



European Bank
for Reconstruction and Development

Project
Complaint
Mechanism

2019 PROJECT ACCOUNTABILITY REPORT



About this report

The Project Complaint Mechanism (PCM) is the accountability mechanism of the EBRD. It is responsible for the independent review of environmental, social and public disclosure concerns regarding Bank-financed projects to promote project performance and contribute to institutional learning.

The 2019 Project Accountability Report summarises the activities undertaken by PCM during the 2019 reporting period. It describes how the PCM has handled cases of alleged environmental and social harm, finalised the five-year review of its operating policy, contributed to good international practice and promoted awareness of the PCM's mandate through outreach, training and knowledge-sharing activities.

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Acronyms

Abbreviation	Description
CAO	Compliance Advisor Ombudsman
CSEU	Civil Society Engagement Unit of the EBRD
CSO	Civil society organisation
EBRD	European Bank for Reconstruction and Development
ESP	Environmental and Social Policy
IAM	Independent Accountability Mechanism
IFC	International Finance Corporation
IFI	International financial institution
IPAM	Independent Project Accountability Mechanism
MAP	Management Action Plan
PAP	Project Accountability Policy
PCM	Project Complaint Mechanism
PR	Performance Requirement
PSD	Project Summary Document
PSI	Problem-solving Initiative

Definitions

Term	Definition
Bank or “EBRD”	The European Bank for Reconstruction and Development
Client	The entity or entities responsible, directly or indirectly, for carrying out and implementing all or part of a project
Complainant	The individual(s) or organisation(s) submitting a Complaint to the PCM
Complaint	The written request submitted by a Complainant to the PCM under the Rules of Procedure
Compliance Review	The process to determine whether the Bank has complied with an EBRD policy in respect of a project
Eligibility Assessment	The process of determining whether or not a registered Complaint is eligible for a Compliance Review and/or a PSI
Environmental and Social Policy	The Environmental and Social Policy is one of the Bank’s three good governance policies and a key document guiding the EBRD’s commitment to promoting “environmentally sound and sustainable development” in the full range of its investment and technical cooperation activities. It sets out the ways in which the Bank implements this commitment in practice and in its projects
Independent Project Accountability Mechanism	The EBRD’s new independent accountability mechanism, which will replace PCM after coming into force in July 2020
Management Action Plan	The plan of action developed by the EBRD in response to the recommendations contained in the Compliance Review
Project Accountability Policy	The EBRD’s new accountability policy, coming into force in July 2020. The Project Accountability Policy will replace the 2014 PCM Rules of Procedure.
PCM expert	A rostered expert appointed by the EBRD on an <i>ad hoc</i> basis to assist in or carry out an Eligibility Assessment, a PSI or a Compliance Review
PCM Officer	The person responsible for the day-to-day administration of the PCM, including receipt of Complaints, registration, eligibility, Problem-solving and Compliance Review functions
PCM Register	The public log on the PCM website listing all registered Complaints and their status
Problem-solving Initiative	The process carried out to assist in the resolution of the issues underlying an eligible Complaint, including mediation, conciliation, dialogue facilitation and independent fact-finding
Project	A Bank-financed activity for which a Project Summary Document (PSD) is prepared under the Bank’s Public Information Policy, or a Bank activity that is subject to the application of a relevant EBRD Policy with the exception of those activities that are expressly exempted from the application of these rules by a Board decision
Project Complaint Mechanism	The EBRD’s accountability mechanism governed by the PCM Rules of Procedure

Executive summary – 2019 highlights

The *2019 Project Accountability Report* summarises the work of the Project Complaint Mechanism (PCM) in 2019 to promote environmental and social accountability: within Bank projects; within the community of international financial institutions (IFIs); and across the EBRD regions. The report also describes how the PCM revised its governing policy and prepared for this major operational transition in 2019. It was a dynamic year for the PCM, both in terms of its case processing and its formal policy review.

PCM policy review

In 2019, the PCM completed its ambitious five-year policy review. The Board approved the new 2019 Project Accountability Policy in the second quarter of 2019, and PCM also published Guidance for its implementation. The Policy was developed over a 17-month period through extensive internal and external consultation, culminating in eight in-person consultation events across the EBRD regions. Following careful review and integration of more than 250 public comments, the Project Accountability Policy strengthens the EBRD's accountability mechanism by making key adjustments to its governance, structure and operational procedures, establishing the new Independent Project Accountability Mechanism (IPAM) to replace PCM in 2020.

In 2019, the PCM:

- offered a 45-day open comment period on the draft Policy and Guidance and held formal public consultations with external stakeholders to answer questions and gather feedback on the new draft documents. Consultation events took place in Almaty, Belgrade, Cairo, Casablanca, Istanbul, Kyiv, London and Tbilisi.
- finalised and published the 2019 Project Accountability Policy and Guidance based on internal and external stakeholder feedback, launching these governance documents at the EBRD Annual Meeting in Sarajevo.
- initiated the 2019 Project Accountability Policy transition, including the:
 - translation of the Policy and Guidance into 12 languages used in the EBRD regions, promoting mechanism accessibility

- development of accountability inclusions for the EBRD's initial project due diligence screenings, to ensure that ongoing and closed accountability cases at the EBRD and its peer IFIs are reviewed when prospective investments are being considered
- consultation with key external stakeholders on the development of IPAM's retaliation guidelines to inform the design of new procedures
- development of a revised IPAM website to reflect policy changes
- engagement with peer IFIs and civil society stakeholders on the design of IPAM's revised internal procedures, reporting templates and communications materials.

In parallel, a multi-stakeholder selection panel was established by the Chair of the EBRD Board of Directors' Audit Committee to identify the first Chief Accountability Officer to lead IPAM – a senior role within the institution. The panel included one senior practitioner from the Independent Accountability Mechanisms (IAMS) Network, one civil society representative with a history of extensive PCM engagement, the Chair and Vice Chair of the EBRD Board of Directors' Audit Committee and two senior representatives of Bank Management. The recruitment process included:

- the identification of qualified candidates by an independent executive search firm
- two rounds of candidate interviews
- an in-depth technical assessment, derived from IFI accountability case experience
- a leadership assessment.

Chief Accountability Officer Victoria Márquez-Mees was subsequently approved by the Board of Directors in February 2020 and will begin her tenure in July 2020, bringing the Project Accountability Policy into effect.

2019 PCM cases

Over the course of 2019, the Mechanism processed 57 Complaints, the highest number since its inception in 2010. The PCM:

- continued processing 11 ongoing cases (four Compliance Reviews, four Problem-solving Initiatives [PSIs] and three cases under Monitoring)
- reviewed the progress of 12 suspended Complaints (submitted in late 2018 and throughout 2019)
- registered two complaints for Compliance Review eligibility assessment (derived from both new and suspended cases)
- evaluated 33 submissions which fell outside PCM's mandate to review environmental, social or transparency-related concerns about EBRD-financed projects, forwarding them to the appropriate departments within the Bank where relevant.

The PCM shared case progress actively with Complainants, EBRD Management, the EBRD Board of Directors and the public, issuing a total of six Eligibility Assessment, Compliance Review, Problem-solving Completion and Monitoring reports, and providing case updates to the parties involved.

The two newly registered Complaints related to projects in the (i) power and energy and (ii) municipal and environmental infrastructure sectors. Both were submitted by local civil society organisations (CSOs) with the support of international CSOs.

The PCM's efforts to build an enabling environment for Problem-solving Initiatives (PSIs) saw meaningful returns for project-affected communities and clients in 2019. The PCM continued to work through four ongoing PSIs during the year, facilitating 23 mediation meetings between parties in a bid to find joint solutions.

Ten Complaints were successfully closed in 2019:

- one through the successful conclusion of Problem-solving Monitoring after the full implementation of agreements reached through the PCM PSI
- one following the completion of a Compliance Review, where the Bank was found by an external expert to be compliant with the Environmental and Social Policy

- eight through the suspension of registration, where PCM allowed Complainants, EBRD Management and/or Bank clients to try to resolve the issues raised, and where solutions were found together through this avenue.

As part of the PCM's commitment to transparency, all case reports produced in 2019 (as well as those from previous years) are available for public review on the [PCM Register](#).

Participation in the IAMs Network

The IAMs Network is the global association of 22 IFI accountability mechanisms, which shares good practices, develops guidance for the accountability space and jointly processes Complaints submitted to multiple institutions. The PCM team played an active role in the IAMs Network in 2019, contributing to the Network as a member of:

- the IAMs Standards and Good Practice Working Group, supporting the development of guidance on mediation best practice
- the IAMs Outreach Working Group, supporting the organisation of two joint outreach events for project-affected people and CSO representatives.

The PCM hosted a presentation sharing insights and best practices from its policy review and stakeholder engagement programme with peer mechanisms in a session at this year's IAMs Annual Meeting, hosted by the Independent Review Mechanism of the African Development Bank in Côte d'Ivoire.

Outreach, training and knowledge-sharing

Promoting the Mechanism to external stakeholders remains of paramount importance to the PCM. At the same time, enhancing EBRD staff understanding of the Mechanism facilitates the effective implementation of its mandate. In 2019, the PCM held events reaching over 100 civil society representatives and 50 EBRD staff. The Mechanism:

- invited Bank staff and external stakeholders to participate in the redesign of the PCM through policy review consultations in Egypt, Georgia, Kazakhstan, Morocco, Serbia, Turkey and Ukraine
- held two information sessions at the EBRD's 2019 Annual Meeting in Sarajevo
- hosted a mediation workshop for EBRD staff in London, together with the International Finance Corporation's (IFC) Compliance Advisor Ombudsman (CAO).

1. Overview of the PCM

The EBRD is committed to promoting sustainable development in all of its investments. To ensure that projects meet the Bank's environmental and social standards, the EBRD requires them to comply with its Environmental and Social Policy. Moreover, the Bank is required to disclose certain project information to the public, in accordance with its Public Information Policy, to enhance transparency and accountability, improve discourse with affected stakeholders and foster good governance. The PCM further affirms these commitments.

The purpose of the Mechanism is to facilitate the resolution of social, environmental and public disclosure issues among project stakeholders through problem-solving mediation; to determine whether the Bank has complied with its Environmental and Social Policy and Public Information Policy through Compliance Reviews; and to address any non-compliance with these policies, while preventing any future non-compliance by the Bank.

1.1 What is the PCM's mandate?

As the accountability mechanism of the EBRD, the PCM has a mandate to independently review environmental, social and transparency-related Complaints submitted by individuals or organisations in relation to Bank projects that are alleged to have caused, or to be likely to cause, environmental or social harm.

1.2 How can the PCM address Complaints?

The PCM has two complementary, non-judicial and non-adversarial functions through which it can address Complaints:

(i) the **Problem-solving** function, which supports dialogue between Complainants and clients to resolve environmental, social and public-disclosure concerns without attributing blame or fault. The PCM engages with project-affected people, clients and other stakeholders as a neutral third party to help find mutually satisfactory solutions through consensus-based problem-solving approaches.

(ii) the **Compliance Review** function, which determines whether the EBRD has complied with its Environmental and Social Policy and Public Information Policy in relation to a project. The Compliance function assesses the *Bank's* compliance, rather than that of the client. The PCM engages with project-affected people, Bank staff, clients and other stakeholders to determine the Bank's compliance. If the EBRD is found to be non-compliant, the Compliance Review report will also propose project-specific and procedural changes to Bank practices to address the non-compliance, prevent future non-compliance and promote institutional learning.

After these two stages, the PCM monitors the full implementation of:

- agreements reached between clients and Complainants through Problem-solving
- EBRD Management Action Plans, which respond to any findings of non-compliance.

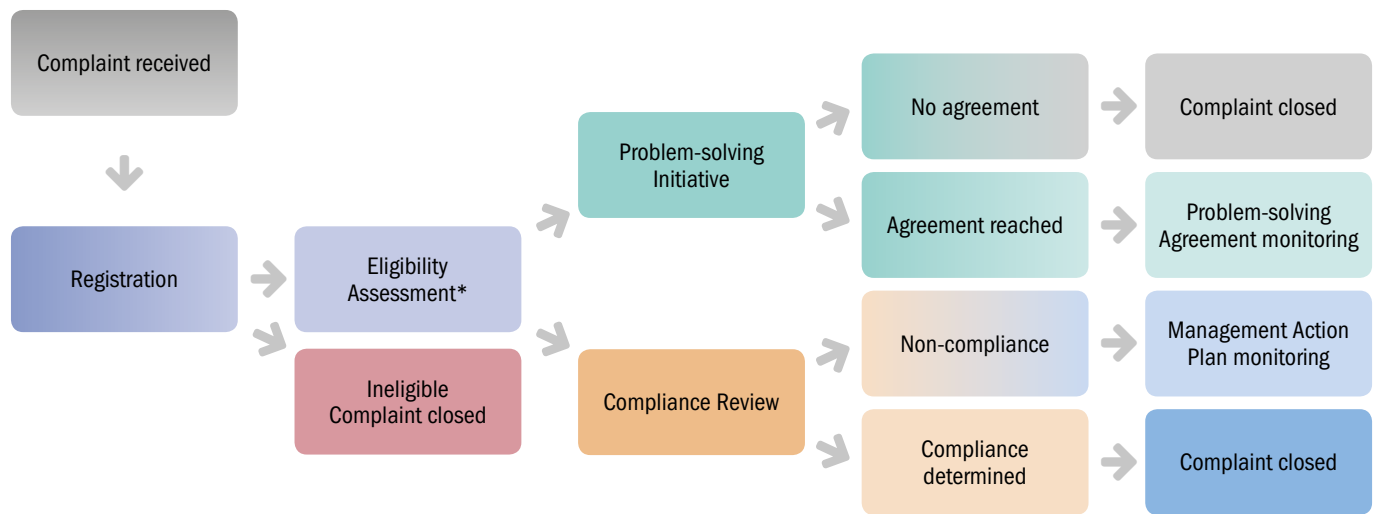
Chart 1 provides an overview of the PCM Complaint process.

1.3 How is the PCM put into practice?

In 2019, PCM case handling remained governed by the 2014 PCM Rules of Procedure. They explain Complaint eligibility criteria and describe the steps through which Complaints are addressed and disclosed on the PCM Case Registry.

 [Case Registry](#)

Chart 1: PCM Complaint process



*Note: A PCM Complaint can be found eligible for a PSI and/or Compliance Review. If found eligible for both functions, the Eligibility Assessors will decide the order in which the functions should be conducted.

1.4 Who implements the PCM's mandate?

PCM cases are handled by internal PCM staff and external PCM experts at various stages:

A. PCM staff

The PCM is led by a PCM Officer and supported by two operational staff members. PCM staff is responsible for:

- determining Complaint registration
- liaising with Complainants, clients and Bank staff
- co-assessing Complaint eligibility for PSIs and/or Compliance Reviews
- assigning external specialists, known as PCM experts, to lead PSIs and Compliance Reviews
- monitoring the full implementation of Management Action Plans, when Compliance Review cases lead to findings of non-compliance
- monitoring the full implementation of any Client-Complainant mediation agreements established through PCM PSIs.

B. PCM experts

PCM experts are individual, external consultants recognised for their environmental or social expertise. They lead the substantive elements of Complaint processing. The PCM engaged nine experts in 2019, who were responsible for:

- co-assessing Complaint eligibility for PSIs and/or Compliance Reviews with the PCM Officer
- leading Compliance Reviews and authoring Compliance Review reports, presenting their findings to the EBRD Board of Directors
- designing and implementing PSIs and outlining outcomes to the Board of Directors through Problem-solving Completion reports.

2. 2019 PCM policy review

In May 2019, the PCM completed an ambitious five-year review of its 2014 governing policy, leading to significant changes in the Mechanism's structure, governance and operational procedures. The Project Accountability Policy was developed over a 17-month period, based on lessons learned over the previous eight years, evolving practices in the accountability space and consideration of extensive internal and external stakeholder feedback.



EBRD Annual Meeting and Business Forum, Sarajevo, 8-9 May 2019

2.1 Policy review outcomes

The result of the 2019 policy review was a strengthening of the EBRD's accountability mandate, the promotion of greater efficiency and effectiveness, and better alignment with good international practice. The 2019 Policy established the IPAM to replace the PCM in July 2020, once the new IPAM Head's tenure has begun.

Key changes include:

- the establishment of an independent, standalone IPAM department
- a direct reporting line to the EBRD Board of Directors
- greater seniority of the IPAM Head, from Associate Director to Managing Director level
- a shift in case processing and decision-making from external consultants to the IPAM team at stakeholders' request
- adjusted case processing timelines
- a new institutional learning advisory function, identifying common, cross-cutting challenges, providing recommendations and promoting a culture of continuous learning
- a new mechanism and policy name to reflect the significance of the changes.

Key changes to case-processing phases include:

- Registration – revised registration criteria to clarify the Mechanism’s mandate
 - Assessment – a broadening of the Assessment scope, to foster a clearer understanding of Problem-solving, Compliance and their possible outcomes for informed decision-making
 - Problem-solving – formalisation of the opportunity to share institutional learnings and recommendations with the Bank as part of these initiatives
 - Compliance Assessment – introduction of transparent Compliance Review eligibility criteria
 - Compliance Review – introduction of the opportunity for requesters to comment on draft Bank MAPs
 - all stages – stronger commitment to site visits and assurance of the circumstances under which the IPAM can report case issues to the Board.
- transparency – enshrining best practice information disclosure for IPAM case reports
 - action on requests – institution of a mandatory Management feedback loop, whereby responses provided to concerned stakeholders are disclosed to the IPAM
 - consideration in project appraisal – informing the Board if a proposed client has been party to a non-compliant case reviewed by the IPAM or its predecessor
 - consultation on the development of outreach materials – offering stakeholders the opportunity to comment on IPAM communications materials to promote outreach effectiveness
 - strengthened commitment to information sharing – introducing the disclosure of IPAM request registrations to the Board, co-financiers and, if necessary, institutions with overlapping investment regions. Where the IPAM has been notified, the new Policy also allows for the disclosure to Management/ Board of Complaints registered against EBRD clients through other IFI accountability mechanisms.

The PCM also introduced numerous changes that form part of emerging good practice to promote the evolution of international practice in the IAMS sphere. Key changes in this area include:

- risks of retaliation – a commitment to assess retaliatory risks at the earliest stage of case processing and to implement mitigation measures
- disclosure of EBRD investment – a requirement for clients to disclose EBRD financing and CSEU contact information to project-affected stakeholders as part of EBRD stakeholder engagement plans

Feedback on the changes to the Policy and Guidance was positive, particularly in relation to structural and governance changes, as well as the PCM stakeholder engagement programme.

Key stakeholder feedback – CSO perspectives on the 2019 PCM policy review

European Development Bank Significantly Strengthens its Grievance Mechanism – Reformed Mechanism Now More Independent

“Civil society organisations welcomed the new grievance mechanism policy for the EBRD... Communities affected by EBRD-financed activities should feel confident that their concerns will be taken more seriously and handled effectively at IPAM ... The new policy also incorporates some innovation provisions that go beyond the existing best practice at its peers.”

Accountability Counsel, CEE Bankwatch Network and SOMO

The EBRD’s accountability policy revision was the best example of successful dialogue and co-creation. The reform of the bank’s accountability mechanism has been Bankwatch’s priority focus in the last two years and we congratulate the Bank for the mechanism’s improved policy, reporting lines and structure.

CEE Bankwatch Network

2.2 Policy review process

The PCM was responsible for leading the policy review, which took place in two stages. Stage 1 was completed in 2018 and Stage 2 was conducted between January and May 2019.

- **Stage 1** involved the collection of feedback on the 2014 PCM Rules of Procedure from December 2017 to January 2019. The PCM sought views on the implementation of the 2014 Policy, its efficiency and effectiveness and any changes that might be considered in light of stakeholder experiences.
- **Stage 2** involved formal consultation of the draft 2019 Policy and Guidance, followed by document finalisation and Board approval.

2.2.1 Stage 2 – Draft Policy and Guidance consultation, finalisation and approval

Consultation activities

In January 2019, the draft Project Accountability Policy was published on the EBRD website. Stakeholders were encouraged to participate in a 45-day open consultation period, through in-person and written feedback options (with both known and confidential feedback options available). Central to the PCM Policy Review was the desire to involve interested stakeholders in the strengthening of the Mechanism. In addition to the EBRD Board of Directors, Bank Management and clients, key stakeholders that participated in the PCM policy review process in 2019 included:

- project-affected people – community members living in proximity to EBRD projects, including former and current PCM Complainants and their representatives
- CSOs – non-governmental organisations and institutions that represented the interests of the citizens in the EBRD's regions, as well as internationally-based organisations. Specific emphasis was placed on CSOs with interests in accountability, environmental sustainability, social responsibility, human rights and human health
- IAMS – IAMS of peer institutions, with mandates and operations similar to the PCM
- international organisations – global organisations with an interest in institutional accountability, environmental and social sustainability, and human rights

- clients – EBRD clients, including those involved in former and active PCM cases
- academia – representatives of global academic institutions and think-tanks focused on issues of relevance to the PCM
- consultants – environmental, social and transparency-related specialists in the private sector
- labour organisations – trade unions, labour organisations and groups focused on the health and safety of workers.

The PCM held eight public consultation meetings with external stakeholders in February 2019 to gather feedback and answer questions on the draft policy text. Consultation meetings were organised in Almaty, Belgrade, Cairo, Casablanca, Istanbul, Kyiv, London and Tbilisi. These cities were selected to ensure broad geographic coverage of the regions where the EBRD invests, as well as to maximise public accessibility through the selection of regional hubs. Around 185 external stakeholders representing a range of communities, organisations and interest groups took part in the consultation sessions.

To promote even greater accessibility, anonymous comment boxes and confidential web-based messaging applications were made available at each event to offer participants another avenue to comment and ask questions. Anonymous feedback was read out by the meeting facilitators and answered in the room by PCM representatives.

The PCM also offered monthly policy review update meetings to civil society stakeholders and invited all stakeholders to engage bilaterally on request. The Mechanism held 18 such meetings.

Summary of stakeholder input from Stage 2 consultation activities

PCM gathered approximately 250 sets of public comments on the draft Policy via in-person consultation events and written submissions. These were carefully considered and material changes to the policy were made to reflect public input, including the integration of new provisions on retaliation, revisions to the registration criteria, revisions to the PCM's monitoring mandate and new provisions on the disclosure of accountability cases to the EBRD Board and peer institutions.

In addition to revisions to the Policy and Guidance documents themselves, external stakeholder feedback will be carefully considered in the development of the IPAM's internal procedures, communications materials, employee and consultant contracts and other internal and external documents, as appropriate.

Finalisation and launch

The revised 2019 Project Accountability Policy was approved by the EBRD Board of Directors on 25 April 2020 and launched to the public at the 2019 EBRD Annual Meeting in Sarajevo.

Preparations for the IPAM transition

The 2019 Project Accountability Policy will come into effect in July 2020 upon the appointment of the new Chief Accountability Officer. This will be a Managing Director-level position.

In the intervening period, the PCM has:

- translated the 2019 Policy and Guidance into [12 languages](#) used in the EBRD regions
- developed quarterly Board reporting dashboards
- developed accountability checks for inclusion in the EBRD's project due diligence to ensure that ongoing and closed accountability cases at EBRD and peer IFIs are reviewed when prospective investments are considered
- consulted key stakeholders on the development of the IPAM's retaliation guidelines to inform the design of new procedures, including (but not limited to) peer IAMs, the Office of the UN High Commissioner for Human Rights, CSOs active in the human rights and retaliation space and labour associations in the design of its draft retaliation procedures
- initiated the development of a new IPAM website to reflect the changes to the Mechanism
- established broader non-disclosure agreements for IPAM consultants to emphasise confidentiality of information provided to the Mechanism
- strengthened the IPAM health and safety plans and procedures

- instituted more consistent and frequent site visits, particularly at the Eligibility Assessment phase
- engaged peer IFIs and civil society stakeholders in the design of the IPAM's revised internal procedures, reporting deliverables and communications materials.

In parallel, a multi-stakeholder selection panel was established by the Chair of the EBRD Board of Directors' Audit Committee to identify the first Chief Accountability Officer to lead IPAM. The panel included a senior practitioner from the IAMS Network, a civil society representative with a history of extensive PCM engagement, the Chair and Vice Chair of the EBRD Board of Directors' Audit Committee and two representatives of Bank Management. The recruitment process included:

- the identification of qualified candidates by an independent executive search firm
- two rounds of candidate interviews
- an in-depth technical assessment, derived from IFI accountability case experience
- a leadership assessment.

Chief Accountability Officer Victoria Márquez-Mees was approved by the EBRD Board of Directors in February 2020 and will take up her post in July 2020.

The PCM also recruited a new senior environmental impact assessment specialist to fulfil team needs for the introduction of the in-house Complaint-processing model.

3. PCM cases in 2019

3.1 2019 case snapshot

A. New Complaints

The PCM received 40 new submissions in 2019, all of which were carefully evaluated against the PCM’s registration criteria.

- One Complaint fell within the Mechanism’s mandate to review environmental, social and public disclosure issues, and was therefore registered (see Section 3.2 for additional detail).
- As a “mechanism of last resort”, PCM suspended the registration of six new Complaints submitted in 2019 where Complainants had not first sought to address their concerns with Bank Management or the client. This avenue aims to give the Bank and/or client reasonable time to address newly raised concerns without the need for direct PCM involvement. However, the PCM monitors the manner in which suspended cases are being addressed. Should the issues raised remain unresolved, the PCM moves forward with registration at its discretion.
- Thirty-three Complaints did not meet the PCM Registration criteria, as they:
 - related to allegations of fraud, corruption, procurement, tendering or contractual issues that fell outside of the PCM’s mandate. These represent the majority of Complaints that do not meet the Registration criteria, and were redirected to the appropriate departments within the Bank, namely, the Office of the Chief Compliance Officer, the Procurement Policy and Advisory Department and the Civil Society Engagement Unit (CSEU), to be addressed through the appropriate channels.
 - related to *prospective* projects that had not yet been approved for funding by the EBRD, and therefore fell outside the temporal eligibility requirements for Complaint registration.
 - were not related to any EBRD project or prospective project. Often, such submissions related to projects funded by institutions other than the EBRD, in which case PCM advised Complainants accordingly.

B. Ongoing cases

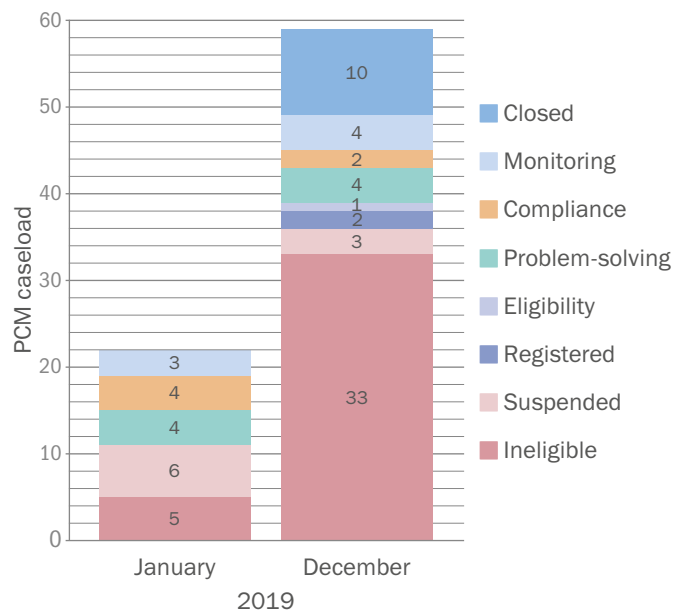
In addition to new Complaints registered in 2019, the PCM:

- continued to actively process 11 existing Complaints submitted in previous years
- oversaw progress on six suspended complaints.

As a result, one existing Complaint suspended in late 2018 was registered, after it was determined that it met the PCM registration requirements (see Section 3.2).

Chart 2 presents the status of PCM cases processed over the course of 2019.

Chart 2: Status of PCM Complaints, 2019



PCM-issued reports:

Over the course of 2019, PCM issued six reports, including:

- one Eligibility Assessment report
- three Compliance Review reports
- one Problem-solving Completion report
- one Compliance Review Monitoring report.

3.2 New Complaints registered in 2019

The two new PCM Complaints registered in 2019 (derived from both new and previously suspended Complaints) related to projects in Serbia and Georgia. They raise concerns over the Bank's environmental and social due diligence, its consideration of resource efficiency, pollution prevention, community health and safety, and stakeholder engagement.

Belgrade Solid Waste PPP

Business sector:	Municipal and environmental infrastructure
Project number:	46758
Client:	Beo Clean Energy
Project location:	Serbia
Relevant EBRD Policy:	2014 Environmental and Social Policy
Category:	A
EBRD finance:	€72 million
Complaint registration date:	11 October 2019
Complainants' allegations:	The Complainants raised concerns about the robustness of the project's environmental and social impact assessment, the project alternatives analysis, resource efficiency and pollution prevention. They also raised concerns as to the resettlement and livelihood restoration of informal waste pickers using the project site.
PCM stage at the end of 2019:	Eligibility Assessment under way

Shuakhevi HPP

Business sector:	Power and energy
Project number:	45335
Client:	Adjaristsqali Georgia LLC
Project location:	Georgia
Relevant EBRD Policy:	2008 Environmental and Social Policy
Category:	A
EBRD finance:	Up to €63.7 million
Complaint registration date:	18 February 2019
Complainants' allegations:	The Complaint raised concerns regarding the robustness of the project's environmental and social impact assessment and due diligence, project safety, stakeholder engagement, measures for safeguarding women as a vulnerable group and the adequacy of biodiversity offset measures.
PCM stage at the end of 2019:	Compliance Review under way

Additional information on registered Complaints is available on the  [PCM Register](#).

3.3 Cases at the Eligibility Assessment stage

After a Complaint has been registered, it is assessed to determine whether it meets the PCM eligibility criteria. At this stage, Complaints are not judged on their correctness nor the merits of the allegations made.

- **Eligibility criteria for Problem-solving** – Complainant(s) must be project-affected people to enable direct dialogue with the client. Assessors must also identify that mediation is likely to achieve positive results given each particular case.

- **Eligibility criteria for Compliance Review** – The Complaint must relate to alleged actions or inactions that are the responsibility of the Bank under the Environmental and Social Policy or Public Information Policy.

In 2019, two Eligibility Assessments were undertaken. As shown in Table 1, one Eligibility Assessment led to the initiation of a Compliance Review, while the other Eligibility Assessment was ongoing as of the end of 2019.

Table 1: Eligibility Assessment determinations, 2019

EBRD Project named in Complaint	Year Complaint submitted	Country	Sector	Status
Belgrade Solid Waste PPP	2019	Serbia	Municipal and environmental infrastructure	Eligibility assessment under way as of the end of 2019
Shuakhevi HPP	2019	Georgia	Power and energy	Eligibility assessment completed; Compliance Review initiated



Site visit to Belgrade Solid Waste PPP, 2-5 December 2019

3.4 Cases at the Problem-solving stage

Where Complaints are found eligible for Problem-solving, the PCM initiates mediation between the parties. PCM staff and mediators first meet with the parties to clarify their concerns and to develop Framework Agreements establishing mutually agreed upon “ground rules” for the mediation. Next, the mediation process begins. Joint meetings are held with a view of resolving the concerns raised in the Complaint.

As presented in Table 2, the PCM facilitated four PSIs in 2019, offering mediation services to Complainants and clients from a neutral platform. The PSIs related to projects in the power and energy (3) and agribusiness (1) sectors, situated in two of the Bank’s regions: (i) south-eastern Europe and (ii) eastern Europe and the Caucasus. The PCM organised and facilitated 23 mediation meetings across its four PSI cases; these PSIs will continue in 2020, having made progress in 2019.

Table 2: PCM-facilitated PSIs, 2019

EBRD Project named in Complaint	Year Complaint submitted	Country	Sector	Status	Number of Meetings held
BEH Bond Issue and Kozloduy International Decommissioning Support Fund*	2017	Bulgaria	Power and energy	PSI under way	Eight meetings held
Kozloduy International Decommissioning Support Fund	2018	Bulgaria	Power and energy	PSI under way	Two meetings held
MHP Corporate Support Loan and MHP Biogas*	2018	Ukraine	Agribusiness	PSI under way	Seven meetings held
Shuakhevi HPP	2018	Georgia	Energy	PSI under way	Six meetings held

Case study 1: Problem-solving in the agribusiness sector in Ukraine

PSIs within the MHP Corporate Support Loan and MHP Biogas projects

In June 2018, community members from Olyanytsya, Zaozerne and Kleban Ukraine filed Complaints with the EBRD’s PCM and the IFC’s CAO in relation to EBRD and IFC investments in the MHP Group. The Complaint raised concerns over the risk of environmental pollution, the impact of heavy transport, odours, working conditions and the disclosure of information on MHP’s activities in the region.

The Complainants and MHP agreed to discuss the issues through a voluntary mediation process. In 2019, the parties signed a Memorandum of Understanding defining the principles, rules, objectives and tasks of the mediation process. Affirming their respect for each other, they also signed agreements assuring the confidentiality of the process and providing for anti-retaliation measures. The parties have held eight joint meetings at which 50 issues have been discussed in detail. Positive social and safety outcomes of the PSI to date include:

- The commissioning of a bypass road around the village of Olyanytsya and the opening of a railroad crossing, which have reduced traffic through the community. MHP’s total investment in their construction was UAH 22 million. The parties intend to continue discussing how to make the bypass and its project-related use most effective.
- The establishment of a road safety initiative for local children, including the organisation of informational events on traffic rules between police officers and local students, the development of informational materials, and the purchase of magnetic signs and reflective tape for community use.

In parallel to the mediation process, a water supply system was opened in the village of Olyanytsya and the parties have agreed to discuss concerns over local water quality in 2020 mediation meetings.

3.5 Cases at the Compliance Review stage

Once a Complaint is found eligible for Compliance Review, an in-depth review of the Project is initiated to determine whether the EBRD is in compliance with the Bank’s Environmental and Social Policy and the Public Information Policy.

Where the Bank is found to be non-compliant, the Compliance Review will recommend remedial actions to bring the Bank back into compliance. Compliance Review recommendations are both:

- project-specific, to address the issues on the ground
- procedural and systemic, to avoid a recurrence of similar issues on other future Bank projects.

In 2019, the PCM processed five Compliance Reviews, three of which were finalised and presented to the EBRD Board of Directors (see Table 3). Compliance Reviews examined projects in the power and energy, transport, and natural resource sectors, in three of the Bank’s regions: Central Asia, South-eastern Europe, and Eastern Europe and the Caucasus.

Compliance Reviews found the Bank to be compliant with the Environmental and Social Policy in the case of the EPS Restructuring Project in Serbia, but non-compliant in the cases of the CMI Offshore project (Regional) and Lukoil Shah Deniz Stage II project (Azerbaijan). Two Compliance Reviews are ongoing – related to the Shuakhevi HPP and Nenskra HPP projects in Georgia – and will be finalised in 2020.

Case study 2: Review of an offshore gas exploration project in Azerbaijan - Lukoil Shah Deniz Stage II Project Compliance Review

Two CSOs submitted a Complaint related to the Lukoil Shah Deniz Stage II Project in Azerbaijan. The Complaint raised various concerns about the adequacy of community consultation, access to information and redress, and compensation for local residents’ property damage. It also asserted the need for soil, air and water quality monitoring, as well the need to explore alleged impacts to local fruit and vegetable production.

Based on the issues raised, the PCM expert reviewed the Bank’s compliance with both its Environmental and Social Policy and its Public Information Policy.

The PCM expert found the EBRD to be in compliance when it came to the project approval and disclosure processes, but non-compliant in relation to project due diligence, stakeholder engagement and monitoring activities. The expert identified several opportunities for EBRD Management to improve project monitoring measures and to ensure future projects were better able to meet Environmental and Social Policy performance Requirements (PRs).

In response, EBRD Management prepared a MAP to address the findings and the PCM is currently monitoring its implementation (and will continue to do so until all committed actions are completed). Additional information on this case is available on the [PCM Register](#).

Table 3: PCM Compliance Reviews, 2019

EBRD Project named in Complaint	Year Complaint submitted	Country	Sector	Status at end of 2019
CMI Offshore	2017	Regional	Transport	<ul style="list-style-type: none"> • Completed – Bank found non-compliant with the 2014 Environmental and Social Policy in one instance • Bank Management prepared a Management Action Plan (MAP) approved by the EBRD Board of Directors • MAP implementation is being monitored by PCM
EPS Restructuring	2018	Serbia	Energy	<ul style="list-style-type: none"> • Completed – Bank found compliant with the 2014 Environmental and Social Policy; case closed
Lukoil Shah Deniz Stage II	2017	Azerbaijan	Natural resources	<ul style="list-style-type: none"> • Completed – Bank found non-compliant with the 2008 Environmental and Social Policy in four instances • Bank Management prepared a MAP approved by the EBRD Board of Directors • MAP implementation is being monitored by PCM
Nenskra HPP	2018	Georgia	Energy	<ul style="list-style-type: none"> • Compliance Review under way
Shuakhevi HPP	2019	Georgia	Energy	<ul style="list-style-type: none"> • Compliance Review under way

3.6 Cases at the Monitoring stage

As described in Section 1.2, the PCM monitors the implementation of:

- agreements reached between clients and Complainants through PCM PSIs
- EBRD MAPs, which respond to non-compliance findings identified in Compliance Reviews.

Monitoring continues until the PCM Officer believes all commitments made in these documents have been fulfilled.

PCM monitoring reports are developed in consultation with the parties to the Complaint, who are given the opportunity to verify information and provide their views on the effectiveness of implementation.

As presented in Table 4, the PCM monitored the outcomes of five cases in 2019. Monitoring reports are available on the [PCM Register](#).

The monitoring of the Serbian EPS Kolubara Environmental Improvement PSI was completed in 2019, following full implementation of the agreement struck by the parties.

3.7 Suspended Complaints

As a ‘mechanism of last resort,’ the PCM suspends submissions if the Complainants did not previously seek to address their concerns with EBRD Management or the client, as long as efforts to do so would not be futile or harmful to the Complainant. The suspension of Complaints gives the Bank or the client reasonable time to address the concerns raised. The PCM sees many issues resolved effectively through this approach.

While Complaints are suspended, the PCM remains in contact with the parties to monitor whether progress is being made towards resolution of the Complaint. Where resolution is not achieved, the PCM can always elect to register the Complaint at a later date.

In 2019, the PCM:

- suspended six new submissions to allow EBRD Management and clients the opportunity to engage directly with Complainants in an effort to resolve the issues raised
- continued to follow the progress of six other suspended Complaints from late 2018, one of which was subsequently registered (the Shuakehvi HPP case).

By the end of 2019, a total of eight suspended Complaints were closed following the successful resolution of issues.

Consequently, as of December 2019, only three Complaints remained suspended. The PCM remains in contact with these Complainants and Bank Management, and will continue to monitor the outcomes of Bank efforts in 2020.

Table 4: Complaints at the Monitoring stage, 2019

EBRD Project named in Complaint	Year Complaint submitted	Country	Sector	Status at end of 2019
CMI Offshore	2017	Regional	Transport	• MAP implementation is being monitored
EPS Kolubara Environmental Improvement	2017	Serbia	Energy	• Completed – Problem-solving Agreements implemented; case closed
Lukoil Shah Deniz Stage II	2017	Azerbaijan	Natural resources	• MAP implementation is being monitored
Southeast Europe Equity Fund	2017	Regional	Equity funds	• MAP implementation is being monitored
Turk Traktor	2015	Turkey	Manufacturing and services	• Seven out of nine MAP commitments fulfilled in 2019; remaining two actions are being monitored

4. PCM case trends, 2010-19

The PCM has registered a total of 46 Complaints since 2010. Case trends during this nine-year period are presented in the following sections.

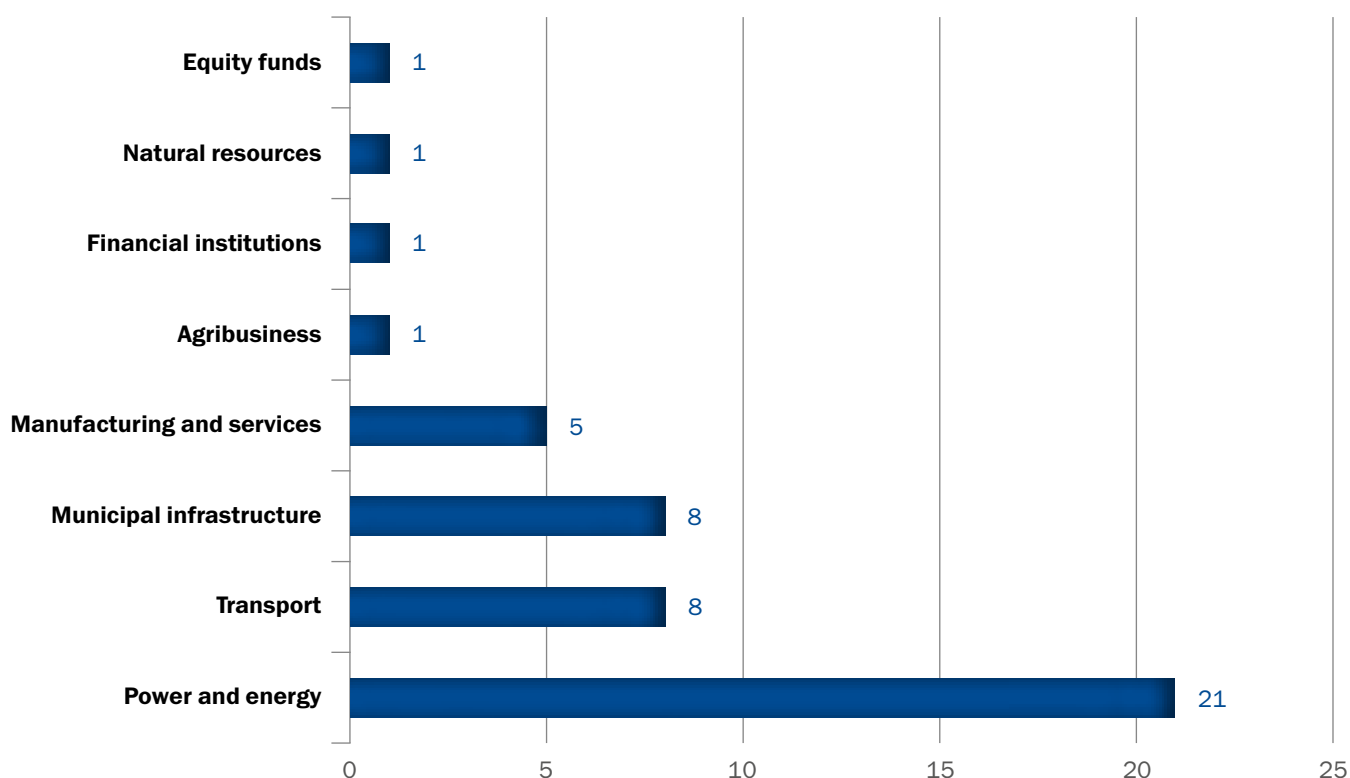
4.1 Complaint registration by sector

In the past nine years, concerns over 21 projects in the power and energy sector constituted almost half of all Complaints registered (see Chart 3). This is attributed partly to the environmental and social footprint of projects in this sector and partly to the extent of the EBRD's investment in the sector. Following power and energy, concerns were most commonly raised about projects in the transport (8) and municipal infrastructure (8) sectors during this period.

4.2 Complainants by category

Under the 2014 PCM Rules of Procedure, project-affected people may seek PSIs, whereas any individual or CSO may request Compliance Reviews. About 71 per cent of registered Complaints have been submitted by international or local CSOs over the past nine years.

Chart 3: Complaints by sector, 2010-19



4.3 Complaints by issue

Most Complaints submitted to PCM raised concerns about Bank adherence to the Environmental and Social Policy. Chart 4 identifies the themes most commonly raised in registered Complaints, by PR. Most Complaints raise environmental and social concerns related to more than one PR (for example, both water quality and stakeholder engagement).

Among the 46 Complaints registered since 2010, most have related to the robustness of environmental and social due diligence in the early stages of a project, namely, the adequacy of identification, assessment, mitigation and management of environmental and social project impacts (PR 1). Other regular areas of concern include:

- Information disclosure and stakeholder engagement (PR 10)
- Health and safety (PR 4)
- Land acquisition, involuntary resettlement and economic displacement (PR 5)
- Resource efficiency and pollution prevention and control (PR 3).

4.4 Complaints by region

As can be seen in Chart 5, the majority of PCM cases raised over the past nine years related to projects in two regions of EBRD operation: south-eastern Europe or eastern Europe and the Caucasus. The PCM notes, however, that the correlation of Complaints and regions is based on a number of factors outside project performance, such as the openness of the civil society space in certain EBRD countries, the level of EBRD involvement in national development projects, and community/civil society capacity to engage in accountability processes.

Chart 5: Complaints by region, 2010-19

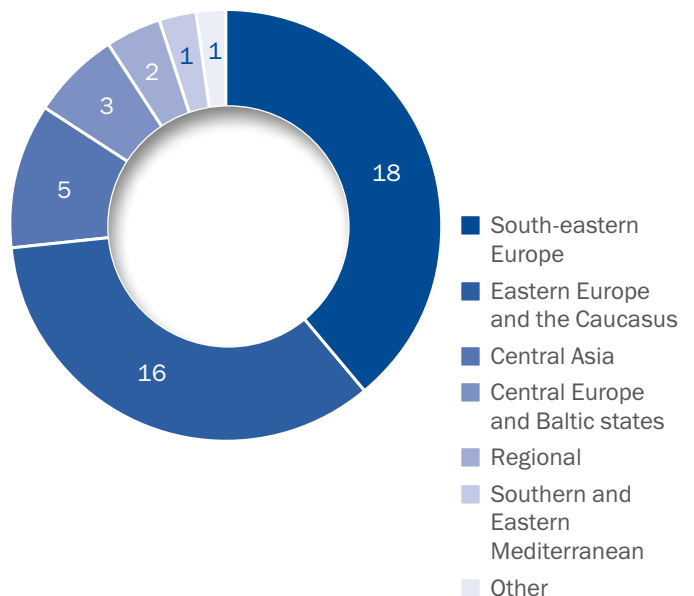
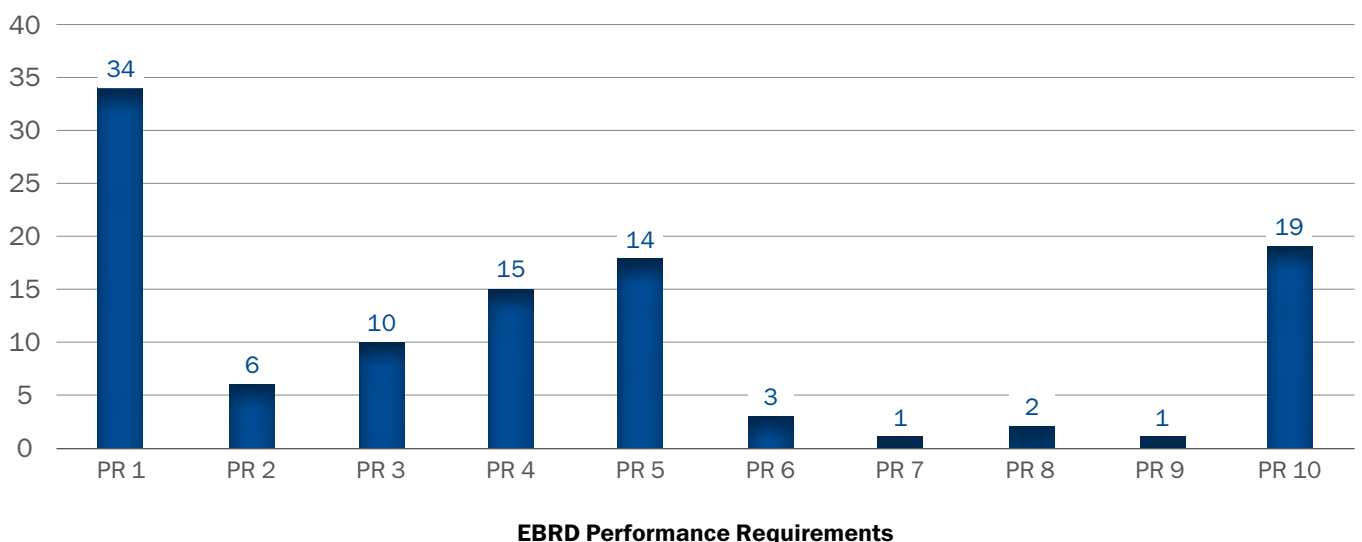


Chart 4: Complainants by issue, 2010-19




5. Participation in the IAMS network

All IFIs have externally focused, citizen-driven accountability mechanisms, referred to as IAMS. Although the scope and mandate of these mechanisms vary, they all receive submissions of concern from external stakeholders about their institutions' projects and their institution's environmental and social performance.



16th Annual Meeting of the Independent Accountability Mechanisms Abidjan, Côte d'Ivoire, 26-27 June 2019 African Development Bank

The IAMS  Network, brings together international practitioners in accountability, compliance, mediation and corporate governance. It provides a platform for cooperation and the exchange of expertise for accountability mechanisms worldwide.

In 2019, the PCM took an active role in:

- the IAMS Standards and Good Practice Working Group, contributing to the expansion of common standards and good practice guidance in the realm of mediation
- the Outreach Working Group, contributing to the organisation of joint outreach sessions between peer IFI IAMS, CSOs and project-affected people in Abidjan.

The 16th Annual Meeting of the IAMS Network was hosted by the African Development Bank in Abidjan, Côte D'Ivoire in June. It involved 50 participants, representing the accountability mechanisms of 20 IFIs and regional

development banks. Representatives shared valuable insights and experience from their accountability practice and discussed new tools and lessons learned from case processing.

The PCM held a session on the 2019 PCM policy review process and its stakeholder engagement approach to inform various upcoming IFI accountability policy reviews. Other sessions focused on the challenges of reviewing environmental and social safeguard compliance in fragile states, Mechanism accessibility due to risks of reprisal, and case management systems. The IAMS Network also hosted a one-day session with African CSOs, including those from Tunisia and Morocco, in which the EBRD invests. This year, key areas of CSO focus were accessibility and effectiveness, with strong interest in case monitoring to ensure that meaningful change results from IAMS case processes, both for Complainants and institutions.

6. Outreach, training and knowledge-sharing

Outreach, training and knowledge-sharing activities are essential to the PCM's operations. In 2019, the PCM engaged in the greatest number of outreach events in its history. These were aimed at meeting the Mechanism's objectives of:

- promoting greater awareness and understanding of the PCM's mandate and functions
- supporting capacity-building in the accountability sphere among key IAM stakeholders
- ensuring PCM stakeholders were aware of the PCM policy review and could actively engage in the redesign of the Mechanism.

The PCM must also ensure that EBRD staff understands how the Mechanism works and what is expected of them, should a project in which they are involved become the subject of a PCM case.

Separate from the PCM policy review, the PCM undertook engagement activities focused on PCM casework more broadly and the promotion of the PCM's mandate, through workshops, large capacity-building initiatives and conference presentations. Key activities are outlined in Table 5. This year, PCM in-person events organised outside the PCM policy review process reached 100 civil society representatives and 50 EBRD staff members.

Table 5: Outreach, training and knowledge-sharing activities in 2019

Description	Number of participants
Joint IAM outreach events in Abidjan, Côte D'Ivoire	• 50 CSO representatives
Information session at the EBRD's Resident Office in Tbilisi, Georgia	• 15 Bank staff
Information session at EBRD's Resident Office in Cairo, Egypt	• 6 Bank staff
Information session at EBRD's Resident Office in Almaty, Kazakhstan	• 15 Bank staff
Information session at EBRD's Resident Office in Istanbul, Turkey	• 10 Bank staff
Civil society programme of the 2019 EBRD Annual Meeting in Sarajevo, Bosnia and Herzegovina	• Engagement in three sessions: - case-related outreach/PCM - policy review - President's town-hall meeting 50 CSO representatives
Milestone updates to PCM stakeholders on PCM events, Policy review activities, etc. The Stakeholders Contact List includes project-affected people, CSOs, labour unions, clients, staff, academia, IAM colleagues, consultants and other stakeholders who have engaged with or have identified an interest in PCM.	• 3,500 stakeholders
EBRD e-orientation course All new EBRD staff were introduced to PCM via the e-orientation course in 2019	• All new starters
Internet/intranet postings to increase external awareness of PCM's activities across the Bank	• Six intranet/internet posts

Key areas of interest emerging from outreach, training and knowledge-sharing activities included:

- joint Complaint processing by IAMs on co-financed projects
- barriers to Mechanism access, Complainants' security and approaches to allegations of retaliation
- the need for remedy for project-affected people through both Compliance Review and Problem-solving processes
- transparency and access to information regarding financial intermediary projects.

Outreach highlights how: (i) PCM can work collaboratively with its stakeholders to promote accountability and ensure accessibility; and (ii) how the PCM can enhance its effectiveness for those adversely affected by EBRD projects. Through these engagements, PCM continues to strengthen its responsiveness to the challenges that communities face when looking to raise concerns over EBRD projects. Valuable feedback from stakeholder outreach will continue to inform the Mechanism's practices going forward.



Caption

7. 2020 Outlook

In the year ahead, the PCM will be focused on the transition to the IPAM, as per the 2019 Project Accountability Policy, which will come into force in July 2020. PCM looks forward to working with its internal and external stakeholder partners as it embarks on this transition.



Caption

Annex 1: Active PCM cases, 2019

Number	Project named in the Complaint	Country	Registration date	Eligibility Assessment	EAR site visit(s)	Compliance Review	Problem-solving	Compliance review/ PSI site visits	Monitoring	Closed	Status
2019/02	Belgrade Solid Waste Project	Serbia	11/10/2019	☑	☑						Eligibility Assessment in progress
2019/01	Shuakhevi HPP	Georgia	18/02/2019	☑		☑		☑			Compliance Review in progress
2018/09	MHP Corporate Support Loan, MHP Biogas	Ukraine	21/06/2018	☑	☑		☑	☑			Problem-solving in progress
2018/08	Nenskra HPP	Georgia	11/06/2018	☑		☑		☑			Compliance Review in progress
2018/05	EPS Restructuring	Serbia	10/05/2018	☑		☑		☑		☑	Compliance Review completed, Complaint closed
2018/03	Shuakhevi HPP	Georgia	15/03/2018	☑	☑		☑	☑			Problem-solving in progress
2018/01	Kozloduy International Decommissioning Support Fund	Bulgaria	15/03/2018	☑	☑		☑	☑			Problem-solving in progress
2017/07	Lukoil Shah Deniz Stage II	Azerbaijan	06/09/2017	☑		☑			☑		Non-compliance monitoring of MAP
2017/10	CMI Offshore	Regional	20/10/2017	☑		☑			☑		Non-compliance monitoring of MAP
2017/09	BEH Bond Issue and Kozloduy International Decommissioning Support Fund	Bulgaria	18/10/2017	☑	☑		☑	☑			Problem-solving in progress
2017/05	Southeast Europe Equity Fund II	Regional	18/08/2017	☑		☑			☑		Non-compliance monitoring of MAP
2017/04	EPS Kolubara Environmental Improvement	Serbia	25/07/2017	☑	☑		☑	☑	☑	☑	Monitoring completed, Complaint closed
2017/03	EPS Restructuring and EPS Kolubara Environmental Improvement	Serbia	15/06/2017	☑	☑		☑	☑	☑	☑	Monitoring completed, Complaint closed
2015/03	Turk Traktor	Turkey	11/09/2015	☑		☑	☑	☑	☑		Non-compliance monitoring of MAP

Annex 2: 2019 operational expenditure

The PCM's 2019 operational expenditures are outlined in Table 6.

Operational expenditure*	Cost (£)
Engagement of PCM experts	129,922.18
Complaint handling costs (such as travel, translation and interpreting)	61,783.75
Outreach and capacity-building	17,219.10
Administration (such as photocopies and publications)	4,957.71
Total	213,882.74

Note: Expenditure does not include salaries and benefits for PCM staff.

Contact us

Questions on this report should be addressed to:

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Email: pcm@ebrd.com



<https://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html>

How to report a Complaint to PCM:

Complaints related to (i) an alleged environmental or social harm or (ii) a lack of project transparency can be submitted to PCM in any written format (email, mail, fax) or via the online form on the PCM website (see “[Submit a complaint online](#)”).

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