



Project
Complaint
Mechanism

SOUTH-WEST CORRIDOR ROAD PROJECT

REQUEST NUMBER: 2014/04

Compliance Review Monitoring Report II – October 2017

The Project Complaint Mechanism (PCM) is the independent accountability mechanism of the EBRD. PCM provides an opportunity for an independent review of complaints from one or more individual(s) or organisation(s) concerning an EBRD project, which allegedly has caused, or is likely to cause harm. PCM may address complaints through two functions: Compliance Review, which seeks to determine whether or not the EBRD has complied with its Environmental and Social Policy and/or the project-specific provisions of the Public Information Policy; and Problem-solving, which has the objective of restoring a dialogue between the complainant and the client to resolve the issue(s) underlying a complaint without attributing blame or fault. Affected parties can request one or both of these functions.

For more information about PCM, contact us or visit www.ebrd.com.

Contact information

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<http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html>

How to submit a complaint to the PCM

Complaints about the environmental and social performance of the EBRD can be submitted by email, telephone or in writing at the above address, or via the online form at:

<http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism/submit-a-complaint.html>

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NOTE: Unless otherwise defined, capitalised terms used in this Compliance Review Monitoring Report refer to terms as defined in the PCM Rules of Procedure.

Executive summary

This is the second Compliance Review Monitoring Report of the Project Complaint Mechanism (PCM) regarding the Complaint on the South-West Corridor Road Project in Kazakhstan. Following a review of the Bank's compliance with its 2003 Environmental Policy, the Compliance Review Expert made a finding of non-compliance in respect of one of the grounds set out in the Complaint. The Compliance Review determined that the Bank failed to adequately implement the environmental monitoring programme in accordance with paragraphs 27 and 28 of the 2003 Environmental Policy. EBRD Management subsequently prepared a Management Action Plan in response to the recommendations outlined in the Compliance Review Report.¹

During this second monitoring period, the PCM Officer reviewed the update provided by EBRD Management on implementation of the Management Action Plan as well as related documentation.

The PCM Officer takes note of the actions undertaken by Management to fulfil the commitments outlined in the Management Action Plan, and considers all Actions under this Complaint completed.

¹ The Complaint, Compliance Review Report and Management Action Plan are available on the [PCM Register](#).

1. Introduction

This Compliance Review Monitoring Report is prepared pursuant to the 2014 Project Complaint Mechanism (PCM) Rules of Procedure² whereby, pursuant to a finding of non-compliance, the PCM Officer is mandated to monitor the implementation of the recommendations³ of a Compliance Review Report subject to the timetable and estimate of human and financial resources as set in the Management Action Plan. PCM monitors the implementation of recommendations of Compliance Review Reports, and prepares Monitoring Reports at least biannually or until the PCM Officer determines that the implementation issues are concluded. Monitoring Reports are submitted to the President and Board, and then published in the PCM Register on the EBRD website.

PCM reviewed a Complaint about the EBRD's South-West Corridor Road Project in Kazakhstan, completing the Compliance Review in October 2016. The Compliance Review Expert made a finding of non-compliance in respect of one of the grounds set out in the Complaint. The Compliance Review determined that the Bank failed to adequately implement the environmental monitoring programme in accordance with paragraphs 27 and 28 of the 2003 Environmental Policy. The Compliance Review Report included recommendations to address the findings of non-compliance, in response to which EBRD Management prepared a Management Action Plan (available on the [PCM Register](#) on the EBRD website).

This is the second Compliance Review Monitoring Report regarding the EBRD's South-West Corridor Road Project.

² The Complaint was registered, reviewed and will continue to be processed in accordance with the 2014 PCM Rules of Procedure.

³ Pursuant to the PCM Rules of Procedure a Compliance Review Report will include recommendations to:

- a. address the findings of non-compliance at the level of EBRD systems or procedures to avoid a recurrence of such or similar occurrences; and/or
- b. address the findings of non-compliance in the scope of implementation of the Project taking into account prior commitments by the Bank or the Client in relation to the Project; and
- c. monitor and report on the implementation of any recommended changes.

2. Context

The PCM received a Complaint from Mr. Yuri Pavlovich Krivodanov, Head of the national non-governmental organisation Blago, in October 2014, raising concerns regarding the section of the South-West Corridor Road Project financed by the EBRD in Kazakhstan. The Complaint, registered on 24 November 2014 under the 2014 PCM Rules of Procedure, sought both a Problem-solving Initiative and a Compliance Review. The Complaint alleged that the Bank failed to comply with the 2003 Environmental Policy and relevant provisions of the Public Information Policy on a total of three grounds.

Firstly, the Complaint alleged that the Bank failed to properly carry out its monitoring and supervision responsibilities according to its policies and that this failure resulted in shortcomings in project design and implementation that purportedly harmed the residents of six villages along the transport corridor. Secondly, the Complaint alleged that the Bank failed to do enough, according to its policies, to address structural issues, root causes and systemic problems linked to infrastructure project challenges in Kazakhstan, specifically those confronting the Project such as the absence of adequate national norms regulating public engagement and consultation. Thirdly, the Complaint alleged that the Bank failed to respond to the Complainant's communications, enable dialogue and engage in cooperative relationship with the Complainant and civil society organisations and that this failure negatively affected village residents along the road corridor as well as harming the reputation of the non-governmental organisations engaged in monitoring the progress of the South-West Corridor Road Project.

The PCM commissioned an Eligibility Assessment of the Complaint based on the eligibility criteria in the PCM Rules of Procedure. In June 2015, the PCM Expert undertook a field visit to the affected communities along the renovated road in Aktobe region, Kazakhstan. The Eligibility Assessment Report for Compliance Review, released on 2 October 2015, concluded that the Complaint was eligible for a Compliance Review.

In October 2015, Andrea Saldarriaga was appointed as the PCM Compliance Review Expert. The PCM review included a review of public domain project information and EBRD internal documents. Meetings were held with EBRD staff and the Complainant.

The PCM Expert found EBRD in noncompliance in respect of one of the grounds set out in the Complaint. This Compliance Review determined that the Bank failed to adequately implement the environmental monitoring programme in accordance with paragraphs 27 and 28 of the 2003 Environmental Policy. PCM made recommendations relating to policy and procedural clarifications and improvements that could be made to address underlying weaknesses which resulted in the specific findings of non-compliance.

EBRD Management was requested to prepare a Management Action Plan, including a timetable and estimate of the human and financial resources required to implement the recommendations considered appropriate. The Management Action Plan included actions to address the recommendations at the level of EBRD systems and procedures as well as actions to address the recommendations connected with activities at the project level. The Complainant submitted comments on the Management Action Plan. The final Compliance Review Report and Complainant's comments were submitted for information to the EBRD's Board of Directors, along with the Management Action Plan submitted for acceptance. The Board accepted the Management

Action Plan, and the Compliance Review Report, Management Action Plan and Complainant's comments were publicly released on 5 October 2016.

3. Current monitoring period

The PCM Officer reviewed an implementation update on the Management Action Plan regarding the South-West Corridor Road Project for the period April - September 2017, which was provided by EBRD Management to the PCM in October 2017. The PCM Officer reviewed training materials prepared by the Environmental and Sustainability Department, which are used to train the Debt Portfolio Group staff on Environmental and Social Monitoring of EBRD projects.

The PCM Officer also invited the Complainant to provide his comments regarding Management's implementation of the Management Action Plan.

4. PCM observations

In light of information received to date, and in accordance with the scope of the PCM Officer's monitoring role, the PCM Officer has made observations regarding the implementation of the Actions of the Management Action Plan (MAP) concerning the South-West Corridor Road Project.

In the discussion below the Compliance Review recommendations are provided, along with the related action item(s) drawn from the MAP. The PCM's comments are also provided.

PCM takes note of the actions of the Bank's Management, including the preparation of training materials and the provision of training for the Debt Portfolio Group on environmental and social reporting by Bank Clients, and the efforts on encouraging Clients to report via the newly established ClientNet system. PCM considers Actions 1.1.1B, 1.1.1D, 1.2.2 H and 1.2.3 J under this Complaint completed, with no further monitoring by the PCM required. Actions 1.1.1A, 1.1.1C, 1.1.2E, 1.1.3F/G, 1.2.3I, 1.2.3K and 1.2.4L were completed during the first monitoring period.

PCM Action 1.1.1A

Implementation update

The Bank will review the text in the internal Operations Manual to clarify circulation of AESRs [Annual Environmental and Social Reports] and update, if necessary, to take account of the new electronic reporting.

Completed. The text in the Operations Manual is revised and approved by PreOps.

ESD [Environment & Sustainability Department] recommends the PCM to close the item.

PCM comments PCM considered this Action closed in May 2017.

PCM Action 1.1.1B

Implementation update

The Bank will encourage its Clients to sign up to the new electronic reporting system, but it should be noted that the system is optional and may not be suitable for all of the Bank's Clients.

The ClientNet Operations as of August 2017 show that 31 per cent of all Bank's clients are now reporting via ClientNet. This number will continue to increase gradually.

ESD recommends the PCM to close the item.

PCM comments The action item has been completed. PCM considers no further monitoring is required.

PCM Action 1.1.1C

Implementation update

For the reports which are not submitted through the electronic system, AESRs are to be sent to a centralized e-mail address within the Environmental and Sustainability Department (ESD) and this will be communicated to the department responsible for operations administration. This will ensure that the reports will be received and filed appropriately in a central location, in addition to going to the environmental and social specialist to review.

Completed. The procedure has been developed and is being implemented.

ESD recommends the PCM to close the item.

PCM comments PCM considered this Action closed in May 2017.

PCM Action 1.1.1D**Implementation update**

ESD will review relevant training materials on Environmental and Social issues for Bank staff, in particular the sections on project implementation and monitoring, and clarify the importance of environmental and social reporting and the effects of delays and non-compliance at the project level. The materials will emphasize the roles and responsibilities in liaising with the Client and reminding the Client to submit their reports to the Bank in a timely manner and in accordance with the schedule agreed in the legal documentation.

ESD provided a presentation for E&S Monitoring training to the newly established Debt Portfolio Group staff who will be responsible for monitoring of projects after signing. ESD has carried out 3 trainings to date capturing around 50 portfolio managers. There was also a portfolio risk management training to Almaty RO staff.

ESD recommends the PCM to close the item.

PCM comments The action item has been completed. PCM considers no further monitoring is required.

PCM Action 1.1.2 E**Implementation update**

The standard templates for project implementation units and monitoring consultants will be reviewed and updated as needed to clarify the responsibilities with respect to assisting the clients with preparation of AESRs.

Completed.

ESD recommends the PCM to close the item.

PCM comments PCM considered this Action closed in May 2017.

PCM Action 1.1.3F/G**Implementation update**

Management to review project implementation, monitoring and reporting sections of the Operations Manual and Operational Guidelines and update as needed.

Completed. The section of the Operations Manual is prepared and approved by PreOps.

ESD recommends the PCM to close the item.

PCM comments PCM considered this Action closed in May 2017.

PCM Action 1.2.2 H**Implementation update**

The new electronic system is being piloted and will result in increased reminders to Clients when reports are due. The Bank will discuss internally on what measures can be taken for Clients who choose not to sign up to the electronic system, and will report in the next update report.

Initial results obtained as of August 2017 indicates that 31 per cent of the clients have started using ClientNet for electronic reporting. The Bank has made other organisational changes including the new Corporate Debt (CD) portfolio management team, which is a predominantly dedicated and specialized team responsible for managing the Bank's non-SME debt portfolio. The new CD team will ensure closer and more streamlined monitoring of projects. Based on the continuing improvements, **ESD recommends the PCM to close the item.**

PCM comments The action item has been completed. PCM considers no further monitoring is required.

PCM Action 1.2.3 I**Implementation update**

The Management to review project implementation, monitoring and reporting sections of the Operations Manual and Operational Guidelines to cover timely communication of information received from third parties to the relevant

Completed. The section of the Operations Manual is prepared and approved by PreOps. Completed. E-mail from Senior Management of 24th October 2016 to the Banking Department.

ESD recommends the PCM to close the item.

departments and work with relevant Bank departments to implement the changes. Management will inform relevant staff in a high level communication about the critical importance of monitoring and reporting.

PCM comments PCM considered this Action closed in May 2017.

PCM Action 1.2.3 J

Implementation update

ESD to review training materials and update information on monitoring and reporting for new staff.

ESD team provided a presentation for E&S Monitoring training to the newly established Debt Portfolio Group staff who will be responsible for monitoring of projects after signing. ESD has carried out 3 trainings to date capturing around 50 portfolio managers. There was also a portfolio risk management training to Almaty RO staff.

ESD recommends the PCM to close the item.

PCM comments The action item has been completed. PCM considers no further monitoring is required.

PCM Action 1.2.3 K

Implementation update

Management will inform relevant staff in a high level communication about the critical importance of monitoring and reporting.

Completed. E-mail from Senior Management of 24th October 2016 to the Banking Department attached.

ESD recommends the PCM to close the item.

PCM comments PCM considered this Action closed in May 2017.

PCM Action 1.2.4 L

Implementation update

Management to review project implementation, monitoring and reporting sections of the Operations Manual and Operational Guidelines to strengthen the processes related to distribution of environmental and social information to relevant environmental and social specialists.

Completed. The section of the Operations Manual is prepared and approved by PreOps.

ESD recommends the PCM to close the item.

PCM comments PCM considered this Action closed in May 2017.

5. Conclusions and next steps

Actions 1.1.1A, 1.1.1C, 1.1.2E, 1.1.3F/G, 1.2.3I, 1.2.3K and 1.2.4L were completed during the first monitoring period. In this second monitoring report, Bank Management reported on efforts undertaken by the Bank and the Client in relation to the completion of the remaining Actions (1.1.1B, 1.1.1D, 1.2.2 H and 1.2.3 J) and considers them now closed. Accordingly, this Complaint does not require any further monitoring by the PCM.