a project (whether it's an equity stake or a loan) we would make our feelings very clear and look for improvements in management practices. Potentially in some cases we would be looking for changes in management, depending on how serious the case is. But you also take action externally – it's very important for us to work with anti-corruption NGOs in fighting this whole cancer of corruption and I think it's also very important to talk openly about corruption because it's very bad for the business climate and, for our own purposes, private sector development.

It's something I feel strongly that we should talk more about – we have to create a climate whereby corruption is regarded as something you just cannot do. In the long term, we hope to create cultures in companies, sectors and countries that eradicate corruption. That means compliance and good procurement trainings really matter, and good regulations matter, and EBRD has been doing a lot of that though it does not get so noticed.

When you took office, you expressed a strong commitment to a solid dialogue with civil society on EBRD activities. Yet, at Bankwatch, we were deeply unsatisfied with the consultation process over the recently published mining policy. None of our significant comments were included. The strategy also did not refer at all to the EU's resource efficiency agenda, and did not show how the bank will sufficiently minimise the environmental and social problems caused by the mining sector.

> "At the end of the day, I am always going to be someone in favour of a balanced energy mix. I think it's also very difficult for many of our countries, given their natural resources base, to immediately switch away from fossil fuels."

From what you have seen so far, how could the bank improve its policy consultation processes to ensure that stakeholder input is more seriously taken into account?

S.C.: My objective is for the EBRD to feel it's done a good job in consultations and that all interested parties feel like they've been taken notice of. But as I've always said to NGOs, that doesn't mean that we will always agree. So the test for a good consultation is not whether all your comments were taken on board or we feel that we've gotten our way, but rather that we had a solid process.

I want NGOs to be consulted earlier on in the process, and I want to see a really intensive dialogue. We don't agree on anything, but that's okay – we come from different perspectives. At the end of the process, I don't sit there looking at how many NGO comments were taken into account, that's not the test, but I want you to be satisfied with the process.

If you look at the mining policy review process, if I remember well, we invited about 1,500 NGOs to comment; we had public meetings in five cities, over 120 contributions were submitted. This was just unbelievably intensive in my view – we have over 200 pages of transcript that we have to go through. And many issues, such as resource efficiency and many of other comments were taken on board as far as I understood. But in the end, we're not going to agree on everything.

So even if the policy has a dedicated section on environment, health, safety and social issues – and now we see these go through into projects as well, we'll be seeing that in all mining projects – I can well understand that you may not be satisfied with not seeing all your comments taken on board, and I may well feel that not all I wanted was taken on board. But it's a process of dialogue and we have to pay attention to strike the right balance. So I would say that we can do better, but I don't think that we should judge each other on whether everything was taken on board or not.

Certainly we were not expecting that all our comments be included, but we have expressed concerns about the process itself.

S.C.: Yes, we're always trying to improve the process. As you probably know, we are at the beginning of revising our Energy Operations Policy at the moment and we are going to do something new, that is, we will follow a two-stage approach. So this is in response to, when I arrived, NGOs saying they were being consulted too late in the assembly line. We have recently sentout invitations for the NGOs to comment on the existing energy policy, and we'll see how that works, so let me know what you think about it.

▲ Sir Suma Chakrabarti has spent a large chunk of the first six months of his EBRD presidency out of the office. If you have a relevant issue, get in touch with him via his Twitter page: @ebrdsuma

Numerous studies have shown the economic benefits – in terms of savings and job creation – of investing in renewables and energy efficiency. A recent study by Greenpeace and the European Renewable Energy Council shows that EUR 99 billion would be needed to decarbonise the EU by 2050, which would then generate EUR 3 trillion in fuel savings. If such transformation is possible and beneficial, what steps is the EBRD taking to phase out investments into coal, oil and gas, that also comes with infrastructure lock-in effects?

S.C.: At the end of the day, I am always going to be someone in favour of a balanced energy mix. I think it's also very difficult for many of our countries, given their natural resources base, to immediately switch away from fossil fuels. But that's what we've been trying to slowly push with the push on renewables.

We also want these countries to address the

challenges of energy security, decarbonisation, competitiveness, affordability, all these issues. But the biggest push has been on renewables and energy efficiency in general: nearly EUR 450 million in renewables in 2011 alone, that has been extraordinary in changing the energy mix already for many countries, and will continue.

In terms of energy efficiency, we've always been regarded as though we possess the gold standard among international organisations. We've been very committed to reducing energy intensity in our region – eastern Europe having very, very high energy intensity – as well as CO2 emissions.

We've been pushing that very hard through our Sustainable Energy Initiative (SEI), and very recently the EBRD has now reached a cumulative financing under the SEI of EUR 10 billion, which is fantastic for an initiative started six years ago. We have many great examples, we have a new example in Ukraine, where we're developing a sustainable lending facility worth EUR 70 million, with EUR 50 million coming from the EBRD, and EUR 20 million from the Green Technology Fund, designed to provide local companies with funds for investing themselves in renewables – and that's the sort of innovation that I think will make a difference in the long term for our region.

The reason why we always ask institutions like the EBRD and the EIB to do more is because we expect these public institutions to be drivers of markets and not followers, and because following the national choice of energy mix can lead us down a dangerous path. That's why we keep pushing for more.

S.C.: And you're pushing at an open door. We want to see the energy mix change over time, particularly with climate change in our minds, but we have to be realistic about the pace given the natural resource endowment of the countries. You know, it isn't an accident that Poland is dependent on coal-fired generation – Poland has enormous coal reserves and it's difficult for them to change overnight.

Sometimes, though, fossil fuels are a specific choice of these countries, which, including Poland, have significant renewables and energy efficiency potential but choose not to pursue it out of comfort or lobby pressure.

"I know the problem is Monsanto – the name, the red flag comes up immediately – but Monsanto has been quite innovative. It is worth trying this risk sharing approach to see if we can help farmers access the financing they need."

S.C.: I recognise what you say, but you should also look at what the EBRD is doing. In Poland, the EBRD has just approved another loan for a wind farm, so essentially we're trying to help Poland reduce coal dependency, and the Polish authorities are actually trying their best on it. But we'll have this debate soon on the energy policy work and we'll receive your comments then.

What is the EBRD's vision for agricultural development in the countries of operation? The EBRD is currently evaluating a possible guarantee for Monsanto and it has repeatedly expressed the view that large-scale, export-oriented farming is a development direction for some countries in the region. Yet over the past years we have learnt a lot about the negative effects of over-reliance on industrial farming and long-distance transportation of food for both food security and the climate.

What is the EBRD doing to support greater agricultural diversity and localisation of food supplies, both of which are necessary for climate change adaptation, as well as strengthening employment and local economies?

S.C.: Any economy should be trying to diversify. Take the case of Ukraine, that has enormous potential for both agriculture and for agriculture exports – it could feed a big chunk of Europe. At the same time, it's always dangerous for a country to be too dependent on one sector, so we're also trying to develop other sectors as well.

What the bank is really trying to do in the agriculture sector is to secure a more efficient and sustainable production, and sustainable is a very important part of that. We want some countries that are dependent on food imports to try and reduce their dependency. But we also want countries that can export to countries that are not managing to be self-sufficient to be able to do so.

The EBRD can play an important role to improve food security globally. Russia, Kazakhstan, Turkey, many of these countries, can be major players in achieving food security and making sure that we never return to the sort of crisis that we had in 2008.

To do that I think we need to first of all work on the policy in many of these countries, which often does not help not only the big farmers, it doesn't even help the small farmers in these countries – and things like crop insurance are very important because if you're a small farmer you're taking a very big bet. We're also directly financing a number of farming and agro-processing companies, involving lots of SME financing instruments, helping with the investing environment, and I've also spoken to the governments of Turkey, Kazakhstan and Russia about the policy.

In the case of Monsanto, the intention really is to provide financing to farmers to help them adopt better technologies. Again, this is a system of risk-sharing that we're trying to push with Monsanto. Farmers often can't access working capital at the right time of the year to buy seeds and fertilizers, and we hope this risk sharing is a way to help these farmers get access to financing that they otherwise can't get. It's quite an innovation if we can pull it off, and if the scheme works we can invite other production companies with their local or international branches to take up such financing.

If the scheme is targeted at the farmers, why does it have to be done with Monsanto?

S.C.: If anything, I know the problem is Monsanto – the name, the red flag comes up immediately – but Monsanto has been quite innovative. We don't know whether it's going to work at all, it's just a pilot. But it is worth trying this risk sharing approach to see if we can help farmers access the financing they need.

This is a project that is in the design phase and as we are designing we are listening to the voices of NGOs like yours, and we always do that. But I think that we should be clear that the project is not providing financing to Monsanto but rather sharing the risk that Monsanto is taking on the financing they are providing to their customers.

Editor's note: The EBRD would like it to be noted that – as we go to press – no decision has been made to proceed with the Monsanto project. Further, if the EBRD decides to explore the project further, as with any other potential investments, it will conduct an in-depth analysis of the project's compliance with EBRD requirements, including financial, legal, technical, environmental, social and integrity due diligence. As part of this process, if the EBRD decides to proceed, it will also consult with a variety of stakeholders in line with its Environmental and Social Policy and Public Information Policy.

IFI negligence rife at first major post-revolution project in Egypt

A USD 3.7 billion PPP oil refinery expansion in Cairo is accompanied by contradictory project documents, making a mockery of claims by the public banks involved to be committed to 'good governance' or democracy. Despite being presented as merely translations of one document, the Arabic and English 'versions' are entirely different – with the Arabic markedly cursory and superficial.

Egypt's largest refinery – squeezed between the densely-populated Shobra, Mostorod and Ain Shams districts – is to be enlarged. The public-private mega-project brings together every type of banker in Egypt: Mubarak-regime era financiers at EFG-Hermes, slick Citadel private equity investors based out of the Four Seasons Hotel, public banks like the European Bank for Reconstruction and Development (EBRD) and western high-street banks like HSBC."

While the bankers made their deals, nearby residents in Mostorod and Shobra vehemently opposed the refinery extension due to pollution, diversion of water sources and planned evictions – demanding that it be moved to an uninhabited area.

Examining the impact assessments for the project, the Egyptian Initiative for Personal Rights (EIPR) was highly alarmed to discover that what is presented by the public banks as the Arabic language (pdf) "Non-Technical Summary of an Environmental & Social Impact Assessment", is in reality merely a public relations document. It is not a translation of the English non-Technical Summary (pdf), but a much more superficial project overview, lacking even basic maps of the refinery.

The discrepancies extend into the details. The English document has a section on "Resettlement/ Rehousing" examining the resettlement of 107 individuals and the economic displacement of informal workers who will lose their livelihoods. In contrast, the Arabic 'version' makes no mention of resettlement at all – bar one paragraph denying the "removal of any houses or structures outside the complex".

The inferiority of the Arabic materials reveals a level of laziness, as well as a lack of commitment to communicating with the poor communities of Shobra and Mostorod crowded tight around the refinery. It begs the question of how any feasible consultation is possible, when local residents are provided with PR materials that say "look how great this project is" – not with real assessments based on due diligence.

Reem Labib of EIPR explained that "In effect, ERC [Egyptian Refining Company] has failed to supply an Arabic ESIA. If the EBRD goes ahead with funding the Mostorod refinery, this will make a mockery of the bank's rhetoric of development, best practice and improving governance, by rewarding a dangerous combination of lazy documentation and forced displacement."

The EBRD is currently considering a USD 40 million loan to the refinery mega-project. It plans to join other financial institutions including Citadel Capital, EFG Hermes, the World Bank's IFC and the European Investment Bank (EIB). The impact assessments were disclosed by the EBRD on 17 October and the board is scheduled to make its decision on December 18.

International finance institutions have been expanding their operations in Egypt since the revolution started in January 2011. This is despite repeated calls by social movements to stay away, with civil society pointing to the contradiction between their neoliberal intentions to privatise and deregulate, and the revolutionary mobilisation which has social justice at its core.

The EBRD – initially created in the 1990s to expand market economies across post-Socialist Eastern Europe – is in the process of expanding its mandate so that it can lend to corporations in Egypt, Tunisia, Morocco and Jordan.

While the bank presents its role as supporting democracy and improving governance, the fact that it has chosen the Mostorod refinery as its first project target in Egypt betrays its true intentions. Producing impact assessments in the language of the local community is not essential. Irrelevant are some of the highly controversial existing shareholders: USD 462 million of equity was provided by the private equity fund EFG Hermes, which is embroiled in corruption allegations involving Gamal Mubarak.

▾ The two documents on the EBRD's website – presented as merely different translations

ESIA Summary

The 'Disclosure Package' for the Project includes the following documents (available in both Arabic and English) on the ERC Website and includes:

- Non-Technical Summary (NTS) of the Environmental and Social Impact Assessment (ESIA);
- Environmental and Social Impact Assessment (including a Resettlement Policy Framework, and Public Consultation and Disclosure Plan)
- Information leaflet for the public
- Environmental and Social Action Plan (ESAP)

Non-Technical Summary (NTS): English (1MB - PDF) Arabic (3MB - PDF)

ERC's ESIA process included a series of extensive consultations with the public, government officials, NGOs and others, which will continue throughout the design, construction and operations phases of the Project. ERC is committed to engage all stakeholders, consider their views, and address their concerns and needs to ensure that the Project remains a "Good Neighbor" within the community.

A Non-Technical Summary of the Environmental and Social Impact Assessment is available in both Arabic and English Languages. In addition, a description of the Positive Benefits of the Project may be seen here.

▴ Excerpt from the ERC website – claiming that a Non-Technical Summary of the ESIA "is available in both Arabic and English Languages"

Presumably bank officials also didn't consider the public opposition. Reports have been circulating in Cairo of many people being evicted for the construction work and not being satisfactorily rehoused. Concerns over air pollution causing lung cancer and asthma led to local public opposition. The company is also set to consume an enormous amount of water from the Nile and the Ismailia Canal. Processed water will apparently be pumped back into the Canal – raising fears over the impacts on fish and cattle. Hence the popular campaign called for the refinery expansion to be moved to uninhabited areas.

The impact assessments in question were not produced by the public banks. This is the responsibility of the operating company – the Egyptian Refining Company and the project management company – WorleyParsons. The banks then examine the documents, to see whether they meet their lending criteria, and upload them to their website so that stakeholders can submit comments or responses. Somehow the IFI staff monitoring the project documentation either didn't notice or weren't bothered with the contradictions between the English and Arabic documents.

Production of the Environmental and Social Impact Assessments was outsourced to the Welsh Huckbody Environmental Ltd. The documents were then scrutinised by ERM, contractors working for the EIB. ERM have a controversial history, including producing some of the highly flawed impact assessments for BP's Baku-Tbilisi-Ceyhan pipeline. One village was supposedly consulted despite the residents all having fled fighting, while another – still present – was erased from project maps and documents.

The refinery is widely known as the "Citadel Refinery", and Ahmed Heikal's private equity firm based in the Four Seasons on the Corniche has sourced the USD 3.7 billion for the expansion. Shareholders in the refinery include Qatar Petroleum (27.9%), Egypt General Petroleum (23.8%), Citadel Capital (11.7%) and the Inframed Fund (7.5% – itself controversially owned by EFG Hermes and the EIB).

'Development' lenders also bought stakes: the World Bank's IFC (6.4%), the Dutch FMO (2.2%) and Germany's DEG (2.0%). Other financiers include the African Development Bank and the Japanese and Korean Export Credit Agencies. HSBC, Credit Agricole, CIB, Bank of Tokyo-Mitsubishi and Sumitomo were also involved.

This article, written by the activist Mika Minio-Paluello (@mikaminio), was first published on the PLATFORM website: www.platformlondon.org

Never a **dull moment** in Slovene **power plant** soap opera

On November 30, the same day as the national government was under fire in the most heated public protests Slovenia has seen in years, Slovenia's ministers of finance and infrastructure added fuel to the flames by signing contracts with Simon Tot, director of the Šoštanj lignite power plant, for the controversial EUR 1.3 billion Šoštanj Unit 6. These contracts prepare the ground for the signing of a state guarantee contract for a EUR 440 million loan from the European Investment Bank (EIB) for the project.

In July this year Slovenia's parliament approved a state guarantee under certain conditions, such as had been laid out by the government in February, including: keeping project costs below EUR 1.3 billion; completing Šoštanj Unit 6 construction by 15 February 2016; keeping carbon emissions under a certain level and the maximum price of lignite at EUR 2.25/GJ, and; ensuring that the project has an internal rate of return of at least nine percent. These new contracts commit the Šoštanj power plant company to ensuring that these conditions are met.

The main stumbling block, however, is that some of the conditions laid down by the government are virtually impossible to meet. Projections about the project's profitability have never even come close to the desired nine percent mark, and the chances of achieving it are diminishing as time goes on. Keeping the lignite price below EUR 2.25/GJ is also unrealistic given that it already cost EUR 2.7/GJ in 2011, and as the Velenje lignite mine becomes exhausted – projected to happen at around the same time as Šoštanj Unit 6 comes to the end of its life – it is hardly likely to get cheaper.

According to Slovene media – the newly signed contracts have not been made public at the time of writing – the answer to these problems has been to move the goalposts and accept lower profits and higher lignite prices.

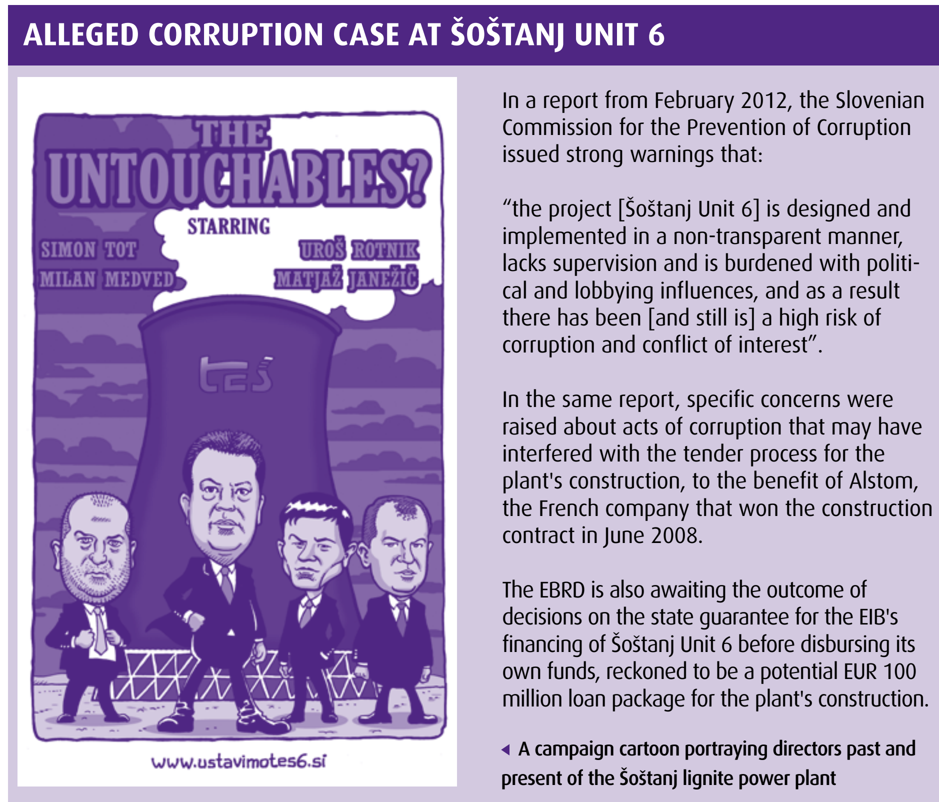
The state guarantee for the EIB loan still has to be discussed by the Slovene government and ratified in the parliament. If it gets that far, the EIB faces a serious test of its credibility.

On the one hand, the bank must be under significant pressure to hand over the money. But on the other hand, state guarantee or no state guarantee, there are still several investigations ongoing into suspected corruption in the project. Handing over the money while these processes are still ongoing would seriously damage the EIB's integrity and status as 'the EU's bank'.

Tough decisions, but we are counting on the EIB to do the right thing and refuse to disburse financing until the Šoštanj corruption investigations are concluded.

Read more: Comprehensive background information on the Šoštanj lignite thermal power plant unit 6 is available at: http://bankwatch.org/our-work/projects/sostanj-lignite-thermal-power-plant-unit-6-slovenia

ALLEGED CORRUPTION CASE AT ŠOŠTANJ UNIT 6



◂ A campaign cartoon portraying directors past and present of the Šoštanj lignite power plant

In a report from February 2012, the Slovenian Commission for the Prevention of Corruption issued strong warnings that:

"the project [Šoštanj Unit 6] is designed and implemented in a non-transparent manner, lacks supervision and is burdened with political and lobbying influences, and as a result there has been [and still is] a high risk of corruption and conflict of interest".

In the same report, specific concerns were raised about acts of corruption that may have interfered with the tender process for the plant's construction, to the benefit of Alstom, the French company that won the construction contract in June 2008.

The EBRD is also awaiting the outcome of decisions on the state guarantee for the EIB's financing of Šoštanj Unit 6 before disbursing its own funds, reckoned to be a potential EUR 100 million loan package for the plant's construction.

Unsustainable energy future for EU neighbourhood region challenged

Europe's neighbouring countries, from the Western Balkans to Ukraine, are intent on pursuing unsustainable energy futures that rely heavily on coal and nuclear. The draft energy strategy of the European Energy Community, recently open for public comments, is no big departure from the national plans, as Bankwatch found out when compiling comments to the draft – and, moreover, this reliance on coal and nuclear energy could end up receiving EU support and financing.

Bankwatch's principal concerns with the draft Regional Energy Strategy include:

- The draft focuses too exclusively on short-term goals. It needs to be expanded to include the 2050 perspective and clear greenhouse gas emissions reductions targets are needed in line with the EU's goals to reduce GHGs by 80-95 percent by 2050.
- All three scenarios outlined in the draft strategy entail growth in CO2 emissions until at least 2030, in serious conflict with the EU's 2050 decarbonisation goals.
- The energy efficiency and renewable energy targets outlined are much too low, and the energy demand growth predictions too high to be sustainable.
- Demand-side energy efficiency has huge potential in the region but is hardly given consideration in the strategy, in spite of the possibilities it offers to reduce investment costs in generation and transmission.
- As it will be extremely challenging for the region to meet its own energy needs as outlined by the strategy, the Energy Community should not support projects primarily aimed at the export of electricity to the EU.
- The criteria outlined for selecting priority projects automatically disadvantage renewable energy and energy efficiency by concentrating on cross-border projects, and enable the selection of projects which conflict with decarbonisation goals.

Read more Bankwatch's full comments on the draft Regional Energy Strategy are available at: http://bankwatch.org/sites/default/files/comments-ECSEE-draft-strategy-15Oct2012.pdf

Grey area alert – IFI-sponsored PPPs the latest big thing in Kazakhstan

While it is not to be unexpected for the public to attempt to scrutinise the effective performance of governmental agencies, in recent years in Kazakhstan it has been far from obvious that many resources and services, projects and finances are being provided by international financial institutions (IFIs). Indeed, very often it is the IFIs that act as catalysts for various government programs, reforms and ideas that are subsequently adapted via the bureaucratic apparatus to Kazakhstan's reality.

In this context, the IFIs are seen as convenient external agencies by Kazakh officials as they can always be referred to in terms of data, competencies, responsibilities and recommendations. At the same time, though, when asked to comment on the effectiveness of programs and projects, IFI representatives tend to prefer leaving it to the responsibility of the country's executive bodies, referring to the fact that their institutions only provide financial support and necessary competencies while the national authorities themselves are responsible for tendering and other project implementation.

For projects to be successful, all stakeholders – the media, NGOs, sub-contractors, government agencies and the IFIs themselves – should be involved. This can help to resolve conflicts and prevent new ones from arising. Given the risks of corruption in Kazakhstan, as well as the traditional reluctance of the law enforcement agencies to investigate budgetary costs associated with international organisations, alas the main means of reducing project inefficiency is primarily via the involvement of civil society.

Yet such involvement has been facing new challenges since a recent upswing in public-private partnership (PPP) projects in Kazakhstan. 2011 saw the signing of a cooperation roadmap between Kazakhstan, the World Bank, the EBRD, the Asian Development Bank, the EU, USAID and others that are actively helping the country to upgrade national legislation in favour of PPP projects.

A notoriously opaque investment vehicle, are PPPs going to deliver more problems than solutions in Kazakhstan, particularly as the government has announced its intention to seriously ramp up the number of PPP projects over the next few years and has established a national PPP centre?

Never mind PPPs, just trying to investigate transport investments in the country can be challenging, as Anatoly Ivanov discovered with a recent article in the Respublika newspaper about an EBRD bus project in Almaty.The article raised questions about the procurement of 200 allegedly overpriced buses that had been supplied by the Chinese manufacturer Yutong in Almaty, as part of an EBRD loan, with a price tag of approximately USD 28 million.

According to Ivanov, the price for each bus is noticeably high when compared to European manufactured equivalents of better quality and higher capacity. As part of his investigation, the journalist attempted to find out which body had held the tender for procurement of the buses. In response to an information request, a representative of the municipality said that the tender was conducted by the EBRD; meanwhile an EBRD employee explained that the competitive bidding for the buses was held by the Akimat (the local Mayor's office), in line with EBRD rules. Ivanov's investigations thus hit a dead end.

Will PPPs pose similar investigative problems? What is beyond doubt is that IFI promotion and sponsoring of PPP projects in Kazakhstan is now well underway. The EBRD has recently signed a memorandum of understanding with Almaty's Akimat for a forthcoming "light rail" project, expected to be a PPP project. Will media and civil society scrutiny of this and other similar projects in the pipeline hit the buffers again?

More questions than answers as new EBRD mining policy is chiseled out

After long delays and more than three years in the making, the European Bank for Reconstruction and Development (EBRD) finally in early November published its new mining sector policy. Yet both the consultation process and the final outcome have left "consulted stakeholders" disappointed.

Bankwatch's scrutiny of the EBRD's mining operations in recent years has thrown up a wide range of egregious issues connected with the bank's performance in this controversial sector.

Some of the most acute problems identified by our analysis and work in co-operation with affected communities and groups on the ground range from deepened commodity export dependence and the exacerbation of environmental problems to negative impacts for local communities.

Now with the new policy approved, the question is: where will the negative effects of major mining operations crop up next across the region?

Compared to the draft version from April (subtitled "Supporting Responsible Mining"), the final policy featured few changes.

Most glaringly, the policy fails to incorporate the obvious links between the EBRD's support for coal mining activities and the climate impacts of burning coal.

A host of other important issues, including the protection of important natural areas (such as glaciers), the diversification of export oriented economies, and the strengthening of transparency, participation and revenue sharing in mining activities have been postponed to the revision of other EBRD policies and strategies.

Despite the bank's bold claims of an exhaustive consultation process, the outcome does not sufficiently "incorporate differing views". Bankwatch's extensive comments on the draft policy barely registered in the final document.

This new mining policy is a real missed opportunity that fails to lay the groundwork for less harmful EBRD mining operations. Its main impulse appears on the face of it to do little else than expand business as usual. Neither does it offer a vision for aligning the interests of local people and the environment with commercial benefits for mining corporations.

Read more: Bankwatch's commentary on the new EBRD mining policy is available at: http://bankwatch.org/publications/ebrds-new-mining-operations-policy-commentary-consultation-process-and-content

MORE GOLD MONEY LINED UP FOR CONTROVERSIAL EBRD CLIENT

The EBRD's board of directors is set to decide on December 12 whether or not to extend further significant financing to Canadian gold mining firm Dundee Precious Metals (DPM). This time the EBRD may invest up to USD 45 million in a 'five-year revolving corporate debt facility' for DPM valued at USD 150 million.

This revolving fund is described as 'regional' on the EBRD's website, and looks likely therefore to support the on-going development and expansion of DPM's gold mining operations in Armenia, Bulgaria and Namibia, for which EBRD has already provided roughly USD 80m in loans.

While the nature of this type of fund raises concerns about transparency and where the EBRD's financing will end up, on paper the EBRD describes the financing as being likely to set "higher standards in terms of transparency and environmental, social and health and safety (ESH&S) practices." Notably, the EBRD's website also informs that: "It has been agreed with the Company that disbursement of funds for use at the Deno facility (in Armenia) shall not occur until such time as due diligence there has been completed."

The Armenian environmental website Ecolur reported in November that Deno Gold has twice this year dumped mining waste in the River Kapan and incurred fines as a result of accidents at the company's Kapan Ore Processing Combine.

Connecting Europe Facility – connecting who, and what, exactly?

The economic crisis has accelerated the development of new financial instruments for the next EU budget period in 2014-2020. The main intention behind these instruments is to deliver substantial levels of new investment money from increasingly limited public resources in order to plot a path towards Europe's economic recovery.

The 'Connecting Europe Facility' (CEF) is one such EU sponsored mechanism that relies on these newly touted instruments. It is hoped, certainly by the European Commission, that in the 2014-2020 period the CEF will deploy EUR 50 billion to leverage private investments worth ten times more in transport, energy and telecommunication projects of European interest. In the words of European Commission president José Manuel Barroso: "The Connecting Europe Facility and the Project Bond Initiative are a perfect demonstration of the value added that Europe can provide."

Indeed, in many cases, the EU is in a comparatively better position to ensure time and cost efficient handling of certain policies than the sum of national authorities acting individually. Common action could be cost-saving in terms of access to financial resources, especially in the context of the ongoing economic crisis.

However, a closer look at the CEF throws up at least three reasons for being sceptical about the public benefits that may or may not accrue from this shiny new vehicle emblazoned with the EU flag.

Repackaging twentieth century projects

The first area of concern is bound up with uncertainties over what kind of transport, energy and telecommunication projects are to be financed by the CEF. Smart, sustainable and fully interconnected infrastructure is being promoted as the main objective in the Commission's proposal. However, the recently concluded consultation on those priority energy projects to be financed by the CEF has raised doubts about the extent of the 'smartness' and 'sustainability' involved in these same projects.

The EU's ambitious target to cut its greenhouse gas emissions by 80-95 percent by 2050 will require enormous efforts since a major shift in thinking is needed to ensure a rapid transition beyond modes of living based on constantly increasing energy consumption. The apparently easier path for solving this problem – if the priority energy projects consultation is anything to go by – involves securing more energy imports in order to cover the gap between demand and EU internal production.

Bankwatch's review of the list of priority energy projects notes that securing increased electricity imports from neighbourhood countries has already received a great deal of attention in the draft list of projects of community interest. It involves projects such as one connecting a nuclear power station in Kaliningrad to bordering countries, as well as a series of new gas and oil pipelines for importing hydrocarbons from neighbouring countries.

Wrapped up in this is another troubling trend identified in the proposed list of projects: the strong focus on expanding infrastructure to support the expansion or increase of the lifetime of fossil fuel energy generators, such as in the case of high-voltage transmission lines for coal power plants in Bulgaria.

The current list of priority projects can be viewed, in fact, as little more than a compilation of outmoded and dated projects, many of which have uncertain financial feasibility, and are being developed by state authorities or large utilities for the purpose of national security of supply or export. Dubbing these as 'innovative projects' that will form the backbone of European infrastructure custom-built for EU 2050 ambitions is highly questionable.

More public guarantees for the private sector

The second critical aspect of the CEF initiative is economic – will the infrastructure built via the CEF cost less to the public than traditional direct investments?

The proposal supports many large private sector transport and infrastructure projects of low investment quality. There are, it has to be stated, a few energy projects in the frame that will clearly help support the linkage of renewable installations – yet these are decidedly marginal in the overall scheme of things. Bankwatch's estimation is that 95 percent of the projects involve high-voltage transmission lines that appear to have very little to do with integrating small scale renewables schemes or 'smart' energy systems.

In terms of gross value for money, the financial instruments that feature within the CEF umbrella are distinctly devoted to securing profits and low risks for private investors engaging in infrastructure projects. For example, the heavily trailed 'Project bonds' instrument will be able to guarantee secure payments for gas flowing through the proposed Nabucco gas pipeline – bond holders will receive their fixed interest rates. If the demand for gas drops, and revenues fail to materialise, the EU budget will continue to pay interest rates to bond holders.

In other words, the Project bonds mechanism will make projects look profitable by subordinating the financial support and interests of the public in favour of private sector investors and bond holders who will be the beneficiaries of guarantees and subordinated debt.

Moreover, as if to add further to the risks that would be taken by the EU and the EIB under the CEF, it has been proposed that both institutions relinquish any controlling creditor position and simply allow private sector financiers – bond holders or private banks – to be the lead negotiators over any given project's financial future as its lead creditors.

The public – seen but not really heard, again

The third major area of concern involves the transparency and accountability of the new financial instruments – the lack of such could undermine the CEF's effectiveness at the EU level. Notably, however, the process of selecting the infrastructure projects under consideration has thus far been dominated by the member states and large energy utilities. Numerous projects in the current list are opposed by local communities or civil society on account of their potentially harmful environmental or social impacts.

The European Commission has attempted a public consultation, publishing the list of proposed projects at the end of July and providing EU citizens with roughly two months – in the summer period – to make comments on the proposal. Regretably, this consultation was never seriously discussed at the national level or in national languages. Strikingly too, much of the proposed list of projects could well have major impacts on people and communities outside the EU – stakeholders that have not been effectively consulted in the recent process.

On the road to recovery from the economic crisis, Europe does need real innovative financial instruments that are able to address the needs of future generations, without endowing them with excessive financial debt. The currently available instruments foreseen within the CEF are not geared up to service smart, sustainable, low-scale energy provision. This is something that Europe needs to urgently address. The over-arching issue remains, though – smart, sustainable energy projects are a rare breed within the currently conceived CEF.

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