

European Bank for Reconstruction and Development: Corporate Approaches to Sustainability

Anna Schin, Environment Department

EBRD is mandated by its Founding Agreement to promote in the full range of its activities the environmentally sound and sustainable development.

In order to reflect the move towards sustainability, in 2003 EBRD revised its Environmental Policy and its Public Information Policy as well as set up

the Independent Recourse Mechanism to give more consideration to the social issues and provide for an increased public participation in the

environmental decision making process on EBRD's operations. All EBRD projects undergo a rigorous environmental due diligence process versus the applicable national environmental, health and safety regulations, EU standards, World Bank group guidelines, international labour standards, best international environmental, health and safety practices.

Environmental Action Plans are developed as a result of environmental due diligence process in order to bring the clients in compliance with these standards. On "A-level" projects (defined in Annex 1 of the Environmental Procedures) the Environmental Impact Assessment and its Executive Summary are disclosed into public domain for 60(private sector) or 120 (public sector) days before the project is considered by EBRD's Board of Directors. All projects are also monitored and evaluated on the on-going basis post the Board approval. EBRD will continue to focus on promoting sustainable development in the region through further identification of sustainable improvement opportunities, engagement with the management, workforce and local communities, proactive support through designated training programmes, partnership agreements between business, civil organisations and governments.



**Corporate Approaches to
Sustainable Development**

**Anna Schin
Environment Department**

What is the EBRD ?

- International Financing Institution established in 1991
- Promote transition to market economies in CEE and FSU
- Primarily private sector orientation
- Project-focused approach
- Variety of financing mechanisms

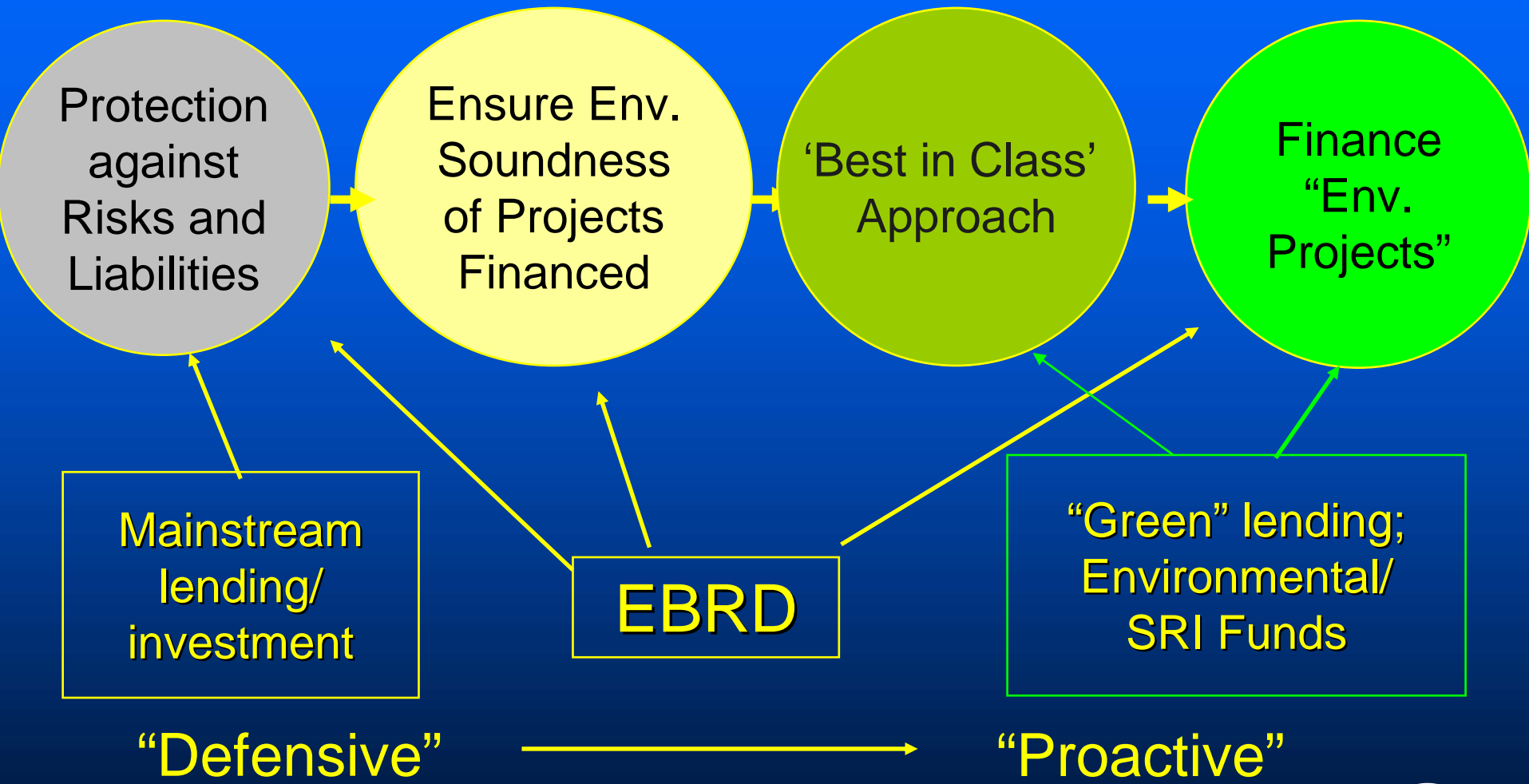


Bank's Founding Agreement commits the Bank to:

"... promote, in the full range of its activities, environmentally sound and sustainable development."



Why EBRD considers environmental issues



From Environment to Sustainability

- Best practice in finance and industry has moved to ‘sustainability policies’
- Review of EBRD’s Environmental Policy and Procedures
- EBRD annual environmental/sustainability reports
- Independent Recourse Mechanism



Sustainable Development at EBRD

Key policy documents

- Agreement Establishing the EBRD 1991
- Environmental Policy 2003
- Public Information Policy 2003
- Independent Recourse Mechanism 2003



Scope of the Environmental Policy

Broad definition of “environment”

- Ecological aspects
- Worker protection issues
 - Occupational health and safety
 - Core labour standards (harmful child labour, forced labour and discriminatory practices)
- Community issues, *such as*
 - cultural property involuntary resettlement, indigenous peoples (as defined in current IFC Safeguard Policies)



Project Standards

- **Tier 1:**
 - National standards
 - EU standards
 - International agreements (e.g. Espoo & Aarhus Conventions)
 - IFC Safeguard Policies on Indigenous Peoples, Involuntary Resettlement, Cultural Property
- **Tier 2:**
 - Good international practice (e.g. other World Bank Group guidelines, other IFIs/donors, good industry practice)



Environmental appraisal process

- Dedicated Environment Department
 - Currently increasing social expertise
- **Every** project subject to environmental due diligence
 - Screening (A/B/C/FI) (0/1)
 - Review, including audits / EIAs where required
 - Environmental clauses included in legal documents
 - Monitoring
- Environmental appraisal /supervision fully integrated in EBRD's operating procedures



Transparency and Consultation on Projects

(Annex II of Env. Policy)

Pre-Board – Category A projects

- Public consultation mandatory for Cat. A projects even if host country law does not require it.
- *Notification of EIA*
- *Scoping; Public Consultation and Disclosure Plans*
- *EIA disclosure:*
 - **Client** must release full EIA locally in local language. In addition, Sponsors strongly encouraged to put EIA on their websites
 - **EBRD** releases full EIA in its offices 60/120 days prior to Board; summary and link in Project Summary Document on EBRD website
- *Public comments.* Client must reply; EBRD Board considers how comments were addressed



“Conditionality” vs. Additionality

- Projects involving existing companies: Compliance with EBRD requirements typically not pre-condition for financing
- Instead: **Action Plan** to achieve compliance within specified time frame is part of legal documents
- Action Plan must be included in project budget
- Client reporting on Action Plan implementation (at least annually)



Monitoring & evaluation mechanisms

- Client reporting on compliance with standards/ action plan
- Accident/emergency notification
- Site visits by EBRD staff
- Periodic third party audits
- Project Evaluation Department/ Internal Audit



Transparency and Consultation on Projects

Post Board

- **All projects:** Annual update of environmental info in EBRD Project Summary Documents
- **Category A Projects:** Client to release public annual environmental reports locally
- **Financial Intermediaries:** Encouraged to disclose environmental info to external stakeholders



Independent Recourse Mechanism

- Process for an independent review of complaints or grievances from groups that are (likely to be) affected by a Bank-financed project....
- ... due to non-compliance with EBRD's Environmental Policy and Public Information Policy
- Run by Chief Compliance Officer & independent experts
- Two functions:
 - *Problem-solving* (pre-Board)
 - *Compliance function* (post-Board: Have Bank staff followed EBRD's policies and procedures?)



Examples

Sakhalinmorneftegaz

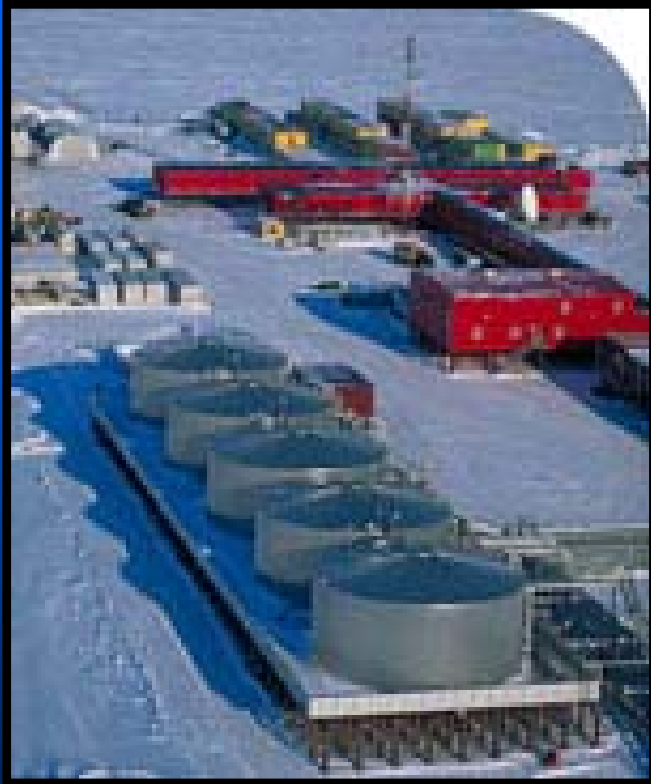


- EAP Implementation : improvements to oil field operations, oil storage facilities upgrades, pipeline management programme, improved spill emergency response and training, and railway safety upgrades.
- Environmental Management TC: development of the ISO1400 environmental, health and safety management system, improvement of the oil spill response capabilities, establishment of the company-community program



Examples

Polar Lights



- EAP was conceived with the Russian Authorities to develop best practice in the area.
- As an environmental model for the area, Polar Lights has been awarded the Lomonosov Foundation Environmental Award in 1995 and 1998.

EBRD: Future Focus on Sustainable Development

- Identification of sustainable improvement opportunities that assist transition process
- Engage with management, workforce and local communities
- Proactive support through training programmes and themed workshops
- Partnership agreements between business, civil organisations and governments

THANK YOU!

