

# CEE Bankwatch Network, Eko-Svest Macedonia, Green Alternative Georgia and Zelena akcija/Friends of the Earth Croatia

Press Release

January 13, 2014

## EBRD environmental policy breaches on hydro plants confirmed by internal investigation

The EBRD has failed to properly assess 3 hydro projects it has approved for financing in Macedonia, Croatia and Georgia, according to bank internal investigations initiated after formal complaints by Bankwatch member groups. NGOs caution that, more than mere slips, these improper assessments are a symptom of what could be called bankers' overconfidence – that is, a tendency to assume that all environmental damage can be 'managed', which from a business point of view is much more convenient than admitting that some projects simply should not go ahead.

A body inside the EBRD created to investigate to what extent decisions of the bank comply with the institution's environmental and social policy, the Projects Complaints Mechanism (PCM), recently released three separate reports looking at the EBRD's decisions to finance three hydropower plants: Boskov Most in Macedonia **(1)**, Ombla in Croatia **(2)** and Paravani In Georgia **(3)**. In all three cases, the EBRD was found to have violated its own policies by improperly assessing the projects' impact on biodiversity before committing to them and by failing to implement procedures that would ensure meaningful public participation in the decisions about the future of the projects.

*"What these internal reports of the bank itself confirm is what we knew all along: that the EBRD is on occasion pushing out of the way the serious environmental risks posed by some of the projects it wants to finance in order to be able to go ahead with them,"* comments **Bankwatch's Macedonian coordinator Ana Colovic**.

*"Let us not be naïve about this,"* continues **Colovic**. *"These are not just repeated slips by the bank. On the contrary, the EBRD chooses to approve projects on the basis of project promoter promises that they would worry about the environment later, while constructing the plants. But what the project promoters do in the end amounts to little more than cosmetic works while the environment is seriously damaged."*

*"In the Ombla and Boskov Most cases, the EBRD approved the projects on the basis of inadequate environmental assessments before it even had detailed information about the fauna living at the protected areas,"* said **Jagoda Munic of Zelena Akcija**. *"Such a rush to get projects out of the door is inexcusable. Approving projects first and carrying out additional studies later just doesn't work. It denies the public the right to be involved in decision-making while there is still a chance to make an impact."*



Striving for environmental and social justice in Georgia



For monitoring of activities of International Financial Institutions

27/29, Paliashvili Street, II floor,  
0179, Tbilisi, Georgia  
Tel: (995 32) 292 773  
Fax: (995 32) 223 874  
E-mail: [greenalt@greenalt.org](mailto:greenalt@greenalt.org)  
Web: [www.greenalt.org](http://www.greenalt.org)

The EBRD is expected to publish a new draft Environmental and Social Policy later this month. Bankwatch and its member groups call on the EBRD to tighten project assessment and public participation standards in the new policies and, most importantly, to ensure that what is stated on paper in the policies becomes the actual practice of the bank.

The closest test for checking whether the EBRD is improving its practices as a result of PCM warnings will be a new hydro plant in Georgia, Adjaristskali HPP, which the bank is currently considering for financing despite environmental risks.

*“As it could be expected, the findings of the PCM were not accepted so easily by the bank departments that were found culpable of non-compliance,”* comments **Fidanka Bacheva-McGrath**, *“No wonder it took more than six months for the EBRD to make these documents public! What now remains to be seen is the consequences of these findings on the new Environmental and Social Policy and the PCM rules. Will they provide guidance for better implementation or shall we expect weakening of the safeguards and commitments to highest standards as a result?”*

## **Contacts:**

Fidanka Bacheva McGrath  
EBRD coordinator, Bankwatch  
[fidankab@bankwatch.org](mailto:fidankab@bankwatch.org)

Ombla:  
Jagoda Munic, Zelena akcija/Friends of the Earth Croatia  
[jagoda@zelena-akcija.hr](mailto:jagoda@zelena-akcija.hr)  
Tel.: +385 1 4813 096  
Mob.: +385 (0)981 795 690

Boskov Most:  
Ana Colovic, Eko-Svest  
[ana@bankwatch.org](mailto:ana@bankwatch.org)

Georgian HPPs:  
Dato Chipashvili, Green Alternative  
[dchipashvili@greenalt.org](mailto:dchipashvili@greenalt.org)

## **Notes for editors:**

The 3 PCM reports are available here:  
<http://www.ebrd.com/pages/project/pcm/register.shtml>

## **About the three hydro projects:**

(1) The 70 MW Boskov Most hydropower plant in the Mavrovo National Park, Macedonia, approved by the EBRD in 2011, is to be located on the Bistra mountain, the core reproduction area of the critically endangered Balkan lynx. A complaint was submitted to the PCM by environmental organisation Eko-svest in 2011 alleging that the Bank failed to undertake adequate research before project approval and that it failed to recognise the site as a critical habitat. The PCM report found that the assessment of the Project's potential impacts on biodiversity was not sufficient to satisfy the biodiversity protection

requirements of the EBRD's 2008 Environmental and Social Policy, and that this automatically led to a violation of the policy's provisions on public participation.

(2) The 68 MW Ombla underground hydropower plant near Dubrovnik in Croatia was approved in 2011, on condition that an additional nature impact assessment would be carried out. The plant was planned to be built in a cave complex in a future Natura 2000 area that had not been fully researched but was known to contain endemic species. Zelena akcija/Friends of the Earth Croatia submitted a complaint to the PCM stating that the EBRD had failed to ensure adequate environmental assessment prior to project approval; that the project would damage critical habitat without due justification, and that there had been inadequate public consultation. The PCM report agrees that according to the EBRD's environmental policy, the biodiversity assessment should have been done before the Bank approved the project and that failure to do so also led to inadequate public consultation. In May 2013 the EBRD loan for the Ombla plant was cancelled.

(3) The 87 MW Paravani derivative hydropower plant in Georgia was approved by the EBRD in July 2011. It includes a 14 km derivation tunnel to divert water from the Paravani river to the Mtkvari river upstream of the village of Khertvisi. In some periods this would leave only 10 percent of water in the Paravani river - inadequate to ensure the survival of downstream flora and fauna - while at the same time, the project creates a significant risk of flooding Khertvisi. Environmental group Green Alternative submitted a complaint in December 2011 and the Project Complaint Mechanism has now confirmed violations of three sections of the EBRD's Environmental and Social Policy relating to biodiversity and public participation.