ENVIRONMENTAL AND SOCIAL ADVISORY COUNCIL (ESAC) MEETING: 27th July 2016

The Environmental and Social Advisory Council (ESAC) met at EBRD's offices in London on 23th July 2016. The meeting was opened by Managing Director, Environment and Sustainability Department Alistair Clark who welcomed the ESAC members present:

Marta Bonifert
Evgeny Shvarts
Dasa Silovic
Peter Bakvis
Jacqueline McGlade
Nilufer Oral
Nick Robinson

Betsy Nelson, Vice President and Chief Risk Officer also provided ESAC with a recap of the Bank's accomplishments since the last ESAC meeting in 2015 and highlighted some of the geopolitical and financial challenges that lay ahead.

Sessions One: EBRD Green Economy Transition

This session was presented by Terry McCallion, Director, Energy Efficiency and Climate Change team. The presentation provided background to EBRD's previous cross –sectoral strategies aimed at to increasing the share of Bank business represented by measures which enhance the efficient use of energy and resources (water, materials) and contribute to the mitigation of, and adaptation to, climate change, namely SEI (Sustainable Energy Initiative) since 2006 and SRI (Sustainable Resources Initiative) since 2013. The above two strategies resulted in € 20.1 billion cumulative EBRD green financing in 2006–H1 2016, committed under 1100 EBRD-financed projects with green components with €100 billion total value. Physical impacts of these investments translate into reduced 79 million tonnes of CO_2/year (2006–H1 2016), saved 33 million m^3 of water /year and reduced 1.1 million tonnes of waste /year (2013-2015). In 2015 EBRD achieved 30% share of green financing in total EBRD annual business (up from 15% in 2006).
The latest strategy, the Green Economy Transition (GET) which aims to further scale up the Bank's green business, builds on the transition to market economy process that EBRD was set up to promote and is EBRD's response to COP 21 and SDGs was presented to ESAC. The GET strategy will further scale-up the Bank's operational and policy activities to accelerate transition to low carbon economies and climate resilience; it will broaden the environmental dimension of investments supported by the Bank, including elements of environmental compliance or remediation; it will help to engage new areas and flexible financing channels: expanding to areas like pollution prevention, green logistics, water efficiency in power sector and irrigation; and engaging public financing channels when opportune to accelerate low-carbon transition (energy efficiency in public buildings, green cities). Through implementation of GET the Bank aims to achieve the following targets by 2010: €4 billion of EBRD green investments, accounting for 40% share of finance in EBRD annual business, and cumulative €18 billion green business between 2016 and 2020. Terry McCallion and Alistair Clark

talked about the practical side of mainstreaming GET into EBRD investments, the screening tool for "green" projects built on the experience from pervious strategies and MDB joint climate finance tracking methodology, weekly "clearing house" meetings between banking teams, country and sector economists, environment and sustainability and energy efficiency and climate change departments.

The ESAC members welcomed the new strategy and their view that this is the natural step in EBRD's strive for green financing, which is no longer an initiative, but "runs in the Banks DNA". They asked for further integration of Banks Green Economy Strategy with United Nations' Sustainable Development Goals (SDGs), which have transition to Green Economy at its root. The Bank may use UN analysis of countries regarding their readiness for green economy transition, country climate vulnerability assessments, the tier 2 and 3 SDG indicators and OECD data on investment needs in small scale renewable energy and agribusiness projects in identifying areas for green investment. There was an animated discussion in regards to set of hard criteria for green economy projects, which concluded that like with Green Bonds philosophy, financial institutions need to follow flexible rules and final eligibility should be a result of collaboration of interdisciplinary teams. ESAC encouraged the Bank to set higher targets for green financing beyond 2020, which was noted, but will be decided by the Bank in the future taking into consideration its economic transition agenda and requirements to invest into projects, such as infrastructure, which by definition are not green, but complement SDGs with its outcome of supporting just distribution of project benefits.

Sessions Two: Gender Strategy

This session was introduced by Michaela Bergman, ESD's Chief Social Counsellor, Director of Gender Team. As the ESAC was already familiar with the background to the establishment of EBRD's Gender Team, and the development and implementation of the Bank's Strategic Gender Initiative (SGI), Michaela presented the new Gender Strategy, which had been agreed by the Board of Directors in December 2015. The Gender Strategy's main objectives are tailored to the Bank's operational model: i) promoting access to finance, through providing dedicated financing to financial institutions; ii) promoting access to employment and skills, through supporting EBRD's clients to enhance performance through providing equal opportunities in the work place; and promoting access to services, where the Bank aims to provide equitable service delivery and address the additional burden that inefficient services represent predominantly for women. The Gender Team aims to increase the numbers of projects delivered by the Bank with either a gender component or focus, with an over-arching ambition to mainstream gender by 2020. To do this, the Strategy clearly articulates the role that the Bank will also need to play on supporting the enabling environment by removing the constraints placed on transition by gender inequality through policy dialogue and external engagement, its support in the creation of enabling environments.

The impact of the SGI had already been noted in 2015 with a doubling in project numbers with a gender component or focus. Performance to date continues to reflect substantial growth as Clients become more aware of the offer and the Strategy becomes more familiar to Banking staff. The Gender team estimates an almost 40% growth on last year, which could lead to 10% of the EBRDs investments having either a gender component or focus. Michaela presented to ESAC a number of case studies from various sectors. The Gender Team also participates in broader initiatives that aim to move forward the agenda of women's economic empowerment, including closer work with the EU DG MOVE on how to further encourage women in to the transport sector both as employees, suppliers and users. Supply chain work is gathering pace including several initiatives relating to procurement policies and practices. Finally, with the increasing project pipeline, the Genders team's expertise is increasingly being sought, most recently by the Kazakh Government who has requested a support to the Association of Business Women & Kazak Government on delivery of their new Gender Strategy. Michaela outlined also some challenges including significant lank of sex-disaggregated data which makes quantifying the links between better access to services with women's ability to engage in productive economies. Effort is being put into robust gender country profiles, partnering with OECD. Internally the work is carried out on Results Matrix which will help to tell the story correctly and on a knowledge platform that will allow the Bank to disseminate not only our work, but information that we are party to from the many International fora, including the MDB working group on gender.

ESAC members congratulated the Gender Team for its achievements since its inception in 2013 and see the focus on gender as a next step after introducing social issues to EBRD formerly strictly environmental Policies some years ago. ESAC members were interested in mechanics of identification of gender components in EBRD projects and the ways of mainstreaming gender across operations. They welcomed the work on common procurement rules as a way to support women in business and suggested future extension to minorities in business. Potential of backsliding in the future was discussed, but it was recognised that at this stage the Strategy has significant potential for growth of projects with gender focus or component.

Session Three: Economic Inclusion

This session was presented by Barbara Rambousek, Associate Director, Lead Inclusion Economist. Economic inclusion, the opening up of economic opportunities to previously under-served social groups, is integral to achieving the transition to sustainable market economies. Since its endorsement by the EBRD Board of Directors in 2013, inclusion has become a well-established dimension of the EBRD's transition approach and an important source of transition impact at project and policy levels. The concept of equality of opportunity is the basis for the Bank's economic inclusion approach, with a focus on 3 areas: gender, youth and regions. Inclusion enhances the Banks's investments by creating economic opportunities for young people, women, and people in less advanced regions, which are broadly defined as access to jobs, skills and services (such as IT connectivity, finance, or water infrastructure) or through improvements in corporate standards and practices. To date, 153 projects with inclusion dimensions are either operational or under development. This includes a portfolio of 48 signed projects since 2012, complemented by a strong pipeline of an additional 105 projects where inclusion elements are under development. These projects constitute EUR 2 billion of EBRD investments to date. Projects with inclusion impact are now operational across a wide range of sectors and regions, especially the SEMED countries, Turkey and the Western Balkans. They cover retail and manufacturing training programmes that help young people to gain relevant skills for the labour market, equal opportunities initiatives that enable more women to access jobs where they have been underrepresented to date, Women in Business (WiB) programmes that support female

entrepreneurs through business finance and advice, agribusiness projects that connect schools with employers to facilitate school to work transition routes, or urban transport projects that introduce inclusive procurement practices. Barbara presented how the Bank adapts the existing inclusion model to support refugees and host communities. The proposed cross sectoral regional inclusion programme will focus on: (i) expanding the availability of skills verification mechanisms in the most affected regions, (ii) fostering private sector engagement in the development of skills standards and work based learning, (iii) providing financial literacy training for refugee communities and capacity building for partner financial institutions (PFIs) to expand their offer of formal financial services to low income refugees and host communities , and (iv) enhancing the knowledge based on the impact of refugees through skills mapping and SME surveys. In addition, a Gender Focal Point is appointed to ensure that gender considerations are reflected across all parts of the Bank's refugee response programme.
Beyond the project level, EBRD is actively promoting social inclusion through policy dialogue, such as programmes were launched in Turkey and the SEMED region, facilitating private sector engagement in the development of national skills standards that reflect employer needs, or the introduction of work-based-learning programmes (such as apprenticeships). Strategic partnership agreements were signed with the European Training Foundation (ETF), with the UN World Tourism Organisation, the Green Building Council, the Better than Cash Alliance and the PAFI (Payment Aspects for Financial Inclusion) to harness synergies and complementarity, specifically in relation to policy engagement at national and regional and sectoral levels. Barbara stressed the importance of Technical Cooperation and Clients' contribution in delivery of projects with inclusion impact, with current key donors including Korea and the EBRD Shareholder Special Fund (SSF).
The next step is the development and adoption of the Bank's first Inclusion Strategy. This task is led by the Inclusion Team in cooperation with Gender, ESD and Banking to define the Bank's approach to the new 'inclusive transition' quality (which was introduced as part of the Bank's Transition Concept Review 2016); deepen the focus on economic inclusion in the context of transition, and build on the existing successful inclusion model. The strategy development is also supported by analytics for the Bank's 2016 Transition Report on Inequality. The full strategy is expected in 2017.

ESAC members were highly supportive of this initiative. Council members asked some detailed questions in regards to inclusion at projects level, i.e. correlation between the vocational training and the wider educational system in the targeted countries; and directed the Inclusion Team's attention to striking a balance between promoting the removal of typical obstacles for young people entering the workforce, and supporting good quality employment. ESAC suggested a number of other external organisations and initiatives for cooperation and partnerships and asked for highlighting the role of the EBRD's Inclusion and Gender Strategies in the context of the SDGs, the Banks Environmental and Social Policy and the subject of the Banks most recent Transition Report subject: Inequality.

Session Four: New process for Country Strategies and Technical Cooperation Projects

Dariusz Prasek, Director of Operations, Environment and Sustainability Department provided ESAC with an overview of the (i) objectives for the new Country Strategies development/update process, (ii) the strategic themes in Country Strategies, (iii) Environment and Sustainability role in the development of review process. Dariusz presented the countries that were assessed as priorities in terms of Banks focus on Environmental and Social issues (57% of countries scored as high focus, 22% as medium and 21% as low), and asked ESAC for their advice and input in regards to: key priorities which could be addressed through private sector financing and targeted policy dialogue in the high priority countries; the best sources of information which could be utilised in the development of country strategy approaches from environmental and social perspective; the key partners for policy dialogue – governmental agencies, business and industry, others; and instruments that in ESACs opinion are best suited to address global and regional E&S challenges through project financing and technical co-operation.

ESAC members shared their experiences and suggested that firstly EBRD should put further efforts in their outreach to CSO's, as sources of baseline data and innovation, in the regions and countries of operations to (i) provide clarity in regards to EBRD mission and status (development Bank versus investment Bank); (ii) address CSO's as early as possible in the Country Strategy development/review process, (iii) reach out to CSO's in countries where such organisations are particularly supressed. Secondly EBRD should access and utilise data submitted by countries to UN in regards to SDGs and post COP 21 reporting. Lastly, in ESACs opinion there is a need for identification and provision of financing for negative emissions technologies, and EBRD should consider a role of innovation advocate and /or catalyst for such projects and suggested a number of organisations for cooperation and partnerships on this topic.

Session Four: Project Complaint Mechanism: Management Overview of Compliance and Lessons Learned

Erica Bach, Associate Director, PCM Officer, provided ESAC with an update on the management of the PCM process to date (i) the PCM team and PCM experts (ii) steps taken to ensure greater visibility of the PCM with the Board/President (iii) renewed focus on PCM process flow (streamlined assessment, systems for greater transparency, guidance developed for PCM Experts). Erica presented breakdown of received and registers complaints in years 2010-2015 by the investment sector and provided a summary of most recent cases. The focus areas for PCM in 2016 and 2018 were discussed, these include: accessibility by impacted communities, meeting stated timeliness and providing greater responsiveness, use of local mediators in dispute assessment and problem solving, ensuring appropriate expertise is available for regional issues and complex projects, further enhancement to internal process management. .

ESAC voiced their support for the PCM process. They also recognised the complexity of the projects that the Bank finances and the challenges EBRD faces to satisfy its various stakeholders. ESAC shared their concern over PCM function in the face or ongoing efficiency programmes within the Bank. ESAC members welcomed the focus on timely response to the Complaints and stressed the value the results need to provide to affected people. Going forward, ESAC suggested utilising of existing Principle 10 of

Rio Declaration and Aarhus Convention mechanisms and networks for further outreach activities.

Session Five: Wrap up

Dr Clark thanked ESAC members for their active participation during the meeting. It was agreed that the next ESAC meeting would address a number of emerging issues, including (i) EBRD alignment with the UN's Sustainable Development Goals, (ii) further discussions on green investments under GET, (iii) sources of data for setting up investment goals (iv) context and cooperation between Gender/Inclusion and ESP among regular consultations on Policies and Strategies developed by the Bank.