

EBRD Project cycle

The EBRD provides financial assistance for infrastructure or private sector projects in different forms such as loans, equity, and guarantees. If a government, municipality or private enterprise applies for a loan from the EBRD for the development of a project, and the EBRD considers that this project is potentially suitable for financing, the project cycle begins. The project cycle continues until either the completion of the project, or if the project is not provided financing, until the project is rejected by the Board of Directors. The EBRD has specific procedures for each stage of the project cycle, through which they assist project sponsors (borrowers).

The sequence of EBRD project cycle is:

1. Identification of the project (is the project potentially suitable for EBRD financing or not);
2. Preparation stage (negotiations between the project sponsor and EBRD on loan conditions and the preparation of documentation for Board consideration);
3. Approval of the documentation (EBRD's commitment to provide financing); and
4. Implementation (disbursement of the loan for project implementation).

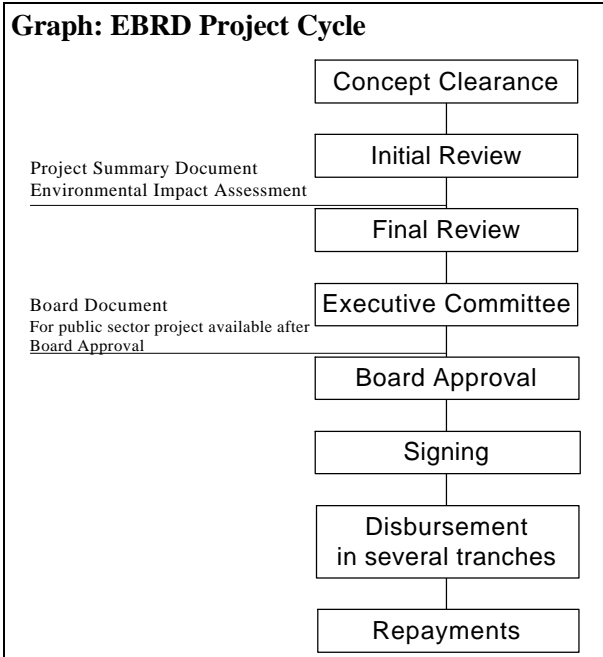
IDENTIFICATION

The Bank, after receiving a request to provide a loan, identifies if the project is potentially suitable for EBRD financing. The EBRD investigates the proposed business plan and decides whether to further consider the project or reject it. During this stage the borrower must provide the Bank with a business proposal that includes economic/commercial aspects and available environmental information such as permits, impact assessments and policies. Through an analysis of this information the Bank makes a preliminary assessment of the project's technical, financial, economic, environmental and institutional feasibility. It also determines if the proposed project is complementary to the Bank's sectoral and country policies. At the end of identification stage the EBRD staff prepare the first approval process paper, a Concept Clearance Memorandum. This paper includes the analyses of the project conducted so far. A Concept Clearance Memorandum is not a publicly available document and there are no opportunities for public participation in this stage. Once a project has passed Concept Clearance it enters what is known as the project "pipeline".

PREPARATION

The preparation stage is divided into two parts, initial review and final review. During the initial review, the Bank and the project sponsor agree on an overall structure for the project. During the final review more detailed terms and conditions for financing of the project are negotiated. The agreed structure, terms and conditions are presented to the Bank's Operations Committee for approval. Also during this stage an Environmental Review is undertaken to ensure that the project is environmentally sound and documents for the consideration of the Board of Directors are prepared.

EBRD staff are responsible for most tasks of the preparation stage. However, the project sponsor is responsible for making a public announcement of the proposed project and completing Environmental Impact Assessments and other environmental reports.



The main opportunity for public participation during this stage is through Environmental Impact Assessments (EIAs). As a part of an EIA, the EBRD requires project sponsors to provide affected people and interested non-governmental organizations (NGOs) with notification about the project for which financing is sought and conduct public consultations. During the public consultation affected and interested people as well as NGO's have the right to provide justified recommendations, proposals and opinions concerning the planned project. All public submissions should be documented and, together with the completed EIA report, presented to the Bank.

The Bank's Environmental Procedures requires an independent review of the environmental compliance of projects. The environmental review is based on the findings of the EIA. A summary of the environmental review is incorporated into the final review. The environmental section of the Final Review should contain:

- the current environmental status of the project;
- potential environmental impacts of the project;
- environmental additionality; and
- the status of public consultations.

All Bank documents intended for internal purposes such as the Initial Review Memorandum, Final Review Memorandum, and Board documents (unless given specific approval for release by the Board) are not publicly available. Project Summary Documents are available (for private sector projects at least 30 days before Board consideration, for public sector projects at least 60 days before Board consideration) as are EIAs (for private sector

projects 60 days prior to Board consideration, for public sector projects 120 days before the Board consideration).

APPROVAL

The final review, together with the President's recommendation and other loan documents are presented to the Board of Executive Directors for a final financing decision. If the Board approves the operation, the loan agreement is signed. This marks the end of one stage of the cycle and the beginning of another. The project sponsor then begins the project implementation. After Board approval it is not possible to change the loan documentation.

IMPLEMENTATION

The next stage in the project cycle is the actual project implementation covering the construction and subsequent operation. Implementation is the responsibility of the project sponsor. It is the EBRD's role to supervise the project. The EBRD is required by their articles of agreement to ensure that the loan is used only for the purposes for which it was granted. While this "watchdog" function is important, the main purpose of the supervision is to ensure that projects achieve their stated objectives by working with project sponsors to identifying and deal with any problems that arise during the implementation. Monitoring of a project's implementation in relation to agreed schedules, loan agreements and the use of project outputs, including infrastructure and services, by project beneficiaries, is also conducted. The EBRD will take necessary action to ensure compliance.

January 2001

The CEE Bankwatch Network is an international non-governmental organization (NGO) with member organizations from countries of Central and Eastern Europe and the Commonwealth of Independent States. The basic aims of the network are to monitor activities of the International Financial Institutions in the region, and to promote constructive alternatives to their policies and projects. The CEE Bankwatch Network was formally set up in 1995, and has become one of the strongest networks of environmental NGOs in Central and Eastern Europe.

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