

**DOCUMENT OF THE EUROPEAN BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

**MUNICIPAL & ENVIRONMENTAL INFRASTRUCTURE
SECTOR STRATEGY 2019-2024**

**REPORT ON THE INVITATION TO THE PUBLIC TO
COMMENT**

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MUNICIPAL & ENVIRONMENTAL INFRASTRUCTURE SECTOR STRATEGY 2019-2024

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ABBREVIATIONS AND ACRONYMS

AD	Anaerobic digestion
BAT/BREF	EU Best Available Techniques Reference Document
BEL	Belgrade
COO	Countries of operations
CSO	Civil society organisation
DH	District heating
ELV	End-of-life
EPR	Extended Producer Responsibility
ERDF	European Regional Development Fund
ESIA	Environmental and Social Impact Assessment
EU	European Union
FiT	Feed-in-tariff
FM	Facilities management
GCAP	Green City Action Plan
GET	Green Energy Transition
HOA	Homeowner Associations
IST	Istanbul
ISWA	International Solid Waste Association
KIE	Kiev
LCA	Life-cycle Assessment
LON	London
MBT	Mechanical biological treatment
MEI	Municipal & Environmental Infrastructure
NGO	Non-governmental organisation
PPP	Public Private Partnership
RDF	Refuse-derived fuel
RE	Renewable energy
SDGs	Sustainable Development Goals
SME	Small-and medium-sized enterprise
SUMP	Sustainable Urban Mobility Plans
UK	United Kingdom
UN	United Nations
WEEE	Waste Electrical and Electronic Equipment
WRI	Written comments
WtE	Waste-to-energy

1. INTRODUCTION

The objective of this report is to provide an overview of the public consultation on the draft EBRD Municipal & Environmental Infrastructure Sector Strategy 2019-2024 (the “**Strategy**” or “**MEI Strategy**”). The report summarises key comments received from stakeholders during the consultation period, provides the EBRD’s responses, and notes revisions to the draft Strategy as applicable.

The final Strategy will replace the previous Municipal & Environmental Infrastructure Sector Strategy, approved in 2012. Under the new EBRD Municipal and Environmental Infrastructure Sector Strategy for the period 2019-2024, the Bank will promote the growth and development of enhanced, accessible, sustainable municipal and environmental infrastructure. This is in line with the UN Sustainable Development Goals (“**SDGs**”) and also reflects the role of cities in addressing climate change challenges and improving liveability.

The MEI Strategy covers the Bank’s activities in traditional municipal sectors such as water and wastewater, urban transport, solid waste management, district energy, and energy efficiency. The Strategy has a strong focus on Green Cities, and expanded areas of operations such as climate adaptation, irrigation, integrated renewables, smart cities, industrial parks, facilities management, urban regeneration, cultural heritage, ‘sharing economy’ and ‘circular economy’.

This Strategy covers all the Bank’s countries of operations (“**COOs**”) and aligns and interfaces with other strategies, approaches and policies, including:

- Country strategies that prioritise the Bank’s activities according to countries’ needs (which include results framework matrices to ensure accountability);
- Sector strategies, such as in the Energy or Transport sectors;
- Strategic approaches of sector teams such as Agribusiness, and Property and Tourism;
- Thematic strategies and approaches, such as the Green Economy Transition (GET) approach, the Strategy for Promotion of Gender Equality, and the Economic Inclusion Strategy; and
- EBRD Good Governance Policies including the Public Information Policy and the Environmental and Social Policy.

In accordance with the Bank’s Public Information Policy, the EBRD invited the public to comment on the draft Strategy. The draft Strategy was disclosed from 15 February 2019 until 1 April 2019 in the English language, on the following webpage of the EBRD’s website: www.ebrd.com/strategies-and-policies/have-your-say.html. The Strategy was also translated into Russian.

The EBRD widely notified stakeholders of the publication of the draft Municipal & Environmental Infrastructure Sector Strategy. The draft Strategy was shared directly with key partners and stakeholders, including national and international civil society organisations (CSOs), industry and business associations, and government institutions, as well as consultants and bilateral or multilateral development institutions.

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In addition to soliciting written comments, the EBRD organised the following four public consultation events:

- 12 March 2019: Istanbul, Turkey
- 14 March 2019: Kiev, Ukraine
- 21 March 2019: Belgrade, Serbia
- 25 March 2019: London, United Kingdom

This public consultation report includes an overview of the consultation process in Chapter 2; a summary of the main comments received in Chapter 3 and an explanation of how the EBRD has taken these comments into account in preparing the final MEI Sector Strategy in Chapter 4.

Annex I details all the organisations involved in the public consultation, while Annex II sets out all the comments received from the public consultation together with corresponding EBRD responses to each of these comments.

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2. SUMMARY OF THE CONSULTATION PROCESS

Information about the public consultation process was posted on the EBRD website and a wide range of stakeholders were notified about consultation opportunities. Over **1,038 civil society organisations (CSOs) were invited** to provide comments and engage with EBRD on the Strategy through targeted notifications of the consultation process. The consultation was undertaken through: a) public consultation meetings; and b) written comments. The consultation meetings focused primarily on civil society stakeholders (including civil society organisations, academia and research centres), as well as industry and business associations. Annex I includes details of the stakeholders consulted during the public consultation period.

PUBLIC CONSULTATION MEETINGS

The EBRD invited comments on the draft Strategy in four public consultation meetings. Public consultation meetings were held in London, Kyiv, Istanbul, and Belgrade. Table 1 below provides an overview of these meetings, including the number of participants and organisations present:

TABLE 1: LIST OF PUBLIC CONSULTATION MEETINGS

Date of consultation	Location	Number of attendees	Number of organisations represented
12 March 2019	Istanbul, Turkey	14	11
14 March 2019	Kiev, Ukraine	22	22
21 March 2019	Belgrade, Serbia	5	5
25 March 2019	London, United Kingdom	2	2
Totals		43	40

A total of 1,038 targeted invitations were sent out to key stakeholder organisations which resulted in 43 attendees and a total of 40 organisations represented in the four public consultation events.

The consultations in all four locations were half-day events and followed the same agenda. The consultations started with a presentation of the draft Strategy that included the proposed operational approach of the Bank; the background and sector context; rationale, scope, and structure of the draft Strategy; as well as an overview of the Bank's activities in the municipal sector and lessons learnt.

WRITTEN COMMENTS

The draft Strategy was released on the EBRD's website on the 15 February 2019 and was available for comments until 1 April 2019, in line with the Bank's Public Information Policy, according to which the public is invited to provide comments to the Bank during a period of 45 calendar days. Written comments were also received from two stakeholder organisations which are also listed in Annex I.

3. SUMMARY OF KEY THEMES AND TAKEAWAYS FROM THE CONSULTATION PROCESS

OVERVIEW OF KEY THEMES

The comments received in the course of the consultation period have been comprehensive and covered all aspects of the Strategy. A number of observations and recommendations were made by multiple stakeholders and/or multiple times. These key comments are summarised below, grouped by theme. Annex II presents a detailed table of all comments received during the public consultation process, including the input received in consultation meetings and through written submissions. Responses by EBRD management are also presented. As per standard EBRD practice, the commentators' identities are not disclosed for confidentiality reasons; however, the names of the organisations, who have not requested to remain anonymous, are listed in Annex I.

Many comments received were about clarifications of the scope and strategic directions of the Strategy. A substantial number of comments related to the specificities of the country, or region where the consultation was taking place.

The comments have been grouped into four sections and there are a total of 19 specific themes within these sections. The themes under each section are presented in **alphabetical order**:

Section A: Investing Activities (core, developing, new)

Under this section, comments dealing with all three categories of the Bank's investing activities (core, developing, new) are aggregated.

1. Community and cooperative energy projects
2. District heating
3. Energy efficiency
4. Renewable energy
5. Solid waste and waste-to-energy
6. Transport
7. Water and wastewater
8. Other activities

Section B: Sector Sustainability and Good Governance Practices

Under this section, comments that address the sustainability dimension of investments in municipal and environmental infrastructure, including good governance practices, are collected.

9. Communication & outreach
10. Social issues
 - a. Urbanisation
 - b. Labour standards
 - c. Social inclusion
 - d. Other
11. Policy and long-term planning
12. Stakeholder engagement
13. Social and environmental sustainability

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- e. United Nation's Sustainable Development Goals ("SDGs")
- f. Climate change
- g. Good governance

Section C: Financing priorities and eligibility

This section contains comments that pertain to financing methods and approaches, eligible projects and clients and financing tools utilised by the Bank.

14. Eligibility for financing
15. Financing priorities
16. Financing tools and methodologies
17. Public Private Partnerships ("PPPs")

Section D: General comments and observations

This section lists general observations on the draft MEI Strategy, as well as general remarks on the Bank's various policies, strategies, and actions.

18. General observations on the draft MEI strategy
19. General remarks

SUMMARY OF TAKEAWAYS FROM THE CONSULTATION PROCESS

The key points made in the comments are summarised below.

- A. The Bank's **investing activities** attracted the interest and comments of many participants. The key takeaways from this thematic section were the following:
 - **Solid waste and waste-to-energy projects** attracted the interest of many participants. For waste management, the key opinion was that circular economy, waste prevention and recycling should be the focus areas both for municipalities and for the Bank. Topics repeatedly brought up by participants were: the need to promote best practices, increase public awareness, improve public policies and organise training for civil society on effective waste management; while waste-to-energy projects were often treated with caution by participants. It was mentioned that qualitative assessment should be carried out by the Bank to map properly the impacts of each project before the decision to finance is made, and that particular attention should be paid to the technology used, with incineration considered to be controversial.
 - For **renewable energy**, participants proposed ways the Bank could assist municipalities with renewable energy projects based on various technologies, from wind and solar to biomass and geothermal. The discussions also touched upon **community-owned energy cooperative projects** and the combined benefit of those in promoting the clean energy transition, while at the same time increasing public awareness of green energy and sustainable energy use. Participants asked the Bank to help promote regulatory changes that will allow for community energy and energy cooperatives to be active, as well as to provide financing for such projects.
 - **Energy efficiency** and **district energy** were also identified as areas where the Bank's assistance is needed. The added value of utilising renewable energy for heating

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projects was underlined, and the positive effect of energy efficiency initiatives beyond the residential sector (for example, in aviation infrastructure) was pointed out.

- Regarding **transport**, participants suggested that cycling and pedestrian infrastructure should be a priority of the MEI Strategy.
- The topic of **water and wastewater management** was underrepresented in the participants' comments. The comments received focused on the importance of clean and abundant water sources, as well as on issues related to industrial wastewater.

B. The Bank's actions and priorities regarding **sector sustainability and good governance practices** was also of particular importance to participants. The main issues raised were as follows:

- **Social issues** were featured prominently in discussions, with the key focus being on the correlation of the MEI-financed projects with urbanisation and the need to address regional disparities between urban and rural areas. The importance of applying the labour standards mentioned in the Environmental and Social Policy in the MEI-financed projects was also mentioned. Finally, the need for introducing social inclusion criteria in the Bank's MEI procurement processes was mentioned.
- **Social and environmental sustainability issues** were repeatedly discussed, with participants acknowledging the Strategy's alignment with the Sustainable Development Goals framework, while at the same time asking for a more prominent role of SDGs both in the project assessment process and in clients' recognition of their importance. Participants emphasised the need to accurately assess the climate change impact of projects financed by the Bank, as well as the need for mitigation and adaptation measures to feature more prominently in the Strategy. Under this broader topic, the necessity of good governance practices, such as public procurement transparency, anti-corruption and adequate monitoring and reporting standards were proposed as key priorities for the Bank.
- The Bank's assistance towards municipalities with **policy and long-term planning** was also requested in various areas, mainly in urban planning, but also on setting renewable energy targets and other policy measures. Participants appeared to rely on the Bank, as a principal international sponsor of sound policies, to assist central and local governments with establishing a more cohesive, holistic approach to their various initiatives.
- **Stakeholder engagement** was also referenced as a crucial factor in the social acceptance of Bank-financed projects, particularly in urban rehabilitation projects. The involvement of stakeholders in the development of Green City Action Plans and individual projects was pointed out, and the need for meaningful and informed participation was stressed. The request for a more active involvement of the Bank with stakeholders also permeated other, more topical, comments (e.g. on renewable energy, on social issues, and others).
- On **communication and outreach**, participants identified the need for the Strategy to reach out to more stakeholders and municipalities across all countries of operations. Participants noted the need for greater visibility of the projects the Bank is involved

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in, as well as more active outreach to promote the beneficial aspects of these projects (for example, increased social awareness on the environmental, social and financial benefits generated by projects financed by the Bank).

C. The Bank's **financing priorities and eligibility for financing** under the draft MEI Sector Strategy were also common themes brought up by participants.

- The Bank's **financing priorities** were a recurring theme in the discussions. Participants required more clarity on what remains a priority for financing under the Strategy and inquired about the selection criteria that the Bank uses to select projects for financing.
- On **financing eligibility**, the main questions revolved around the eligibility of smaller municipalities to receive financing. The main problems stated were the lack of capacity in small municipalities to handle the intricacies of complex banking instruments for accessing financing and securing guarantees.
- On **financing tools and methodologies**, the importance for innovative financing solutions utilised by the Bank was discussed. The point was also made that private sector involvement in municipal projects should not be a means to an end but, rather, that it should be assessed according to qualitative criteria.
- The concept of **Public Private Partnerships (PPPs)** as a tool for bankable projects at the municipality level was discussed, with participants acknowledging that it can be controversial and potentially counterproductive, but also recognising that it could be effective (as in the case of industrial parks).

D. A number of **general comments and observations** were also raised.

- A number of comments touched upon the MEI Strategy, particularly the need to prioritise qualitative **indicators** instead of the (perceived) focus of the Strategy on quantitative indicators.
- Various other issues were brought up that were either **outside the scope** of the Strategy or focused on the general issues of the Bank operations.

To summarise, the draft Municipal & Environmental Infrastructure Sector Strategy was generally well-received. The main issues raised by participants were the need to improve access to the MEI financing for smaller municipalities and to increase social awareness about the MEI-financed projects, some of which are perceived as controversial.

4. EBRD RESPONSES

This report contains both the written submissions received by email from stakeholders and the comments discussed verbally during the public consultation meetings. These comments have been reviewed by the EBRD and, where applicable, changes have been incorporated in the Strategy.

Annex II contains a detailed list of the comments collected from stakeholders as well as the EBRD's response to each point. Comments, along with EBRD responses, are have been grouped into four (4) sections and they are then further broken down into 19 specific themes as outlined in section 3 above.

The Bank appreciates the time and effort made by many stakeholders to help improve the Strategy and thanks all contributors for their comments.

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**ANNEX I - LIST OF ORGANISATIONS THAT PARTICIPATED IN
PUBLIC CONSULTATION MEETINGS OR SUBMITTED
WRITTEN COMMENTS**

No.	Organisation	Country	Participated
1	Arup	Serbia	BEL
2	Association of Certified Commercial Diplomats	United Kingdom	LON
3	Association SUSTAINABLE MARKET	Ukraine	KIE
4	Centre for Promotion of Sustainable Development	Serbia	BEL
5	CEE Bankwatch Network	Serbia	BEL
6	Dnipro Development Agency	Ukraine	KIE
7	Dnipropetrovsk Oblast Public Organisation 'Dnipropetrovsk Coordination-Expert Center for Regulatory Policy'	Ukraine	KIE
8	Donetsk Region NGO "Narodny Kontrol"	Ukraine	KIE
9	EcoAct Turkey	Turkey	IST
10	Anonymous participation*	Ukraine	KIE
11	European-Ukrainian Energy Agency	Ukraine	KIE
12	FIBABANKA A.S.	Turkey	IST
13	Friends of Science, Culture and Art of Kadikoy	Turkey	IST
14	Anonymous participation*	Turkey	IST
15	Heksagon Kati Atik	Turkey	IST
16	IDAC Institute for Development Alternatives and Cooperation	Serbia	BEL
17	Institute of Public Strategies	Ukraine	KIE
18	LGA Labour Group	United Kingdom	LON
19	Ltd Misto dly ludey	Ukraine	KIE
20	Mirnograd Development Agency	Ukraine	KIE
21	National Ecological Center of Ukraine	Ukraine	KIE
22	National Ecological Center of Ukraine	Ukraine	KIE
23	NGO "Civic of Public Initiatives"	Ukraine	KIE
24	NGO "Ecological guard"	Ukraine	KIE
25	OOH-YAR	Ukraine	KIE
26	Primary trade union organisation of workers of PJSC UKRSIBBANK of All-Ukrainian Trade Union "Zakhyst Pratsi"	Ukraine	KIE
27	Regional German Society of the Dnipropetrovsk Region "Wiedergerburt"	Ukraine	KIE
28	Renewable Energy Association (Eurosolar Turkey)	Turkey	IST
29	SCTM	Serbia	BEL
30	Solidarity Center	Ukraine	KIE
31	SYNERGY	Ukraine	KIE
32	S360	Turkey	IST

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33	Turkish Cogeneration Association	Turkey	IST
34	Turkish Economic and Social Studies Foundation	Turkey	IST
35	Turkish National Committee on Solid Waste	Turkey	IST
36	Ukrainian Wind Energy Association (UWEA)	Ukraine	KIE
37	UN-Habitat	Ukraine	KIE
38	WWF Turkey	Turkey	IST
39	Yaranimation	Ukraine	KIE
40	Anonymous participation*	Ukraine	KIE
41	CEE Bankwatch Network	Network	WRI
42	Zero Waste Europe	Belgium	WRI

*The organisation has requested that their participation in the public consultation meeting remains confidential and the name of the organisation cannot be disclosed.

ANNEX II - SUMMARY OF COMMENTS

SECTION A: Investing Activities (core, developing, new)

Under this section, comments dealing with all three categories of the Bank's investing activities (core, developing, new) are aggregated.

1. Community and Cooperative Energy Projects

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
1.1	Community-owned energy companies and cooperatives are an important development (as seen in the example of Denmark and elsewhere). This example could also be introduced in Turkey, for example, in the cities of Bodrum or Çanakkale. The municipalities can organise and lead community-owned energy companies or cooperative energy projects.	IST	The Bank would consider this type of financing where viable structures and creditworthy community-owned companies exist.
1.2	Municipalities in Turkey have begun to understand the need for increased renewable energy uptake. There are many initiatives that could be introduced, such as rooftop solar, electric buses, etc. Moreover, municipalities are able to organise power for a community and to provide incentives or credits for the establishment of community energy projects. These actions are compatible with the EBRD Green Cities Programme. Support is needed to drive change in people and to encourage participation in such initiatives.	IST	EBRD notes this comment. Under EBRD Green Cities, EBRD is working closely with municipalities to raise awareness through extensive stakeholder engagement, in order to make a more effective link between renewables and municipal investments.
1.3	(Follow-up to previous comment): Some cities in Turkey, such as Çanakkale, have wind potential that can be exploited at the community/municipal level.	IST	This is the focus of the Bank's Energy Sector group, and in Turkey most of the Bank's projects in energy sector are in the field of renewable energy ("RE").

2. District Heating

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
2.1	In Turkey, household heating and	IST	At the moment, the Ministry of Energy has an

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	<p>air pollution are serious issues. District heating (DH) is not bankable due to the cost of infrastructure. There needs to be a regulatory framework in place that facilitates investment in district heating. In the city of Soma, the municipality entered into an agreement with the owners of a coal-fired power plant to install a DH network. Although the initial reaction was negative, now the project is well accepted by the local community. Also, natural gas in Turkey was initially promoted for heat and not electricity, as a means to address air pollution. The Ministry of Energy of Turkey has prepared a draft law for heat markets that could help with the bankability of district heating projects. Is the Bank involved with the preparation of this draft law and would it be interested in financing district heating projects?</p>		<p>initiative for "heating markets", which mainly focuses on geothermal areas. The Bank is currently funding work that is investigating the potential for geothermal-based district energy in Turkey, which may identify new opportunities.</p> <p>The Bank is interested in financing district heating and cooling (collectively, district energy) projects in its countries of operations, particularly those based on renewable energy such as geothermal, solar thermal, or biomass.</p>
2.2	<p>(Follow-up to previous comment): A technical option for district heating is to utilise solar panels, which have the added synergy of using local manufacturing capabilities in Turkey. Another alternative technology for district heating is biogas plants. A combination of these two technologies could supply a community's needs. Also, storage solutions could be integrated in a hybrid plant that provides continuous heating or cooling.</p>	IST	<p>The Bank is interested in supporting innovative green solutions in district heating, with renewables being prioritised.</p>

3. Energy Efficiency

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
3.1	<p>The energy efficiency of aviation infrastructure in Ukraine needs to be examined. Most airports are managed at the municipal level. The aviation sector is growing</p>	KIE	<p>The Bank looks at the airports' sustainability and their energy efficiency in its Transport Sector Strategy. This Strategy is currently under review and is expected to be published for public consultation later this year.</p>

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	and the sustainability of these operations could benefit from further capacity development on energy efficiency. Although energy efficiency for buildings and the residential sector is a priority, airports are important as well.		
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4. Renewable Energy

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
4.1	Compared to solar and wind power, biomass as an energy source is underrepresented in the draft MEI Strategy. There is huge potential for biomass and it remains untapped. Biomass is also underrepresented in the Bank's financing portfolio.	IST	The MEI Strategy and the Energy Sector Strategy are agnostic on the choice of renewable energy (wind, solar, biomass). The Bank believes that the scale of the required energy transition means that all technological solutions need to be explored, with a focus on sustainability, security and affordability. The Bank particularly recognises the importance of biomass given that it can provide both heat and stable power. The Bank also notes the challenges in ensuring a sustainable and reliable supply of biomass feedstock, especially for large scale plants, which has constrained to some extent the growth of the sector. In order to create an enabling environment for biomass projects developed either by the private sector or through concession from a municipality, the Bank mobilises technical assistance to support municipalities in structuring of concessions or PPPs. In Turkey, the Bank is working together with the Ministry of Environment on the implementation of the Public Private Partnership (PPP) model for municipal services and environmental infrastructure development, which will enable municipalities to cooperate effectively with the private sector; the Bank together with the commercial lenders may subsequently finance such projects. The draft law for PPP model implementation in environmental infrastructure projects and municipal services is currently under preparation.
4.2	Participants encourage the Bank to look into supporting other energy solutions in Turkey, such as hybrid renewables, geothermal energy, and rooftop solar (both	IST	The comment is noted.

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	for residential, and especially for industrial buildings).		
4.3	Turkey has a lot of solar potential, but solar water heaters are not aesthetically pleasing. More suitable alternatives need to be identified.	IST	The Bank seeks to support investments in sustainable technologies as a part of its Green Economy Transition approach, and works closely with clients to identify and agree on solutions that have environmental benefits. In developing these projects, the Bank takes into account the vision of the authorities, and the citizens' views and preferences.

5. Solid Waste and Waste-to-Energy

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
5.1	On page 23 of the draft MEI Strategy, circular economy and recycling should be included under “core” activities, instead of being listed under “developing and new” activities. The Strategy’s focus should be on waste prevention and recycling, as opposed to large-scale investments in end-of-pipe technologies/projects which some municipalities tend to prefer. Concerning waste-to-energy (WtE) projects, civil society organisations (CSOs) have expressed concerns and tend to perceive projects in this area as risky or controversial.	BEL, WRI	<p>The EBRD recognises the importance of waste prevention and source-separation for recycling according to the waste hierarchy, as set out in the EU Waste Framework Directive. The categories 'core' and 'developing/new' used in the Strategy do not refer to the novelty of the technologies (e.g. recycling) and their diffusion in the region, but rather to the EBRD's increased focus on these issues. With respect to the circular economy, the Bank is exploring how to mobilise other market players besides municipalities, where less work has been done in the past.</p> <p>Source-separation of recyclables requires a high level participation of waste generators; providing infrastructure alone is not enough. It can be observed that source-separation for recycling needs increased public awareness, which is usually linked to economic development. EBRD supports technical cooperation components on raising public awareness and developing waste prevention and recycling strategies.</p> <p>Waste-to-energy (WtE) is a well-developed technology, and experiences from EU countries show that waste recycling and incineration can go hand in hand. The EBRD recognises that plant capacities have to be carefully designed in order to prevent a future lock-in of recyclables.</p>
5.2	Waste management is a very relevant topic for the Strategy, which should focus on waste reduction. Best practices exist in relation to the circular economy	LON, IST (2)	As part of its projects, the Bank supports technical cooperation assistance on raising public awareness and assisting municipalities in developing waste prevention and recycling strategies. The Bank also provides technical

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	and are being applied in certain cities. These practices should be highlighted and disseminated, so as to promote their replication in different contexts and cities. Furthermore, people's awareness about issues related to waste management should be increased and training on recycling and waste management, for example in source-separation, should be provided.		assistance to raise awareness and educate end-users on recycling best practices.
5.3	(Follow-up to previous comment) Where governments are not working well, cities are coming together to share experiences and coordinate their actions on a larger scale. It is important to facilitate and support this process, for example to scale-up and speed-up the response to climate change.	LON	The Bank periodically develops policy dialogue seminars for the benefit of its clients, where the impact of climate change is a core topic. The EBRD Green Cities (https://www.ebrdgreencities.com/) also facilitates best practice knowledge sharing amongst cities in this field.
5.4	The Bank should revise its approach to waste management and its potential implications. To date, in Ukraine, there is almost no waste management practice being applied. Efficient, EU-standard recycling technologies are too costly to be introduced in Ukraine. People would need to pay too much for sustainable waste management in the form of municipal taxes; therefore, less costly waste management techniques should also be eligible for financing in order to ensure a smoother transition in the country.	KIE	It is true, that implementing fully fledged waste management systems are leading to high increases in tariffs; therefore, an incremental staged approach may be one way to ensure affordability for users. EBRD is aware of other financing incentives to increase source-separation of recyclables that are less costly for users. EBRD is currently exploring projects in this area, e.g. on country-wide implementation of reverse vending machines for multiple types of beverage packaging (including deposit systems) and different variations of Extended Producer Responsibility Schemes aiming at reversing the costs for collection and recycling back to the producer/importer of specific waste streams.
5.5	Solid waste is not a popular business and it is difficult to secure financing for solid waste projects. Without grants, incentives, or subsidies, especially for municipal solid waste, projects are not financially viable.	IST	The Bank recognises the importance of solid waste management and works with authorities to develop bankable investments with significant stakeholder engagement. The Bank supports the public sector to formulate waste strategies and in parallel, where relevant, strives to provide opportunities for the private sector to bring commercial rigor, financial viability, and sustainable technologies into the implementation of strategic initiatives.

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5.6	Without proper waste collection, the perception that recycling is worth the effort is undermined. Municipalities should obtain proper facilities and vehicles for waste management and recycling, otherwise people will not trust that the system works. It is a matter of planning and funding.	IST	This comment is noted and the Bank works closely with counterparts as noted above. Stakeholder engagement is key to raising public awareness of what is happening in the sector, even if the investments are not visible to the entire population.
5.7	Waste-to-energy projects may be, or may be perceived as controversial. The challenges and constraints associated with these projects, and the conditions under which their implementation may be successful are adequately described in the Strategy. However, more attention should be paid to the qualitative aspects/impacts of these projects (to be assessed through appropriate indicators), as opposed to just quantitative ones.	BEL	The comment is noted. Please see EBRD's response below on quantitative vs qualitative indicators.
5.8	The draft MEI Strategy should clarify how it will support countries' efforts to meet the new European Union (EU) circular economy targets. It needs to be clear how the EBRD will assist with implementing the EU recycling targets for 2025, 2030 and 2035, especially in accession countries which tend to perform significantly worse in terms of waste management than the EU average. These countries do not yet have access to sufficient amounts of EU funds to implement comprehensive circular economy schemes, but they will need to accelerate progress significantly in order to catch up with EU Member States. This results in lower recycling rates and higher reliance on landfilling.	WRI (2)	In the EBRD countries of operations, the Bank actively supports waste prevention, source-separation, and recycling initiatives and investments. Support is provided through policy dialogue and technical assistance, such as assisting authorities in developing waste prevention, recycling strategies, and action/investment plants at national/regional levels. The Bank also organises policy seminars for selected clients, with one taking place in Sofia in April 2019 entitled: "Source separation for recycling – moving towards a circular economy in waste management". In addition, EBRD provides technical assistance to clients for public awareness activities. Some future options for EBRD-supported investments, in line with the circular economy developments, include the following: <ul style="list-style-type: none"> • Improving the source-separated collection of recyclables in the municipal solid waste stream; • Separate collection of hazardous household waste; • Industrial / industrial hazardous waste / construction and demolition waste collection, processing, recycling, treatment and disposal;

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			<ul style="list-style-type: none"> • Investments in storing, transporting, treatment, and disposal of hazardous (household and industrial) waste Investments in pre-sorting and processing of recyclables; • Setting-up new, or adapting existing manufacturing factories to accept secondary raw materials as input in production processes; • Setting up an inventory system of illegal and legal dumpsites, their risk assessment, rehabilitation/closure strategies and associated costs; • Providing pre-treatment technology for reducing landfill rates.
5.9	<p>The most cost-effective way to achieve landfill diversion and increase recycling is by focusing primarily on maximising separate collection and recycling, rather than investing in waste-to-energy. With long tendering processes, waste-to-energy facilities are far from being a quick fix to landfill problems. Once operative, they may indeed reduce the reliance on landfills, but they do not contribute to increasing recycling objectives. On the contrary, strategies focused on door-to-door separate collection of all waste streams and a widespread use of economic incentives have proven to deliver quick change. Countries like Slovenia show that a quick transition is possible when implementing the right set of policy measures.</p>	WRI	<p>Source-separation of recyclables requires a high-level participation of the waste generators and providing infrastructure alone is not always enough. It can be observed, that source-separation for recycling needs increased public awareness, which usually is linked to economic development. EBRD supports technical assistance on raising public awareness, and developing waste prevention and recycling strategies. Experiences from the EU have shown that it takes several years until considerable recycling rates can be achieved, and until then, solutions are needed that might not always cover the top of the waste hierarchy. (Note: ‘Waste hierarchy’ is a tool used in the evaluation of processes that protect the environment alongside resource and energy consumption to most favourable to least favourable actions). In addition, implementing fully fledged waste management systems are leading to high increases in tariffs, therefore a stepwise approach is needed in order to maintain affordability. Source-separation for recycling also needs a strong institutional capacity and enforcement. And as long as dumping is a cheap alternative, source-separation will not work properly.</p>
5.10	<p>The EBRD can play a key role in leveraging change at the local, regional and national levels on waste management. With the right investments and the relevant technical support, transition can be achieved quickly.</p>	WRI	<p>EBRD is supporting policy work and strategic planning in the sector: e.g. technical assistance to authorities on developing waste prevention and recycling strategies, and action/investment plants at national/regional levels. The Bank organises policy seminars for selected clients, with one taking place in Sofia in April 2019</p>

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	<p>For example, the EBRD should:</p> <ul style="list-style-type: none"> • Provide technical assistance to improve the enforcement of the legal framework as well as the transparency of waste management systems; • Ensure that waste management plans are designed to meet, or go beyond EU targets and support their enforcement. • Assist in the roll-out of separate collection schemes, with a view to widespread best practices. • Follow European Regional Development Fund (ERDF) and Cohesion Fund exclusion rules and stop giving loans for waste-to-energy facilities. • Support solid waste projects at the top of the waste hierarchy –prevention, reuse or recycling. 		<p>named: “Source separation for recycling – moving towards a circular economy in waste management”. In addition, EBRD provides technical assistance to clients on raising public awareness, including resource conservation, environmental/health impacts, and source-separation. EBRD is aware of the importance of not only policymaking, but also monitoring and reporting.</p>
5.11	<p>Priority should be given in ensuring that biodegradable waste is composted rather than being landfilled and emitting methane in the atmosphere. Yet this is often the last waste fraction to be separately collected in cities.</p>	WRI	<p>Biowaste is, in a way, the most complicated waste stream to be tackled in source-separation systems. EBRD uses anaerobic digestion (biogas) plants or composting plants (aerobic technology with fertilizer production). In both cases, it needs source-separated organics, with good separation quality.</p>
5.12	<p>The draft Strategy sets conditions on investments in waste-to-energy technologies. However, it would be useful to distinguish between different technologies, as anaerobic digestion and utilisation of methane from existing landfills do not have a negative impact on recycling, and waste prevention, but incineration is in direct competition with reuse and recycling for calorific materials. In page 46, annex K, (“Sector context and transition challenges”) “waste-to-energy solutions using new technologies aiming at better efficiency and flue gas cleaning” should not be a focus of the EBRD, as no matter</p>	WRI (2)	<p>Usually the starting points in countries/regions with less developed waste management systems in terms of energy recovery is landfill gas utilisation. Anaerobic digestion is a more complex and expensive technology, requiring a good quality source-separated organic waste input, which is often difficult to implement in a city/region where there is no source-separation in place at all. Mechanical-biological treatment can be used to reduce landfill volume and stabilise the material, but also refuse-derived fuel (RDF) can be produced for energy recovery.</p> <p>EBRD is aware of the complexity of waste incineration, yet experience in the EU shows that waste prevention and recycling can go hand in hand with other technologies. It is very important to design plant capacities in a way that prevents a future lock-in of recyclables.</p>

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	how efficient the technology, burning waste is not in line with the circular economy approach and needs to be gradually phased out.		Moreover, EBRD is aware of the Circular Economy Package and the importance of the waste hierarchy according to the EU Waste Framework Directive.
5.13	On page 23, the draft Strategy lays out fairly appropriate conditions for waste-to-energy investments (evaluation of all alternative options, project support for recycling, and collection and fulfilment of obligations described in EU waste-related legislation and the EU Best Available Techniques Reference Document (BAT/BREF)). However, the EBRD should bear in mind that no project in the region fulfilled these conditions, as well as the European Commission's advice to phase out public support for energy recovery from mixed waste.	WRI	<p>EBRD supports clients to move from disposal-oriented to recycling-oriented solutions, not only by supporting investments in technical solutions, but also in preparation of waste prevention/recycling strategies, policy dialogues or public-awareness raising campaigns as part of the Bank's technical cooperation.</p> <p>The varying stages of development regarding waste management systems in EBRD's countries of operation require different approaches. While EBRD investments always consider national/regional strategies, EBRD supported investments may focus on a selected part of a waste management system, where other parts are the responsibility of other stakeholders.</p>
5.14	In order to achieve efficient implementation, the EBRD should avoid combining too many different waste-related infrastructure elements into single projects. For example, in the Belgrade waste Public Private Partnership (PPP), much-needed rehabilitation of the existing landfill site is mixed with the construction of a controversial new municipal waste incinerator. The rehabilitation could be carried out faster as a separate project rather than waiting for all the difficulties raised by the incinerator component to be resolved.	WRI	EBRD carefully considers implementation capacity in project design. The Belgrade Solid Waste project is an integrated approach selected by the City after significant due diligence. By combining both projects together with remediation of other ancillary facilities, the City of Belgrade is able to transfer several risks of managing the existing and new landfills to the private sector in the long term.

6. Transport

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
6.1	Cycling and pedestrian infrastructure should be explicitly added to the Strategy. On page 23, section 3.3. ("Traditional sectors context"), it needs to be made clear	WRI (2)	Indeed, suitable provision for cycling and pedestrian infrastructure will be integrated into urban regeneration, urban transport and street redevelopment projects, notably as components of Sustainable Urban Mobility

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<p>that space for pedestrians and cyclists, and public transport should be increased. In southeast Europe the tendency is to rehabilitate streets to make more space for cars, either for driving or parking. Mobility and recreation needs should be reconciled through quality assessment and design of streets and green areas. New and rehabilitated infrastructure should not infringe on green areas and tree-cutting on streets should be avoided or properly justified and compensated.</p>		<p>Plans (“SUMPs”) or similar city mobility plans. Whilst street and local areas improvements are city-led designs, the Bank systematically reviews for compliance with environmental and social standards and shall seek to promote appropriate design standards for improved provision of soft modes (cycling, pedestrian infrastructure) as well as bicycle schemes, electric mobility charge points, etc.</p>
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7. Water and Wastewater

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
7.1	<p>There are water shortages in Turkey and the situation will become worse in the future. To address this issue, many countries develop artificial lakes. Turkey could also consider such projects, but decision makers are not interested in this subject.</p>	IST	<p>The Bank recognises the potential that renewables do and can play in delivering more sustainable water (and wastewater) solutions. It already invests in projects that combine water and energy opportunities such as hydro-power and the utilisation of wastewater sludge biogas, where there are opportunities and benefits to do so. The Bank is currently exploring the potential of solar desalination for use in arid countries, but is also aiming to incorporate other renewable energy opportunities more widely in all future water sector investments.</p>
7.2	<p>(Follow-up to previous comment): Solar desalination projects could provide a way of addressing both energy and water needs.</p>	IST	<p>The Bank recognises the potential that renewables do and can play in delivering more sustainable water (and wastewater) solutions. It already invests in projects that combine water and energy opportunities such as hydro power and the utilisation of wastewater sludge biogas, where there are opportunities and benefits to do so. The Bank is currently exploring the potential of solar desalination for use in arid countries, but it is also aiming to incorporate other renewable energy opportunities more widely in all future water sector investments.</p>
7.3	<p>Ukrainian cities were developed with poor urban planning. Mainly industrial areas were planned whereas wastewater and waste</p>	KIE	<p>The Bank’s experience is that often urban planning is historically more organic. This can lead to differential level of wastewater and waste services provided across a city. It is</p>

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	management strategies have historically been poorly planned.		common for the Bank’s wastewater and waste sector investments to restore this imbalance through well-designed projects. In Ukraine, the Bank has made investments in both wastewater and waste sectors but has additionally actively contributed to the reform of the waste management law which aims to regularise the approach. The Bank acknowledges that in addition to its investments wider reforms may be necessary to facilitate them.
7.4	In industrial areas, water is treated mostly for chemicals and the sludge cannot be used for composting. Industrial wastewater cannot be combined with residential wastewater. Sludge from residential wastewater can be used for agriculture, composting etc. The compost quality is important as it reflects the quality of the raw material. The International Solid Waste Association (ISWA) will prepare a regulation on the various qualities of compost and the uses they are qualified for.	IST	The Bank is aware of the potential reuse of domestic wastewater sludge in agriculture directly and as compost, and the latter can be possibly mixed with other green waste. For some countries, these are legitimate outlets, provided that adequate safeguards are in place. For many of our countries of operation, national environmental legislation and social barriers constrains this opportunity. However, we remain interested in working with countries and clients in addressing these concerns such that these more sustainable practices can be considered.

8. Other Activities

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
8.1	Facilities management is mentioned in the draft MEI Strategy. What are the Bank’s initiatives in this area?	LON	Facilities management investment area represents the Bank’s PPP projects in hospitals, schools and other forms of social infrastructure. In general, facilities management (“FM”) is an integrated approach to operating, maintaining and improving the buildings and infrastructure of an organisation, in order to create an environment that allows an organisation to concentrate on its core business activities. FM is often associated with the upkeep, maintenance and operation of buildings such as office buildings, hospitals, schools, etc.
8.2	The Bank could provide training to municipalities on how to make project ideas bankable.	KIE	The Bank works with clients on developing such bankable models. This work is usually tailored to individual clients/municipalities in light of their differences.

SECTION B: Sector Sustainability and Good Governance

Practices

Under this section, comments that address the sustainability dimension of investments in Municipal and Environmental Infrastructure, including good governance practices, are collected.

9. Communication & Outreach

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
9.1	The draft MEI Strategy should be further disseminated through an effective communication strategy, in order to reach all relevant institutions and stakeholders at local/municipal level, since these institutions might not be aware of the Strategy. To increase awareness, the Bank could also consider disseminating a leaflet and possibly a PowerPoint presentation translated into local languages. Finally, the possibility of organising events to present the draft MEI Strategy to municipalities should be explored.	BEL (2)	The Bank does unique work with municipalities, with which it maintains a continuous dialogue. EBRD is open to any requests from municipalities, especially smaller municipalities, to present the Strategy and answer any questions. Under EBRD Green Cities, the Bank is exploring with the Ministry of Agriculture of Serbia the possibility of organising a workshop for eligible cities.
9.2	Often, local communities are not sufficiently aware of the projects from which they are supposed to benefit. Projects should have more effective communication strategies, which should be developed by the Bank in cooperation with its clients and civil society organisations (CSOs). Moreover, local municipalities are often reluctant to communicate about projects that might be considered as controversial. Lastly, they might not be capable of communicating the positive aspects of the project effectively.	BEL (3)	It is important to emphasise that the EBRD can influence the way national and local authorities perform communication and stakeholder engagement (supporting them in these activities through policy dialogue and technical cooperation) only in the context of the projects in which the Bank is involved. The Bank's communication regarding specific projects is governed by the Bank's Environmental and Social Policy. Based on comments received during the recent consultations on the Bank's Environmental and Social Policy, efforts are ongoing to improve communication and outreach at the local level.
9.3	It is crucial to build the capacity of local authorities and regional development entities, especially on how to deal with topics such as investments in renewables, e.g. micro-hydro power. In Serbia, the relevant regulation on micro-hydro is outdated and, generally, a needs assessment is not carried out for	BEL	As above.

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	these projects. For this reason, there is a lack of social acceptance of the projects, and in some cases people are protesting. Governments should be persuaded to listen to people and hold public consultations on these projects.		
9.4	There is a lack of awareness about projects aimed at promoting sustainable development (e.g. in the areas of climate change and energy efficiency) at local/city level. An effective communication strategy is needed, in order to reach out to relevant stakeholders and project beneficiaries and make sure they have a proper understanding and perception of projects and of their results. If the Bank wants to maintain its good reputation and show its contribution toward sustainable development, it needs to improve the way it communicates its efforts and results, especially in relation to its green portfolio (e.g. MEI-related investments). An integrated set of communication means should be used targeted to different audiences. The Green Cities website is a good example.	BEL	The EBRD is committed to supporting green finance and climate action in its countries of operations. As mentioned, EBRD Green Cities and its associated website are strong examples of this commitment and associated outreach. Details on all projects under EBRD Green Cities are made publically available through Public Summary Documents available on the EBRD website (www.ebrd.com). Additionally, the Bank reports its green finance and activities in its Annual Report, as well as in its Annual Sustainability Report. The Bank also reports its annual volume of climate change mitigation and adaptation finance as a part of the Joint Report on Multilateral Development Banks' Climate Finance.

10. Social Issues

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
Urbanisation			
10.1	There are a number of ongoing trends which need to be carefully monitored and analysed. The effects of MEI-related projects on these trends should be assessed. Those trends include: growing regional disparities; rapid urbanisation and associated issues in terms of housing and infrastructure; affordability; migration, especially from rural to urban areas, and resulting pressures on infrastructure, and risks of	LON	The comment is noted. The Bank monitors the current trends and many of them are reflected in the Bank's Annual Transition Report.

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	exploitation of migrant workers; youth and unemployment; public health; poverty; gender; income inequality; etc.		
10.2	Rural areas are being abandoned by agriculture workers. However, the relationship between cities and rural areas is fundamental and rural development is needed in order to ensure good quality of life in the cities. The governance dimension of sustainable investments should be considered more holistically.	KIE	The Bank acknowledges the importance of balancing disparities between cities and rural areas and has a number of projects where this is the key focus.
10.3	Villages are expected to grow in the future and cities to actually shrink, because there is a trend to move closer to nature. Therefore, there is a need for rural areas to be developed with high value assets.	KIE	The Bank has noticed this trend in some countries. The Bank has learnt that it needs to tailor its approach to the specific country and local conditions, including the trends discussed above.
Labour standards			
10.4	In the Bank's Environmental and Social Policy, reference is made to very important points, such as the fact that the EBRD is committed to tolerate zero harassment or bullying at the work place, including the workplace of its clients and partners. The Bank should perform due diligence on the possible existence of workplace harassment or bullying when screening potential clients.	KIE	The comment is noted. The Bank's due diligence under its Environmental and Social Policy assesses work place practices.
Social inclusion			
10.5	Gender equality and mainstreaming are very important in MEI projects. For each specific project that the Bank considers financing, the gender balance dimension should be considered and specific conditions on gender mainstreaming should be applied as a prerequisite for financing.	BEL	The Bank recognises the importance of gender equality and economic inclusion. The Bank's approach in this area is governed by the Bank's Strategy for Promotion of Gender Equality and the Economic Inclusion Strategy.
10.6	Youth unemployment is an important issue. In the draft MEI Strategy, the Bank mentions that to address this issue, it will promote "procurement practices designed to address inclusion gaps". What types of "procurement practices" will be applied to address this issue	KIE	The Bank refers to those issues as "inclusive procurements" and currently applies these procurement practices to some projects, which provide training opportunities to young people, which is designed to result in employment.

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	in practice and how will those practices address youth unemployment?		
Other			
10.7	In relation to social media, which is identified as a key driver on page 10, section 2.1. (“Key drivers and implications”) of the draft Strategy, it is important to understand who benefits from their use and who does not. Key problems to consider and address are the digital divide (particularly in terms of social classes and regions), connectivity issues and capability of the system.	LON	The Bank’s focus and interest in social media is related to the potential role it can play in helping cities become ‘smart’ and to use data to improve service levels, while protecting the confidentiality of sensitive data.

11. Policy and Long-term Planning

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
11.1	Renewable energy targets need to be adopted, both at national and at local level.	LON	The comment is noted.
11.2	Does the Bank utilise any tools to evaluate the urbanistic appropriateness of proposed projects? For example, there are a number of buildings in Kiev that should be used as social infrastructure (e.g. schools, hospitals, etc.) but instead they are used for residential purposes.	KIE	While evaluating an investment, the Bank would do an in-depth feasibility study which includes an Environmental and Social study to ensure that its standards are incorporated into the project. The Bank also works closely with cities and relevant stakeholders, including civil society, to support sustainable urban development through its Green City Action Plans.
11.3	Are there any current MEI-related policy initiatives in Turkey? What kind of policy support does the Bank provide in Turkey?	IST	The Bank is working with Turkey’s Ministry of Environment on various solid waste, and water and wastewater management initiatives. Through EBRD Green Cities, the Bank can work with cities to define a sustainable development strategy for the coming years. This includes identifying and prioritising cities’ with the most pressing environmental challenges, and developing a list of targeted investments and policy actions to address those challenges.

12. Stakeholder Engagement

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
12.1	Stakeholder engagement is a key aspect of social acceptance and	BEL	The EBRD is aware of the fundamental importance of stakeholder engagement, which

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	<p>successful outcome of projects, including in the case of urban rehabilitation projects, which may not be properly covered under the EBRD's Environmental and Social Policy, which is geared more towards larger infrastructure projects. Often, city governments assume that urban rehabilitation projects do not pose risks and will be automatically welcomed (or at least accepted) by the local population. However, even relatively small projects of this type can lead to social non-acceptance if local communities feel their needs and views have not been taken into account in the design of the project through a proper consultation process. Even though the MEI Strategy acknowledges the importance of stakeholder engagement, additional emphasis needs to be put on this. Urban rehabilitation projects can have significant benefits and the Bank's increased engagement in these projects represents an interesting opportunity, but given the visibility of these projects, effective stakeholder engagement is the key aspect.</p>		<p>is an issue that was brought up and discussed during the consultations related to other strategies and policies as well (e.g. on Governance), and additional efforts are ongoing to intensify and improve stakeholder engagement processes. As part of EBRD Green Cities, the EBRD is assisting cities in prioritising green investments by combining quantitative evaluations of urban environmental performance with multiple rounds of local stakeholder engagement. The Bank, which will work more on urban regeneration/rehabilitation, is committed to ensuring maximum transparency and participation. The EBRD Green Cities website (www.ebrdgreencities.com) is a good example. Regarding public participation, the EBRD is taking its clients (i.e. city governments in this case) on a learning curve, strengthening their capacity, including in relation to the stakeholder engagement processes. In the context of EBRD Green Cities, city governments have received a positive response from their citizens to stakeholder engagement efforts integral to the development of Green City Action Plans ("GCAPS").</p>
12.2	<p>The success of the strategy will depend largely on the Bank's success in ensuring meaningful stakeholder engagement in the development of Green City Action Plans and individual projects. The Bank cannot be too careful in this regard as urban projects have the potential to positively impact millions of people, but also any negative impacts will be immediately visible to large numbers of people. Additionally, the Bank's safeguard policies do not seem to be well enough equipped for projects which may not require environmental impact assessments but which may still have serious impacts, so in terms</p>	WRI	<p>With respect to stakeholder buy-in, the Bank fully agrees that the success of many efforts is dependent on the level of local ownership. Reflecting this, EBRD Green Cities strive to reach out to a diverse range of stakeholders through their development, as well as build local capacity to implement GCAP's programmes beyond EBRD's involvement.</p>

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	of public engagement, the Bank will need to do more than the minimum prescribed by its policies in order to ensure stakeholder buy-in. The Strategy reflects this to a reasonable extent but the proof will be in the implementation.		
12.3	On page 25, section 3.4 (“Priority areas”), it should be noted that stakeholder engagement can only be meaningful if it is informed (meaning that stakeholders know all the details of the issues before they become involved in the process). Stakeholders in cities, including civil society groups representing various interests (e.g. of cyclists, parents, disabled people, retirees), have better access to information and communication technologies and thus higher capacity to analyse project information and to participate meaningfully in decision-making. The citizens’ right to know and participate needs to be matched by adequate disclosure of information and opportunities to provide input to Green City Action Plans (GCAPs) and separate project design and implementation.	WRI	Civil society engagement is strongly encouraged as a part of the process of developing Green City Action Plans (“GCAP”). Cities involved in the programme have actively sought out the inputs of citizens, civil society groups and other local stakeholders as a part of the GCAP process. Within a single GCAP, there are multiple opportunities to engage with these stakeholders to ensure the Plan’s development and final conclusions reflect local needs and understanding.

13. Social and Environmental Sustainability

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
Sustainable Development Goals (SDGs)			
13.1	It is good to see that the Bank and the draft MEI Strategy are fully aligned with the Sustainable Development Goals (SDG) Framework. However, this framework should be given more prominence in the draft Strategy, for example by associating it more closely to the Bank’s policies and by considering the contribution of projects assessed by the Bank to the SDGs. Furthermore, awareness should be increased among local	BEL	The comment is noted.

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	authorities about the important role cities shall play in the achievement of the SDGs.		
13.2	Are there any linkages between the Bank's draft Strategy and affordability, or other social indicators linked to the SDGs?	KIE	Yes, affordability is also factored in the Bank's decision process and assessment of project bankability.
Climate Change & Environment			
13.3	It is very important to make sure that the EBRD's increased focus and work on climate change continue in the future. The draft MEI Strategy naturally falls under this umbrella, as it can play a key role in the implementation of climate change-related goals and commitments. Moreover, mitigation and adaptation measures and initiatives need to be developed more in the draft MEI Strategy.	LON	The comment is noted. The Bank has ambitious climate change commitments, with the goal for 40 per cent of its finance to be devoted to green investments by 2020. Within the municipal space, 92 per cent of EBRD's finance in 2017 supported green investments including those with climate change mitigation and adaptation impacts.
13.4	The strategy should explicitly mention unsustainable transport practices. Some impacts like pollution are already mentioned, but there are other issues beyond this.	WRI	The Bank's Transport Sector Strategy, which is currently under review, will further address this issue.
Good Governance			
13.5	Basic public procurement, transparency, sectoral and intersectoral planning, evaluation and monitoring capacities and the fight against corruption all desperately need improving in the countries of operation, even for relatively simple projects.	WRI	The comment is noted. The Bank is working on driving the improvements in corporate governance practices on all of its projects.
13.6	On page 10, section 2.1. ("Key drivers and Implications"), corruption needs to be explicitly mentioned. It is a very frequent issue in urban infrastructure development in EBRD countries of operations.	WRI	Corrupt practices can be considered a part of the "integrity risks" driver which was added on page 10, section 2.1.
13.7	On page 16 ("Sector context and transition challenges"), the acknowledgement of serious governance gaps that can hinder planning and delivering of sustainable municipal	WRI	The comment is noted.

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	<p>infrastructure is welcome. In addition to the Green City Action Plan (GCAP), planning, transparent procurement and client capacity building, there should be improved transparency on projects' environmental and social impacts, because better disclosure of information by both the Bank and its clients is the necessary basis for integrated stakeholder engagement.</p>		
13.8	<p>On page 19, section 2.4. (“Key transition challenges in context of the EBRD transition qualities”), the points mentioned there seem to be mostly related to publicly-owned utilities, but there is a huge need for improvement in procurement by local authorities and credible deterrents to nepotism and corruption, irrespective of whether a public utility is involved or whether it is just tendering private companies to provide a service.</p>	WRI	<p>Corruption falls under the term “corporate governance”, which is applicable to all entities irrespective of ownership or legal structure.</p>
13.9	<p>On page 25, section 3.4 (“Priority areas”) and particularly on the issue of “procurement standards”, it is noted that the main issue is not that adequate procurement standards are missing, but rather that the implementation of the existing standards is lacking. The focus should be on better implementation and accountability for not following the rules.</p>	WRI	<p>The comment is noted. The Bank is working on driving the improvements in corporate governance practices on all of its projects. This work is focused not only on the introduction of adequate standards, but also on a close daily cooperation with the client to ensure proper implementation on these standards.</p>

SECTION C: Financing Priorities and Eligibility

This section contains comments that pertain to financing methods and approaches, eligible projects and clients, and financing tools utilised by the Bank.

14. Eligibility for Financing

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
Eligibility for financing			
14.1	The EBRD should provide a clearer description of the role that it can play in supporting investments in industrial parks, particularly since they have proven to be highly successful and to leverage high private investments once public spending has created the industrial park.	KIE	Industrial parks are a new area for the Bank. In determining which investments the Bank can support, the Bank will apply its core principles of sound banking, addressing transition gaps and addressing environmental and social needs.
14.2	(Follow-up to previous comment): Industrial parks could prove to be a mechanism to provide guarantees for municipalities that could help with financing of other projects. Sometimes cities cannot provide guarantees for a number of projects, and, at the same time, their priorities do not include industrial parks. On the other hand, industrial parks generate revenue that could serve as a guarantee for financing typical municipality priorities, such as transport projects.	KIE	The comment is noted. The Bank will consider different structures but the ultimate investment must adhere to sound banking principles.
14.3	Are small or medium-sized municipalities eligible for financing by the Bank or does the Bank finance only large (metropolitan) municipalities? Would the Bank be willing to finance smaller projects (of a size from one to two million Euro) for such municipalities?	KIE, IST	The Bank offers credit lines through its financial institutions team, typically to support investments less than EUR 5 million. The Bank is exploring ways to bundle investments with the Ukrainian Ministry of Finance as well as other countries.
14.4	The Bank should focus on smaller municipalities. The Bank could consider the creation of a dedicated financing facility for small municipalities. Small municipalities also have lack of capacity; therefore, capacity building support is needed.	KIE	The Bank can explore opportunities for aggregation of projects in small cities to a regional financing facility.
14.5	Does the Bank lend directly to	IST	In Turkey, the Bank has issued eight loans

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	municipalities/cities? Which projects have been financed under the Bank's MEI Sector in Turkey?		directly to a wide range of cities. Two of those projects help cities address the increased demand on infrastructure due to the refugee crisis. There are also certain on-lending facilities through commercial Banks in Turkey.
14.6	Does the Bank work with the private sector in MEI projects?	IST	The Bank works both with public and private sector.

15. Financing Priorities

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
15.1	Countries that are part of the European Union (EU) have easier access to capital. The EBRD should take this into consideration when allocating resources for MEI-related investments among countries of operation (COOs), so as to prioritise those with fewer resources and more limited access to them.	LON	The comment is noted. EBRD finances municipal projects in all countries of operation where it remains additional.
15.2	Under the draft MEI Strategy, does the Bank adopt specific financing targets for each particular activity? More specifically, does the Bank allocate in advance a fixed amount of financing for each eligible activity?	IST	EBRD focuses on investments identified in as priorities in country strategies, looking at 1. sound banking/ bankability, 2. impact in line with the Bank's transition qualities (page 19 of the Strategy), 3. alignment with environmental and social policies. The Bank does not set fixed targets for specific countries or sectors, but rather responds to client/market needs.
15.3	Does the draft MEI Strategy, foresee financial support for training or technical assistance?	IST	The Bank's technical assistance and training activities are primarily linked to specific investments. The Bank also provides technical assistance as part of its policy dialogue initiatives.
15.4	The "Strategic Directions" mentioned in the draft MEI Strategy are perceived by participants as an exhausting list of financing priorities for the Bank. Would the Bank finance other activities for Turkey, apart from those mentioned as "Strategic Directions"?	IST	In the Strategy, the Bank has outlined the investment areas in which it plans to engage over the next five years. The investing priorities identified at a regional level (page 22) are examples of the areas where the Banks sees transition gaps. This list, however, is not exhaustive and may evolve as other transition gaps emerge where the Bank can play a meaningful role.

16. Financing Tools and Methodologies

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
16.1	What is the process/mechanics of projects, e.g. in the area of urban rehabilitation? To what extent can the Bank influence the design of these projects and, if needed, improve it? At which stage of the project design process can the Bank provide its comments?	BEL	<p>EBRD projects in the municipal sector take many forms. The EBRD works selectively with clients. The Bank approves a project based on the Environmental and Social Impact Assessment (“ESIA”). Due diligence is done, including if the project design changes. If public procurement is foreseen, the EBRD provides no-objection, but the responsibility falls on the client. The EBRD is committed to ensuring that clients deliver the best projects possible, i.e. that projects are aligned with best practices, while keeping affordability in mind. For this reason, when looking at an investment, sectoral experts will conduct their analyses beyond due diligence. Furthermore, capacity gaps and needs are assessed and addressed. Overall, preparation of a project can take between 3 months to over 1 year.</p> <p>With regard to the specific example of urban regeneration initiatives (typically involving large-scale upgrading of infrastructure and buildings in previously neglected or underused areas) it should be noted that such initiatives are generally characterised by long time-lines and multiple stakeholders. The Bank is able to support projects at all stages in the project cycle, from inception to planning, to enabling and delivery) although most projects are likely to have advanced in some way prior to the Bank’s involvement. Urban regeneration initiatives typically comprise several sub-projects. EBRD’s financial or technical cooperation could be limited to one sub-project or support integration and alignment of sub-projects. Supporting analysis or design proposals developed through a technical cooperation or loan agreement with EBRD shall be subject to the same level of public scrutiny and consultation as required in law for all other proposals.</p>
16.2	Is there a possibility that the EBRD finances investments using municipal bonds? It is easier to secure financing with municipal	KIE	The EBRD has a number of instruments that are considered, and bonds are one of them. Details on those bonds are presented in Annex E of the MEI Strategy.

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	bonds than with guarantees in Ukraine.		
16.3	Tax incentives are an important issue; perhaps the EBRD could provide advice on how to efficiently apply tax deductions and incentives.	KIE	The comment is noted but it is outside the scope of the MEI Strategy.
16.4	On page 30 (“Performance monitoring framework”) the diversified and innovative financing schemes mentioned should be demand-driven and should be a means to an end, not an end in themselves, so there should not be indicators suggesting that more is better. Quantitative indicators are counterproductive as they encourage private sector involvement for its own sake and not based on whether it really adds to the quality of service.	WRI (2)	As part of its transition mandate, the Bank strives to promote decentralised lending and bridge the infrastructure gap for critical investment project. Innovative financing is a tool to achieve these objectives. A project’s financing structure depends on multiple factors, including project scope, bankability, legal environment, client readiness, and value-for-money.

17. Public Private Partnerships (PPPs)

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
17.1	Public Private Partnerships (PPPs) would be an effective means to support industrial parks. Currently the Law on PPPs is being revised in Ukraine. The option to finance industrial parks through PPPs should be emphasised more into the draft MEI Strategy.	KIE	Industrial parks, whether financed with public funds or through PPP, will be considered provided that the projects are well structured, demonstrate transition and in the case of PPPs, are competitively tendered and demonstrate value for money.
17.2	PPPs may be controversial or they are perceived as being controversial. The challenges and constraints associated with these projects and the conditions under which their implementation may be successful are adequately described in the Strategy, but more attention should be paid to the qualitative aspects/impacts of these projects (to be assessed through appropriate indicators), as opposed to just quantitative ones.	BEL	The EBRD works on PPP projects only if/when PPPs are well structured. Furthermore, all EBRD-funded projects need to be aligned with best practices. With respect to qualitative vs quantitative aspects, please see the Bank’s response under general comments below.
17.3	The relatively cautious approach to PPPs in the draft Strategy is	WRI	The comment is noted. Indeed EBRD applies a selective approach to PPPs focusing on

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	<p>welcome. The key lessons from the previous strategy include:</p> <ul style="list-style-type: none"> • “Credibility and effectiveness of PPPs depend on the project’s alignment with best practices.” • “Engagement in PPPs is necessary, but should remain selective, in particular for smaller projects or in less advanced markets.” • “While the Bank will promote sub-sovereign structures, it recognises that the scope for PPPs and private investments depends on the legal basis, client readiness, and value-for-money.” <p>PPPs often encourage governments to “buy infrastructure on a credit card” - making investments they really cannot afford and locking in future budgets to pay for them, often at high prices which have not been adequately compared with alternative ways to deliver the same outcomes. A recent Non-governmental organisation (NGO) study shows that governments in southeast Europe have made very little effort to monitor or evaluate the success of ongoing PPPs, and that the decisions to undertake the PPPs in the first place are often not transparent or based on publicly available comparative data.</p>		<p>projects that are well structured and demonstrated value for money. EBRD recognises the importance of contract monitoring and building PPP capacity within the public sector. Its Sustainable Infrastructure Advisory will work with the public sector to raise capacity in these areas both through policy dialogue and technical assistance.</p>
17.4	<p>On page 24, section 3.4 (“Priority areas”) the participant remains unconvinced that PPPs offer good value for money for schools and hospital projects, especially as paying for the contracts usually competes with other lines in public budgets for these sectors. If used at all, PPPs should be for less sensitive sectors like street lighting and for shorter contract periods.</p>	WRI	<p>The EBRD works on PPP projects only if/when PPPs are well structured, which includes robust analysis of value for money.</p>

SECTION D: General Comments and Observations

This section lists general observations on the draft MEI Strategy, as well as general remarks on the Bank's various policies, strategies and actions.

18. General Comments on the Draft MEI Strategy

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
18.1	The MEI Strategy may have positive impacts, e.g. by improving the quality of life in cities. However, the Strategy is too focused on quantitative aspects/impacts and indicators. In order to fully capture the impacts of EBRD-funded projects in MEI, as well as to evaluate the success of the previous MEI Strategy, qualitative aspects/impacts should be properly considered and related indicators should be identified and used.	BEL, WRI (2)	The EBRD is fully aware of - and acknowledges - the importance of qualitative aspects/impacts in relation to the projects it supports in MEI and beyond. The Bank is working on this, but qualitative aspects/impacts are harder to measure than quantitative ones, and identifying robust qualitative indicators remains a challenge.
18.2	On page 29 ("Performance monitoring framework"), the specific activities and tracking indicators on page 28 are welcome, even though they are primarily quantitative. On page 29 with regard to corporate governance though, sector sustainability is not well-covered by indicators. Sustainability has three pillars as mentioned in the Strategy (i.e. environmental, economic, and social). However, there are no indicators to track performance with regards to corporate governance on social or environmental impact assessments, affordability assessments, better transparency and informed stakeholder engagement in Green City Action Plan (GCAP) planning, decision-making and project design and implementation. Indicators like "Number of clients introducing improved corporate governance" are too vague and do not ensure	WRI	The EBRD is fully aware of - and acknowledges - the importance of qualitative aspects/impacts in relation to the projects it supports in MEI and beyond. The Bank is working on this, but qualitative aspects/impacts are harder to measure than quantitative ones, and identifying robust qualitative indicators remains a challenge.

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	all three pillars will be covered. For this reason, additional indicators need to be added.		
18.3	The structure of the draft MEI Strategy is good and easy to follow.	IST	The comment is noted.
18.4	On page 14 of the draft MEI Strategy, energy consumption data combines residential and commercial usage and this can create misconceptions.	IST	The chart is based on how the data is reported externally.
18.5	On page 28 section 5 (“Performance Monitoring Framework”) quantitative indicators should not be included since the focus should be on quality and not quantity: Moreover, “Waste recovered or recycled (tonnes/y)” should not be an indicator as recovery is barely distinguishable from disposal in reality and often competes with recycling.	WRI (2)	The EBRD is fully aware of - and acknowledges - the importance of qualitative aspects/impacts in relation to the projects it supports in MEI and beyond. The Bank is working on this, but qualitative aspects/impacts are harder to measure than quantitative ones, and identifying robust qualitative indicators remains a challenge.

19. General Remarks

<i>N</i>	<i>Comment</i>	<i>Venue/ Source</i>	<i>EBRD Response</i>
19.1	Given the rapid evolution and growth of cities in recent years in various regions, it is important to define exactly what constitutes a city and clearly identify its boundaries.	LON	The Bank works with municipalities across 39 countries, where definition of a city varies. The Bank’s default approach in MEI sector is to engage in projects that are located within the boundaries of an urban area or a utility’s service area.
19.2	In the mid-1990s the EBRD supported new small- and medium-sized enterprises (SMEs) by using microloans. This was considered a really good approach because, due to the transition to a market economy at that time, emerging SMEs could not offer sufficient guarantees to secure a loan. The Bank used financial intermediaries to implement those loans. Today the situation is similar and the Bank should consider introducing that approach again to provide funding for SMEs.	KIE	The Bank works with SMEs as part of its Small Business Initiative, a strategic initiative integrating the tools the EBRD offers to support small enterprises.

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19.3	To show the benefits of an action to people, there is a need to demonstrate the business value of an intervention. One methodology to weigh the benefits of a financing choice is through the Life-cycle Assessment (LCA) approach of a project. The LCA approach can demonstrate aspects of the value of a project that are not evident at first glance and that hinder hidden costs.	KIE	The Bank looks closely at outputs and impacts of its investments.
19.4	The language barrier might prevent stakeholders from being on the same page when it comes to considering project implementation needs.	KIE	The Bank's project summary documents are written in local language to increase transparency and availability of its investments. Stakeholder engagement is typically conducted in local language.
19.5	There is an issue with the regulatory policy of the Ministry of Ecology of Ukraine; particularly, regarding protected areas and protection areas. Non-governmental organisations (NGOs) monitor the regulatory framework in Ukraine but there are difficulties even to access all existing regulations, let alone analyse them. The Bank and NGOs should jointly do an in-depth analysis of the laws and regulatory aspects that may hinder implementation of the Bank's projects.	KIE	The Bank welcomes harmonisation of laws and is happy to work with NGOs and Ministries, but this is outside the scope of the MEI Strategy.
19.6	There is a problem with ownership at the municipal level.	KIE	This is outside the current discussion on the MEI Strategy, but the comment is noted.
19.7	Municipalities are sometimes reluctant to seek financing from the Bank. They prefer to wait and get a grant from the Ministry instead. They are afraid of the financial commitment.	IST	The Bank understands the financial constraints of its clients and works with them on finding the most suitable financing structure. The Bank also mobilises other financing sources, including grants.