

Is the EBRD's flagship Green Cities initiative making a difference?

Interim evaluation questions with case studies from Uzbekistan and Armenia



Workers greening the square in Nukus, Uzbekistan. Photo: CEE Bankwatch Network

Background

Cities in the EBRD's countries of operation face a number of challenges, including high energy and carbon intensity, poor air quality, traffic congestion, the failure to renew post-industrial areas, unsanitary solid waste facilities and negligible recycling rates. They are also plagued by a lack of transparency, high risks of corruption and entrenched top-down technocratic decision-making.¹ Compounding matters, some EBRD countries have recently had to respond to new crisis situations, such as the reconstruction of Ukrainian cities² destroyed by Russia's military bombardments and Turkish cities devastated by the earthquakes that struck in February of this year.

¹ CEE Bankwatch Network, [The EBRD and EIB's Sustainable Municipal Infrastructure Investments in the Western Balkans and Eastern Neighbourhood](#), CEE Bankwatch Network, June 2020.

² CEE Bankwatch Network, [Rebuilding cities for people in Ukraine](#), CEE Bankwatch Network, 19 September 2022.

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Transforming cities is the key to decarbonisation. Successfully addressing the range of challenges outlined above can have a profound positive impact on the health and quality of life of residents, while reducing greenhouse gas emissions and increasing the climate resilience of urban centres.

To tap that potential, the EBRD launched its Green Cities programme in 2016. Key to the new programme was the development of Green City Action Plans (GCAPs) aimed at identifying and prioritising urban environmental challenges and policy measures as well as connecting cities with investment sources for sustainable infrastructure.

By the end of 2020, the Green Cities framework (GrCF) had become the EBRD's largest investment programme, which saw the Bank and its multiple donors mobilising over EUR 1.5 billion in investments and technical support for 44 cities in 22 countries.³ By the end of 2021, the programme had doubled in size, with the Bank adding EUR 2 billion to the then existing EUR 1.9 billion earmarked for more than 50 Green Cities.⁴ The GrCF is part of the EBRD's Green Economy Transition strategy for 2021 to 2025 through which the Bank plans to increase green financing to more than 50 per cent of its annual business volume by 2025.

The EBRD's evaluation of the GrCF

In March 2022, more than five years after the start of the GrCF, the EBRD's Evaluation Department published an interim report on the Green Cities programme, noting that 'there is a significant interest in understanding the outcomes of these operations and their contributions to green transition'.⁵ The final report was due in October 2022, but has not been published as of April 2023. Although it did not offer any findings or conclusions about the effectiveness of the flagship framework for the period from 2016 to 2021, the interim report shared some important observations and statistics about the GrCF.

For example, the interim report notes that by the end of 2021, the largest region of GrCF investment was eastern Europe and the Caucasus, accounting for about 37 per cent of investments, while Turkey alone represented 23 per cent of the investment volume from just three big projects. In terms of sector distribution, just over half of GrCF investments were in urban transport, totalling almost EUR 500 million. The project pipeline points to further concentration of investment in this sector.

The EBRD is a 'transition bank' that measures its ambition to fulfil its unique mandate through a set of six 'transition qualities'.⁶ The Evaluation Department's interim report points out that only the 'green' transition quality is a focus at the GrCF level, with the main objective of 'significant environmental change in each country of [Green Cities] operation through the implementation of GCAPs'.⁷ In October 2020, the 'well-governed' transition quality became optional, as each project could choose between focusing on the 'well-governed', 'resilient', 'competitive', 'integrated' or 'inclusive' qualities.

³ European Bank for Reconstruction and Development, [Effective policy options for green cities](#), *European Bank for Reconstruction and Development*, December 2020.

⁴ European Bank for Reconstruction and Development, [Flagship EBRD Green Cities doubles in size](#), *European Bank for Reconstruction and Development*, 10 November 2021.

⁵ European Bank for Reconstruction and Development Evaluation Department, [Green Cities programme – interim evaluation](#), *European Bank for Reconstruction and Development*, March 2022.

⁶ European Bank for Reconstruction and Development, [How do we assess transition qualities](#), *European Bank for Reconstruction and Development*, accessed 11 May 2023.

⁷ *Ibid.*, 6-7.

The GrCF's narrow focus on 'environmental change' is regrettable, since cities provide the best opportunities to improve public sector governance and promote the inclusion of vulnerable groups such as women and minorities. It also departs from the much wider scope of the UN's Sustainable Development Goal 11 on Sustainable Cities and Communities, which includes affordability, accessibility, safety, participation, inclusion and special attention to the needs of those in vulnerable situations, such as women, children, people with disabilities and older persons.

The EBRD Evaluation Department's interim report hints at several other areas of the Green Cities programme that deserve closer scrutiny. Bankwatch has been monitoring the programme since 2017 and has collected evidence highlighting areas of concern.

1. Lack of transparency and participation: ESDD and allocation of technical cooperation grants

Recognising the serious capacity constraints of municipal authorities and public utility companies, the EBRD has allocated significant resources from donor funds in the form of grants for technical cooperation (TC) for both the preparation of GCAPs and for municipal environmental infrastructure (MEI) projects. Grants are provided for project-level TC, such as pre- and post-signing support for feasibility studies, audits, gender advisory and corporate development programmes. Although environmental and social due diligence (ESDD) is conducted with generous TC grants, the assessments are not carried out in a participatory way and are rarely disclosed or consulted with project-affected people.

The EBRD Evaluation Department's interim report estimates that, on average, about EUR 300 000 in TC grants were spent on GCAP preparation per city, supported by contributions from a variety of EBRD donors and donor funds. In addition, project-level TC can reach or exceed EUR 1 million. Unfortunately, there is no public database for tracking the Bank's TC grants, such as the existing EBRD Project Finder for loans and equity investments.

Only a small proportion of the environmental and social (E&S) assessments for MEI projects are published and consulted with the public, such as with interested civil society groups or affected communities, despite public donor money being used for public sector projects. Moreover, it is questionable how adequate these E&S assessments are if they have neglected to include the opinions and suggestions of these stakeholders.

According to Bankwatch's analysis,⁸ the majority (86 per cent) of MEI projects are considered to be of lower environmental and social risk (category B), for which the current EBRD's policies do not oblige the Bank to disclose project assessments and plans. Consequently, the EBRD has partially disclosed documentation for less than half of the MEI projects in the period from 2020 to 2022: 45 per cent of the projects had a Non-Technical Summary (NTS) disclosure, 35 per cent had a Stakeholder Engagement Plan (SEP) disclosure and none had an Environmental and Social Action Plan (ESAP) disclosure.

⁸ CEE Bankwatch Network, [Human rights define the resilience of society: the EBRD must do more to ensure its investment projects respect and protect human rights](#), CEE Bankwatch Network, 10 May 2023.

Case study: Karakalpakstan Solid Waste Project,⁹ Uzbekistan

In March 2022, the EBRD Board of Directors approved a sovereign loan of up to USD 70 million (EUR 57.8 million) to the Republic of Uzbekistan for the benefit of Karakalpakstan Toza Hudud, a state unitary enterprise owned by the State Committee for Ecology and Environmental Protection. The objective of the project is to finance the modernisation of solid waste management infrastructure at three sites, the construction of new sanitary landfills in compliance with EU standards, waste sorting plants, waste transfer stations and the supply of specialised equipment and vehicles.

An additional EUR 770 000 in TC grants was provided for the project, funded mainly by the EBRD Shareholder Special Fund (SSF), including two pre-signing TC grants and two post-signing TC grants, as follows:

- Feasibility study for the project to cover technical, financial, environmental and social due diligence (EUR 440 000 from the SSF).
- Preparation of a Livelihood Restoration Framework (EUR 72 000 from the SSF).
- Corporate Development Programme for Karakalpakstan Toza Hudud (estimated at EUR 200 000, to be funded by an international donor or the SSF).
- Skills Training Programme for youth in the region (up to EUR 60 000, to be funded by a bilateral donor or the SSF under the Gender and Economic Inclusion TC Framework).

The project is designated category B, considered by the Bank to be of lower environmental and social risk, despite the high risks to outspoken members of civil society and critics of the government's plans. According to the Freedom House annual rating, Uzbekistan is considered 'not free' and 'an authoritarian state with few signs of democratization'.¹⁰ Karakalpakstan is also home to the ethnic minority of Karakalpaks, who are particularly vulnerable to acts of repression and often marginalised in decision-making processes.¹¹

In November 2022, Bankwatch visited the project locations in Karakalpakstan and met with local community representatives living in immediate proximity to the waste sites, representatives of the landfill management company and one local mayor. The first issue to emerge from our conversations with local people was the distance of the project sites from their households. Although the EBRD's project document claims that 'there are no residential buildings within 500m of the proposed landfills', in at least one case this is not true. We also discovered that the waste transportation routes cross these residential areas. Local residents complained about the smell from the waste sites, occasional smoke from burning waste and

⁹ European Bank for Reconstruction and Development Project Finder, [Karakalpakstan Solid Waste Project](#), *European Bank for Reconstruction and Development*, 13 April 2021.

¹⁰ Freedom House, [Uzbekistan Country Report](#), *Freedom House*, 2022.

¹¹ Darina Solod, [A Guide to the violent unrest in Uzbekistan's Karakalpakstan region](#), *Open Democracy*, 4 August 2022.

infestations of flies, which become unbearable during hot weather. They also questioned the selection of the site, given the huge desert areas that provide plenty of options for alternative locations.¹²

Second, out of the more than 20 people we interviewed, only one person was contacted by the EBRD consultants who carried out the environmental and social due diligence (ESDD). None of the other people were consulted and they also seemed reluctant to raise their concerns with the authorities.¹³ All of the people we spoke to were concerned about the adverse and long-term impacts, both existing and future, on their living conditions and health due to the close proximity of the sites and waste transportation routes.

The EBRD's project summary document claims that the ESDD 'included site visits to the proposed landfill sites and current landfills to select the most suitable location for Project facilities, interviews with representatives of the Project Company responsible for waste handling, reviews of available documentation and proposed landfills design'. According to the summary, the due diligence found 'that potential adverse impacts of the Project will be local and temporary, whereas the implementation of the Project will improve the waste handling standards and thus sanitary and epidemiological situation in the region'.

Unfortunately, this information contradicts an EBRD response received by Bankwatch in May 2023. When asked whether it could confirm that the waste sites had been relocated at a safe distance from areas inhabited by local residents, the Bank replied: 'Project sites were selected by the government and the Project was approved based on these specific locations. Key Project parameters and expected outcomes are based on these specific locations as they were assessed and analysed as part of the Project's Due Diligence. Change of a Project site is a material change to the approved Project scope and layout. Therefore, if indeed there is such an intention by the client, it will not be accepted as is.'¹⁴

This response raises more questions than it answers. First of all, it suggests that the project sites were selected by the government and were not subject to change. This begs the following questions: how, then, did the ESDD come to select the 'proposed' sites? And more to the point, how could 'the most suitable locations' have been chosen if they had already been predetermined by the Uzbek government? These unanswered questions cast doubt on the very purpose of the ESDD. If its assessments cannot prompt any changes to project siting, is the ESDD simply there to rubber-stamp decisions already set in stone? As a matter of urgency, the EBRD should insist that its client change the parameters of the project to ensure no harm is caused to the health of local people, in line with its safeguards policy and mitigation hierarchy. But as we have learned, the Bank has indicated it will not accept any changes proposed by the client, including those intended to protect community health.

Given that the Karakalpakstan Solid Waste project is category B, which means that it is not subject to disclosures or consultations on E&S assessments and plans, it will be very difficult for Bankwatch to continue a constructive dialogue on this project. In view of the context in Karakalpakstan, it will be even

¹² Michaela Kozminova and Nina Lesikhina, [Public Participation: the Achilles Heel of International Investments in Uzbekistan](#), *The Diplomat*, 16 December 2022.

¹³ Mark Fodor, [Uzbekistan: the anatomy of fear](#), *Coalition for Human Rights in Development*, 25 November 2022.

¹⁴ Arslan Pendjiyev, Response to email communication from Bankwatch on the Karakalpakstan Solid Waste Project, *European Bank for Reconstruction and Development*, 14 April 2023.

harder for the local people affected by the project to defend their right to access information, let alone a safe and healthy environment.

2. Failed GrCF and MEI projects

There is a worrying finding in the Evaluation Department's interim report that tallies with Bankwatch's experience on the ground: 'Undrawn commitments of the Green Cities frameworks are at 74 per cent of NCBI [net cumulative bank investment]'. The first GrCF, approved in 2016, had undrawn commitments of just 26 per cent. Undrawn commitments under GrCF2, approved in 2018, are at 86 per cent, 'reflecting the relatively high proportion of projects at signed stage before any disbursements'. This increase represents a problematic trend.

Bankwatch has monitored a string of projects in the public transport sector that have failed. For instance, the Tbilisi Bus Phase III project was approved but then cancelled,¹⁵ the Almaty Electric Public Transport project was never signed¹⁶ and the Skopje Bus Rapid Transit Project was signed in 2020 but never proceeded.¹⁷ Other municipal projects in the solid waste sector are tagged as 'repaying', even though these projects have yet to be implemented, such as in Yerevan, Armenia (see below) and Bishkek, Kyrgyzstan.

In addition to the failed MEI projects, Bankwatch has been monitoring the preparation of GCAPs, advocating for improved methodologies, increased public participation and more focus on the needs of vulnerable groups, such as women, children, older persons, people with disabilities and low-income households. As some of the GCAPs have been in implementation for more than 5 years, Bankwatch has shifted its attention to the weak implementation of GCAPs, such as the Yerevan GCAP, the first to be developed with the EBRD's support in 2016 and 2017.

Case study: Yerevan's GCAP and Solid Waste Project,¹⁸ Armenia

Research conducted by Armenian civil society organisation Ecolur in 2022 and 2023 found that there has been limited progress in implementing the Yerevan GCAP. Although there have been notable improvements in the energy efficiency of the city's public buildings and the national electricity network, results in other areas such as air quality, green spaces and waste management are not so positive (data provided by the City of Yerevan often contradicts monitoring data issued by national and international bodies). There is little evidence to suggest that the Yerevan GCAP has been successful in achieving its objectives or having a transformative impact on the environmental and climate resilience of Armenia's capital city.

The situation with solid waste management deserves a closer look. In 2015, a year before the GCAP preparations began, the EBRD provided a sovereign loan of EUR 8 million to the Republic of Armenia for on-lending to the Yerevan landfill management company, a special-purpose company wholly owned by the

¹⁵ European Bank for Reconstruction and Development Project Finder, [GrCF2 W2 - Tbilisi Bus Phase III](#), *European Bank for Reconstruction and Development*, 28 June 2021.

¹⁶ European Bank for Reconstruction and Development Project Finder, [GrCF2 W2 - Almaty Electric Public Transport](#), *European Bank for Reconstruction and Development*, 6 August 2021.

¹⁷ Meta.mk, [Skopje City Hall rejects the Bus Rapid Transit System, but with the budget rebalance, money were withdrawn for new public transport solution](#), *Meta.mk*, 5 August 2022.

¹⁸ European Bank for Reconstruction and Development Project Finder, [Yerevan Solid Waste Project](#), *European Bank for Reconstruction and Development*, 31 July 2015.

city. The investment was to finance the construction of an EU-compliant landfill for Yerevan. The project was co-financed by a EUR 8 million sovereign loan from the European Investment Bank (EIB), an EU Neighbourhood Investment Fund (NIF) grant of EUR 8 million and an Eastern Europe Energy Efficiency and Environment Partnership (E5P) grant of EUR 2 million. The project received TC grants totalling EUR 1.4 million from the governments of Austria and the Czech Republic, the EBRD's Shareholder Special Fund (SSF) and the Bank's own resources.

An update of the EBRD's project summary document from May 2022 states that the procurement of the landfill construction tender is expected to be completed in 2022, that the Livelihood Restoration Plan (LRP) for waste pickers working on the landfill has been prepared, and that a consultant has been assigned to assist the company with the implementation of the E&S actions for the ongoing pre-construction stage.

In March 2023, Bankwatch visited Yerevan's Nubarashen dumpsite, meeting with the EBRD's resident office as well as with representatives of the City of Yerevan and the public waste management company. But more than seven years after the project was approved, we observed no sign of an EU-compliant landfill being developed at Nubarashen. The EBRD and city representatives confirmed that the feasibility of the project is being re-examined and that the fate of the investment will be decided once the review is completed in mid-2023. Although the EBRD's project summary document states that the status of the project is 'repaying', Bankwatch has learned that the EBRD loan was never used (as evidenced by the lack of any visible changes at Nubarashen) and that the money, currently held in the government's account, will be returned if the project is cancelled.

Unfortunately, the Yerevan Solid Waste project is not the only (or even the worst) example of a delayed EBRD project in the waste sector. In 2022, Bankwatch commissioned an investigation into the Bishkek Solid Waste project,¹⁹ which found that a landfill modernisation project approved in 2013 – well before the Green Cities programme was ever launched – has yet to be implemented.

The EBRD provided a EUR 11 million loan, a EUR 3 million grant as well as nearly EUR 1.5 million in TC grants. A December 2022 update of the EBRD's project summary document for the Bishkek Solid Waste project presents a long list of challenges that led to the 10-year delay in implementing the project, including 'frequent changes in management, delays caused by COVID-19 pandemic, re-organization of municipal enterprises with a respective split of functionalities, changes in contractors, changes to project area and scope'.²⁰

Conclusion

The EBRD's flagship Green Cities initiative has great potential to help cities in the Bank's countries of operation become more sustainable and climate-resilient, providing residents with healthier and more liveable environments. However, eight years after the launch of the initiative, evidence uncovered by Bankwatch's monitoring and the EBRD Evaluation Department's interim report suggests that the programme is not living up to its potential and that the challenges faced by these cities remain unresolved. This disappointing development raises questions about the effective use of EBRD and donor-fund resources,

¹⁹ Ryskeldi Satke, [Checking in on Waste Management Projects in Kyrgyzstan and Uzbekistan](#), *The Diplomat*, 27 December 2022.

²⁰ European Bank for Reconstruction and Development Project Finder, [Bishkek Solid Waste](#), *European Bank for Reconstruction and Development*, 7 February 2013.

and shows that there is a need to adjust the Bank's approach to investing in urban planning and municipal environmental infrastructure.

Although a deeper rethink is needed and, hopefully, the EBRD Evaluation Department's report will offer useful recommendations for improvements, there are some fundamental issues and changes to the Green Cities approach that the EBRD needs to consider. First, cities belong to people and urban projects affect a significant number of residents, including vulnerable and marginalised groups. Second, many EBRD countries suffer from democratic deficit, but the Green City initiative excessively relies on the public sector, city authorities and municipal utility companies.

Therefore, the EBRD should ensure that human rights are protected and respected, starting with the right to access information and public participation in decision-making on urban plans and projects. Only through joint ownership of the Green Cities agenda can residents and authorities work together to build sustainable, resilient and inclusive infrastructure that meets the needs and priorities of local people.

To start with, the EBRD needs to:

- be more transparent about its GrCF and MEI investments, including both loans and technical cooperation grants (adding a database of TC grants to the Project Finder would be useful);
- give fuller consideration to the high social and human rights risks of its GrCF and MEI projects (either the categorisation should change or category B projects should require more disclosure by the Bank);
- apply the EBRD's 'inclusion' and 'well-governed' transition qualities (alongside the already applicable 'green' transition quality) to its GrCF framework and projects;
- better align the GrCF's objectives and criteria with relevant SDG 11 targets and indicators.