

Richard E. Bissell
Jim MacNeill

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President Jean Lemierre
President
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2EH

Dear President Lemierre:

When you requested public comment on the draft proposal for an „independent recourse mechanism“ on 16 October 2002, we read the text with great interest, hopeful that one of the most important European institutions of finance was now ready to consider seriously its responsibilities to be accountable, transparent, and fully sensitive to the impacts of its financial activities on intended beneficiaries. As former Chairs of the World Bank Inspection Panel, we understand well the stakes involved, for the EBRD as an institution, for the Board, and for you as President.

We remember clearly the source of the mandate to the EBRD to undertake this initiative – the meeting of the G-8 in July 2000, when the global leadership called upon all the multilateral development banks to achieve „greater transparency, public participation and accountability, particularly including release of all country strategies and evaluation reports and increased effectiveness and accessibility of independent inspection panels in all institutions.“

We were concerned when the Economic Summit of 2001, held in Canada, came and went with no word from the EBRD. Surprisingly, the G-7 finance ministers were able to congratulate the IMF, not considered the most reformable of institutions, on its progress in establishing an independent Evaluation Office. The Ministers went on to reiterate their call to the EBRD and other RDBs to „establish or improve existing mechanisms, fully independent from staff responsible for project preparation, to ensure compliance of project proposals with policies and procedures prior to submission to the Board. We look forward to an assessment of the measures taken so far and further proposals being presented by the World Bank and by the RDBs by Spring 2002; strengthen or establish inspection mechanisms reporting directly to the Board; adopt a more open policy on information disclosure by making draft and final key policy and strategy documents available to the public.“

With the arrival of 2002, nevertheless, our hopes remained that the EBRD would demonstrate its willingness to join the rest of the international financial community in a clear commitment to accountability. That hope, unfortunately, has been dashed by the current draft.

The EBRD has chosen to make a proposal that fails almost all tests proposed by the world’s financial leaders, and reflecting little from the experiences of other financial institutions. The EBRD would be best served by withdrawing the current proposal and starting with a fresh draft, rather than tinkering with a proposal certain to fail and frustrate all stakeholders, internal and external.

This may seem to be a harsh judgment, but in matters of international accountability, institutions rise and fall with their credibility, and our interest in strengthening the EBRD leads us to be very clear in stating our view of what is missing from the proposal of 16 October.

1. The mechanism fails the test of independence. This is an internal mechanism, managed by the President. The experience of other mechanisms has been that the perception and reality of independence is a *sine qua non*.

2. The mechanism covers only the EBRD's environmental policy and procedures. While the drafters may say that there are no other policies for the mechanism to oversee, that situation in itself should be a warning sign to the Board that there is too little oversight at a policy level. At least the *de minimus* roster of policies present in other multilateral banks should be developed at the EBRD and placed under jurisdiction of a viable accountability mechanism.

3. The release of information regarding issues at the mechanism is both conditional and vague. The value of transparency has been demonstrated time and again at other financial institutions as a means of enhancing public trust in the bank and its inspection mechanisms. There is good reason for the G-8 to have placed „greater transparency“ at the top of their criteria for inspection mechanisms in 2000. People kept in the dark have a right to be suspicious.

4. The people appointed to the mechanism must have visible autonomy and effectiveness. The Chief Compliance Officer is a staff member, with multiple other duties, and the use of a lengthy roster for expertise has been shown to be a disservice elsewhere to both the claimants and to the bank. A roster's members have little incentive to become well-versed in the strategies and workings of the bank, and are thus unable to take the bank's real interests into account, and also carry little knowledge over from claim to claim, making the process less effective for claimants. Appointed panels with a limited number of members, even if part-time, are able to meet accountability needs much more effectively than a long roster of specialized professionals.

5. The tone of the proposal is that the mechanism will be far more focused on „problem-solving“ than on „compliance.“ It makes sense for any institution to have a problem-solving ombudsman, but it should not be confused with the call of the G-8 for independent inspection panels. The litmus test for an effective ombudsman is far simpler. The existence of such an office would not obviate the need identified by the economic summits for a truly independent, transparent, and accountable inspection mechanism.

Finally, we should not close without expressing our appreciation for the hard work that went into this draft and in the spirit of transparency, made it available for comments. We hope that this is just one stage in a longer and expanding conversation with all parties to bring about a more effective EBRD, able to serve its shareholders and beneficiaries equally.

Sincerely,

Richard E. Bissell
500 Fifth Street, NW
Washington, D.C. 20001 USA

Jim MacNeill, O.C.
15-110 Rideau Terrace
Ottawa K1M 0Z2 CANADA