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CEE Bankwatch Network is an international NGO with member organisations currently from 13 countries across the CEE and CIS region. Our mission is to prevent the environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation. Bankwatch has been following the impacts of such financial flows into our region since 1995. Monitoring EU funds is an integral part of our work.



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Friends of the Earth Europe campaigns for sustainable and just societies and for the protection of the environment, unites more than 30 national organisations with thousands of local groups and is part of the world's largest grassroots environmental network, Friends of the Earth International.

José Manuel Barroso
President
European Commission
Rue de la Loi 200
B - 1049 Brussels
Belgium

Brussels, May 11th 2009

Subject: Accelerated EU funding for controversial projects in CEE countries needs to be reconsidered

Dear President Barroso,

We would like to share with you our concerns about the significant number of controversial major projects in Central and Eastern Europe (CEE) that might soon benefit from the European Commission's proposal to accelerate EU funds as part of the European Economic Recovery Plan (EERP).

EU structural and cohesion funds account for the vast bulk of public investments in the CEE region – and in the context of the current global economic and climate crises will constitute one of the few sources of public investments in this region. Hence, we fully support your proposal within the EERP that EU public funding should be shifted and channelled towards “smart” investments which have clear emission reduction and green jobs creation potential, and which can achieve long term low carbon development.

Our analysis, however, shows that the new member states of the CEE region are planning to spend scarce public money for projects which will destroy precious natural sites, squander resources that can be recycled and in the long term trigger unsustainable consumption and production patterns fuelling climate change. Moreover, these projects will bring CEE countries nowhere near to fulfilling the EU targets for 20% reduction in emissions, 20% renewable energy and 20% energy efficiency adopted within the Energy and Climate package, nor the 50% recycling for major waste streams adopted in the revised Waste Framework Directive.

In 2008, we alerted the European Commission to the possible controversies surrounding the planned and potential investment projects that seek funding from EU sources. Our previous map of projects “Cohesion or Collision?” starkly illustrated that many of the development projects being proposed in CEE are economically irresponsible, may lead to severe environmental damage and could have adverse impacts on overall quality of life across the CEE region.

Now in 2009, our concerns persist: most of these controversial projects are still on the table for financing and moreover might receive an accelerated and advance financing as part of the EERP.

The EC has the ultimate responsibility for implementing the EU budget and holds co-decision power over major projects so this is its second chance to ensure sound, cost effective and climate friendly use of the EU funds. **With our updated map, we bring to your attention 55 controversial projects at a total cost of EUR 23 billion, of which EUR 12 billion is in line to be paid by the EU funds** with further potential finance to be provided by the EIB. You can find the updated map at <http://www.bankwatch.org/billions/>.

Several of the projects have already been completed but they remain on the map as telling reminders about mistakes which should not be repeated. The majority of the projects, however, are part of the national regional development spending for the period 2007-2013 – they are still only at the application stage for EU financial support.

The most prevalent types of problematic projects featured on this year's updated map remain:

- waste incinerators, promoted at the expense of economically and environmentally superior recycling alternatives;
- motorways, ineptly routed through valuable natural areas or residential zones regardless of possible alternative routes.

As specific examples, we would like to draw your attention to two particularly egregious developments in Poland and the Czech Republic respectively:

- In 2008, we raised the issue of **nine planned incinerators in Poland** which has been the topic of two lengthy discussions with DG Regional policy. After the revision of the List of individual projects, **the number of Polish incineration projects has increased to 12**, although possibly only half of them have any real chance of being developed to the level of receiving EU funding in the 2007-2013 period. The total costs of these planned projects is EUR 1.1 billion, implying a consumption of around 66% of Poland's Cohesion Fund money for waste management for the same financial period, while blocking the development of alternatives such as separate collection and recycling schemes promoted in the EU waste hierarchy. These latter alternatives are more cost-effective, easier to implement and create many more employment, frequently for people from socially excluded groups. They are also more likely to facilitate local development. Moreover, many of the planned incinerators are oversized and will compete for resources – especially paper and plastic – with recycling facilities. The projects have been facing strong public opposition, as evidenced most strikingly in recent Kraków protests. Worryingly, the growing number of planned incineration projects is not limited only to Poland, but similar trends are being seen further afield in the Czech Republic, Lithuania and Hungary.
- **In the Czech Republic, a 20 km long expressway section, part of the Brno-Vienna connection** crossing the town of Mikulov, would adversely affect three Natura 2000 sites and several unique south Moravian landscapes (including the Pálava UNESCO Biospheric Reserve and Lednice-Valtice cultural complex – UNESCO World Heritage site). An alternative route has been proposed: using the existing parallel-running D2 motorway and building a link to the Austrian border near the town of Břeclav. The Czech government's studies did not prove any of the scenarios to be economically viable, but at least the alternative via Břeclav has been assessed as less damaging for the environment and less costly. Curiously, in June 2008 the government decided to construct both motorway connections to Vienna, thus potentially spending twice more public money and destroying valuable biodiversity.

Therefore, we call upon the EC to:

Assess and promote alternative solutions and ensure stringent compliance with the EU's environmental impact assessment legislation

The above examples suggest that often the formal procedures of environmental impact assessment and cost-benefit analysis are not carried out properly and, as an ultimate result, they are having little impact on the decision-making. As the EC has primary responsibility for EU funds' use in compliance with EU policies and EU standards, it should insist on compulsory multi-criteria assessments of major projects, especially through the involvement of JASPERS. The role for JASPERS during the technical assistance process is about to grow as an anti-crisis measure, and the EC should include a provision guaranteeing that assessment and selection of alternative options and solutions in a transparent process is an explicit task of JASPERS specialists in the relevant countries.

We would like to stress that alternative options and solutions exist – in fact they are up and running in some countries and should show the way forward for other projects too. For example, in the Czech Republic, there are small municipalities which have already adopted the “Zero waste” concept and submitted small scale separate collection and recycling projects for EU funding.

Another recent well known case is the Augustow Bypass section of the Via Baltica corridor in Poland, which was originally proposed to cut through the Rospuda valley, a unique Natura 2000 site. It took many years of civil society opposition, infringement procedures and court cases to prevent this controversial section from being implemented and EU funds from being absorbed. Fortunately, but only very recently, the Polish government realised that the only legal way to proceed is via an alternative routing which will not go through the unique nature of the Rospuda valley. This positive development has to be replicated in the entire Via Baltica corridor as well as in other questionable transport corridors across CEE region. For instance, in the case of the Struma motorway through the Kresna gorge in Bulgaria, it is essential that the EC oversees and ensures that the Bulgarian government implements its commitment to build the route through a tunnel so as to avoid damage to the precious gorge.

Establish clear criteria for what constitutes a “green” investment project and request that member states significantly increase EU funds allocations for them

Instead of restricting CEE countries by providing easy money to dubious and climate intensive projects, the EC should require that member states are obliged to revise their OPs so that they allocate more funding into public transport, energy efficiency (EE), renewable energies (RES), clean technologies and the creation of green collar jobs – measures which can integrate economic, social and environmental goals and effects and bring low carbon regional and local development. The horizontal integration of environmental and climate measures should figure centrally in EU funded projects as well.

In CEE countries, there is huge long-term job creation potential especially in sectors such as EE and RES, the separation and recycling of waste, water supply and sanitation, sustainable transport, research and consulting services – and support from EU funding is essential especially during a deep recession. The European Social Fund should also be utilised to promote “green-collar” jobs, achievable by increased support for training and the pre-qualification of workers towards green services and products in various sectors. Furthermore, these sectors can have an indirect job creation effect – for instance, jobs can be created not only around the actual retro-fitting and insulation measures to increase energy efficiency but also for trainers for the pre-qualification of workers and consultancies.

Increase transparency of and public scrutiny over major projects in light of the increased flexibility that now accompanies the financial rules

We would like to emphasise the acute need for transparency and public control over the spending of EU funding during the crisis period. European taxpayers need to know how their money is to be spent and we call on the EC to establish a centralised information system aggregating and publishing data on projects in the pipeline for funding, the beneficiaries, costs, environmental impacts, emissions reduction, job creation, etc. For instance, the US has recently started an initiative (www.recovery.gov) guaranteeing the “right to know” where and how the US recovery budget is being spent. This is a good example of open government that could be replicated at the EU level in order to improve the transparency and accountability of valuable – never more so than now – EU funds.

We call upon you to ensure that EU financing for anti-crisis measures is not squandered on badly conceived infrastructure projects but instead is relocated towards alternative solutions and green projects that are in line with the “smart” investment intention. We also call on the EC to carry out a mid-term assessment of the changes in the EU funds regulations against multiple criteria that take in economic, social and environmental considerations and impacts.

The projects shown in our new map are, unfortunately, only a selection. There are more controversial projects being planned or considered. We will continue to monitor them, update our map and bring these issues to the attention of decision-makers and the public.

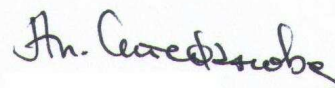
We would be grateful for a reply to this letter, explaining how the Commission will respond to the troubling evidence presented in our map. We would also like to request a follow-up meeting to discuss the issues raised in the letter.

Should you have any questions about the information contained in our map or about our proposals for preventing these persistent problems, please do not hesitate to contact us.

Yours sincerely,



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An interactive map is available at: <http://www.bankwatch.org/billions>

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