

FROM:

Fidanka Bacheva-McGrath
EBRD Campaign Coordinator
CEE Bankwatch Network
fidankab [at] bankwatch.org

TO:

Mr. Quattrocioche
Secretary General
European Bank for
Reconstruction and
Development

29 October 2010

Dear Mr Quattrocioche,

We are writing regarding an apparent violation of the EBRD's Public Information Policy in relation to the Centerra Revolving Financing project.

The project was listed on the EBRD website Board schedule for 26 October 2010, and is now listed for 10 November 2010, yet no project summary document (PSD) is available.

We are aware that the EBRD's public information policy allows the following exceptions:

"3 .1 .5 Derogations to the timely release of PSDs may be granted in certain circumstances, for example:

- *capital market transactions (e .g . IPO, listed company or bond issue) where security laws, Stock Exchange regulations or other bodies restrict or prohibit distribution of information as per the PSD*
- *legitimate sponsor concerns about confidentiality (as per Section E)*
- *likelihood of substantial changes in project design at Final Review."*

Kyrgyz NGOs have also been informed by Mr Kevin Bortz in a letter dated 26 October 2010 that a derogation from the Public Information Policy has been granted for this project.

However we do not see why any of the conditions for derogation above should apply to this project. After all, indications about the existence of the project have already been made public as outlined below, so the existence of the project cannot be considered confidential:

- In a letter of 15th October 2010 to Kyrgyz NGOs, Mr Kevin Bortz, Director, Natural Resources, wrote:
"With regards to Kumtor Gold Company and its parent company, Centerra Gold Inc., as you are aware, the EBRD sold its shares in Centerra Gold in the first quarter of 2010 and it is no longer a shareholder of the company. EBRD is considering engaging in a possible new project with Centerra Gold at Group level. Should the project proceed further, we would certainly take due consideration of the different points raised in your letter in our due diligence, as well as of the report prepared after our last monitoring visit at Kumtor in November 2009, which makes some recommendations in this respect. Our monitoring visit found that site management is knowledgeable with regards to EHS management and seeks to operate the facility to international Best Practice. Any new project would need to be in compliance with the Environmental and Social Policy."

- On Monday 25th October 2010, we noticed that the Centerra Revolving Financing was listed under the Board schedule for Tuesday 26th October 2010. On 26th it was moved to the Board agenda for 10th November 2010, which still does not ensure the required 30 days for PSD disclosure.
- On Tuesday 26th October 2010 the project was again referred to in a letter to Kyrgyz NGOs from Mr Kevin Bortz.

It is therefore clear that the existence of the project is not confidential, and we would expect a PSD to have been published at least 30 days before the board date.

As well as the lack of PSD we must note the discrepancy between the highly conditional language used by Mr Bortz in the letter of 15th October, which implies that the project is at an early stage of assessment and that NGO comments would be investigated, and the fact that the project is planned for discussion and possibly approval in just two weeks' time.

These issues are made all the more serious by the controversial nature of the Centerra Revolving Financing project. There is a high level of interest by Kyrgyz NGOs in all EBRD activities related to Centerra, and it is to everyone's advantage that any issues with the project are discussed openly and transparently before any new project is approved.

An additional issue that has surfaced recently is the question of the company's activities in Mongolia. Transitions Online recently reported¹ that in early September, Centerra's equipment was damaged in protest at mining in one of Mongolia's few forested areas and the government's failure to implement environmental regulations regarding mining. While we have no detailed information about this incident at present, it further illustrates the need for adequate stakeholder engagement and respect for the opinions of local people in Centerra's operations.

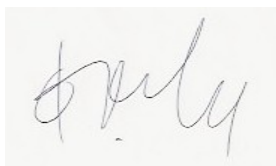
We would therefore like to ask you to ensure that the project is not approved until a PSD has been available for at least 30 days as stipulated by the EBRD's public information policy.

We would further like to ask you to remind EBRD staff that it is not acceptable to imply that projects are in an early stage of appraisal when they are in fact already submitted for approval by the Board of Directors, i.e. when the PSD should have been released.

In cases where a derogation from the obligation to release a PSD in advance *is* granted, we would ask for the PSD to be posted promptly after the project's approval, stating that a derogation was approved and explaining why.

We would like to thank you in advance for examining this issue and taking appropriate action,

Yours sincerely,



Fidanka Bacheva-McGrath

¹ Warning Shots by Pearly Jacob, 20 October 2010 <http://www.tol.org/client/article/21887-warning-shots.html>