

ENVIRONMENTAL AND SOCIAL ADVISORY COUNCIL (ESAC) MEETING: 21st November 2017

The Environmental and Social Advisory Council (ESAC) met at EBRD's offices in London on 21st November 2017. The meeting was opened by Alistair Clark, Managing Director, Environment and Sustainability Department who welcomed the ESAC members present:

Peter Bakvis
Mihail Dimovski
Jacqueline McGlade
Evgeny Shvarts
David Wheeler
Jan-Olaf Wilums

Betsy Nelson, Vice President and Chief Risk Officer also provided ESAC with a recap of the Bank's accomplishments since the last ESAC meeting in 2016 and highlighted some of the geopolitical and financial challenges that lay ahead.

Sessions One: Update on Green Economy Transition

This session was presented by Carel Cronenberg, Associate Director, E2C2 (Energy Efficiency and Climate Change) team, Gianpiero Nacci, Deputy Head of E2C2, Philip Good, Associate Director, Economics, Policy and Governance Department (EPG), Ioanna Kourti, Principal Green Economy Specialist, Environment and Sustainability Department (ESD) and Mikko Venermo, Associate Director, ESD. The presentation provided update to the Green Economy Transition approach outlined to the Council initially in 2016. In line with its main objective: "to advance transition to a green and sustainable economy and to prevent economies from being locked into a carbon-intensive pathway", GET approach builds on existing EBRD's climate and resource efficiency activities and broadens the approach to encompass reduction of local pollution and resilience of ecosystems. GET projects support the EBRD countries of operations to implement the Sustainable Development Goals (SDGs) in the number of area. GET business model is set on the pillars of policy dialogue, technical assistance and investments and is being delivered by the Bank through its existing private and public channels. It is also supported by the EBRD Finance and Technology Transfer Centre for Climate Change (FINTECC). This programme helps companies in participating countries to implement 'climate technologies', supporting energy efficiency, renewable energy, water efficiency and materials efficiency. Through implementation of GET the Bank aims to achieve the following targets by 2020: €4 billion of EBRD green investments, accounting for 40% share of finance in EBRD annual business, and cumulative €18 billion green business between 2016 and 2020.

EBRD has developed principles and criteria for qualifying projects and a robust internal mechanism relying on inter-departmental cooperation for reviewing each potential GET project or project components. The GET Handbook (circulated to the ESAC members) guides the project preparation and qualification process, providing practical guidance for the implementation of GET approach. The Robust and standardised qualification process preserves the integrity of the expected environmental benefits and avoids

“greenwashing”. GET projects are subject to ongoing monitoring, reporting and verification. EBRD is working with other multilateral development banks (MDBs) on harmonising the tracking of our climate investments. As part of this initiative, a joint annual MDB Climate Finance Report is published which includes both climate mitigation as well as climate adaptation finance. To support implementation of “green” dimension to EBRD Projects, GET components account for the overall transition impact of projects; varying thresholds have been set depending on the sectors.

The ESAC members congratulated the Bank and the interdepartmental team of presenters on the obvious progress EBRD has made in mainstreaming green projects or their elements into day to day operations. They have expressed the view that, what was presented in 2016 as a concept is now a well-functioning methodology capitalising on Banks previous expertise, joining various aspects of its activity and fitting with strategies and tools utilised outside the EBRD. ESAC encouraged EBRD to explore further integration of Green Transition Economy with SDGs which have transition to Green Economy at its root, as countries will be looking to demonstrate how they meet SDG’s through implementation of EBRD investments. ESAC members pointed out that the Bank should analyse the employment impacts of green investments and consider inclusion of natural capital in the GET concept. A board discussion was held around innovation in the area of green economy, ranging from specific technological developments in various sectors to strengthening of banks internal capacity in regards to innovation and utilizing externally available resources. ESAC encouraged EBRD to further use UN data which will be submitted by countries under the SDG reporting.

Sessions Two: Green Cities Programme

This session was introduced by Susan Goeransson, Director, Head of MEI, Lin O’Grady, Associate Director, Deputy Head of MEI, Mikko Venermo, Associate Director, ESD, Kjetil Tvedt, Principal Economist, EPG and Peter Hirsch. The interdepartmental team outlined common challenges related to climate change and environmental degradation for the cities in the EBRD region of operations with deteriorating or obsolete urban infrastructures and degrading health and well-being of citizens due to poor air quality at the centre of the problem. In response to this and making use of EBRD’s substantial experience in financing transformative municipal infrastructure the bank has recently launched its Green Cities Framework (GrCF) to offer a systematic approach to identifying and investing in municipal infrastructure improvements that address climate change and environmental challenges in cities. The Framework draws on best practice approaches linking strategic Green City planning to investments such as pioneered by ADB’s GrEEEn Cities Operational Framework (GCOF) and IADB’s Emerging and Sustainable Cities (ESCI), and extends this best practice to new cities and countries. The Framework has three main components: (i) Delivery of strategy and policy support, achieved predominantly through Green City Action Plans (GCAP), the Framework’s main tool and key innovation; (ii) Facilitating and stimulating Green City infrastructure investment, particularly in the sectors of urban transport, water and wastewater, district heating, building energy efficiency and solid waste; and (iii) Capacity building and technical assistance to support city administrators, local stakeholders, and successful implementation of investments. The team presented criteria which have to be met by the participating cities and outlined practical key phases to development and implementations of the GCAPs and possible inclusion of

donor funds. Since its launch the Green Cities Programme resulted in 4 projects signed, with further 5 in the pipeline, 2 Green City Action Plans Approved and further 6 prospective. Case studies in Tbilisi and Chisinau were presented and discussed with the Council. The team also presented various communication platform used by the Bank to promote the Green Cities Programme.

ESAC members congratulated the Bank on yet another crosscutting initiative and expressed their expectations that GCAPs should aim to be “total solutions” maximising various available technical and funding tools. Members spoke about importance of innovation in developing future solutions, such as consideration of alternative sanitation in water stressed regions, importance of integrating the programme with other international initiatives such as European Mobility, and use of existing baseline data (such as human settling mapping). Council encouraged EBRD to align the programme with SDGs and particularly stress understanding of “providing access to” in the context of SDD’s in engagement with communities and local government. Council stressed that for the longevity of the benefits under Green City Action Plans, stakeholder engagement should be focused on local communities, which will help to separate these plans from changing political agenda. Raising capacity of the city authorities and their knowledge of PPP solutions should form integral part of the individual GCAPs.

Session Three: Extractive Mining Industries Strategy 2017

This session was opened by Erick Rasmussen, Director, Head of Natural Resources. Kevin Bortz, Director, Strategy, Energy & Natural Resources, Jeff Jeter, Associate Director, Lead Appraisal Adviser and David Williamson, Associate Director, Head ESD Operations presented the revised Mining Strategy and stakeholder engagement activities undertaken to date. The Natural Resources team told the Council, that EBRD recognises the economic importance of mining in some of its countries of operations but also acknowledges the potential negative impacts when international environmental standards are not respected and economic diversification is not pursued. It is therefore important to develop mining activities in a responsible manner and improve resilience and integration, the strategy underlines. The team presented lessons learned from implementation of the previous Mining Policy 2012, EBRD’s mining operations in 2012-2017, the new Mining Industries Strategy position in the context of Bank’s Governance Policies and the key element of the new mining strategy. The new mining strategy aligns the sector's economic potential in many countries where the EBRD invests with the Bank's Green Economy Transition approach. Through supporting the adoption of energy and resource efficiency, health and safety regulations and other environmental management systems, the EBRD has an important role in controlling the impact of mining projects. Key elements of the new mining strategy include: (i) helping mining companies to increase operational efficiency and become more competitive; (ii) supporting good governance in the mining sector; (iii) promoting greater transparency and regulatory reform where necessary; (iv) supporting sustainability by increasing the usage of environmentally-friendly mining methods; (v) sustaining inclusiveness in mining operations by facilitating participation in the workforce and maximising the effect on local economies. The Bank recognises the macroeconomic impact of mining, in particular in smaller economies. The Bank intends to reflect this in the comprehensive approach that is developed through relevant Country Diagnostics and Country Strategies.

The Council suggested that Mining Policy should be closer aligned with circular economy principles and take into consideration where mining activities could be replaced by enhanced re-use and recycling of minerals. The Council advised that the Bank should further align its activities in the mining sector in specific countries of operations with strategic environmental assessments and principles of Espoo convention, as well as ensure high quality cumulative assessments are undertaken for specific projects. All ESAC members requested strong references to EITI Principles and GRI reporting in the Policy implementation through individual projects. Council also touched upon “no go” areas and reference of the on IUCN and world heritage protected areas in the Strategy, as well as pointed team’s attention to the IUCN sacred sites and direct and indirect impacts on indigenous peoples. Similarly to previous sessions ESAC stressed importance of innovation in the sector and EBRD’s role in leading such innovation in the quest of aligning mining operations with Green Economy.

Session Four: Project Complaint Mechanism, analysis of complaints, emerging issues and plans for the 2018/2019 PCM review.

Erica Bach, Associate Director, PCM Officer and Judith Shenker, Director, Special Projects, Office of Chief Compliance Officer provided ESAC with an update on the management of the PCM process to date. Erica presented breakdown of received and registers complaints in years 2010-2017 by the investment sector and provided a summary of most recent cases. The emerging trends were discussed including: (i) increasing number of complaints since 2010; (ii) increasing number of complaints from individuals or groups without direct CSO support; (iii) fist financial intermediary complaint; (iv) more requests for problem-solving. Erica also discussed steps undertaken by the Bank to improve PCM effectiveness and ongoing efforts to maximise PCM outreach activities, including the joint events by the IAM (community of practise of Independent Accountability Mechanisms). With upcoming updates of the EBRD’s Governance Policies, the team presented the calendar for PCM review activities across 2018 and 2019 and asked the Council on what elements should comprise an effective independent accountability mechanism for EBRD.

ESAC voiced their support for the PCM process. They also recognised the complexity of the projects that the Bank finances and the challenges EBRD faces to satisfy its various stakeholders. ESAC members expressed their opinion that emerging trends of higher volume of complaints and their source directly from impacted communities, gives testimony to the effective outreach activities carried out by the bank in previous years. ESAC welcomed the focus on timely response to the Complaints, internal improvements of the process to assure effectiveness and stressed the importance of delivering value for affected people.

Session Five: Wrap up

Betsy Nelson thanked ESAC members for their active participation during the meeting. It was agreed that with upcoming Governance Policy Reviews the Bank will engage ESAC intensely in 2018 via the meetings and remote documentation review.