

REPORTS ON INTERNATIONAL ORGANIZATIONS AND BODIES

European Bank for Reconstruction and Development (EBRD)

(1) INTRODUCTION

The EBRD's engagement with environmental issues dates back to its establishment in the aftermath of the Cold War. Following the dissolution of the Soviet Union in 1991, when the Iron Curtain that had once divided the European continent into two spheres of influence fell, many Central and Eastern European countries embarked upon a transition from communist-style, centrally planned economies to market-oriented systems. The EBRD was created to support this transformation or, as Article 1 of its Articles of Agreement provides, to 'foster the transition towards open market-oriented economies ... in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics'.

This mandate was formulated at a time of growing global environmental awareness, as exemplified by the Earth Summit that was convened the following year in Rio de Janeiro, Brazil. It was agreed that the EBRD's developmental assistance would need to be mindful of the earth's capacities and take place within ecological limits. This decision must be situated within a larger context, characterized by mounting criticism of, and growing concern over, the adverse environmental impacts of projects supported by multilateral development banks (MDBs). In 1991, for instance, the World Bank revised its Operational Directive 4.00 pertaining to the requirement to conduct environmental impact assessments for bank-funded projects. Against this backdrop, the founders of the EBRD chose to make the environmental dimension of its mandate explicit and introduced a provision to that effect in the institution's founding treaty. Article 2(1)(vii) accordingly requires the Bank, in carrying out its functions, to support measures that 'promote in the full range of its activities environmentally sound and sustainable development'. Since 1991, this commitment has shaped the development of a comprehensive body of environmental policies and operational practices within the institution.

Against this background, this report reviews the EBRD's environmental performance in the past year. It examines the institution's principal legal and policy developments during the year, with particular attention to its Environmental and Social Policy, its environmental financing activities, its cooperation with other international organizations, the work of the Independent Project Accountability Mechanism, and its environmental reporting and analytical activities.

(2) ENVIRONMENTAL AND SOCIAL POLICY (ESP)

The EBRD's ESP forms the cornerstone of the institution's environmental framework (<<https://www.ebrd.com/home/news-and-events/publications/institutional-documents/environmental-and-social-policy-2024.html>>). Adopted to operationalize the Bank's environmental mandate as set out in its Articles of Agreement, the ESP applies to all EBRD-financed projects and defines the respective responsibilities of both the institution and the borrowing countries. It establishes the minimum standards that projects must meet and sets out the procedures through which environmental (and social) risks and impacts are identified, assessed, and monitored throughout the project cycle. The ESP broadly aligns with approaches developed within other multilateral development banks, including the World Bank's Environmental and Social Framework, which many multilateral development banks have historically emulated, and is subject to periodic revision (<<https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>>). The most recent update was adopted in 2024 and entered into force on 1 January 2025.

Under the 2024 ESP, the EBRD assumes a range of duties covering, *inter alia*, public disclosure and accountability (paras 4.1–4.4), institutional and implementation arrangements (paras 5.1–5.3), risk identification and assessment (paras 7.1–7.3), project categorization (paras 7.4–7.14), project appraisal (paras 7.15–7.19), decision-making (paras 7.20–7.21), and monitoring (paras 7.23–7.24). The responsibilities of borrowing entities are specified through 10 Environmental and Social Requirements (ESRs). While all of the ESRs integrate both social and environmental considerations—thereby reflecting the indivisibility of the concept of sustainable development—environmental concerns are particularly salient in ESR-1 (assessment and management of environmental and social risks and impacts), ESR-3 (resource efficiency and pollution prevention and control), and ESR-6 (biodiversity conservation and sustainable management of living natural resources).

Substantively, the ESP reflects established principles of international and European environmental law. The EBRD is, for example, a signatory to the European Principles for the Environment, including the principles of prevention and precaution, both recognized in customary international law and codified in environmental treaties (<<https://www.eib.org/en/publications/european-principles-for-the-environment>> para 2.3). The Bank further undertakes not to finance projects that would place a borrowing country in breach of its obligations under relevant international treaties, conventions, or agreements (para 2.4), and the ESP is accordingly designed so as to avoid incompatibility with international environmental law. Alleged violation of the ESP by the Bank may be submitted to the Independent Project Accountability Mechanism (para 4.3; see section 6 below), the establishment and operation of which form part of the Bank's institutional responsibilities under the policy (para 4.3).

(3) EBRD'S ENVIRONMENTAL FINANCING

The EBRD is mandated, in line with its founding treaty, to provide financing for reconstruction and development while ensuring that its operations are environmentally sound and promote sustainable development. Although its activities were initially concentrated in Central and Eastern Europe, the Bank now operates far beyond that region. With the accession of Nigeria this year, the geographic scope of the EBRD's environmental engagement has expanded further, covering the European and African continents and reaching as far as Central Asia.

The EBRD's environmental financing is guided by the logic of sustainable development, which its Articles of Agreement explicitly incorporate into its mandate. Sustainable development is conventionally understood as a three-dimensional concept in which 'economic

development, social development and environmental protection are interdependent and mutually reinforcing components' (UN Doc. A/CONF.166/9, §6). Accordingly, when the EBRD provides environmental financial assistance, it does so not solely in pursuit of environmental protection but also in support of broader economic and social objectives. Environmental finance is thus embedded within an integrated development strategy rather than conceived as a stand-alone domain of activities.

This integrated approach is reflected and articulated in the Bank's Green Economy Transition Strategy. The proposed Strategy for the 2026–30 period, published for consultation in November (<<https://www.ebrd.com/home/news-and-events/news/2025/ebrd-launches-public-consultation-on-proposed-strategy-for-green.html>>), updates the previous 2021–26 strategy, which committed the Bank to full alignment of its financial flows with the objectives of the Paris Agreement (<<https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-environmental-social-sustainability/EBRD-green/Green-Economy-Transition-Paris-alignment.html>>). The updated strategy, also implemented under the EBRD's Just Transition Initiative, identifies six sectors that are critical to the green transition: energy, industry, agri-food, transport, cities, and finance (<<https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-environmental-social-sustainability/EBRD-green/just-transition.html#customtab-c5ce774d13-item-36a0f34994-tab>>). It further establishes a numerical target of at least €150 billion in green financing for the 2026–30 period. This year, the Bank also revised its green financing methodology relied upon to determine 'whether or not EBRD finance should be classified as green, how to estimate the outcomes of green finance, and how to define monitoring plans for the delivery of those outcomes' (<<https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-environmental-social-sustainability/EBRD-green/Green-Economy-Transition-Paris-alignment.html>>).

Within the financial sector specifically, the EBRD launched the program Greening Financial Systems: Delivering Climate Finance for All, which is aimed at mobilizing US \$634 million in green financing across 13 countries. The program is supported in part by a US \$200 million contribution from the Green Climate Fund and is 'designed to make green finance affordable and accessible to a wide range of beneficiaries, from households, smallholders, and micro, small and medium-sized enterprises (MSMEs) to municipalities, utilities and larger corporates' (<<https://www.ebrd.com/home/news-and-events/news/2025/ebrd-launches-us-634-million-programme-for-greener-financial-sy.html>>).

Energy-related investments have remained central to the EBRD's environmental financing. This year, the Bank co-financed a major renewable energy and battery storage development in Uzbekistan with US \$142 million (<<https://www.ebrd.com/home/news-and-events/news/2025/ebrd-co-finances-major-renewable-energy-project-in-central-asia.html>>); provided €192 million for the construction of three new solar power plants in Romania (<<https://www.ebrd.com/home/news-and-events/news/2025/ebrd-accelerates-romania-s-green-transition-with-192-million-so.html>>); and extended US \$74.1 million for a greenfield wind farm project in Egypt (<<https://www.ebrd.com/home/news-and-events/news/2025/174-2-million-to-infinity-power-holding-for-a-200-mw-wind-farm-i.html>>).

Beyond energy, the EBRD's environmental financing also supported pollution control and water infrastructure projects. The Bank extended a €25 million loan for the construction of a wastewater treatment plant in Kosovo (<<https://www.ebrd.com/home/news-and-events/news/2025/EBRD-lends-up-to-25-million-for-new-wastewater-treatment-plant-in-Kosovo.html>>) and a €14 million loan to support the rehabilitation and expansion of water and wastewater infrastructure in Romania (<<https://www.ebrd.com/home/news-and-events/news/2025/ebrd-finances-modern-water-and-wastewater-infrastructure-in-roma.html>>). Such projects are reflective of the multifaceted nature of the Bank's environmental financing, spanning the promotion of renewable energy, the greening of the financial system, and pollution abatement

within a comprehensive ‘green economy transition’ framework. A full list of the EBRD’s climate projects committed to this year will be made available in 2026 (<<https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-environmental-social-sustainability/EBRD-green/green-results-reporting.html>>).

(4) EBRD’S INTER-INSTITUTIONAL COLLABORATION

The EBRD does not operate in isolation but, in pursuance of its mandate, also cooperates with a wide range of international, regional, and domestic institutions. This section examines the EBRD’s inter-institutional collaboration during the past year, highlighting the recent environmental initiatives undertaken in that context.

(A) Multilateral Development Banks (MDBs)

The EBRD has a long-standing record of environmental collaboration with other MDBs, be they universal (the World Bank) or regional (the Asian Development Bank and so on). This cooperation was notably strengthened in 2016 when MDBs issued a joint statement committing to work ‘towards the alignment of its activities with the Paris Agenda, in particular by supporting implementation of NDCs by borrowing states and development of their adaptive capacities’ (<<https://www.worldbank.org/en/news/press-release/2016/10/09/deliver-ing-on-the-2030-agenda-statement>>). Building on this commitment, MDBs developed a joint Paris-alignment framework, which was subsequently operationalized in the 2023 Joint MDB Methodological Principles for the Assessment of Paris Agreement Alignment (<<https://www.worldbank.org/en/publication/paris-alignment/joint-mdb-paris-alignment-approach>>). These principles are intended to serve as a common foundation for institution-specific guidance and toolkits. In March 2024, the EBRD adopted its own methodology to determine the alignment of its activities with the objectives of the Paris Alignment (<<https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-environmental-social-sustainability/EBRD-green/Green-Economy-Transition-Paris-alignment.html#ebrd-activities-paris-alignment>>).

This shared trajectory was reaffirmed at the 30th Conference of the Parties (COP-30) of the United Nations Framework Convention on Climate Change (UNFCCC), where MDBs reiterated their joint commitment to ‘to respond to the priorities of our clients—grow their economies, improving livelihoods and creating jobs, making communities and businesses resilient, in the face of intensified climate shocks and ecosystem degradation’ (<<https://www.ebrd.com/home/news-and-events/news/2025/joint-mdb-statement-for-cop30.html>>). On this occasion, they also unveiled a new framework for nature finance, composed of the Common Principles for Tracking Nature Finance (<<https://www.worldbank.org/en/topic/environment/publication/mdb-common-principles-for-tracking-nature-finance>>) and A Practitioner’s Guide to Results Metrics Selection (<https://www.aiib.org/en/about-aiib/who-we-are/partnership/_download/Financing-Nature-A-Practitioners-Guide-Final.pdf>). The Common Principles, which define what qualifies as ‘nature finance’ and how to assess such financing, are meant to support implementation of the Kunming-Montreal Global Biodiversity Framework that was adopted in 2022 at the COP of the Convention on Biological Diversity.

(B) European Union (EU)

The EBRD maintains a particularly close relationship with the EU, which is among its founding members and holds 2.84 per cent of the Bank’s capital. The EU is also the EBRD’s largest individual donor (<<https://www.ebrd.com/home/who-we-are/our-organisation/shareholders/european-union.html>>). The EBRD regularly cooperates with EU institutions

on matters and, as a signatory to the European Principles for the Environment mentioned above, supports the diffusion and implementation of EU environmental standards in the countries where it operates. This year, this collaboration was illustrated by the launch of the Green Economy Financing Facility in the West Bank. Established jointly by the EBRD and the EU, the facility aims to 'promote the transition to an environmentally sustainable, low-carbon and climate-resilient economy by focusing on investments in small-scale renewable energy, water-, energy- and resource-efficiency projects for MSMEs and households based in the West Bank' (<<https://www.ebrd.com/home/news-and-events/news/2025/ebrd-and-eu-launch-green-investments-in-the-west-bank0.html>>).

(C) Other Institutions

The EBRD regularly collaborates with other institutions—particularly national institutions and MDBs—on environmental initiatives. In June, the EBRD joined the Agence Française de Développement, the European Investment Bank, the Kreditanstalt für Wiederaufbau, the Cassa Depositi e Prestiti, and the Asian Development Bank to launch the Clean Oceans Initiative 2.0 (<<https://www.ebrd.com/home/news-and-events/news/2025/public-development-banks-launch-clean-oceans-initiative-2-0-afde.html>>). The renewed initiative establishes a collective financing target of €3 billion for the 2026–30 time period. While maintaining the original focus of the first phase on tackling ocean plastic pollution, Clean Oceans Initiative 2.0 expands its scope to encompass waste prevention and the promotion of a circular economy.

(5) EBRD'S INDEPENDENT PROJECT ACCOUNTABILITY MECHANISM

In supporting projects that are both 'environmentally sound and [supportive of] sustainable development,' the EBRD affects the lives of millions, which may inadvertently generate negative impacts. Recognizing this risk, in 2003, the Bank's Board of Directors decided to establish an accountability mechanism: the Independent Recourse Mechanism (<<https://opil.ouplaw.com/display/10.1093/law-mpeipro/e2438.013.2438/law-mpeipro-e2438>>). This was replaced in 2010 by the Project Complaint Mechanism and, again in 2020, by the Independent Project Accountability Mechanism (IPAM).

IPAM operates according to the rules laid down in the Project Accountability Policy (<<https://www.ebrd.com/home/what-we-do/projects/independent-project-accountability-mechanism/our-policies.html>>). According to this policy, its mandate is 'to independently review issues raised by individuals or organisations concerning Bank-financed projects, which are believed to have caused or to be likely to cause harm'. The mechanism enables project-affected people and organizations to submit complaints alleging non-compliance by the Bank with its obligations under the ESP and the Access to Information Policy.

A review of the Project Accountability Policy is currently underway. Its stated objectives are: '(a) to clarify language if the current provisions lead to divergent interpretations that affect Policy implementation and mandate; (b) to adjust Policy provisions when implementation shows that there are areas of improvement as regards effectiveness and/or efficiency; and (c) to incorporate best practices in accountability' (<<https://www.ebrd.com/home/what-we-do/projects/independent-project-accountability-mechanism/our-policies.html#overview>>). Also this year, IPAM and the European Investment Bank's Group Complaints Mechanism concluded an Agreement on Accountability Arrangements for Mutual Reliance Projects, aimed at improving coordination where parallel complaints are submitted to both mechanisms in

respect of co-financed projects (<<https://www.eib.org/en/press/news/eib-cm-and-ebd-ipam-sign-agreement-on-accountability-arrangements-concerning-mutual-reliance-projects>>).

Five complaints with environmental dimensions were submitted to IPAM this year. In CGES—SS Brezna, the complainants alleged a breach of then Performance Requirement (now Environmental and Social Requirement) 1 on the ‘Assessment and Management of Environmental and Social Risks and Impacts’, claiming that documents submitted to the EBRD contained ‘intentionally false information designed to avoid stricter environmental and social oversight’ (<<https://www.ebrd.com/home/what-we-do/projects/independent-project-accountability-mechanism/case-registry/CGES-SS-Brezna.html#Request-summary>>; see request). In the *Bishkek Public Transport Project Extension*, the complaint alleges violations of PR1, PR3 (Resource Efficiency and Pollution Prevention and Control), and PR10 (Information Disclosure and Stakeholder Engagement) (<<https://www.ebrd.com/home/what-we-do/projects/independent-project-accountability-mechanism/case-registry/Bishkek-Public-Transport-Project-Extension.html#Request-summary>>). The complaint concerning the *Corridor Vc—Doboj Bypass* project relates to the impact of motorway construction on residents of two houses situated approximately 13 metres from the construction site. The complainants contend that the proximity of the works contravenes all of the EBRD’s environmental and social policies (<<https://www.ebrd.com/home/what-we-do/projects/independent-project-accountability-mechanism/case-registry/corridor-vc-doboj-bypass-request-2.html#Request-summary>>). The two remaining complaints concern the same project—the *Corridor Vc in FBH – Part 3 Project*. Although submitted separately, both raise concerns regarding potential drinking water contamination resulting from planned construction activities (<<https://www.ebrd.com/home/what-we-do/projects/independent-project-accountability-mechanism/case-registry/Corridor-Vc-in-FBH-Part-3-Request-4.html#request-summary>>).

(6) REPORTING AND ANALYTICS

Like the World Bank, which describes itself as a ‘Knowledge Bank’, and other regional MBDs, the EBRD regards knowledge production as an integral part of its activities alongside the provision of financial assistance (<<https://www.worldbank.org/en/about/unit/brief/knowledge-bank>>). Environmental questions, situated within the broader framework of sustainable development and green economy transition, feature regularly in the Bank’s analytical work and flagship reports.

In a report published this year on the climate transition of the financial sector entitled *Climate Transition of the Financial Sector: The State of Play in the EBRD Regions—2025*, the EBRD examines the efforts undertaken by partner banks across its countries of operation to support the climate transition (<<https://www.ebrd.com/home/news-and-events/publications/economics/special-reports/ebd-climate-transition-of-financial-sector-2025.html>>). Based on a survey of 96 banks in 32 countries, the report ‘highlights the progress, challenges and support needed in areas such as climate risk management, green finance and transition planning, emphasising the importance of regulatory guidance, reliable data and capacity building for effective climate action’. At COP-30 of the UNFCCC, the EBRD, together with the Asian Infrastructure Investment Bank and the Paulson Institute, launched a report entitled *Unlocking Private Finance for Nature as Infrastructure: A Public–Private Partnership* (<<https://www.ebrd.com/home/news-and-events/news/2025/mdbs-and-partners-launch-playbook-to-mobilise-private-capital-fo.html>>). The report proposes treating nature as ‘critical infrastructure’ and encourages the use of ‘Public–Private Partnerships for Nature’. It exposes how

governments and financial institutions, through such partnerships, countries, and financial entities 'can integrate nature into infrastructure planning and mobilise private capital at scale'.

Other reports and analytics published this year include the *2024 Joint Summary Report on MDB Climate Finance Report* (<<https://www.ebrd.com/home/news-and-events/news/2025/multilateral-development-banks-hit-record-137-billion-in-climat.html>>), the *2024 Investor Report on Sustainability* (<<https://www.ebrd.com/home/news-and-events/publications/sustainability-report/investor-report-on-sustainability.html>>), and the *2024 ISSB Report* (<<https://www.ebrd.com/home/news-and-events/publications/issb-report.html>>).

(7) CONCLUSION

In 2024, the EBRD reported €9.7 billion in green finance committed, 457 green projects signed, and €19.1 billion mobilized in private financing for green projects (<<https://www.ebrd.com/home/who-we-are/ebd-values/ebd-environmental-social-sustainability/EBRD-green/green-results-reporting.html>>). This year was likewise marked by significant environmental activity, including the approval of numerous green projects, the publication of environment-related reports and analytics, and ongoing policy developments, be it at the level of the ESP or of the IPA. Under the Green Economy Transition strategy for 2026–30, the EBRD has pledged a total of at least €150 billion in green financing, signalling its continued environmental commitment and the continuation of its environmental priorities in 2026 and beyond.

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