

OMBLA HYDROPOWER PROJECT: PCM COMPLIANCE REVIEW REPORT

MANAGEMENT ACTION PLAN

The Management Action Plan is presented considering that the Bank loan has been cancelled. Therefore, while Management considers that the preparation of a satisfactory biodiversity study was appropriately established in this project as a condition precedent for disbursements under the EBRD loan, these proposed Management Actions are more of a generic nature and not project specific and proposed to be implemented as part of the ongoing process to review and revise the Environmental and Social Policy (ESP), which is planned to be completed in April 2014.

Recommendations and proposed actions		
A. Recommendations to address the findings of the PCM Compliance Review Report at the level of EBRD systems or procedures		
Recommendation	Management Response	Resources/Timetable
Development of guidance / formal procedures by ESD to assist Bank staff in deciding at which point the environmental and social appraisal of a project is sufficiently complete to allow submission of the project for Board approval. ¹	Management proposes to refine internal operational procedures to clarify the circumstances under which Board approval to defer elements of environmental and social appraisal until after Board approval could be sought, providing that appropriate contingencies or other obligations placed on the borrower are included in the financing agreements, including the Environmental and Social Action Plan (ESAP). Management also proposes that internal operational procedures will be amended to clarify the decision making process and documentation of such decisions, and enhance the information provided to the Board on such circumstances and contingencies relating to further environmental and social appraisal when their approval is sought.	No additional resources needed. Internal operational procedures will be refined in 2014, following Board approval of the revised ESP.
Where, due to exceptional circumstances, project approval is unavoidably required in advance of completion of the requisite	Management believes that the Bank has robust procedures that govern decisions on disbursement of funds, including decisions taken upon completion of required additional environmental and	No additional resources needed. Internal operational

¹ Some Recommendations cover more than one topic, so have been separated by row so that the management response can address each specific issue.

<p>environmental and social appraisal:</p> <ul style="list-style-type: none"> - Development of formal procedures for taking decisions on disbursement of funds where such disbursement is subject to the satisfaction of contractual conditions relating to further environmental and social appraisal; 	<p>social appraisal, and involve a number of Bank departments in making such decisions. In such cases where further environmental and social appraisal is required as a condition of disbursement, the Environmental and Social Department (ESD) must deem the relevant disbursement conditions having been satisfied before disbursement can take place.</p> <p>Management proposes to amend internal operational procedures to clarify the decision making process and documentation of such decisions. Management also proposes to amend internal operational procedures to enhance the information provided to the Board to ensure the Board is fully informed on conditions relating to further environmental and social appraisal as a condition of disbursement when their approval is sought.</p>	<p>procedures will be revised in 2014, following Board approval of the revised ESP.</p>
<ul style="list-style-type: none"> - Development of formal procedures to ensure full transparency in relation to the fact that that a project has received Bank approval with disbursement of funds subject to subsequent satisfaction of contractual conditions relating to further environmental and social appraisal, and in relation to decision-making on such disbursement. 	<p>Management deems that more transparency is appropriate when projects are approved on the basis of further environmental and social appraisal to be completed that may affect disbursement decisions and thus project implementation. Management proposes that for projects with disbursement/ implementation requirements contingent upon further environmental and social appraisal, the Bank's Project Summary Documents (PSDs) disclosed on www.ebrd.com will explicitly identify these requirements. PSDs will be updated as needed to disclose information on subsequent environmental and social appraisals and associated contingent disbursement decisions. ESD's internal guidance for preparing the environmental and social impact sections of PSDs will be amended to reflect this commitment.</p>	<p>No additional resources needed. ESD's internal guidance for preparing PSD Environmental Impact Sections will be amended in 2014, following Board approval of the revised ESP.</p>
<p>B. Recommendations to address the findings of the PCM Compliance Review Report concerning the scope or implementation of the Project</p>		

<p>Development of an open and transparent scheme for monitoring whether the requirements of the ESAP and, to the greatest extent possible, the requirements of PR 6 of the 2008 ESP, have been adequately fulfilled before disbursement of funds takes place. Such a scheme should be subjected to independent monitoring and oversight, possibly by the Compliance Review Expert or another PCM Expert pursuant to PCM RP 46.²</p>	<p>Management considers that the preparation of a satisfactory biodiversity study was appropriately established in this project as a condition precedent for disbursement under the EBRD loan. In accordance with its ESP and internal operational procedures, the Bank did indeed have for the Ombla project an open and transparent scheme for monitoring as to whether the requirements of the ESAP and the requirements of PR 6 of the 2008 ESP were adequately fulfilled before disbursement of funds. This involved, among others, public disclosure of the additional biodiversity study and five further public meetings with key stakeholders on its results and conclusions. The degree of public engagement that was experienced attests to the effectiveness of the process.</p> <p>The Bank's requirements on Ombla project demonstrate that the Bank has robust and effective processes and procedures for monitoring the status and success of the ESAP implementation. This includes mandatory annual reporting by clients, independent third-party assessments, and direct Bank assessments. This is considered sufficient to address the recommendation for independent monitoring and oversight.</p>	<p>No additional action or resources needed. EBRD monitoring of the implementation of the ESAP requirements will continue throughout the Bank's involvement in projects throughout their life.</p>
<p>C. Monitor and report on the implementation of any recommended changes</p>		
<p>The Compliance Review Expert recommends that implementation of the various recommendations proposed above are monitored by Bank officials and that a report be prepared upon completion of these</p>	<p>Bank Management will cooperate in the reporting requirements of the PCM Officer in accordance with the PCM Rules of Procedure every six months until issues are closed. It is not clear what role is recommended for HEP in this process, but any such role will be determined by the PCM Officer in consultation with Bank</p>	<p>No additional action or resources needed. Bank staff will cooperate with the PCM officer's preparation of the bi-</p>

² PCM RP 46: The PCM Experts will be responsible for serving as Eligibility Assessors, Compliance Review Experts, or Problem-solving Experts, and may be responsible, upon delegation by the PCM Officer, *for any follow-up monitoring and reporting*. (Emphasis added).

tasks and agreed with relevant Bank officials, the PCM Officer, and HEP before being posted on the PCM section of the EBRD website.	Management.	annual reporting on the Action Plan until items are closed.
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