

## European Bank for Reconstruction and Development (EBRD)

### Independent Recourse Mechanism (IRM)

#### EBRD

The European Bank for Reconstruction and Development was established in 1991 to develop the market economies of East European countries and former soviet republics. Today the EBRD finances projects in 27 countries through investment, loans or guarantees. It, for example, holds shares in local banks, supports the development of tourism or provides loans to build motorways and power stations. All approved projects are listed on the website of the bank ([www.ebrd.com](http://www.ebrd.com)). They can be searched by country or subject area of the project.

#### IRM

In April 2003 the EBRD approved the establishment of a mechanism that allows citizens to complain directly to the bank about the environmental and social effects of bank financed projects. The rules of procedures of the Independent Recourse Mechanism (IRM) were approved in April 2004 and a guide on how to make a complaint was issued in July 2004. Both documents and further information is available from the bank's website ([www.ebrd.com/irm](http://www.ebrd.com/irm)).

Complaints may lead to an investigation, further negotiations, changes or ultimately the cancellation of a project. The IRM however is different from formal legal procedures. It does not result in binding decisions but recommendations to the bank. A complaint does not suspend the ongoing activities or lead to an individual compensation award.

However experience of accountability mechanisms of other financial institutions shows that recommendations are often taken seriously. Complaint procedures have also proved useful in raising public awareness and developing political pressure.

#### Submitting a complaint

By 1 October 2004 the EBRD had not registered a single complaint. Detailed instructions on how to submit a complaint are available from the EBRD website. This includes a sample letter and a check list for supporting documentation.

The following is a brief basic summary of the process and its requirements:

#### Procedure

A complaint can be made by a group of two or more people who suffer direct harm as a result of a project financed by the bank. The office of the Chief Compliance Officer (CCO) was established as an independent institution within the bank to coordinate the complaint process.

Unless the CCO considers the complaint ineligible s/he will further assess the situation with an independent expert. They then make a first recommendation to the President or the Board of the bank. This can be to

- dismiss the complaint,
- to initiate a "problem solving initiative", or
- to carry out a compliance review (or both).

The problem solving initiative aims to reach a solution between an affected group, the bank and any other relevant party through dialogue. This can include fact-finding, mediation, conciliation, investigation, etc. It would be implemented by the CCO or an independent facilitator.

A compliance review is carried out to determine whether the Bank has acted in accordance with its Environmental and Public Information Policies. These outline the bank's commitments for the promotion of sustainable development, transparency and stakeholder involvement. The compliance review is

carried out by an independent expert and comprises any necessary measures such as meetings or site visits.

At the end of the process a report containing the findings and recommendations will be drawn up. The President or the Board will decide whether to accept or reject these.

## Complaint

A group wishing to lodge a complaint must live in an area that is affected by the project and appoint one or two individuals to represent them. If there are no locally based individuals within the group to act as representative, someone from outside the local community may file the complaint. The representative must be familiar with the area and fluent in the native language of the group's members.

The group must be able to demonstrate previous efforts to address the relevant issues and explain why further discussion will not resolve the problem. The complaint must also include the name and address of each member of the group, written evidence of authority to represent the affected group and any other supporting documents. It can be submitted in the native language of the group's members. On request the bank will treat personal data confidential.

It is not necessary to refer to any particular provisions in the bank's policies that may be violated. This may however help to add weight to a complaint and require the bank to address the underlying issues in more detail.

A problem solving initiative may conclude with a written agreement between the parties. Such an agreement should detail rights and obligations as well as procedures for monitoring the project's further development.

If the complaint indicates that the project's implementation may cause irreparable harm the CCO may recommend stopping further activities. Complaints can only be made within one year of the completion of the project.

## Other complaint mechanisms

There are other financial institutions which may be relevant to a project in your area operating a similar accountability mechanism. They all maintain websites listing their various activities worldwide.

- the World Bank, [www.worldbank.org](http://www.worldbank.org)
- the International Finance Cooperation and the Multilateral Investment Guarantee Agency, [www.cao-ombudsman.org](http://www.cao-ombudsman.org)
- the Asian Development Bank, [www.adb.org](http://www.adb.org)
- the Japan Bank for International Cooperation, [www.jbic.go.jp](http://www.jbic.go.jp)
- Nippon Export Investment [www.nexi.go.jp](http://www.nexi.go.jp)
- Export Development Canada [www.edc.ca](http://www.edc.ca)

In some instances it has taken the finance institutions years of pressure from civil society to establish an independent accountability mechanisms. Other important institutions such as the European Investment Bank or United States Private Investment Company do not yet have one.

Accountability mechanisms can be helpful in controlling financial institutions' activities and enhancing their environmental and social performance. It is therefore important to use them.

### How Capacity may help

Capacity is an organisation aiming to pioneer solutions for social and environmental justice. We are based in London where the EBRD has its headquarters. Some of us are lawyers and we can support you in drafting your complaints or other documents. Capacity may also be able to help in identifying the relevant involvement of different banks and possible policy violations. So contact us if you need assistance.

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