

**CAPITAL RESOURCES REVIEW 4  
2011 - 2015**

**REPORT ON PUBLIC CONSULTATION**  
(Prepared by Civil Society Engagement Unit)

March 2010

## I. INTRODUCTION

In February 2010, the European Bank for Reconstruction and Development (EBRD) commenced a public consultation process to gather civil society feedback on the strategic aspects of the Bank's fourth Capital Resources Review (CRR4).

As a part of the consultation process, the EBRD disclosed a paper "*Fighting the Crisis, Promoting Recovery and Deepening Transition*" (BDS09-54) in English and Russian and *Background material on Capital Resources Review 4:2011-2015* (February 2010). Several hundreds civil society stakeholders were invited to provide written comments on the CRR4 material.

Eight written comments were received from NGO Teta "Khazri" (Azerbaijan), European Center for Services Investment and Financing (Belgium), Business Support Center for SME (Bulgaria), Georgian Society of Nature Explorers "Orchis" (Georgia), CEE Bankwatch (Czech Republic), Focus Association for Sustainable Development (Slovenia), Revenue Watch Institute (United Kingdom) and NGO Environmental Law Center "Armon" (Uzbekistan).

In addition, the EBRD had organised a consultation workshop on 10 March 2010 at the Bank's HQ in London to provide the opportunity for regional and international civil society stakeholders to discuss strategic aspects of CRR4 with the representatives of the Bank's management and the Board of Directors. The consultation workshop was attended by fifteen civil society representatives from NGOs, think tanks and academia coming from ten countries - Kazakhstan, Ukraine, Romania, Serbia, Croatia, Georgia, FYR Macedonia, Lithuania, Czech Republic and UK. The list of participants of the civil society workshop is available in Annex 1.

This report captures the key themes and views received during the consultation process. It summarises feedback from civil society workshop held in London as well as comments received through the Bank's website as of 10 March 2010.

## II. COMMENTS RECEIVED

### 1. Comments on the EBRD's institutional priorities

- Civil society organisations praised the EBRD's work on promoting transition to market economy and deepening democracy. While acknowledging that the EBRD has a unique mandate of producing systemic change rather than pursuing specific development outcomes, many participants argued that the current economic crisis has shown that it is not only increasingly difficult but also not advisable to separate the two.
- Many organisations commended the EBRD for improving the quality of institutions of market economy. Several comments urged the Bank to sharpen its focus and develop a more strategic approach to institutional quality, regulatory frameworks, governance and reform in its countries of operations, including introducing more concrete and measurable targets.
- Several organisations expressed the view that the Bank's should use its current leverage in the crisis and post-crisis period to put more pressure on governments to improve their human rights and democracy record in the context of the Bank's Article 1 principles. In light of the EBRD's strategic objective of "moving east and south", several participants expressed concern for the Bank engaging more in countries with regimes that do not support human rights, such as Turkmenistan.
- To this end, they welcomed the change towards a more integrated approach to achieving institutional priorities through policy dialogue and technical assistance. It was stated,

- Several civil society representatives commended the EBRD's focus on SMEs and urged the Bank to adopt an integrated approach to SME support through a combination of banking and non-banking financial instruments accompanied by technical assistance services, such as capacity building and advice, which SMEs in the EBRD's countries of operations require.
- Some participants suggested that the Bank should reconsider its institutional priorities in a current environment where the relationship between market, state and society has changed and the power of market started to show clearly its limits. Several comments were on the consequences of the crisis and vulnerabilities in terms of exposures created by foreign currency loans and long-term financing through foreign exchange loans.

## **2. Comments on transition and transition indicators**

- Most participants argued that the concept of transition should be redefined to include more explicitly social sustainability and the related goals of producing sustainable employment, prosperity and high quality services, reducing poverty and increasing gender equality.
- Many participants argued that the concept of transition should also include environmental sustainability and that the Bank should incorporate measurable environmental goals in its country and sectoral strategies.
- Many participants felt that the Bank should not assume that liberalization, privatization and commercialization were the best means to ensure transition but instead adopt a more holistic approach to reform which would be better suited to meet the needs of transition countries.
- Some civil society representatives expressed concerns that transition indicators are too focused on the goals of a market economy without taking other objectives into consideration, especially energy efficiency and gender issues. They pointed out that the EBRD should review its transition indicators to include indicators on the contribution made by EBRD projects to the welfare of society and transition to an environmentally and socially sound society.

## **3. Comments on social issues**

- Some participants said that the EBRD should promote social issues more proactively, going beyond current focus on risk minimisation and compliance with the Environmental and Social Policy. More attention should be given to the active promotion of social aspects as part of the project planning, design, implementation and monitoring, in particularly in energy and infrastructure projects.
- It was suggested that social enterprises - private sector businesses that work for social objectives - should be supported financially by the Bank as useful ways to internalise stakeholders' social and environmental interests.
- Civil society representatives applauded the EBRD on adopting the Gender Action Plan and stressed the importance of promoting gender in the region through integration of the gender component into the Bank's projects.

## **4. Comments on energy efficiency, renewable energy and natural resources**

- Civil society representatives welcomed the EBRD's increased investments in energy efficiency and encouraged the Bank to engage in substantial policy dialogue in order to

- Comments highlighted the need to further economic diversification in the region's economies, especially in Kazakhstan and Central Asia, which are currently highly dependent on natural resources. The Bank was urged to review its portfolio in order to avoid promoting commodity dependence and to encourage economic diversification. The need to reduce the Bank's investments in fossil fuel and shift its focus on increased investment in renewable energy was also raised.
- Civil society representatives also raised the issue of introducing tax subsidies and other measures to promote energy efficiency and provide incentives.
- It was recommended that the EBRD should give more strategic priority to energy efficiency improvements of buildings, which account for almost half of total energy consumption.
- In terms of renewable energy development, it was noted that the EBRD should further expand its investment in a wider range of alternative energy sources, including solar power in order to fully tap into the region's renewable energy potential.
- It was mentioned that the EBRD should better communicate its success stories in terms of effective energy efficiency projects in which it has accumulated expertise. This sharing of knowledge could further promote the sector in its countries of operation, where there currently is little knowledge about achievements in the sector.

## **5. Comments on infrastructure investments**

- Few participants expressed the view that, while the Bank's investment in infrastructure are welcome, EBRD should make sure that these investment take into account the cost of sustaining infrastructure projects in the long run.
- Some warned that in its MEI investments the Bank should try to avoid over reliance on market forces but rather aim for a mix of ownership and financial models.
- Several organisations urged that Bank to decrease its investments to road infrastructure and to increase loans for the development of public transport. The assistance to the aviation industry should be also minimised, according to some participants.
- It was also suggested that there should be more awareness raising among stakeholders and integration of stakeholders in decision-making processes to improve the efficiency of infrastructure projects.

## **6. Comments on transparency and accountability**

- The EBRD was praised for its 2006 Public Information Policy which requires project sponsors to publicly disclose material project payments to host governments as well as for its support of the Extractive Industries Transparency Initiative (EITI).
- It was stressed that the Bank should focus on helping its clients to improve performance regarding the EITI reporting standards, including greater disclosure of contract terms, project payments, production volumes, costs and transit and other revenues.
- The need to increase the information disclosure more systematically on the EBRD's website with regards to revenue information for oil, gas and mining projects as well as sub loans to the SMEs via the EBRD's financial intermediaries were also emphasised.
- It was suggested that the Bank could push for more transparent reporting requirements on a country-by country and project-by-project basis alongside the EITI initiative.
- It was stressed that the EBRD should be more transparent about its cooperation with state owned companies in the region.

## **7. Comments on IFI cooperation and policy dialogue**

- It was raised that there should be greater emphasis on policy dialogue and using the leverage of the EBRD in cooperation with other IFIs, MDBs and bilaterals to strengthen market economy, reinforce democratisation, bring about better governance and accountability and ensure that reforms are enacted.
- Civil society representatives suggested that there could be greater IFI coordination and cooperation in areas in which their activities overlap, such as with the Asian Development Bank in Central Asia, especially in light of the EBRD's plan to move its operations farther south and east. This could help EBRD achieve its goals of increasing its in-country presence and strengthening technical cooperation.
- Several participants suggested that EBRD should cooperate more closely with other IFIs in terms of auditing and monitoring co-financed projects.
- The suggestion was made that the EBRD should promote country-level policy dialogue with multiple stakeholders, through organising roundtables for example. This dialogue should not be divided along IFI/government/NGO/private sector categories but rather include all relevant actors based on thematic focus or area of expertise.
- Some comments suggested the EBRD should increase capacity building of corporate and FI clients as well as local authorities and relevant ministries to ensure their ability to comply with EBRD standards which are higher than the minimum legal requirements set by countries themselves.

**Fourth Capital Resources Review Consultation Workshop with Civil Society**

**10 March 2010, 09.30-13.00, EBRD's HQ, London**

List of participants:

1. Association of the Economic Empowerment of Women (Femina Creativa), Subotica, Serbia – Ms Orna Rosenfeld
2. "AUR" - The National Association of Human Resources Specialists, Bucharest, Romania – Ms Raluca Manaila
3. CEE Bankwatch, Zagreb, Croatia - Ms Pippa Gallop
4. Center for New Environmentally Safe Technologies, Karaganda, Kazakhstan – Ms Dana Sadikova
5. Georgian Society of Nature Explores “Orchis”, Tbilisi, Georgia – Ms Mariam Kimeridze
6. International Alliance for Women, London, United Kingdom - Ms Silvia Cambie
7. Lithuanian Free Market Institute, Vilnius, Lithuania - Mr Zilvinas Silenas
8. London Schools of Economics, London, United Kingdom – Dr Will Bartlett
9. Macedonian Center for Energy Efficiency, Skopje, FYR Macedonia – Ms Makedonka Dona Dimitrova
10. Macedonian Center for Energy Efficiency, Skopje, FYR Macedonia – Ms Jasminka Kapac
11. PASOS, Prague, Czech Republic – Mr Jeff Lovitt
12. Public World, London, United Kingdom – Mr Brendan Martin
13. Oxfam GB, London, United Kingdom – Mr Jon Horsley
14. Revenue Watch, London, United Kingdom - Ms Vanessa Herringshaw
15. Youth Environmental League of Prydniprovyia (MELP), Dnipropetrovsk, Ukraine – Ms Alla Lytvynenko