

Construction of HPPs in South East Europe countries seems to be very attractive for international banks and lenders like EIB-EBRD-IFC-KfW. Austrian companies and banks seems to be very interested in financing risky and non environment friendly projects in the region. Standards which are applied in EU does not seems to be a rule for international financiers. Latest Euronatur&Riverwatch report on HPPs financing in SEE reveals the investors interest in projects described as environment risky. In 989 out of 1355 greenfield projects we have been able to identify the companies which manage the projects (project sponsors). 343 of the projects with identified sponsors are in protected areas. Most of the companies carrying out small hydropower projects are relatively anonymous small companies, while as expected, the larger energy companies such as the state-owned Elektroprivreda companies in Croatia, Serbia and Bosnia and Herzegovina are often behind the larger projects, either with private partners as in the Gorna Arda case in Bulgaria or not, for example in the Boskov Most case in Macedonia. In Albania almost all the projects are carried out by the private sector, including the larger ones, ranging from well-known names such as EVN (Ashta) and Statkraft (Devoll) to those much less obviously associated with the energy sector, such as Italian waste management company Bechetti (Kalivac). Very few of the companies have any significant internet presence, but depending on the country and on whether its business register discloses company owners, it has sometimes been possible to see who are the investors behind the companies (either individual people or other companies).

The most noticeable results here are: In Montenegro, involvement of a series of companies owned or represented by people known to be close to the ruling party has been observed (see Montenegro country profile). It is unclear whether this trend is more present in Montenegro than in the other countries or simply better exposed there. While most projects are carried out by domestic companies, out of those which involve foreign investment, countries neighbouring the region and those with a strong hydropower tradition such as Italy, Norway and Austria are the most frequently represented. The presence of Austrian companies and banks is most noticeable. There are few companies with more than a few projects, but one company stands out: Energy Eastern Europe Hydro Power GmbH, owned by Wien Energie - Wienstrom GmbH; Energie-Zotter-Bau GmbH & CO KG and Fras Beteiligung und Beratung GmbH (Austria). It is involved in no less than 27 projects, of which 11 are in protected areas Another Austrian company, the Kelag group and its Slovenian subsidiary Interenergo, is involve in 13 greenfield projects, of which no less than 9 are in protected areas. One of these, Medna Sana, has for several years been subject to protests by local people supported by NGOs like the Center for Environment, as it is being

constructed near the source of the beautiful Sana river in Bosnia and Herzegovina. Kelag is owned by the Kaernten public authority (Austria), RWE (Germany) and Verbund (Austria, in turn half-owned by the Austrian government) Austria is perceived internationally as one of the more environmentally conscious countries, but if it wants to keep this image it will need to address the activities of its companies and banks in the hydropower sector in southeast Europe. In addition to Energy Eastern Europe Hydro Power GmbH and the Kelag group's involvement in numerous projects, including those in protected areas, various Austrian companies and banks have been involved in hydropower projects across the region. A few of the more striking ones include: Enso Hydro GmbH and the Development Bank of Austria (OeEB - Oesterreichische Entwicklungsbank AG)'s involvement in the Lengarica project on a tributary of the Vjosa river in Albania EVN's involvement in the planned Gorna Arda cascade on the Arda river in Bulgaria and its construction of the Ashta 1 and 2 projects in Albania GLA Holding's involvement in the SHPP projects Jasicje and Ocka Gora in Montenegro and the Sutjeska S3, S-J-2 and S-J-3 Jabusnica projects near the Sutjeska National Park in Bosnia and Herzegovina Erste & Steiermaerkische Bank is the most frequently occurring commercial bank identified in projects in Montenegro and Serbia, including some in Montenegro which have clear links to politically exposed persons. Projects with support from multilateral development banks (MDBs) such as the European Bank for Reconstruction and Development, World Bank Group and European Investment Bank make up the largest group, and will be explored in more detail below. On one hand this is a reflection of somewhat easier access to information about support from international development institutions than about commercial banks. However this should not detract from the fact that the international financial institutions are among the leading investors in the region. It should also be noted that even information from MDBs is not complete due to the existence of credit lines channelled through commercial banks, usually aimed at energy efficiency and small-scale renewable energy projects. Even though public money is being used, the final beneficiary is usually not disclosed, due to client confidentiality. This needs to change. 'Other public funding' refers to a relatively diverse set of financing sources, including export credit agencies, development finance institutions from particular countries such as Germany's KfW, or national development funds of the countries where the project is taking place. It is investors and financiers who are in the end key to whether projects move forward or not. The international financial institutions claim to be standard-setters and often enable to projects to proceed which would otherwise not find funds. We have identified EUR 819 million of financing for specific greenfield hydropower projects by MDBs. In addition, the EIB has provided EUR 22 million for 19

plants in Bosnia and Herzegovina, Croatia, Macedonia and Serbia through financial intermediaries, which could not be assigned to particular projects but is known to have been invested in hydropower. The EBRD has provided EUR 14 million for 8 plants in Croatia, Bosnia and Herzegovina and Macedonia. The European Bank for Reconstruction and Development (EBRD) has been the most important actor (at least 51 greenfield plants financed directly with at least EUR 241 million. This does not include the Ombla plant in Croatia for which EUR 123 in financing was approved in 2011 and subsequently cancelled in 2013. Loans through financial intermediaries were included where they could be traced but the bank declined to provide information about the list of final beneficiaries. The European Investment Bank (EIB) has provided the largest amount of direct financing by volume (EUR 437 million for 5 plants). In addition the EIB has provided EUR 22 million in support of small greenfield hydro plants through financial intermediaries in Bosnia and Herzegovina, Croatia, Macedonia and Serbia in 2010-2014. The EBRD contributed with EUR 14 million for 8 plants through commercial banks in Croatia, Bosnia and Herzegovina and Macedonia in 2013-2015. As neither of the banks was willing to share the list of final beneficiaries it was impossible to assign them to particular projects. The IFC provided EUR 3.4 million to Credins, an Albanian local bank, in support of 4 projects in 2013-2014. The World Bank's International Finance Corporation (IFC) has supported 22 greenfield hydropower projects either directly or through financial intermediaries, including equity in the Lengarica plant in Albania. Seven of these are within the Gjader Cascade in Albania, for which the IFC provided advisory services. This year it has also provided EUR 5 million for renewable energy and energy efficiency to Unicredit in Bosnia and Herzegovina for on-lending to small projects at least some of which are likely to be small hydropower plants. The bank also plans to provide further funds up to a total of USD 15 million (EUR 14 million), with the aim of leveraging around EUR 111 million to construct 40 small hydropower plants with a total of 80 MW in Bosnia and Herzegovina alone. In addition to individual MDB financing, the Green for Growth Fund (GGF), set up by the EIB and KfW, with financing from the other IFIs mentioned above, has also financed Lengarica directly, with EUR 9.1 million. As GGF provides financing to small renewable projects in the region through financial intermediaries, it is unwilling to share the data because of being bound by commercial confidentiality to its clients. It has shared with us the information that it has supported up to 10 small hydropower projects in the region. MIGA, the World Bank Group's guarantee agency, has together with the IFC supported Ashta 1 and 1 in Albania. The World Bank's IBRD has supported project feasibility studies for Zhur 1 and 2 in Kosovo but the financing amount was not identified. Looking at protected areas, we find at least 30 projects

supported by MDBs which are either in a protected area or would clearly impact on a protected area. This is likely to be an underestimate as projects with an impact on protected areas were added only in a few very obvious cases such as the Moraca cascade in Montenegro, which is not sited in a protected area but would impact the Skadar Lake Ramsar site downstream. Again, the EBRD is most visible here, with 21 such projects. This does not include the Ombla plant in Croatia (loan cancelled in 2013). Between 1994 and 2011 the EBRD did not finance any greenfield hydropower plants larger than 10 MW, however it has been very active in smaller plants, particularly in Bulgaria and Macedonia. However since 2011 it has approved several larger plants in Georgia and one each in Macedonia and Croatia. The largest hydropower project now planned for financing by the EBRD in the region examined is the Zagreb na Savi complex in Croatia. While it in principle makes sense to generate electricity close to Zagreb, as Croatia's largest city and largest electricity consumer, the complex consists of several separate hydropower plants (exact number not yet defined), some of which are in protected areas. The complex would also impact on protected areas downstream on the Sava. EBRD's financing of HPPs & ESIA-PCM In January 2013, the EBRD's Project Complaint Mechanism ruled that the EBRD had failed to properly assess the Boskov Most hydropower plant in the Mavrovo National Park in Macedonia, the Ombla plant in the Vilina Cave-Ombla Spring Natura 2000 site in Croatia, and the Paravani plant in Georgia. 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. 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 in the protected areas, thus denying the public the right to be involved in decision-making while there was still a chance to make an impact. Worse still, instead of learning from its mistakes, the EBRD then attempted to water down its Environmental and Social Policy during a subsequent policy revision, so that approving projects prematurely and without all necessary documentation would be allowed more easily. Only thanks to concerted NGO action and some support from key bank shareholders were these rollbacks avoided in the Environmental and Social Policy approved in May 2014 by the bank's Board of Directors. Finally, in May 2013 the Ombla project - approved in November 2011 - was cancelled after public resistance to the project resulted in an additional nature impact assessment study being carried out. This study found that the project would have serious impacts on the Vilina Cave Ombla Spring Natura 2000 area near Dubrovnik and the EBRD finally withdrew from

the project. A further nature impact assessment has hopefully put the final nail in the coffin as it was rejected by the Ministry of Environmental and Nature Protection in July 2015. Most active in greenfield projects has been Germany's KfW. Deutsche Investitions- und Entwicklungsgesellschaft (DEG), which is part of KfW, is an investor in the consortium PCC Hidro Dooel which constructed the Galicka Reka, Patiska Reka, Brajcinska Reka and Gradecka Reka plants in Macedonia, all of which are in protected areas - Galicka Reka is even in the Mavrovo National Park and Brajcinska Reka is inside the Pelister National Park. KfW has also approved financing for the Vrilo plant near Livno in Bosnia and Herzegovina, which is on the Livno Polje Ramsar Site, as well as the Janjici and Cijeva 3 plants. In addition to the above, the China Development Bank (CDB) has shown interest in the controversial Ulog project on the upper Neretva in Bosnia and Herzegovina but as far as we have been able to establish, no financing has been signed. It also showed interest in the Vardar cascade in Macedonia, however this project does not look like it will go ahead any time soon. The Netherlands Development Finance Company (FMO), the Black Sea Trade and Development Bank and the Swiss State Secretariat of Economic Affairs (SECO) have all participated in financing rehabilitation of hydropower plants in the region, but not new build, as far as we have established so far. The Norwegian export credit agency, GIEK, has not been confirmed to have backed any projects so far, but it has apparently agreed to provide money for a joint EUR 55 million fund with the Montenegrin Investment and Development Fund (IRF) to finance small hydropower projects. Euronatur&RiverWatch report, Financing for hydropower in protected areas in Southeast Europe