

Environmental Advisory Council of the European Bank (ENVAC)

Meeting in London, 3 November 2006

Meeting Summary

The Environmental Advisory Council of the European Bank for Reconstruction and Development (EBRD or “the Bank”) met in London on 3 November 2006. The morning sessions were chaired by the Director of the Environment Department, Alistair Clark, and the afternoon session was chaired by President Jean Lemierre. Representatives of the EBRD Board of Directors for the following constituencies observed the meeting:

- Canada
- Korea/Australia/NZ/Egypt
- Japan
- European Commission
- Belgium/Luxemburg/Slovenia
- Switzerland/Turkey/Liechtenstein/
Uzbekistan/Kyrgyz Republic/
Azerbaijan/Turkmenistan/ Serbia &
Montenegro
- United Kingdom
- Netherlands/Mongolia
- Italy
- Spain
- European Investment Bank
- Austria/Cyprus/Israel/Malta/
Kazakhstan/Bosnia & Herzegovina

The following topics were covered at the 3 November meeting:

1.	<i>Handling Requests for Information—Public Information Policy Commitments. Balancing transparency and confidentiality.</i>
2.	<i>Update on Multi-lateral Carbon Credit Fund</i>
3.	<i>Public Consultation Plan for Environmental Policy review</i>
4.	<i>Update on Gender Study and preliminary findings</i>
5.	<i>Strategic Direction of Policy Changes. Where is the world today; what are the general trends? What is the objective of the revised policy and how can it help EBRD meet its mandate of transition impact?</i>
6.	<i>Project Boundaries: How far should the Policy be applied beyond the project boundaries? Financing vehicles: New structures of projects and financing vehicles may impact the ability of the Environmental Policy to achieve the intended results during implementation. How can we improve the Policy to ensure that all financing vehicles meet the intent of the Policy? Discussion on improving effectiveness of the Policy in different project structures.</i>

Introduction

Alistair Clark, Director of the Environment Department opened the meeting and welcomed the Council. He updated the Council on the departure of Fabrizio Saccomanni, Vice President of Risk Management.

Session One: Handling Requests for Information: EBRD Public Information Policy (PIP) Commitments. Balancing transparency and confidentiality

Bank Staff: Horst Reichenbach, EBRD Secretary General

The Secretary General gave an outline of the role of the Office of the Secretary General of the Bank. He mentioned the launch of the Transparency Charter for NGOs the previous day, which had been circulated to the ENVAC members for their information. Mr Reichenbach summarised the Public Information Policy revision in 2006 and the purpose of the procedures for requesting information and appealing decisions on disclosure. This document was circulated to the ENVAC members for discussion.

ENVAC Comments

The 2006 PIP and procedures for handling requests for information were welcomed as a good start, but ENVAC advised that there will be questions and pressure to push for further progress in 2007. ENVAC members requested information about the implementation of the 2006 Public Information Policy and to know what the main points of contention between the Bank and the NGO community were.

One ENVAC member commented that the EBRD was using public money, not private money, and as such, should have much more transparency on how taxpayers' money was being used. He also wondered what the penalties were for staff if they did not meet the deadlines in the PIP procedures, and what steps the Bank will take if they do not meet the commitments in the Policy and procedures. The Bank should include summary of responsiveness to requests for information in its annual report on the implementation of the PIP.

The Bank was encouraged to implement the principles of the Aarhus Convention and to have regular meetings on a routine basis with environmental groups. The Bank was asked to consider encouraging project sponsors to provide toxic release inventories to the public. ENVAC reminded the Bank that EBRD is invited to participate in projects for specific reasons, and that this gives more leverage to ask for things, such as greater transparency.

Suggestions were made for putting routine questions and answers to frequently asked questions on the Bank's website. Another suggestion was for the Bank to have a seminar for NGOs and project sponsors to discuss a progression towards greater transparency—so that project sponsors would understand that more disclosure on environmental and social issues was not dangerous, and for NGOs to understand that it is a process that needs to evolve over time.

Bank Response

The 2006 Public Information Policy (PIP) went into force 1 September 2006, so there is limited information on the implementation. An example was given of an NGO request for information that the Bank was unable to supply. The NGO appealed to the Bank's Independent Recourse Mechanism (IRM), but the IRM was intended to be used by local stakeholders who believe that they have been harmed by a project financed by the EBRD, and not as an appeal function for disclosure requests. The Secretary General explained that the Bank would release annual reports that show how the PIP is being implemented, including requests for information. He also advised that the EBRD normally considers the PIP for revision every three years, but following a request from the NGO community, the EBRD would review the PIP again in 2007 to see if modifications are warranted.

One main point of contention between the Bank and NGOs is that the NGOs do not seem to make a distinction between public and private sector projects, or to appreciate that some 80% of the Bank's clients are private sector. The other main point of

difference is that the NGO community would like to see the appeal process be more independent from the Bank.

The Bank agreed that more transparency was required of public institutions as compared to private institutions. Results of implementation would be recorded in the annual report on the PIP, which is posted on the Bank's website. With regard to sanctions for non-compliance with the PIP or implementation procedures, this issue has not yet been discussed. The Secretary General stated that the results of implementation will be reviewed by the highest level of the Bank management, and if results are not positive, further steps to ensuring compliance would be discussed at that time.

Representatives from banking, the General Counsel's office, and the Board of Directors discussed the need for confidentiality for some aspects of private sector projects. The Secretary General elaborated on the wording of the PIP which includes restriction of release of information when there is a *legitimate* reason. The Bank elaborated that the information often requested on projects was the property of the project sponsors, and that their permission would be necessary to release the information. It was recognised that some clients are more open than others, and part of the Bank's transition mandate should be to increase transparency and accountability.

Session 2: Update on Multi-lateral Carbon Credit Fund

Bank Staff: Josué Tanaka, EBRD Director, Planning and Control
Jan Willem van der Ven, EBRD Principal Carbon Manager, Energy
Efficiency Unit

Bank staff updated ENVAC on the progress the Bank has made in greenhouse gas reduction. The key was to identify what types of initiatives a bank like EBRD could manage effectively. Six different areas were identified:

- Reducing energy at energy-intensive companies
- Financing small and medium sized enterprises through financial intermediaries
- Financing cleaner power generation
- Increasing finance of renewables and accelerating investment
- Building relationships with municipalities, such as district heating and urban transport projects
- Carbon finance

ENVAC was told that since the last update, the annual meeting of the Board of Governors gave broad endorsement of the initiative and a number of internal measures have been implemented to mainstream the activities throughout the Bank. Meetings have been held with different banking sectors to identify their particular opportunities. Numerous discussions have also been held with shareholders on support of these activities. There is a need for balance at both the project level and the policy level.

The progress made on the Multi-lateral Carbon Credit Fund was outlined, which is an initiative of the EBRD and European Investment Bank (EIB). The EBRD's region of operations is currently under-represented in the market, and selling carbon credits can provide hard currency revenues which can be used to fund GHG reduction projects.

ENVAC Comments

Dr Kassenberg gave a presentation about GHG emissions in the member states, and what the current status and future changes are predicted. He emphasised the need to think about the long term effects of investment. For example, from 2001-2015, an 80%

increase in CO2 emissions from transport is predicted, as railroad transport decreases 25% and the use of cars and trucks increase.

ENVAC members congratulated the Bank on progress made on this initiative, particularly in looking at both medium and long-term goals in parallel. They acknowledged the strength of the Bank in project finance, particularly in demonstration or pilot projects that can be publicised.

The European Environment Agency offered to work with EBRD on this strategy, particularly in scenario setting.

Bank Response

The Bank welcomed the comments and agreed to continue discussion with ENVAC members on the suggestions.

Session 3: Public Consultation Plan for Environmental Policy review

Bank Staff: Mark King, Group Head, Environment Department

Bank staff briefly outlined the public consultation plans for the Environmental Policy review, and that there would be a preliminary series of expert workshops on indigenous people, vulnerable groups, and labour, that would be conducted prior to drafting the new proposed policy text.

Session 4: Update on Gender Study and preliminary findings

Bank Staff: Michaela Bergman, Principal Social Specialist
Alke Schmidt, Principal Environmental Advisor

Bank staff explained that the draft report on the opportunities for gender equality in the Bank's operations has been completed and is being reviewed. The study was supported by the United Kingdom and Canada. Preliminary results have shown that the impacts of transition have not been equal across gender. Examples were given of the decline in life expectancy for men is over two times the rate of decline in women. Another example was that more women seem to be moving into informal sectors of the economy, which loses their opportunity to access benefits and pensions. There appears to be a growing gap between gender in the region.

Bank staff explained that the Bank is looking at this issue because the term *environment* now is expected to cover a broader range of topics, including social issues. Other multilateral banks have made significant progress on this issue and include it in staff training, and that there is a reputational aspect to the issue. While EBRD has reviewed this issue on several large natural resource projects, it has not taken a systematic approach to date. At the institutional level, the Bank conducted a staff survey on a number of issues and gender and work-life balance issues arose as needing to be reviewed, and Bank management is taking the results of this survey seriously.

Some of the conclusions of the gender study were the need to identify opportunities and impacts at an earlier stage in project preparation. It also recommends that there be "gender champions" within the institution to promote development of this area and adherence to the Bank's commitment against discriminatory practices in the workplace (EBRD Environmental Policy). An example of where project opportunities could lie is within the financial intermediary sector, whereby the Bank finances small and medium-

sized enterprises indirectly through local banks and funds. It is currently unclear if women in the Bank's region of operations have adequate access to funding, and this needs to be studied in more depth.

ENVAC Comments

ENVAC members discussed examples of initiatives in their countries. Norway, for example, has a requirement that 40% of members of boards of directors be women. This kind of requirement means that resources are put into identifying and training women to be members of boards. One ENVAC member asked the number of women on the EBRD Board of Directors.

ENVAC members noted that EBRD cannot be responsible for gender issues generally, but should look for disproportionate impacts to one gender, and also to identify opportunities at the project level, and to identify general issues at the country level and include them in the country strategies. The key was thought to be sustainability, which should include all environmental and social impacts.

One ENVAC member mentioned that 2005 to 2014 is the UN Decade of Education for Sustainable Development (DESD), which includes gender issues. The Bank was encouraged to follow the developments of the ISO working group on a new voluntary international standard (ISO 26000, due in 2008) providing guidelines for social responsibility, including gender-based balance.

It was noted that some gender-based projects may require more resources, such as technical cooperation, to develop capacity, as well as to implement and monitor. ENVAC members suggested that the Bank publicise more about the work that it is doing by including highlights of women in business in its publications—"Voices of Change" was one such positive example.

Bank Response

Bank staff mentioned the women in business workshops and meetings that are integrated into the Bank's annual meeting. More internal resources, such as trained social specialists would be needed to expand the Bank's due diligence, implementation and monitoring in these new areas. Particular areas to investigate are microfinance, rural projects, small and medium-sized enterprises, access to financial intermediary funding, etc. The link between poverty and gender is also one that will need exploring more.

On the internal institutional level, it was noted that although the EBRD Board of Governors and Directors do not have significant representation by women, the Staff Council is approximately 50% women, and women and men co-chair the Council.

The Bank agreed to put the gender issue on the next ENVAC meeting agenda, when the report is finalised.

Session 5: Strategic Directions of Policy Changes

Bank Staff: President Jean Lemierre

The President of EBRD led a discussion on the changes in the region, the price of gas, and electricity, tariff reform and the need to promote large programmes of energy efficiency investment. The Bank was not satisfied by the lack of appetite by governments in the region for energy efficiency, and want to demonstrate the business case for energy efficiency, and the need for regulatory support to promote

implementation. Regulation is growing too slowly, and the need for energy is predicted to increase dramatically in the next decade.

The President invited ENVAC to share information with the Bank on new technologies and what they can offer in the region, such as carbon storage, gas lift, cleaner coal, trends. A potential meeting of academics, engineers, NGOs, and economists who specialise in energy was discussed to brainstorm ideas and opportunities for the Bank to assist the region make greater progress towards energy efficiency and greenhouse gas reduction.

The discussion continued about transition, and the difference between transition and convergence, and the role of the Bank. There were also comments about the pace of transition, and a pause in reform, and whether this would be temporary or more long term.

Session 6: Project Boundaries and Project Financing Structure: How should the Policy be applied?

Bank Staff: Dariusz Prasek, Group Head Environment Department
Alke Schmidt, Principal Environmental Advisor

Bank staff outlined the main concerns and questions about where to set the boundaries of the project:

- What is the client's area of influence?
- What are the client's induced impacts?
- What issues are involved with third party involvement, such as contractors and supply chain issues?
- What leverage does the Bank have?

Comparisons were made to the approach that IFC used in its new policy revision. EBRD asked ENVAC to consider whether there should be a specific policy commitment about project boundaries.

With regard to project financing structures, Bank staff explained that the current policy is not easily applied to some of the financing structures, such as public offerings. Funding raised by the public offering, however, can be used to finance things that the Bank would have needed an environmental impact assessment or analysis if it had financed the project directly. In a bond issue, the Bank is only able to get a memorandum of understanding, which does not have the same legal recourse as specific covenants in legal documentation (implementation can depend a great deal on the company's good will).

ENVAC Comments

ENVAC members encouraged the Bank to set criteria and requirements for projects and maximise its transition impact. One idea raised was to evaluate listed companies according to principles set in the Policy. An EBRD rating or reference point could be a marketing tool for companies—a new market indicator by which companies are judged.

One ENVAC member suggested that the Bank form one or more working groups with specific ENVAC members based on topics and have more in-depth discussion.

ENVAC members advised the Bank not to change the policy to make life easier—but to maximise the impact the Bank could have associated with its finance—to push the

implementation of its mandate, and not to let new project structures avoid the positive elements built into its policies and approved by its Board.

With regard to the range of the policy application, the Bank was advised to continue to look at a case-by-case basis, and to focus on priority issues instead of treating all issues equally.

Special importance should be paid to the implementation of the Aarhus Convention and transparency, particularly of availability of environmental information.

Bank Response

Bank staff welcomed the comments of ENVAC and agreed to keep in contact with them throughout the policy review period, and to circulate issues papers to them, when prepared, for their information.