



Independent
Project
Accountability
Mechanism

COMPLAINT: Lukoil Shah Deniz Stage II Project (46766)

REQUEST NUMBER: 2017/07

Compliance Review Monitoring Report I

Monitoring Period: June 2019 – July 2020

20 August 2020

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 will be undertaken in alignment with the requirements of the [2019 Project Accountability Policy](#).

IPAM is the new 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](#).

| Contact information | How to submit a complaint to the IPAM |
|--|---|
| <p>Questions can be addressed to:</p> <p>The Independent Project Accountability Mechanism (IPAM) European Bank for Reconstruction and Development One Exchange Square London EC2A 2JN Telephone: +44 (0)20 7338 6000 Fax: +44 (0)20 7338 7633 Email: ipam@ebrd.com</p> | <p>Concerns about the environmental and social performance of an EBRD Project can be submitted by email, telephone or in writing, or via the online form at:</p> <p>https://www.ebrd.com/project-finance/ipam.html</p> |

EXECUTIVE SUMMARY

The EBRD [Project Complaint Mechanism](#) (PCM) completed a [Compliance Review](#) of the [Lukoil Shah Deniz Stage II Project \(46766\)](#) in Azerbaijan in May 2018, identifying seven instances of non-compliance and seven instances of partial compliance with the EBRD's 2008 Environmental and Social Policy (ESP). The Compliance Review found that Bank Management did not meet its obligations around meaningful dialogue and informed consultation; the public disclosure of key environmental and social information; the verification of Project-level grievance mechanism effectiveness; or the differentiated assessment of, and engagement with, vulnerable peoples affected by the Project (PR10.17, PR 10.8, PR 10.9, PR 10.11, 10.25). It also determined that the Bank did not adequately monitor impacts on vulnerable groups, or the implementation of Client commitments in the Stakeholder Engagement Plan and Environmental and Social Management Plans (PR 1.14 and 1.17).

The Compliance Review identified that Bank Management only partially met its obligations around the adequate and timely disclosure of important Project information to affected communities. This included insufficient disclosure of the Project Summary Document; the Environmental and Social Impact Assessment; the Project Stakeholder Engagement Plan; the Environmental and Social Management Plans (PRs 10.12, 10.13, 10.14 and 10.15); or the outcomes of Project-level grievance mechanism cases (PR 5.13). The Bank was also found only partially compliant with provisions 14 and 15 of the 2008 ESP, as the Expert identified that the Project's environmental and social approach did not meet the spirit and intent of the Policy, given that the Project structure resulted in a limited ability to influence the environmental and social appraisal, due diligence or project outcomes.

The independent PCM Expert responsible for the Compliance Review made 19 recommendations to Bank Management, including nine procedural/systemic (i.e., general) recommendations and ten Project-specific recommendations, outlined in their [Compliance Review Report](#). The PCM Expert recommended that the EBRD:

Procedural/systemic (general) Recommendations (GRs):

- **GRs 1, 2, 3, 4** - Develop internal guidance for Bank staff outlining:
 - the assurances needed from the Client to confirm ESP compliance, when financing non-operator, joint venture partners;
 - the required documentation of steps Management has taken to assure itself that a Project is ESP compliant;
 - the minimum criteria that must be fulfilled to request a ESP derogation from the EBRD Board of Directors, where ESP compliance cannot be achieved; and
 - the assurances needed from the Client to confirm Project information has been disclosed to affected stakeholders in an accessible, culturally-appropriate manner.
- **GRs 5, 6, 7, 8, 9** - Issue external Guidance to Clients outlining:
 - the minimum requirements for Public Consultation and Disclosure Plans;
 - the requirements for the development and implementation of Stakeholder Engagement Plans to good international practice, inclusive of effectiveness indicators;
 - the methods for achieving “meaningful engagement,” inclusive of key performance

- indicators;
- the evidence required to demonstrate that Project impacts do not disproportionately impact vulnerable groups; and
- effectiveness criteria for Project-level grievance mechanisms, aligned with the UN Guiding Principles on Business and Human Rights.

Project-specific Recommendations (PSRs):

- **PSR 1:** Disclose the rationale for the Project's ESP derogation in the public Project Summary Document;
- **PSR 2:** Ensure full disclosure of Environmental and Social Management Plans to Project-affected communities;
- **PSR 3:** Ensure the Client provides the Bank's Independent Environmental and Social Consultant (IESC) with independent access to directly affected communities during monitoring visits, while managing potential risks of retaliation;
- **PSRs 4, 5, 6:** With respect to vulnerable groups, provide the IESC with a clear mandate to assess how community concerns are being incorporated into decision making processes; monitor Project-induced impacts on vulnerable people; and request the Client work with the Project Operator to demonstrate how impacts to vulnerable groups are measured and effectively mitigated;
- **PSRs 7, 8, 9:** With respect to the Project-level grievance mechanism, request quarterly updates on complaints submitted to the Project-level grievance mechanism and their outcomes; require the IESC to assess and report on the grievance mechanism's effectiveness; and establish an independent appeal mechanism, given existing concerns regarding civil liberties and human rights risk in the context of raising Project complaints; and
- **PSR 10:** Seek ways to encourage the Project Operator to increase community participation in environmental monitoring efforts.

Management Action Plan

In response to the findings of non-compliance, the Bank developed a Management Action Plan (MAP) to address the Expert's findings and recommendations, which was approved by the EBRD Board of Directors. Bank Management established Actions responding to twelve of the findings of non-compliance and partial compliance – six at the procedural/systemic (i.e., general) level and six at the Project-specific level, where Management deemed an Action necessary.

Procedural / systemic Actions

- **Management Action 1:**
In response to General Recommendations 4, 5, 6 and 8: Assess and consider PCM Expert recommendations as part of the broader review of the ESP Guidance Notes following the approval of the 2019 ESP. PCM Expert recommendations relate to accessible, culturally-appropriate information disclosure; meaningful engagement; requirements for Public Consultation and Disclosure Plans; and the development and implementation of Stakeholder Engagement Plans in line with good international practice. The development of a new

Guidance Note on the implementation of PR10, which considers the concept of meaningful consultation, is planned.

- **Management Action 2:**
In response to General Recommendation 7: Assess and consider PCM Expert recommendations relating to vulnerable peoples as part of the broader review of the ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP.
- **Management Action 3:**
In response to General Recommendation 9: Assess the need for further guidance on Project-level grievance mechanisms, which considers the PCM Expert's recommendations, in the context of the broader review of ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP.

Project-specific Actions

- **Management Action 4:**
In response to Project Specific Recommendation 1: Amend the PSD to disclose the information recommended by the PCM Expert, including i) why an ESP derogation was required for this Project; ii) the evidence through which the derogation was approved; and iii) how the Client will demonstrate that the intent of the 2008 ESP will be met.
- **Management Action 5:**
In response to Project Specific Recommendation 2: Pursue the disclosure of operations phase Environmental and Social Management Plans to affected communities, as per the IESC's request, to be confirmed during subsequent 2019 monitoring visits.
- **Management Action 6:**
In response to Project Specific Recommendation 5: Instruct the IESC to specifically review, assess and monitor impacts to vulnerable groups on an ongoing basis and report findings as part of all future monitoring events.
- **Management Action 7:**
In response to Project Specific Recommendation 6: Work with the IESC to request additional information on the assessment and mitigation of impacts on vulnerable groups be released (including information on how mitigation measures are assessed for effectiveness), either by the Operator itself, or by the IESC for inclusion in the publically-disclosed IESC report for 2019.
- **Management Action 8:**
In response to Project Specific Recommendation 9: Continue to assess the effectiveness of the Project-level grievance mechanism through the IESC during each monitoring visit, the results of which will be placed in the public domain.
- **Management Action 9:**
In response to Project Specific Recommendation 10: Request that the Client raise the potential for increased community participation in environmental monitoring with the Operator, referencing the most recent IESC report identifying community reluctance to believe the monitoring results and citing participatory monitoring as an option to build trust with the local community. Discuss this item with the Client and during the IESC monitoring event of 2019.

Management Action Plan Monitoring

This is the first Management Action Plan Monitoring Report issued in relation to the Lukoil Shah Deniz Stage II Project (“the Project”), and covers the period June 2019 – July 2020.

The purpose of this Monitoring Report is to update the EBRD Board of Directors, Relevant Parties and the public on the Bank’s implementation of the Board-approved Management Action Plan, in accordance with Paragraph 47 of the PCM Rules of Procedure (RPs).

It presents:

- a) the background and context associated with this PCM case;
- b) the monitoring activities undertaken by PCM during the June 2019 – July 2020 reporting period; and
- c) the findings and conclusions resulting from the Mechanism monitoring.

The Mechanism has a mandate to monitor the implementation of the Board-approved MAP. This Monitoring Report reflects the status of MAP implementation to date. Following a review of the update received from Bank Management regarding these Actions, and efforts to verify this information with the Complainants, IPAM has determined that:

- Management Actions 4 to 9 have been completed and;
- Management Actions 1, 2 and 3 are still outstanding

IPAM will continue to monitor the implementation of MA 1, 2 and, 3 until their completion, which according to the original MAP timeline was end of 2020.

SUMMARY OF ACTIONS

| S.No. | ACTIVITY | TIMELINE |
|-------|---|----------------|
| 1. | Compliance Review completion | 12 April 2019 |
| 2. | Management Action Plan approval | 8 May 2019 |
| 3. | 1 st monitoring report covering period June 2019 – July 2020 | 20 August 2020 |

The Mechanism shall continue monitoring the implementation of Actions 1 to 3 and provide an update on progress in the second monitoring report covering the period August 2020 to December 2020.

Table of Contents

| | |
|---|-----------|
| Acronyms | 8 |
| 1 Introduction..... | 9 |
| 2 Background and Context | 9 |
| 2.1 Complaint Submission and Eligibility Assessment | 9 |
| 2.2 Compliance Review Findings..... | 9 |
| 2.3 Compliance Review Recommendations | 11 |
| 2.4 EBRD Management Action Plan | 12 |
| 3 Monitoring Update | 14 |
| 3.1 Monitoring Activities | 14 |
| 3.2 Monitoring Findings | 14 |
| 3.3 Table 1: MAP Implementation Progress..... | 15 |
| 3.4 Monitoring Conclusion | 18 |

Acronyms

| | |
|--------------|---|
| ESP | EBRD Environmental and Social Policy |
| GHG | Greenhouse gas |
| GR | General recommendation |
| IESC | Independent environmental and social consultant |
| IPAM | Independent Project Accountability Mechanism |
| MA | Management Action |
| MAP | Management Action Plan |
| PAAFE | Public Association for Assistance to Free Economy |
| PCM | Project Complaint Mechanism |
| PIP | Public Information Policy |
| PSR | Project specific recommendation |

1 Introduction

This is the first Monitoring Report for the Lukoil Shah Deniz Stage II Project (46766), (“the Project”) providing an update on implementation of the Board-approved Management Action Plan (MAP), established to address PCM findings of Project non-compliance with the 2008 ESP covering the period June 2019-July 2020. Its purpose is to inform Parties to the Compliance Review, the EBRD Board of Directors, and the public on Bank Management’s implementation update of the MAP.

This Monitoring Report provides an overview of:

- the background and context of the PCM case;
- the monitoring activities undertaken by PCM to date; and
- the monitoring findings and conclusions.

2 Background and Context

2.1 Complaint Submission and Eligibility Assessment

In September 2017, PCM received a [Complaint](#) from Crude Accountability, the Public Association for Assistance to Free Economy (PAAFE), and a private citizen (“the Complainants”).

The Complaints raised concerns in relation to three general areas: the Category A Project approval process; due diligence towards affected communities; and disclosure of project-related information. The Complainants alleged that the project approval process violated the Public Information Policy and questioned how the EBRD ensured monitoring of project compliance if the independent environmental and social consultant (IESC) had limited access to project information, as the project operator is not the party seeking finance. The Complainants also highlighted concerns regarding the disclosure of project-related information in five areas, including disclosure of the Project’s Environment and Social Impact Assessment (ESIA); derogations; greenhouse gas (GHG) emissions; environmental and social management plans; and assessment of associated and third party facilities. Moreover, the Complainants raised several concerns related to the Client’s and/or the project operator’s lack of engagement and lack of disclosure of documents related to: consultation of affected communities; awareness of grievance mechanisms; vulnerable groups; and a gas pipeline explosion incident.

The Complainants alleged that the EBRD failed to comply with its own policies, specifically the EBRD Social and Environmental Policy (ESP), EBRD Public Information Policy (PIP), and EBRD Performance Requirements (PR) 1, 2, 3, 4, 6 and 10.

Mr. Luc Zandvliet was appointed to undertake the Compliance Review as an external PCM Expert.

2.2 Compliance Review Findings

In the review of Bank compliance with the 2008 ESP, the PCM Expert found the Bank to be non-compliant in seven instances and partially compliant in seven instances.

The Compliance Review identified that Bank Management did not meet its obligations around meaningful dialogue, informed consultation of Project-affected people, or the public disclosure of key environmental and social information, as:

- the Bank did not adequately monitor the implementation of Client commitments in the Stakeholder Engagement Plan and Environmental and Social Management Plan (1.17);
- the Project's Environmental and Social Management Plans were not publicly disclosed and the Project Summary Document was not available in the local language, nor was it clear that a formalized and participatory assessment process, including participatory monitoring of environmental and social impacts, occurred (PR 10.17); and
- the Bank did not take sufficient steps to verify the effectiveness of the Client's Project-level grievance mechanism (PR 10.25).

The Compliance Review also identified that Bank Management did not meet its obligations to meet the requirements for assessing particular impacts to vulnerable Project-affected groups, as:

- the Project ESIA did not refer to any plans or efforts to mitigate Project-induced vulnerabilities of affected stakeholder groups, where impacts to vulnerable groups had not been systematically monitored (PR 1.14); and
- there was no evidence that the Project considered or undertook a differentiated approach to engagement with vulnerable Project-affected groups, who were less effectively reached through conventional stakeholder engagement methods (PR 10.8, PR 10.9, and PR 10.11).

Additionally, the Bank was found only partially compliant with paras. 14 and 15 of the 2008 ESP, as the Expert found that the Project's environmental and social approach did not meet the spirit and intent of the Policy, given that the structuring of the Project did not ensure that the Bank and the Client had influence over the environmental and social appraisal, due diligence, or Project outcomes. The PCM Expert found there to be no evidence that the Bank had provided guidance to the Client on how the Project could meet the Bank's requirements, as a non-operator, minority shareholder in a joint venture partnership.

The Compliance Review also identified that the Bank only partially met its obligations regarding the adequate and timely disclosure of Project information. These findings resulted from:

- insufficient disclosure of the Project Summary document, the Environmental and Social Impact Assessment, the Project's Stakeholder Engagement Plan and the Social and Environmental Management Plans (PRs 10.12, 10.13, 10.14 and 10.15); and
- the lack of regular public disclosure of complaints submitted to the Project-level grievance mechanism and the measures taken to resolve them (PR 5.13).

2.3 Compliance Review Recommendations

In response to the finding of non-compliance, the PCM Expert made 19 recommendations to the Bank: nine that were procedural/systemic (i.e., general) in nature, and ten that were Project-specific, outlined in the Expert's [Compliance Review Report](#).

Systemic / Procedural (general) Recommendations

1. Issue guidance to Bank staff on the assurances needed from the Client to ensure ESP compliance when financing non-operating joint venture partners (who consequently have limited influence over the Project operator).
2. Provide guidance to Bank staff on the minimum criteria that must be fulfilled to be request a derogation. Client access to project information, (or lack thereof), access to community stakeholders and public availability of key environmental and social management plans are important criteria to assess if minimal thresholds are met.
3. Publicly document steps taken to maintain ESP compliance in such cases where the Bank positions itself between the Client and the Operator given a prior relationship with the Operator (reducing Client accountability).
4. Provide guidance to Bank staff on the types of assurances needed from the Client to confirm that Project information is disclosed in an accessible, culturally appropriate manner.
5. Issue Guidance to Clients on how 'meaningful engagement' can be achieved, including a series of key performance indicators related to meaningful engagement.
6. Issue Guidance to Clients presenting minimum requirements of a Public Consultation and Disclosure Plan, especially in contexts where public consultation is challenging due to logistical, political or other constraints.
7. Issue Guidance to Clients identifying the evidence the Bank requires to be assured that impacts do not fall disproportionately on groups designated as vulnerable under ESIA's/ the ESP (e.g., through a Vulnerability Management Plan).
8. Issue Guidance to Clients on the development and implementation of Stakeholder Engagement Plans based on Good International Industry Practice (GIIP). This Guidance should include effectiveness indicators, to support Clients in ensuring (and demonstrating) the effectiveness of community engagement activities.
9. Issue Guidance to Clients that outlines key effectiveness criteria for Project-level grievance mechanisms, aligned with the effectiveness indicators set out in the UN Guiding Principles on Business and Human Rights (UNGPs), which constitute GIIP.

Project-Specific Recommendations:

1. Amend the PSD to disclose: i) why an ESP derogation was required for this Project; ii) the evidence through which the derogation was approved; and iii) how the Client will demonstrate that the intent of the 2008 ESP will be met.
2. Ensure full disclosure of Environmental and Social Management Plans to Project-affected communities for the operations phase of the Project, in a manner accessible to local communities and vulnerable peoples.

3. As a matter of priority, ensure the Client provides the Bank's Independent Environmental and Social Consultant (IESC) with independent access to directly affected communities and beyond during monitoring visits, organized in a manner to manage the risks of retaliation raised, in order to verify:
 - local awareness and degree of acceptance of Social and Environmental Management Plans;
 - the degree to which affected communities perceive engagement as meaningful, particularly women and youth;
 - the degree to which Project impacts have been identified, discussed and addressed; and
 - awareness, access and effectiveness of the Project-level grievance mechanism.
4. Provide the IESC with a clear mandate to assess how community concerns are first incorporated into Project decision-making process and subsequently disclosed to communities. Such data should be well documented in IESC monitoring reports.
5. As a matter of priority, provide the IESC with the mandate to monitor Project-induced impacts on vulnerable groups in the Project area, publicly report on the findings.
6. Request that the Client work with the Operator to demonstrate how impacts on vulnerable groups are measured, mitigated, and how such mitigations are subsequently assessed for effectiveness.
7. Request more frequent (quarterly) updates on complaints submitted through the Project-level grievance mechanism, which identify the measures taken to resolve concerns.
8. Given concerns regarding civil liberties and human rights risks, request from the Client that an independent appeal mechanism to the Project-level grievance mechanism is developed, preferably by the Project Operator. To ensure the independent nature of such a mechanism, it should include independent and credible third parties.
9. Require the IESC to assess the effectiveness of the Project-level grievance mechanism and report on this as a standard aspect of future IESC monitoring visits.
10. Identify ways to encourage the Operator to increase community participation in environmental monitoring efforts, as a PR 10.17 requirement and a mainstream practice in the extractive industries.

2.4 EBRD Management Action Plan

In response to the PCM Expert's findings and recommendations, the Bank prepared a [Management Action Plan](#) (MAP) outlining its proposed measures to respond to twelve of the findings on non-compliance and partial compliance - six at the procedural/systemic (i.e., general) level and six at the Project level, presented below.

Procedural / systemic Actions

- **Management Action 1:**
In response to General Recommendations 4, 5, 6 and 8: Assess and consider PCM Expert recommendations as part of the broader review of the ESP Guidance Notes following the

approval of the 2019 ESP. PCM Expert recommendations relate to accessible, culturally-appropriate information disclosure; meaningful engagement; requirements for Public Consultation and Disclosure Plans; and the development and implementation of Stakeholder Engagement Plans in line with good international practice. The development of a new Guidance Note on the implementation of PR10, which considers the concept of meaningful consultation, is planned.

- **Management Action 2:**
In response to General Recommendation 7: Assess and consider PCM Expert recommendations relating to vulnerable peoples as part of the broader review of the ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP.
- **Management Action 3:**
In response to General Recommendation 9: Assess the need for further guidance on Project-level grievance mechanisms, which considers the PCM Expert's recommendations, in the context of the broader review of ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP.

Project-specific Actions

- **Management Action 4:**
In response to Project Specific Recommendation 1: Amend the PSD to disclose the information recommended by the PCM Expert, including i) why an ESP derogation was required for this Project; ii) the evidence through which the derogation was approved; and iii) how the Client will demonstrate that the intent of the 2008 ESP will be met.
- **Management Action 5:**
In response to Project Specific Recommendation 2: Pursue the disclosure of operations phase Environmental and Social Management Plans to affected communities, as per the IESC's request, to be confirmed during subsequent 2019 monitoring visits.
- **Management Action 6:**
In response to Project Specific Recommendation 5: Instruct the IESC to specifically review, assess and monitor impacts to vulnerable groups on an ongoing basis and report findings as part of all future monitoring events.
- **Management Action 7:**
In response to Project Specific Recommendation 6: Work with the IESC to request additional information on the assessment and mitigation of impacts on vulnerable groups be released (including information on how mitigation measures are assessed for effectiveness), either by the Operator itself, or by the IESC for inclusion in the publically-disclosed IESC report for 2019.
- **Management Action 8:**
In response to Project Specific Recommendation 9: Continue to assess the effectiveness of the Project-level grievance mechanism through the IESC during each monitoring visit, the results of which will be placed in the public domain.

- **Management Action 9:**

In response to Project Specific Recommendation10: Request that the Client raise the potential for increased community participation in environmental monitoring with the Operator, referencing the most recent IESC report identifying community reluctance to believe the monitoring results and citing participatory monitoring as an option to build trust with the local community. Discuss this item with the Client and during the IESC monitoring event of 2019.

3 Monitoring Update

3.1 Monitoring Activities during the period June 2019 — July 2020

The Mechanism tracks progress on MAP implementation until it is determined that all Actions have been completed and monitoring is no longer needed, in accordance with the 2014 PCM Rules of Procedure.

In the preparation of this Monitoring Report, PCM requested written confirmation (and associated documentation) from Bank Management on its MAP progress. The Mechanism carefully reviewed Management's submissions and associated documentation, and invited the Complainants to comment on Bank Management's MAP implementation. In this case, no comments were received from the Complainants.

3.2 Monitoring Findings

Bank Management's progress on the MAP implementation, accompanied by the PCM's comments, are presented in **Table 1** below. For the purposes of this report, the impact of COVID-19 on MAP implementation may be considered relevant from March 2020 onwards only.

3.3 Table 1: MAP Implementation Progress

| Management Action Plan Commitment approved by EBRD Board of Directors | EBRD Management implementation update | Status of Management Action Plan Commitment | IPAM Feedback |
|---|--|--|--|
| Procedural / Systemic Management Actions | | | |
| Management Action 1.: Assess and consider PCM Expert recommendations as part of the broader review of the ESP Guidance Notes, following the approval of the 2019 ESP. PCM Expert recommendations relate to accessible, culturally-appropriate information disclosure; meaningful engagement; requirements for Public Consultation and Disclosure Plans; and the development and implementation of Stakeholder Engagement Plans in line with good international practice. The development of a new Guidance Note on the implementation of PR10 - which considers the concept of meaningful consultation is planned. | Work on the Guidance Notes is ongoing, although slightly delayed due to the situation with Covid 19. The actions agreed in the MAP will be addressed during preparation of the Guidance Notes, which are likely to be completed during Q4 2020 or Q1 2021. | In Process - continued monitoring required. | IPAM expects to receive the document (s) for review to ensure alignment with the timelines committed in MAP. IPAM will also seek clarity on Management's implementation of said guidance on a project-by project basis. |
| Management Action 2: Assess and consider PCM Expert recommendations relating to vulnerable peoples as part of the broader review of the ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP. | It has been determined that a new Guidance Note for PR 10 will be prepared, although this work is slightly delayed due to the situation with Covid 19. The actions agreed to in the MAP for G7 will be addressed during preparation of this note. | In process - continued monitoring required. | IPAM expects to receive the document (s) for review to ensure alignment with the timelines committed in MAP. IPAM will also seek clarity on Management's implementation of said guidance on a project-by project basis. As per MAP, Guidance Notes were expected to be completed by end of 2020; Management will be required to set a completion deadline. |

| | | | |
|---|---|--|--|
| Management Action 3: Assess the need for further guidance on Project-level grievance mechanisms, which considers the PCM Expert's recommendations, in the context of the broader review of ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP. | It has been determined that new Guidance Notes for PR 4 and PR 10 will be prepared, although this work is slightly delayed due to the situation with Covid 19. The actions agreed to in the MAP for G9 will be addressed during preparation of these notes. | In process - continued monitoring required. | IPAM expects to receive the document (s) for review to ensure alignment with timelines committed in MAP. IPAM will also seek clarity on Management's implementation of said guidance on a project-by project basis. As per MAP, Guidance Notes were expected to be completed by end of 2020; Management will be required to set a completion deadline |
| Management Action Plan Commitment approved by EBRD Board of Directors | EBRD Management implementation update | Status of Management Action Plan Commitment | PCM Feedback |
| Project-Specific Management Actions | | | |
| Management Action 4: Amend the PSD to disclose the information recommended by the PCM Expert, including: i) why an ESP derogation was required for this Project; ii) the evidence through which the derogation was approved; and iii) how the Client will demonstrate that the intent of the 2008 ESP will be met. | This Action was completed by Q1 2019 | Completed | IPAM reviewed the PSD for the Project to confirm that Bank Management considered the recommendation of the PCM Expert and amended the document to address the rationale for an ESP derogation. |
| Management Action 5: Pursue the disclosure of operations phase Environmental and Social Management Plans to affected communities, as per the IESC's request, to be confirmed during subsequent 2019 monitoring visits. | Communication showing that the Bank has worked with LOSD, and in turn LOSD has requested action by the Project Operator, BP (to address the issues in the MAP) has been provided. In addition, links to IESC reports covering 2018 and 2019 have been provided. These IESC reports are available via a link on the project PSD page. Please see Table 1, issues 7.12 and 1.11, Section 3.1, Section 4, Section 4.1 and Section 4.4, as well as the Executive Summary of the 2019 IESC report which address the action in the MAP for this item. | Completed | IPAM reviewed the 2018 and 2019 reports of the Independent Environmental and Social Consultant (IESC) and the PSD page for the project to confirm the requested actions were pursued by Management and the EBRD Client. |
| Management Action 6: Instruct the IESC to specifically review, assess and monitor impacts to vulnerable groups on an ongoing basis and report findings as part of all future monitoring events. | Links to the IESC reports covering 2018 and 2019 have been provided. These IESC reports are available via a link on the project PSD page. Please see Section 3.1, Section 4, Section 4.1.1, Table 1 issue 1.9 and the Executive Summary of the 2019 | Completed | IPAM reviewed the 2018 and 2019 IESC reports provided to confirm that impacts to vulnerable groups are reviewed and assessed as part of |

OFFICIAL USE

| | IESC Report which address the action in the MAP for this item. | | ongoing and future monitoring events. |
|---|--|---|--|
| Management Action 7: Work with the IESC to request additional information on the assessment and mitigation of impacts on vulnerable groups be released (including information on how mitigation measures are assessed for effectiveness), either by the Operator itself, or by the IESC for inclusion in the publically disclosed IESC report for 2019. | Links to the IESC reports covering 2018 and 2019 have been provided. These IESC reports are available via a link on the project PSD page. Please see Section 3.1, Section 4, Section 4.1.1, Table 1 issue 1.9 and the Executive Summary of the 2019 IESC Report which address the action in the MAP for this item. | Completed | IPAM reviewed the 2018 and 2019 IESC reports provided to confirm that additional information on the assessment and mitigation of impacts on vulnerable groups are included in the IESC report for 2019. |
| Management Action Plan Commitment approved by EBRD Board of Directors | EBRD Management implementation update | Status of Management Action Plan Commitment | PCM Feedback |
| Management Action 8: Continue to assess the effectiveness of the Project-level grievance mechanism through the IESC during each monitoring visit, the results of which will be placed in the public domain. | Links to the IESC reports covering 2018 and 2019 have been provided. These IESC reports are available via a link on the project PSD page. Please see Section 4.1.1, Section 4.1.2, Section 4.2.2 and Table 1, Issue 1.3/1.4 of the IESC Report which address the action in the MAP for this item. | Completed | IPAM reviewed the 2018 and 2019 IESC reports provided to confirm the IESC will continue to assess the effectiveness of Project-level grievance mechanisms during subsequent monitoring visits. |
| Management Action 9: Request that the Client raise the potential for increased community participation in environmental monitoring with the Operator, referencing the most recent IESC report identifying community reluctance to believe the monitoring results and citing participatory monitoring as an option to build trust with the local community. Discuss this item with the Client and during the IESC monitoring event of 2019. | Communication showing that the Bank has worked with LOSD, and in turn LOSD has requested action by the Project Operator, BP (to address the issues in the MAP) has been provided. The issue of discussing environmental monitoring with communities is also discussed in Section 4.1.1 of the IESC 2019 report. | Completed | IPAM reviewed the 2018 and 2019 IESC reports provided to confirm that measures have been taken to increase community participation in environmental monitoring through enhanced stakeholder engagement activities. |

3.4 Monitoring Conclusion

As of August 2020, Management Actions 4 to 9 have been completed, with Actions 1, 2 and 3 still in process. IPAM notes Bank Management's efforts to date on MAP implementation, and understands that the current COVID-19 situation may have shifted priorities as of March 2020. However, it emphasises the need to finalise these Actions within the next six months. It also will request that Management set a hard deadline on their completion so that recommendations emanating from this compliance review process remain relevant and they are implemented in a timely fashion.

The Mechanism shall continue monitoring the implementation of Actions 1 to 3 and provide an update on progress in the second monitoring report covering the period August 2020 to December 2020.