The EBRD is committed to promoting environmentally sound and sustainable development in all of its activities. Technical Cooperation (TC) is a key tool that works with the Bank’s investment capital, due diligence and policy influence to deliver environmental and social benefits. Strong donor and shareholder support has made this work possible, and this report presents some of the achievements.

What we do

Through its Environment and Sustainability Department the EBRD delivers a wide range of TC projects to address environmental and social issues, and following the broad goals of assurance, impact and engagement. These TC projects yield direct benefits to Bank-financed projects in areas including pollution prevention, health and safety, and labour and social safeguards. They have also enabled the EBRD to develop innovative approaches to emerging issues, such as energy efficiency, climate adaptation and gender equality.

TC operations also help the Bank to:

- address systemic barriers to successful investment in the sustainable development of market economies
- respond to changing environmental and social priorities and opportunities in the Bank’s countries of operations
- act as a well-informed and effective partner in international cooperation and policy dialogue initiatives.

Policy context

The EBRD's focus on environmentally sound and sustainable outcomes extends to all aspects of the Bank’s work, and is underpinned by the Bank’s Environmental and Social Policy.

The policy establishes environmental and social performance requirements that clients are expected to meet, as well as impact assessment, due diligence and monitoring arrangements for ensuring compliance with these requirements.

The policy also affirms the Bank’s commitment to:

- promote projects with high environmental and social benefits, such as those which focus on priority environmental and social issues facing the region and which promote the implementation of relevant EU strategies
- build partnerships with clients to assist them in adding value to their activities, improving long-term sustainability and strengthening their environmental and social management capacity
- work together with other IFIs, the EU, bilateral donors, UN agencies and other organisations in coordinating effective interventions to promote sustainable development at the regional or sector level in its countries of operations
- mobilise TC support to provide capacity building programmes and other forms of technical assistance to enhance the projects it finances
- engage in policy dialogue and, where appropriate, provide technical assistance to work with governments and other partners to address structural and endemic issues related to sustainable development
- engage in assignments to support the implementation of the Gender Initiative.

€20 million

Environmental and social TC since 2003

Over the last 10 years the EBRD has delivered more than 150 TC projects and framework programmes, with total funding of approximately €20 million from donors and the Shareholder Special Fund. This is in addition to ongoing multi-donor support for the Eastern Europe Energy Efficiency Environmental Partnership (ESP) and Northern Dimension Environmental Partnership (NDEP) programmes, which are managed by the EBRD.

TC operations include both transactional TCs in direct support of specific Bank operations and non-transactional (or stand-alone) TCs that support broader Bank operations and strategy.
MEDIUM-TERM PRIORITIES

As the EBRD prepares for its next five-year planning cycle, the Bank will continue to develop and implement TCs that address its environmental and social policies and objectives and build on existing partnerships. This work will support the Bank’s country and sectoral strategies, including ongoing expansion into the countries of the southern and eastern Mediterranean (SEMED). Where possible, the EBRD will use donor support to enhance the social and environmental benefits of its investments, particularly in relation to climate change, gender and biodiversity conservation. This work will focus on three strategic areas: Capacity Building, Project Preparation and Health and Safety.

Capacity Building

The EBRD will assist public and private sector clients in developing environmental, social, safety and labour capacity, expertise and management systems. We will aim to give clients the capability to be proactive in managing environmental and social issues and in achieving positive project outcomes. Capacity building will include training for consultants in the EBRD’s countries of operations in order to embed expertise, reduce the cost of project appraisal and spread lessons learned.

Project Preparation

On a selected basis – typically in cases of limited client capacity or resources – the EBRD will assist with project preparation with a view to maximising environmental and social benefits and ensuring compliance with the Bank’s policy and performance requirements. Project preparation activities may include assistance with environmental and social appraisal, support for pilot programmes for new approaches or issues, assistance with stakeholder engagement, or strategic impact assessments for specific sectors or regions.

Health and Safety

The EBRD has identified occupational and community health and safety as issues that require particular attention. The Bank will assist clients, regulators and third parties to ensure that projects are constructed and operated in line with the best safety standards possible. Tools will include tailored safety audits of projects, development of guidance for clients and contractors, and training programmes for health and safety professionals from the EBRD region. Road safety and construction safety will be particular areas of focus.

Reflecting the EBRD’s Environmental and Social Policy, the technical scope of TC projects may involve:

- environmental and social appraisal and management
- labour and working conditions
- pollution prevention and abatement
- community health, safety and security
- land acquisition, involuntary resettlement and economic displacement
- biodiversity conservation and sustainable management of living natural resources
- indigenous peoples
- cultural heritage
- environmental and social risk management in financial intermediaries
- information disclosure and stakeholder engagement
- gender impact assessments.
The EBRD requires its clients to assess and manage the environmental and social issues associated with their projects so that the projects meet the EBRD's Environmental and Social Policy performance requirements. A wide range of guidance material is provided by the Bank to help clients to understand their responsibilities. However, some prospective Bank clients lack the know-how and capacity to carry out these responsibilities to the necessary standards. This is often the case where the client is a small municipality, and in such circumstances TC may be justified. TC can also be important in ensuring that environmental and social due diligence is performed effectively for public-private partnership (PPP) projects.

**Regulatory studies**

In the EBRD’s countries of operations that are at a relatively early stage in the EU accession process, or which are not part of EU accession, understanding host country standards and enforcement systems can often be challenging, especially for foreign direct investors.

In these cases, the Bank may deploy TC resources to engage in regulatory mapping, summarise and translate key provisions into other languages, perform comparative analyses with EU standards, and carry out dissemination programmes and improve access to information generally.

**Good practice guidelines**

In countries that are at an early stage of transition, existing national practice may lag behind international good practice, and local capacity for implementation may be limited.

The EBRD therefore uses TC to work with project sponsors, policy-makers and other stakeholders in the development and dissemination of good practice guidance and voluntary codes. These tools can help to address capacity gaps relatively quickly and efficiently.

### Assessment of environmental and social issues and regulatory frameworks in SEMED countries

As the EBRD moves into the SEMED region it needs to understand the specific environmental and social context, and the challenges and risks faced by the countries of the region, as well as those faced by their businesses, communities and populations.

The EBRD is therefore using TC to prepare country-level environmental and social assessments of the framework conditions in Egypt, Jordan, Morocco and Syria. Each study includes:

- an assessment of priority environmental and social challenges
- a review of relevant institutions and legislation in the environmental and social spheres
- a gap analysis of environmental and social legislation against the EBRD’s Environmental and Social Policy and performance requirements.

All EBRD-financed projects must meet rigorous environmental and social standards in accordance with the Bank’s Environmental and Social Policy, and are subject to detailed due diligence and monitoring. TC complements this assurance goal by supporting project preparation, improving access to regulatory information and supporting good practice guidelines.
ENVIRONMENTAL AND SOCIAL DUE DILIGENCE ON PUBLIC-PRIVATE PARTNERSHIP (PPP) TRANSPORT PROJECTS

LOCATION: REGIONAL
AMOUNT: €295,000
YEAR: 2009

Public-private partnership structures have become increasingly important solutions for implementing major transport infrastructure projects in recent years. However, undertaking environmental and social diligence on PPP projects can be challenging due to the characteristics of the procurement structure.

Special approaches are therefore needed, to ensure that due diligence is conducted to the EBRD’s normal high standards without incurring excessive delays to project implementation.

The Bank established a TC framework in 2009 to meet these challenges, while at the same time to provide cost savings for clients, raise environmental and social standards, and demonstrate best practice.

Activities under the TC framework are tailored to the specific requirements of individual PPP projects, and may include:

► a comprehensive environmental and social review of the concessionaire, where the concession selection process has already been completed
► an environmental and social analysis of the investment programme, and the preparation of an environmental management plan for the concessionaire, as well as an environment, health and safety (EHS) action plan if necessary
► an affordability analysis for various consumer groups, including an analysis of existing social support mechanisms
► the preparation of a project report for the Bank, providing an overview of, and justification for, the environmental and social terms of the project and its compliance with the Bank’s Environmental and Social Policy and performance requirements.

CAPACITY BUILDING FOR RESETTLEMENT IN THE WESTERN BALKANS

LOCATION: REGIONAL
AMOUNT: €171,000
YEAR: 2010

The EBRD is supporting the development of transport infrastructure in the Western Balkans through projects that can have significant national and regional economic and social benefits. Road and rail infrastructure often requires land acquisition and may entail physical or economic displacement of households and businesses.

If it is not managed properly, this displacement can produce long-term hardship for those affected, which can also undermine community support for the projects.

To support national and municipal authorities in developing and implementing resettlement action plans, the Bank initiated a TC in 2010 which aimed to identify gaps between the current legal framework in the Western Balkans countries and EBRD’s performance requirements for land acquisition and involuntary resettlement. Training on how to address these gaps was provided for agencies responsible for land acquisition, compensation and resettlement activities required for transport infrastructure projects.

The countries included in this TC were Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro and Serbia.

The EBRD developed a detailed analysis of local legislation, and of the potential risks and difficulties associated with land acquisition and resettlement in each of these countries. The Bank provided the relevant authorities with tools to address these issues, which is leading to better-managed displacement, fairer outcomes for affected people, and greater community support, and therefore to smoother implementation of important new transport links.
By looking beyond environmental and social compliance, and making effective and targeted use of TC resources, the Bank helps clients to understand the business case for good sustainability performance.

Opportunities to deliver benefits for environmental protection, nature conservation, and local communities and others affected by projects can also yield important business benefits for the client, including:

- improved risk management
- more efficient use of resources
- better community relations
- enhanced access to supply chains and export markets.

The EBRD actively seeks to assist clients in identifying and acting on opportunities for additional environmental or social benefits beyond those conferred through compliance measures. Where additionality and replication potential can be demonstrated, the EBRD may deploy TC to enhance the positive impact.

**Sustainability certification for forest enterprises in Ukraine**

The EBRD is helping forest enterprises in the Ivano-Frankivsk oblast, Ukraine, to certify their products to the sustainability standards of the Forest Stewardship Council (FSC). More than 40 per cent of the oblast’s land area is forested. Around 15,000 people are directly employed in the forestry sector.

In the first phase of the TC, 15 forest enterprises received training on the FSC’s requirements, as well as assistance with baseline audits. Each forest enterprise received a gap analysis, comparing their current practice with the requirements of FSC certification, together with guidance and support to assist them in prioritising and implementing the necessary action plans.

The second phase of the TC project is now underway. The EBRD has commissioned an independent certification body to certify the participating forest enterprises to the requirements of the FSC Forest Management Principles and Criteria and applicable regional or national standards.

Pre-certification audits have been carried out at all 15 forest enterprises, with each company receiving an updated corrective action plan. The main certification audits will be conducted during 2013 and the first half of 2014.

**Environmental analysis and audit of the regional railway system in Bosnia and Herzegovina**

The EBRD is providing a €70 million sovereign loan to the government of Bosnia and Herzegovina for improvements to the regional railway network. The project comprises a programme of track renewal, rehabilitation of signalling systems and the purchase of track machinery. It also supports the organisational restructuring of the railways through the separation of infrastructure from operations.

With donor support from the Central European Initiative (CEI), the EBRD implemented a TC project to assess environmental, health and safety conditions at the railway companies involved in the project, and to identify improvements to the operation and maintenance of the railway systems.

In addition to providing an environmental and social action plan to be implemented as a condition of the EBRD’s financing, the TC focused on the railway company’s management systems to ensure that these were strengthened - rather than weakened - as a result of restructuring and reorganisation.
ACCESS TO EMPLOYMENT: ISTANBUL FERRIES
LOCATION: TURKEY
AMOUNT: €74,941
YEAR: 2011

In July 2011 the EBRD approved two loans to TASS, a consortium composed of Akfen, Tepe Insat, Souter Investments LLP and Sera Gayrimenki. TASS is the owner of IDO, the world’s largest sea ferry operator, providing important transport links across the Bosphorus and Marmara Sea.

During the due diligence process, the Bank identified that, in the newly privatised IDO, there were surprisingly few women working in the company. Of the 626 direct employees, only 18 were women, all of whom worked in the office, which comprised 142 people.

One agreed action of the covenanted environmental and social action plan was that efforts would be made to improve this ratio with the assistance of technical cooperation. The EBRD mobilised TC to the company to support the initiative, through the provision of an independent consultant to guide and advise management.

IDO has implemented many of the consultant’s recommendations. A working group of senior management was formed to develop an improved vision and mission, integrating gender equality. The company has amended its management policy, and has drafted a new sub-policy of “diversity and equality of opportunity”. The revised vision and mission statement has been shared with all crew working on all vessels, as well as staff at all terminals, and has been published on the company’s web site.

IDO has committed to amending subcontractor agreements to align them with the IDO gender equality and diversity policy and implementation plan, when new contracts are due for renewal.

Meanwhile, IDO has restructured its recruitment processes, with the result that the number of direct employees in IDO who were women, between December 2011 and August 2012, increased by 141 per cent, from 17 to 41 women, while the number of indirect subcontracted women employees increased by 56 per cent, from 72 to 112 women.

Strengthening health and safety
Natron Hayat - an integrated pulp and paper factory in Bosnia and Herzegovina - is strengthening its occupational health and safety management with the support of TC provided by the EBRD.

The Bank is providing a loan for the restart of the pulp production line, the purchase of new equipment, and overall modernisation and renovation of the facilities. The modernisation project introduced a number of environmental improvements, in both the production process and end-of-the-pipe environmental technology.

A visit by the EBRD identified higher-than-expected rates of workplace injuries and worker illness, so the Bank, together with Natron Hayat, identified improvements that could be made to the safety culture of the workforce. A baseline health and safety audit was carried out, and a plan was developed to allow the company to adopt an internationally-recognised health and safety management system. Training programmes were developed and delivered for specific groups, including supervisors and senior management, to improve their understanding of how to motivate and lead workers to act more safely.
REACH TRAINING FOR THE CHEMICALS SECTOR
LOCATION: UKRAINE
AMOUNT: €186,550
YEAR: 2008

In 2008 the EBRD launched a programme of training workshops across Ukraine to help the country’s chemical and manufacturing sectors understand the impact of a new EU regulation: REACH – the Registration, Evaluation, Authorisation and Restriction of Chemicals.

REACH aims to provide greater protection to human health and the environment, where chemicals are being produced or used. It required all companies importing chemicals into the EU to pre-register the substances with the European Chemicals Agency in Finland, by 30 November 2008, or to have confirmed that their European customers had done so.

The training programme ran from September to October 2008, and included a seminar for industry leaders, ministries and trade associations in Kiev, as well as a series of practical workshops aimed at specific audiences – from government regulators and ministries, to representatives from industry, in Kiev, Lviv, Odessa, Dnipropetrovsk, Donetsk and Kharkiv.

The workshops were delivered by both international and local consultants, together with the Ukrainian Chamber of Commerce and an international law firm.

Participating businesses included several companies in receipt of loans from the EBRD. The training was designed to enable each participating company to undertake a REACH readiness assessment, and to then develop and implement a REACH compliance strategy and action plan.

Protecting the environment, promoting public health and safety, and meeting EU standards gives Ukrainian firms an important business advantage, and enables them to access a market of more than 500 million consumers in Europe.

Fire and life safety audits for property projects

Fire and life safety audits conducted by appropriately qualified experts are an important management tool for identifying and mitigating risks in property projects, including shopping malls, retail parks, business parks and hotels.

Such audits focus on critical issues, such as fire prevention, fire detection and alarm systems, means of egress, fire suppression and control, and emergency response planning. Where deficiencies are identified, fire and life safety audits indicate corrective action priorities.

Fire and life safety audits have been a mandatory requirement for all new Bank-financed property projects since August 2011. Clients are responsible for the cost of such audits.

Importantly, the Bank’s property projects are assessed against internationally accepted fire and life safety standards, as well as local building codes, fire department regulations and insurance requirements.

The EBRD identified a number of existing property projects which had been approved prior to August 2011, and which it believed would also benefit from the application of best practice in this area.

A TC project was therefore developed to conduct fire and life safety audits on up to nine such projects, using a suitably qualified inspection firm engaged under a framework contract structure, and at no cost to the companies concerned.

The projects consisted of shopping malls and other retail and commercial properties, in Albania, Bulgaria, Croatia, Moldova, Russia and Serbia.
PROMOTING BIODIVERSITY AND CONSERVATION IN THE SOUTH GOBI DESERT

LOCATION: MONGOLIA
AMOUNT: €515,000
YEAR: 2011

The EBRD used its Shareholder Special Fund to build capacity and promote biodiversity and conservation in the South Gobi desert.

Conservation of this area is an urgent issue, due to numerous sensitive habitats, endangered and vulnerable species, and rapid development of large areas of what was previously mostly wilderness. Because of the wealth of natural resources in the South Gobi, rapid development is likely to continue to affect the area.

To date, each project has been evaluated separately for its impact on biodiversity. However, given the large land areas inhabited by the species present, effective conservation must consider issues on a regional basis.

This TC included a review of planned developments in the region, including an assessment of their potential impacts on endangered and migratory species. It also identified relevant experts and stakeholders, and brought them together to discuss the issues.

An EBRD workshop, held in Ulaanbaatar in May 2011, attracted more than 60 attendees - from government, scientific bodies, civil society and companies involved in development of the area - who discussed the need for regional cooperation and explored methods to promote it.

Following this meeting, the Ministry of Nature, Environment and Tourism asked the EBRD for additional assistance, including for capacity building. Two of the largest companies working in the area (Oyu Tolgoi and Energy Resources – both EBRD clients) have also signed a memorandum of understanding for the sharing of information, research and monitoring of biodiversity in the region. The EBRD continues to work with its stakeholders to further this cooperation.
ENGAGEMENT

TC enables the Bank to engage with private enterprises at a sector level on environmental and social best practice. In doing so, the Bank seeks to make practical connections between international sustainability leadership initiatives and local initiatives and requirements.

The EBRD places a strong emphasis on engagement with stakeholders, and the Bank is an active participant in international sustainability initiatives and policy development, in cooperation with other multilateral development banks, UN agencies and other organisations.

In addition to its involvement in such high-level forums, engagement is an important aspect of the Bank’s sustainability work at an operational level. The EBRD focuses on achieving practical outcomes through dialogue, awareness raising and change management with its clients and other key stakeholders in its countries of operations.

TC can play an important role in this process, enabling the Bank to engage with private enterprises at a sector level on environmental and social best practice. In this way, the Bank seeks to make practical connections between international sustainability leadership initiatives and local initiatives and requirements. Where appropriate, TC may also be used to help convene multi-stakeholder partnerships to address systemic environmental and social themes.

Financial intermediaries

The Bank actively engages with its financial intermediaries (FIs) to promote environmental and social risk management in banking and private equity.

Performance Requirement 9 of the EBRD’s Environmental and Social Policy requires FIs to develop and implement environmental and social management systems (ESMS) to ensure that relevant activities financed by them meet certain environmental and social requirements. In parallel, the Bank places considerable emphasis on capacity building in order to assist FIs to understand and meet these standards.

The EBRD launched its first environmental and social training TCs for FIs in 1994, with grant funding primarily from the EU Phare and Tacis programmes. This source of donor funding came to an end in 2006. Since then, environmental and social training and related initiatives have been funded from the EBRD’s own internal budget.

In 2012 more than 290 employees from 20 financial institutions took part in EBRD-run training courses.

In addition, the Bank provides an online e-manual and other web-based tools to help FIs establish and implement appropriate policies and procedures.

Current TC work includes the development of an environmental and social risk management online E-Learning Programme, drawing on the EBRD’s extensive experience in providing face-to-face training over the last 15 years. The EBRD is also developing an online sustainability index for FIs.

Since 1994 the EBRD has provided environmental and social risk management training to over 300 FIs.
The EBRD is backing an innovative programme - the GEF-UNDP-IMO GloBallast Partnerships Project - to protect marine biodiversity. The project aims to tackle one of the greatest threats to the health of the world’s oceans: the global spread of invasive species and pathogens in the ballast tanks of international cargo vessels.

Ninety per cent of global trade still depends on goods carried by sea. The ships that transport them take on significant amounts of ballast water to remain stable when their holds are empty. Discharging that water far from the port of origin can seriously damage local marine ecosystems.

The Black Sea offers many examples: among them, the introduction of a jellyfish from North America, which has depleted plankton stocks to such an extent that it has caused the collapse of local fisheries.

Working with the International Maritime Organization (IMO), the EBRD’s Shareholder Special Fund has made available €320,000 to fund training and awareness programmes and support the development of the technical and infrastructure capacity required to cope with the problem.

The project also aims to prepare the shipping and port sectors to comply with a 2004 IMO convention on ballast water, which is widely expected to come into full force soon.

Introductory training sessions were successfully conducted in Russia and Ukraine in 2012. The second phase, targeting private sector companies, began in December 2012. This new phase of the programme consists of training shipping companies to safely exchange and treat ballast water, including practical advice about how their vessels can be certified as compliant with the IMO convention.
RESPONDING TO NEW CHALLENGES

As the examples in this report demonstrate, the EBRD has, with the strong backing of donors and shareholders, developed and implemented a wide range of TC projects that promote environmentally sound and sustainable development. This work will continue, and it will play an important role in supporting the Bank as it implements its mandate. Using TC funds, the EBRD will be able to develop new projects, build environmental and social capacity in its countries of operations, and develop imaginative responses to new sustainability challenges.