

11. Policy and governance



The Bank's policies

All projects are appraised against the Bank's [ESP and Performance Requirements](#). A project's size, location and potential E&S impacts are taken into account. In 2019, the EBRD undertook a review of its [ESP](#), its [Access to Information Policy](#) and its [Independent Project Accountability Mechanism](#). These revised policies came into force in January 2020.

Some projects may not be able to comply fully with all ESP requirements, but may still be able to meet them substantially without risk to people and the environment as the borrower country transitions to meeting the EBRD's standards in addition to meeting national law. In such cases, Management presents the issue and [specific circumstances to the Board for approval](#).

The EBRD's policies and approach to managing ESG impacts and risks are described in more detail in our [GRI disclosure](#).

ESP update

The EBRD aims to ensure that its ESP policy continues to provide an effective framework for anticipating and managing E&S risks on the projects it finances. The Bank reviews the policy every five years, with the last having taken place in 2019. The policy will undergo its next review starting in 2023, with an updated version to be published in 2024.

The past five years have presented an emerging set of challenges, including the Covid-19 pandemic, the ongoing war in Ukraine, the increased urgency of the energy transition, the E&S impacts of climate change, biodiversity loss, supply-chain risks and the increasing pace of digitalisation. In reviewing the ESP, the Bank will consider these and other emerging factors, as well as project implementation experience and input from interested and affected parties.

The policy review will take place in three phases as outlined below:

2024 ESP review phases

1. Setting policy review objectives (Q1 2023)	2. Drafting the revised policy (Q2-Q4 2023)	3. Finalising the policy (Q1-Q2 2024)
<ul style="list-style-type: none"> Solicit stakeholder input on review priorities. Benchmark E&S standards of other international financial institutions. Disclose the draft concept note. 	<ul style="list-style-type: none"> Solicit stakeholder input on priority topics. Disclose the draft 2024 ESP. 	<ul style="list-style-type: none"> Solicit stakeholder input on the draft policy, including public consultations. Revise the policy based on stakeholder input. Disclose the final policy and the report on invitation to comment.

Initial stakeholder feedback and a benchmarking exercise will lead to the development of a concept note for the ESP review, which will outline proposed priority issues and themes for the ESP revision. Initial public feedback will be sought on the concept note and on the first draft of the revised policy. The policy will then be finalised, approved by the EBRD's Board of Directors and launched at the EBRD's 2024 Annual Meeting. The policy will come into force on 1 January 2025.

Opportunities to participate in consultations or provide input to the 2024 ESP review can be found in the 2024 [ESP Stakeholder Engagement Plan](#).

Governance of green assessments

In addition to having to meet the standards set out in EBRD's E&S Performance Requirements, most EBRD projects are subject to a number of "green assessments". These cover:

- The EBRD's Green Economy Transition (GET) approach, which aims to increase the amount of financing the Bank directs to green and climate finance. The Bank's target is for 50 per cent of all EBRD investments to support the green economy by 2025. This target was met in [2022](#).
- Paris alignment, which aims to ensure that all EBRD investments are consistent with the mitigation and adaptation goals of the Paris climate agreement.
- Climate risk, which assesses the physical and climate risk associated with investments, consistent with the approach set out by the [TCFD](#).

The EBRD employs a “three-lines-of-defence” model (see figure below) to ensure that these assessments are carried out robustly and consistently. As each line of defence is independent, the model provides greater objectivity in the assessment, review and oversight of investment decisions and risk management. The model encompasses:

- First line of defence – the shared responsibility of all staff members, particularly the Client Services Group, to develop projects and carry out the detailed assessment of green aspects.
- Second line of defence – independent, empowered and appropriately resourced functions led by Risk Management and ESD, with control of and responsibility for matters falling within their respective areas of competence. This includes final accountability for the determination of GET, Paris alignment and climate risk.
- Third line of defence – the Internal Audit Department, which independently assesses the effectiveness of the processes within the first and second lines of defence. The work of the Internal Audit Department is complemented by that of the Evaluation Department, which independently evaluates the performance of the Bank against its mission and development objectives.

For more information on how the Bank implements its GET approach, see [here](#).

For more information on the EBRD climate strategy and governance, see the Bank’s [TCFD report](#).

Measuring and monitoring performance

The EBRD closely monitors the E&S performance of all its projects throughout the investment cycle. This involves a combination of client reporting, site visits by Bank staff and independent audits.

The EBRD requires each of its clients to provide a report – at least annually – on its E&S performance and the implementation of applicable Environmental and Social Action Plans (ESAPs). Additional monitoring and supervision are determined on a case-by-case basis, depending on the risks and impacts associated with a project and the client’s ability to manage them.

To ensure consistent and credible monitoring and reporting of GET objectives, the Bank has adopted a post-signing MRV approach for green investments. This approach defines performance indicators and actions that are required to demonstrate that green impacts have been achieved and that the project is meeting the EBRD’s Paris alignment and climate risk commitments. These are monitored throughout the project’s implementation.

Independent Project Accountability Mechanism (IPAM)

IPAM is the independent accountability mechanism of the EBRD. It reviews environmental, social and transparency-related concerns raised by project-affected people and CSOs about Bank-financed projects that are believed to have caused harm. IPAM’s ultimate goal is to ensure that projects financed by the EBRD are implemented in line with the Bank’s commitments to environmental and social sustainability.

In 2022, IPAM completed its first full year of operation with its core organisational structure in place. By year end 2022, it had an active portfolio of 14 cases, including two in the assessment phase, one in the problem-solving phase, two in compliance assessment, five in compliance review and four involving the monitoring of management actions plans (MAPs). MAPs outline the actions to be addressed by Bank management in response to compliance review recommendations. IPAM monitors the implementation of MAPs bi-annually.

Case study: [IPAM problem solving in Bosnia and Herzegovina leads to successful outcome](#)



An owner of a summer house and apple orchard contacted IPAM, claiming that 15 of his apple trees, essential to his livelihood, had been uprooted during excavation works carried out as part of a [water network expansion project](#) funded by the EBRD. He said no payment or compensation had been offered for the damage. IPAM facilitated resolution of the complaint by engaging with all parties – the complainant, the EBRD and the client – and by carrying out a fact-finding mission in Gradačac, where it confirmed that several apple trees had, indeed, been uprooted.

A hearing determined that the complainant was eligible for monetary compensation and, in July 2022, he and the client reached an agreement. Throughout the process, IPAM monitored progress and kept the complainant informed of the status of his claim. In parallel, IPAM engaged with Bank management to ensure that the client’s decision on the complainant’s claim abided by the requirements of the EBRD’s ESP. No monitoring was required, as there were no outstanding actions to implement following the agreement.

The EBRD’s “three lines of defence” model

