



Independent
Project
Accountability
Mechanism

**MAP Monitoring Closing Report
VII Monitoring Period: July 2022 - April 2023**

**Southeast Europe Equity Fund II Project
EBRD Project Number 34894
Case 2017/05**

May 2023

Note: This case was received under the Project Complaint Mechanism (PCM) - the former accountability mechanism of the EBRD - in accordance with the [2014 PCM Rules of Procedure](#) and the Monitoring stage was initially conducted under PCM Rules and Procedures.

Effective 1 July 2020, the Project Complaint Mechanism was replaced with the [Independent Project Accountability Mechanism](#), brought into effect through the [2019 Project Accountability Policy](#). Under the Policy's provisions for case transition, monitoring of the Lukoil Shah Deniz Stage II Management Action Plan from the date above is undertaken in alignment with the requirements of the [2019 Project Accountability Policy](#).

IPAM is the Independent accountability mechanism of the EBRD. It reviews environmental, social, and Project disclosure-related concerns raised by Project-affected people and civil society organisations. IPAM can address concerns through two avenues: i) Problem-solving, which supports dialogue between Complainants and Clients to resolve environmental, social and public disclosure concerns without attributing blame or fault; or ii) Compliance Reviews, which determine whether the EBRD has complied with its Environmental and Social Policy and Access to Information Policy in relation to the Project.

For more information about IPAM, please contact us at ipam@ebrd.com or visit the [IPAM webpage](#).


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Unless otherwise indicated capitalised terms used in this report are those as set forth in the 2019 Project Accountability Policy.

List of Abbreviations

Abbreviation	Long Form
BCM	Bedminster Capital Management, G.P., LLC (the initial Fund Manager)
EP	Environmental Policy 2003
ESD	EBRD's Environment and Sustainability Department
ESP	Environmental and Social policy
FI	Financial intermediaries
IPAM	Independent Project Accountability Mechanism
MAP	Management Action Plan
PCM	Project Complaint Mechanism
Policy	2019 Project Accountability Policy
PR	Performance Requirement
SEEF (the "Fund")	Southeast Europe Equity Fund (the Project)

Executive Summary

The EBRD Project Complaint Mechanism (PCM) completed a [Compliance Review](#) of [Southeast Europe Equity Fund II](#) (34894) in October 2018, identifying one finding of non-compliance. The non-compliance related to the need for ongoing Project monitoring under EBRD's Environmental Procedures for Private Equity Funds.

In response to the findings, the PCM Expert strongly recommended that the Bank addresses the inconsistency in its application of Procedures and Performance Requirements (PRs) across Bank Projects, to ensure that all Projects are brought under a common framework of compliance. The PCM Expert noted that the implementation of this recommendation would also require that Client investment agreements contain provisions that foresaw the need to update compliance requirements in line with environmental and social policy and procedural changes introduced by the Bank (e.g., in subsequent iterations of the environmental and social safeguard policies), in the pursuit of continuous improvement and Project performance.

Bank Management prepared a [Management Action Plan \(MAP\)](#) presenting their views on: a) the Compliance Review recommendations and b) appropriate measures to respond to the findings of non-compliance (available on the [IPAM Register](#)). The MAP noted that the Bank has updated Procedures and Policies on a number of occasions since the time of signing SEEF II (through its 2008 and 2014 Environmental and Social Policy [ESP] reviews) and had established the Bank's Responsibility Index.

Management committed to undertake one action (consisting of two sub-actions) in response to the findings of non-compliance, namely:

1. Renew its FI monitoring strategy to take a more active approach to funds (per the requirements that are currently placed on funds under the Environmental Procedures for Active Funds, which replaced the previous Procedures under which SEEF II operates); and
2. Include elements of Continuous Risk Improvement in the Environmental and Social Management Plans that the Funds operate under, to recognise and encourage the development of a 'dynamic' approach to environmental risk management.

This action included the commitment to prepare the Guidance Note on PR 9 as it relates to 2019 ESP.

The Compliance Review Report and the approved MAP were disclosed on the [IPAM case registry](#) in October 2018 thus initiating the MAP monitoring stage. Since then, IPAM produced six monitoring reports, as referenced in the Compliance Process Outputs and Timeline table below. They were all disclosed on the [IPAM case registry](#).

Management Action Plan Monitoring Reports

No.	ACTIVITY	TIMELINE
1.	1st monitoring report covering period December 2018 to May 2019	July 2019

2.	2nd monitoring report covering period August 2019 - July 2020	August 2020
3.	3rd monitoring report covering period August – December 2020	March 2021
4.	4th monitoring report covering period January – June 2021	July 2021
5.	5th monitoring report covering period July – December 2021	February 2022
6.	6th monitoring report covering period January – June 2022	August 2022
7.	7 th monitoring report covering period July 2022 - April 2023	May 2023

This report covers the seventh and last monitoring period.

As Management has finally completed the implementation of the remaining action, IPAM is concluding the monitoring stage of Case 2017/05 Southeast Europe Equity Fund II (34894) and will be disclosing this report in the IPAM case registry after notifying all Parties.

IPAM notes that originally, the **Action Plan proposed by Management, including the development of the guidance note to assist Clients in the implementation of the new Environmental and Social Policy, approved in May 2019, was to be completed in 2020. However, the note was only finalised and disclosed in March 2023.**

As Management has initiated in 2023 the review of the Environmental and Social Policy, IPAM would recommend ensuring that all Client guidance notes relevant to the new ESP are ready and disclosed in a timely fashion. Robust guidance to Clients on the implementation of the environmental, social and disclosure requirements of the EBRD is a key element for avoiding harm in EBRD-funded projects.

1. Introduction

This is the seventh Monitoring Report on implementation of the Management Action Plan (MAP) related to the [Case 2017/05 Southeast Europe Equity Fund II](#).

The Project Complaint Mechanism (PCM) registered the case in 2017 and PCM Expert, Mr. Victor Thorpe, undertook the Compliance Review of the Case as per the 2014 PCM Rules of Procedure. In line with the latter, the Compliance Review Report and the Management Action Plan (MAP) to address the findings and recommendations of the report were submitted to the EBRD Board of Directors and the MAP ultimately approved on in October 2018, commencing the MAP monitoring process.

On 1 July 2020, the 2019 Project Accountability Policy (PAP) became effective thus superseding the 2014 Rules of Procedure. Consequently, as per the transitional provisions established in section V of the PAP, monitoring of the Southeast Europe Equity Fund II MAP implementation fell under the responsibility of IPAM as per the PAP provisions for monitoring (paragraph 2.8 of the PAP).

2. Background

In August 2017, PCM received a [Complaint](#) from a former worker at the American Hospital of Kosovo, a project funded by the Southeast Europe Equity Fund II.

The Complainant alleged inadequate warning or consultation regarding termination of his employment contract, as well as similar unfair treatment of other Kosovar employees, who also identified as being subject to systemic discrimination or termination of their employment based on their nationality. The Complainant requested that PCM undertake a CR to address the issues they identified.

Mr. Victor Thorpe was appointed to undertake the Compliance Review as an external PCM Expert.

Following a review of EBRD's compliance with the 2003 Environmental Policy in respect of the Project, the PCM Expert issued a [Compliance Review Report](#), which identified one finding of non-compliance. The non-compliance identified related to the need for ongoing Project monitoring under EBRD's Environmental Procedures for Private Equity Funds. The Report found that:

In response to the findings, the PCM Expert strongly recommended that the Bank address the inconsistency in its application of Procedures and Performance Requirements (PRs) across Bank Projects, to ensure that all Projects are brought under a common framework of compliance. The PCM Expert noted that the implementation of this recommendation would also require that Client investment agreements contain provisions that foresaw the need to update compliance requirements in line with environmental and social policy and procedural changes introduced by the Bank (e.g., in subsequent iterations of the environmental and social safeguard policies), in the pursuit of continuous improvement and Project performance.

Bank Management prepared a [Management Action Plan \(MAP\)](#) presenting their views on: a) the Compliance Review recommendations and b) appropriate measures to respond to the findings of non-compliance (available on the [IPAM registry](#)). The MAP noted that the Bank has updated

Procedures and Policies on a number of occasions since the time of signing SEEF II (through its 2008 and 2014 Environmental and Social Policy [ESP] reviews) and had established the Bank's Responsibility Index.

Management committed to undertake one action (consisting of two sub-actions) in response to the findings of non-compliance, namely:

1. Renew its FI monitoring strategy to take a more active approach to funds (per the requirements that are currently placed on funds under the Environmental Procedures for Active Funds, which replaced the previous Procedures under which SEEF II operates); and
2. Include elements of Continuous Risk Improvement in the Environmental and Social Management Plans that the Funds operate under, to recognise and encourage the development of a 'dynamic' approach to environmental risk management.

This action included the commitment to prepare the Guidance Note on PR 9 as it relates to 2019 ESP.

The Compliance Review Report and the approved MAP were disclosed in October 2018, thus initiating the MAP monitoring stage.

3. Monitoring Update

3.1. Monitoring Activities during the period July 2022 - April 2023

IPAM tracks progress on MAP implementation until it has determined that all actions have been completed as agreed; or whenever conditions for completing pending actions no longer exist.

In preparation of this Monitoring Report, IPAM requested written confirmation from Bank Management on its MAP progress.

3.2. Monitoring Findings

In the last [Monitoring Report covering January – June 2022](#), IPAM closed the period with one action still outstanding: Actions 2, which included the production of a guidance note on PR 9.

The recommendation of the Compliance Review was to include elements of Continuous Risk Improvement in the Environmental and Social Management Plans under which Funds operate, in order to recognise and encourage the development of a 'dynamic' approach to environmental risk management. These requirements are to be featured in:

- i. the 2019 ESP (completed during the previous monitoring term); and
- ii. the 2019 ESP PR9 Guidance.

In this monitoring period, Management reported to IPAM that the GN on PR 9 was finalised and disclosed on the [EBRD website](#). IPAM confirmed that the note includes references to continuous

improvement in the explanation of principles of the PR 9 and in the section on E&S reporting, communication and disclosure.

Table 1 provides details on actions, pending from the previous monitoring periods, Management response and IPAM's conclusions.

3.3. Table 1: MAP Implementation Progress

Management Action Plan Commitment Approved by the EBRD Board of Directors	EBRD Management Action Plan Commitment	EBRD Management Implementation Update	Status of Management Action Plan Commitment	IPAM Feedback
Procedural / Systemic Recommendations and Management Actions				
<p>Action 2: Include elements of Continuous Risk Improvement in the Environmental and Social Management Plans under which Funds operate, in order to recognise and encourage the development of a 'dynamic' approach to environmental risk management. These requirements are to be featured in:</p> <ul style="list-style-type: none"> i. the 2019 ESP (completed during the previous monitoring term); and ii. the 2019 ESP PR9 Guidance. 	<p>2019 PR9 Guidance: A Guidance Note will be finalised by June 2020 for the implementation of ESP PR9, applicable to all new FI Projects approved after January 2020 including funds, where the principle of Continuous Risk Improvement will be a mandatory element of any Environmental and Social Management System established for a Bank Project.</p>	<p>The update was received from the Management that the PR9 Guidance note's draft has been finalised and was to be submitted for internal ESD approval. The Management have not shared a revised timeline for completion of the action.</p>	<p>Completed</p>	<p>Management reported to IPAM that the GN was finalised and disclosed on the EBRD website.</p> <p>The action is closed.</p>

3.4 Monitoring Conclusions

As Management has finally completed the implementation of the remaining action, IPAM is concluding the monitoring stage of Case 2017/05 Southeast Europe Equity Fund II (34894) and will be disclosing this report in the [IPAM case registry](#) after notifying all Parties.

IPAM notes that originally, the Action Plan proposed by Management, including the development of the guidance note to assist Clients in the implementation of the new Environmental and Social Policy, approved in May 2019, was to be completed in 2020. However, the note was only finalised and disclosed in March 2023.

Annex 1. Summary of MAP and deliverables

The implementation of the Management Action Plan during the period October 2018 to April 2023 involved the following deliverables:

Management Action 1:

Renew its FI monitoring strategy to take a more active approach to funds (per the requirements that are currently placed on funds under the Environmental Procedures for Active Funds, which replaced the previous Procedures under which SEEF II operates).

Management will update the annual FI Project reporting templates described in the EBRD Responsible Investment Index as necessary in line with the new 2019 ESP before the end of 2019.

Deliverable: Templates have been updated.

Management Action 2:

Inclusion of Continuous Risk Improvement in Environmental and Social Management Plans: Include elements of Continuous Risk Improvement in the Environmental and Social Management Plans that the Funds operate under, to recognise and encourage the development of a 'dynamic' approach to environmental risk management.

Part 1: The inclusion of elements of Continuous Risk Improvement in Environmental and Social Management Plans under which EBRD fund clients operate are captured in the new 2019 ESP under PR 9, and will be applied to all new Projects approved after the 2019 ESP effective date (January 2020). PR 1 of the ESP now also includes Continuous Risk Improvement as a principle.

Deliverable: [Environmental and Social Policy 2019](#)

Part 2: A Guidance Note will be drafted in 2020 for the implementation of ESP PR9, applicable to all new FIs Projects approved after January 2020 including funds, where the principle of Continuous Risk Improvement will be a mandatory element of an Environmental and Social Management System established for a Bank Project.

Deliverable: [Guidance note – Performance Requirement 9: Financial intermediaries](#)