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ENVIRONMENTAL REVIEW PROCEDURES IN INTERNATIONAL FINANCIAL INSTITUTIONS

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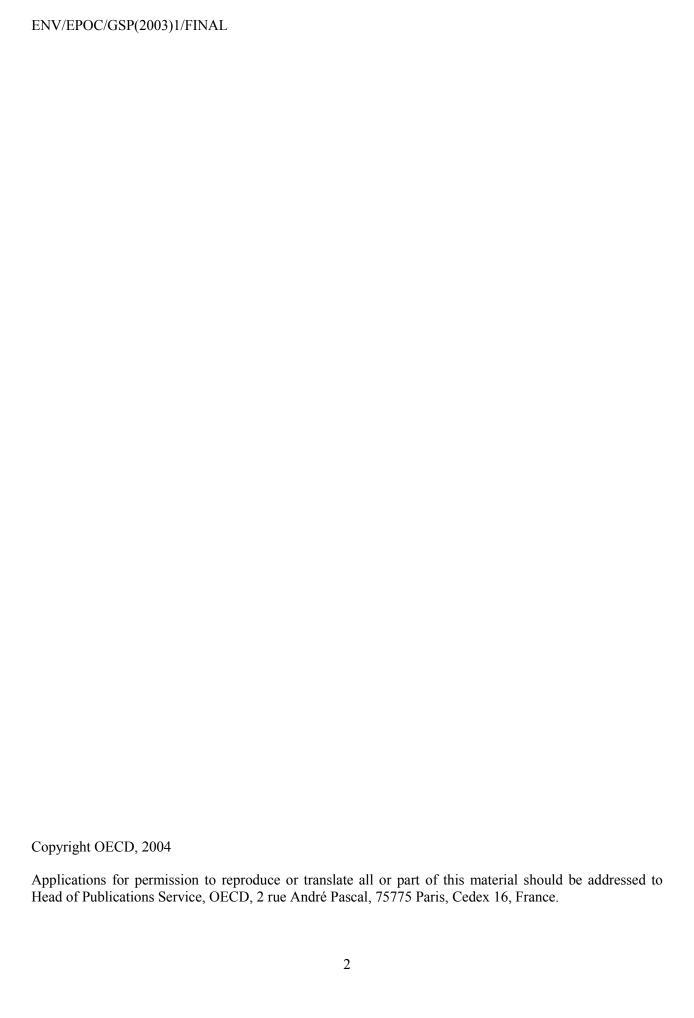


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Introduction and methodology

International Financial Institutions (IFIs), such as multilateral development banks (MDBs), development agencies, and export credit agencies (ECAs), play a critical role in the terms and the outcomes of economic globalisation and sustainable development. Over the last 20 years several cases of apparent environmental degradation associated with projects benefiting from IFI support, and increased public demands for environmental responsibility, have moved IFIs to develop policies and procedures to review the potential environmental impacts of the projects they finance or insure. In addition, various international processes are under way by which IFIs are attempting to harmonise their respective environmental policies and environmental review procedures. As a consequence — at least in part — of those harmonisation processes, numerous IFIs are currently either introducing new environmental or sustainability policies, or revising existing policies.

At its meeting in April 2002, the Working Party on Global and Structural Policies (WPGSP) agreed to pursue work looking at environmental procedures in IFIs. The primary purpose of this report would be to provide information to environmental officials on recent developments in IFIs aiming at ensuring that projects financed by an IFI are in conformity with its environmental standards.

The report starts with a description of the different IFIs covered by the analysis, and their leverage to achieve environmental objectives. It also provides an overview of environmental policies in IFIs and of currently ongoing processes by which some IFIs are attempting to harmonise their different procedures for the evaluation of environmental impacts of projects for which they provide support. These include the World Bank-led Harmonization project and the discussions in the OECD's Working Party on Export Credits and Credit Guarantees (ECG) leading to the Recommendation of the OECD Council on Common Approaches on Export Credits and the Environment, adopted in December 2003. This section also includes a description of transparency and public consultation mechanisms.

The report then examines in more detail the key issues involved in the environmental review process of IFI-financed projects, highlighting the range of current approaches. The report examines issues such as thresholds, screening and categorisation of projects, and some key elements of environmental assessment. The next sections deal with standards and benchmarks, evaluation of environmental information and decision-making, monitoring and accountability mechanisms, and an overview of evaluations by some IFIs of their environmental policies.

The paper attempts to describe key aspects of some important environmental processes leading up to the approval of financing arrangements, from the perspective of each IFI. It is not an exhaustive survey of all IFIs's environmental policies and procedures, nor of all of the latter's aspects. Since policies are evolving, this report provides a "snapshot" of the current situation.

This report is mainly based on publicly-available information; most of it has been drawn from IFIs' websites. In addition, many examples of ECA policies and specific elements thereof have been drawn from the ongoing mapping exercise and related reports of the ECG on "Members' procedures and practices regarding officially supported export credits and the environment."

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The WPGSP decided to limit the work to environmental review policies and procedures in MDBs and ECAs. Work related to development agencies is carried out mainly by the Development Assistance Committee (DAC) and its working parties.

OECD (2003). This report, which is regularly updated, contains the responses provided by ECG Members to a questionnaire regarding their environmental policies and practices.

IFIs covered by this report and their acronyms

Multilateral Development Banks

The World Bank (WB)

International Finance Corporation (IFC)

Multilateral Investment Guarantee Agency (MIGA)

The European Bank for Reconstruction and Development (EBRD)

The European Investment Bank (EIB)

The Asian Development Bank (ADB)

The Inter-American Development Bank (IADB)

The African Development Bank (AfDB)

Export Credit Agencies

Australia: Export Finance and Insurance Corporation (EFIC)

Austria: Österreichische Kontrollbank AG (OeKB)

Belgium: Office National du Ducroire/Nationale Delcredererdienst (OND)

Canada: Export Development Canada (EDC)

Czech Republic: Exportní Garantní Pojistovací Spolecnost, a.s. (EGAP)

Denmark: Eksport Kredit Fonden (EKF)

Finland: Finnvera plc

France: Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE)

Germany: Hermes Kreditversicherungs-AG

Greece: Export Credit Insurance Organisation (ECIO) Hungary: Magyar Exporthitel Biztosító Rt (MEHIB)

Italy: Istituto per i Servizi Assicurativi del Commercio Estero (SACE)

Japan: Japan Bank for International Cooperation (JBIC) and

Nippon Export and Investment Insurance (NEXI)

Korea: Korea Export Insurance Corporation (KEIC) and Export-Import Bank of Korea (KEXIM)

Luxembourg: Office du Ducroire (ODL)

The Netherlands: Gerling NCM

Norway: Garanti-Instituttet for Eksportkredit (GIEK)

Poland: Korporacja Ubezpieczén Kredytów Eksportwych Spólka Akcyjna (KUKE SA)

Portugal: Companhia de Seguros de Créditos, SA (COSEC)

Spain: Compañía Española de Seguros de Crédito a la Exportación, S.A. (CESCE)

Sweden: Exportkreditnämnden (EKN)

Switzerland: Geschäftsstelle für die Exportsrisikogarantie (ERG) United Kingdom: Exports Credits Guarantee Department (ECGD) United States: Export-Import Bank of the United States (Ex-Im Bank) United States: Overseas Private Investment Corporation (OPIC)

IFIs: Different types of institutions and modes of operations

There is no generally agreed understanding on the type of institutions covered by the term International Financial Institution (IFI). A report by the IFC on "Environmental and Social Requirements of International Financial Institutions (September 2001) uses the term IFIs to cover multilateral development banks (MDBs), bilateral development institutions and export credit agencies (ECAs). In its report on a 2001 workshop on "International Financial Institutions. Enhancing their role in promoting sustainable development", the Royal Institute of International Affairs refers to IFIs as "International Financial Institutions broadly defined to include the World Bank Group and the multilateral development banks, bilateral development banks, export credits agencies and institutions such as the UNEP, GEF and the Montreal Protocol Fund". For the purposes of this study, the term IFIs includes MDBs and ECAs.³

There are notable differences in the mandates, missions, and operations of IFIs. The MDBs' primary missions relate to sustainable economic development and poverty alleviation, while the primary mandate for ECAs is to promote home country exports.

Multilateral Development Banks

The oldest and largest of the MDBs, the World Bank Group⁴, lends approximately \$30 billion annually to developing country governments and private sector clients. Its mandate includes the alleviation of poverty and environmental sustainability. Regional MDBs include the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the African Development Bank (AfDB), and the Inter-American Development Bank (IDB). These MDBs provide loans, equity, and more recently, guarantees for specific projects to developing country governments within the region of their member countries, and, in some cases, directly to the private sector. The European Investment Bank (EIB)—the European Union's Financing Institution—finances projects within the EU, in countries which are candidates for EU accession, and around the world.

The International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) are the private sector arms of the World Bank Group. While IBRD and IDA (and the regional MDBs) traditionally lend to borrowing governments, the IFC and MIGA and the private sector-arms of regional MDB, such as the IDB's autonomous Inter-American Investment Corporation (IIAC), provide market-rate, fee-based financial support directly to private sector corporations and investors. The IFC, the largest multilateral source of loan and equity financing for developing country private sector projects,

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See footnote 1.

The "World Bank" consists of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The "World Bank Group" consists of IDA and IBRD as well as the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID). When referring to the "World Bank" in this document, however, it is understood to mean IBRD and IDA only, as IFC and MIGA have independent structures and environmental policies. ICSID is not covered by this study, as it does not finance projects.

provides a range of financial services.⁵ In some ways, the financial services provided by the IFC and MIGA resemble ECAs more than traditional MDBs.⁶

Export Credit Agencies 7

Governments provide official export credits through Export Credit Agencies and Investment Insurance Agencies (ECAs) in support of national exporters competing for export sales. The organisational form on ECAs ranges from a section of a ministry or a government agency, through to an independent government agency or a semi-public joint stock company, to a private institution operating partly under an agreement with the government. The organisational form also reflects the way in which ECAs are funded: from the national budget, from special government funds, from government loans and capital, or from shares and bonds.

Broadly defined, an export credit is an insurance, guarantee or financing arrangement which enables a foreign buyer of exported goods or services, or both, to defer payment over a period of time. Export credits are generally divided into short-term (usually under two years), medium-term (usually two to five years) and long-term (usually over five years). Export credits may take the form of "supplier credits" extended by the exporter, or of "buyer credits", where the exporter's bank or other financial institution lends to the buyer (or his bank). Official support through ECAs may be provided as "pure cover", i.e., insurance or guarantees given to exporters or lending institutions without financing support; as financing support, i.e., direct credits/financing, refinancing, interest rate support; and/or as aid financing (credits and grants). Official financing support may be provided in conjunction with the basic guarantee or insurance facility, or on a stand-alone basis.

ECAs generally assume at least the political risk (the risk of non-payment because of government-imposed restrictions) of providing export credits to foreign buyers, and many also cover the transfer risk (risk of non-availability of foreign exchange to meet repayment obligations). Most of the ECAs providing such cover also assume the commercial risk (risk of non-payment because of the bankruptcy or default of the buyer) and some reinsure such risks taken by private institutions. The ECAs covered by this report are all represented at the Working Party on Export Credits and Credit Guarantees (ECG), except the US Overseas Private Investment Corporation (OPIC).⁸

The IFC frequently uses syndications (so-called "B-loan" program), which allow the IFC to lend to a project, and then "syndicate" the loan to a handful of private commercial banks, thereby spreading risk. IFC remains the lender of record This allows commercial banks to finance projects in developing countries they may deem to be too risky.

The IEC freezes

However, unlike ECAs, MIGA, as the insurance guarantee arm of the World Bank Group, carries additional "weight" in the eyes of the private sector, because it requires developing country governments to provide a "counter-guarantee". If MIGA is required to pay out a claim for political risk insurance to an insured corporation, MIGA will file a claim for "reimbursement" from the developing country.

⁷ This section is based on OECD (2001b).

All OECD countries, with the exception of Iceland, are Members of the ECG. The ECG is an OECD body set up in 1963, and is charged with carrying forward the work of the OECD in the field of export credits. The general objectives of the ECG are to evaluate export credit policies, determine the problems which arise, and resolve or mitigate these problems by multilateral discussion. Further objectives of the ECG are to aim, on the basis of experience acquired from the discussions, at working out common guiding principles and considering all possibilities of improving co-operation between Member countries in this field, by such means as prior consultation, prior notification, a question and answer procedure or by other suitable means.

The leverage of IFIs in shaping projects

The role of IFIs has evolved from being mainly a sole source of capital to that of a financing partner, a catalyst, a source of technical expertise, a source of "leverage" (both in terms of leverage over borrower governments and leverage to attract additional public and private sector capital) and as risk-sharer or guarantor of private sector financial flows. The involvement of an IFI in a project, by changing the overall risk-return profile of a project, allows risky or "unbankable" projects to move forward that otherwise might never get off the ground.

IFIs provide financial services for nearly every type of project-finance transaction in developing countries. These include infrastructure projects (*e.g.* bridges, roads, dams), power and transmission projects (*e.g.* nuclear, coal, natural gas, hydroelectric, renewable energy), manufacturing (*e.g.* pulp and paper, textiles, petrochemicals) and resource-extraction (*e.g.* mines, logging, oil exploration).

Due to the high risks involved in developing country project finance, corporations and private banks often seek to partner with IFIs through co-financing arrangements, political risk insurance or other types of "coverage" for risk reduction. Many of the largest projects involve both MDBs and ECAs, together with multinational corporations, host country governments and commercial and investment banks in a complex package of loans, syndications, equity investments and insurance guarantees. For example, during the 1990's, ECAs provided nearly twice the level of financial support per year (US \$80-\$100 billion) in annual long-term loans and guarantees, compared to all Official Development Assistance (ODA) for the same period (US \$50 billion). The Japan Bank of International Cooperation (JBIC) is the world's largest source of development finance. One of the same period (US \$50 billion) in the same period (US \$50 billion).

IFIs have diversified the types of financial services they bring to a project. The question of whether or not "leverage" exists to influence the environmental terms and outcomes of an investment, may depend more on the type of financial instrument used, and on the level of involvement, than on the type of IFI. The time at which an IFI "enters" a project is also relevant for its capacity to influence it. ECAs tend to be approached by applicants at a relatively late stage, while MDBs are often involved at earlier stages of a project. Another factor is the level of involvement of the IFI: an ECA providing reinsurance is likely to have less influence on the project sponsor than an institution providing direct financial support. Similarly, the amount of funding involved is likely to determine the leverage of an IFI on a project: institutions providing a large share of support can exercise more pressure on a project sponsor than those supporting only a minor part of the project.

IFIs and sustainable development

The last decade has witnessed a substantial change in the volume, nature, and source of capital flowing to developing countries. Until the early 1990s, ODA was the primary source of foreign capital for poorer countries. MDBs were at the forefront as providers of capital and lent directly to borrower governments. This changed dramatically in the 1990s, as industrialised countries' private sector investors sought out higher returns in the "emerging market" economies. While increased volatility has reduced

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Certain projects are structured as "non-recourse" project finance, which limits the liability of corporate sponsors to the project: the lenders and shareholders of a project are repaid solely with the proceeds from the project. If the project fails to generate cash flow, the financiers do not get repaid.

JBIC came into existence in October 1999 by the merging of an ECA, Japan's Ex-Im and an aid agency, Japan's Overseas Economic Cooperation Fund.

these flows from their peak, in some developing countries, foreign direct investment by private sector corporations remains the primary source of capital, making the private sector a de-facto arbiter of the development process.

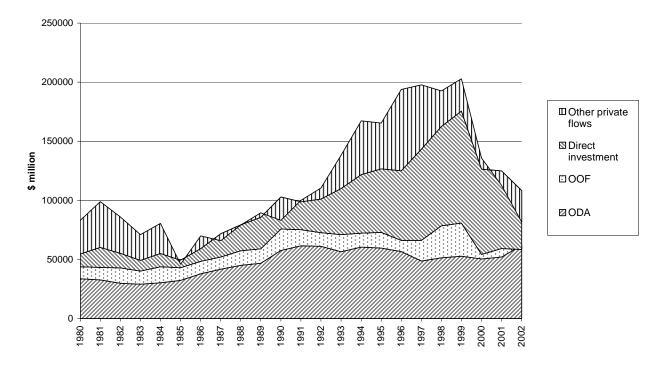


Figure 1. Total flows to developing countries (1980-2002) 11

Source: OECD DAC - Creditor Reporting System 2003.

Notes: Data for developing countries only, excluding flows to developed countries and other aid recipients e.g. central and eastern European countries, Russia, Singapore, Taiwan and Israel, 1) Official Development Assistance (ODA): grants and loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries); 2) Other Official Flows (OOF): Transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as official development assistance or official aid, either because they are not primarily aimed at development, or because they have a grant element of less than 25%; 3) Direct Investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of Aid Recipients. "Lasting interest" implies a long-term relationship where the direct investor has a significant influence on the management of the enterprise, reflected by ownership of at least 10% of the shares, or equivalent voting power or other means of control. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter. 4) Other private flows: Mainly reported holdings of equities issued by firms in aid recipient countries.

While private finance has outpaced public finance in recent years, IFIs continue to play a key role in co-financing, mobilising, leveraging, and directing these investments. Throughout the 1990s and particularly since the Asian and Russian financial crises, companies have increased their reliance upon public sources of risk reduction for overseas investments. To meet these demands from the market, IFIs have tailored the types of financial instruments they offer to support private-sector participation in international project finance.

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OECD (2004, forthcoming), CDM, Stock Taking and Looking Forward. .

At the same time, there is a growing recognition that both private and public sector economic actors have a responsibility to society at large to be transparent and to behave responsibly. The concept of "Corporate Social Responsibility" has been adopted by leading multinational corporations and institutions. Initiatives such as the UN Global Compact, the ICC Business Charter for Sustainable Development, the Global Reporting Initiative and the OECD Guidelines for Multinational Enterprises all attest to the increased expectations of society and the mainstreaming of transparency and other forms of "responsibility" in the global marketplace.

For example, with regard to its policies and its interface with the private sector, the International Finance Corporation (IFC) asserts that "'business as usual' is no longer an option. In fact, a growing body of evidence holds that, in many situations, improved environmental, social, and governance performance leads to better financial returns. This is 'the business case' for sustainability: a commitment to sustainable approaches is also a wise business decision... enlightened companies recognise this today." Similarly, the European Bank for Reconstruction and Development (EBRD), in its recently revised Environmental Policy, states, "The EBRD recognises that sustainable development is a fundamental aspect of sound business management..."

A workshop held in October 2001 by the Royal Institute of International Affairs (RIIA) discussed the role of IFIs in promoting sustainable development. The workshop report summarised several characteristics of IFIs in the 21st century. These included:

- IFIs have become small relative to private financial flows.
- The approach taken to sustainable development financing is 'do no harm', rather than 'do good'.
- Sustainable development financing remains a niche IFI activity, and is not yet mainstream.
- Large-scale industrial and infrastructure projects remain the focus of lending.

The report concluded that IFIs' comparative advantage lies in their ability to shape an "incentive-based framework" for private sector financial flows to developing countries, their unique position to catalyse private flows, and their knowledge of risks and critical information required to make informed and sustainable financing decisions. ¹⁵

Environmental policies of IFIs

Overview

One possible characterisation of the way in which IFIs deal with environmental challenges is that of a "learning curve". According to one recent study, financiers demonstrate four stages of a learning curve

¹⁶ Himberg, H., (2002).

[&]quot;Corporate responsibility involves the search for an effective "fit" between businesses and the societies in which they operate. The notion of "fit" recognises the mutual dependence of business and society — a business sector cannot prosper if the society in which it operates is failing, and a failing business sector inevitably detracts from general wellbeing. "Corporate responsibility" refers to the actions taken by businesses to nurture and enhance this symbiotic relationship." OECD (2001), Corporate Responsibility: Private Initiatives and Public Goals.

¹³ IFC. The Business Case for Sustainability www2.ifc.org/sustainability.

EBRD (2003), Environmental Policy www.ebrd.com/enviro.

¹⁵ RIIA (2001).

related to sustainability.¹⁷ Under this hypothesis, an IFI may initially have a *defensive* reaction to environmental risk, with environmental policies being viewed as irrational and adding to the transaction costs. The next stage is *preventative*, where risk management strategies are developed to reduce environmental risks, and protect the bottom line. The third stage is *offensive* or *proactive*, where, in addition to downside risks, environmental benefits and opportunities are recognized and optimized. Finally, the highest point of the curve is *sustainable*, where "the starting point is not environmental regulations or the market as such, but the vision regarding the environment, the organisation's goal and the role that the organization wants to play in society…"

Only a few years ago, most IFIs, especially ECAs, could be found at the initial stages of that learning curve. Over the last years, however, many of them have made progress in this field, and an increasing number of IFIs have developed and are implementing environmental policies. Important factors leading to change in many ECAs' approach to the environment have been the discussions in the OECD leading to agreement on common approaches on export credits and environment, as well as increasing public interest in their activities and pressure from civil society.

The activities of IFIs have been scrutinised by non-governmental groups (NGOs) for many years. Among the main targets of NGOs criticism were projects financed by the World Bank without due consideration of negative environmental and social impacts. More recently, NGOs have targeted the activities of ECAs and a significant number of campaigns and documents aimed at alerting the public about what they view as unsustainable projects benefiting from ECA support. In 2000, 347 NGOs from 45 countries subscribed the so-called Jakarta Declaration, in which they call upon OECD governments to reform their ECAs (see Box 1).

Box 1. The Jakarta Declaration (extract)

We call upon OECD governments, ministers and national legislatures to undertake a number of reform measures for their ECAs:

- 1. Transparency, public access to information and consultation with civil society and affected people in both OECD and recipient countries at three levels: in the assessment of ongoing and future investments and projects supported by individual ECAs; in the preparation within national ECAs of new procedures and standards; and in the negotiation within the OECD and other fora of common approaches and guidelines.
- Binding common environmental and social guidelines and standards no lower and less rigorous than existing international procedures and standards for public international finance such as those of the World Bank Group and the OECD Development Assistance Committee.
- 3. The adoption of explicit human rights criteria guiding the operations of ECAs.
- 4. The adoption of binding criteria and guidelines to end ECAs' abetting of corruption.
- 5. ECAs must cease financing non-productive investments.
- 6. The cancellation of ECA debt for the poorest countries, much of which has been incurred for economically unproductive purposes.

Source: www.eca-watch.org.

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¹⁷ Jeucken, M. (2001).

Among these campaigns are the International NGO Campaign on Export Credits Agencies and the European ECA-Reform Campaign (www.eca-watch.org). The World Resources Institute (www.wri.org) and The CornerHouse (www.thecornerhouse.org.uk) have analysed in depth the impact of social and environmental impacts of ECA financing, and have issued various reports on the issue.

The pioneers in developing environmental policies probably are, among MDBs, the World Bank and the ADB, and, among ECAs, the USEx-Im Bank. The World Bank drafted its first environmental policy and established an Environment Department in the late 1980s. The ADB formalised environmental assessment requirements in its operations manual in 1988. The EBRD adopted its first Environmental Policy at the initial meeting of its Board of Directors, in 1991.

Practically all these policies have recently been revised or are currently under revision. The World Bank recently reviewed its policy and issued its environment strategy, "Making Sustainable Commitments" in 2001. The ADB approved its new Environment Policy in November 2002; the EBRD's Environmental Policy came in force in 1991 and was updated in April 2003. The IDB published its Environment Strategy in July 2003. The AfDB adopted its Environmental Policy Paper in 1990 and is currently revising it.

In 1992, the US Congress mandated the Ex-Im Bank to evaluate the environmental impact of the projects it considers. As a result, in 1995, the Bank instituted Environmental Procedures and Guidelines, modelled on elements of the IFC guidelines, which established the environmental criteria that the Ex-Im Bank would use to valuate the environmental impact of projects benefiting from its support.

Being the only ECA to apply such environmental criteria, and in order to fulfil its mandate to maintain exporter competitiveness, the Ex-Im Bank sought to establish a level playing field with other ECAs, and initiated discussions within OECD to agree on common environmental guidelines for all ECAs in OECD countries, and, in particular, the G-7 ECAs. 19 These discussions were subsequently held in the OECD Working Party on Export Credits and Credit Guarantees. They led, in December 2003, to an OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits (hereafter, the "OECD Common Approaches") and were decisive in achieving change in most ECAs with regard to the environmental aspects of projects benefiting from their support. Following the initiation of discussions on environmental issues in the ECG, practically all ECAS in OECD countries have now adopted procedures for the environmental review of projects.

A brief history of the discussions in the ECG leading to the OECD Common Approaches, and the main elements of the latter are described in more detail in the following section. An overview of the current harmonisation process led by the World Bank is also provided below. A box at the end of this chapter describes the "Equator Principles", a recent initiative developed by a number of major banks for managing social and environmental issues related to the financing of development projects.²⁰

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¹⁹ Export-Import Bank of the United States (2000). Report to the US Congress on Export Credit Competition and the Export-Import Bank of the United States for the period January 1 through December 31, 1999.

In relation with the Equator Principles, UNEP's Financial Institutions Initiative should also be mentioned. The Initiative was founded in 1992 to engage a broad range of financial institutions - commercial banks. investment banks, venture capitalists, asset managers, multi-lateral development banks and agencies - in a constructive dialogue about the link between economic development, environmental protection, and sustainable development. The Initiative promotes the integration of environmental considerations into all aspects of the financial sector's operations and services. A secondary objective of the Initiative is to foster private sector investment in environmentally sound technologies and services. A core part of the Initiative is to foster endorsement of the UNEP Statement by Financial Institutions on the Environment and Sustainable Development, which commits signatories to incorporating environmentally sound practices into their operations. As of October 2003, 177 entities had endorsed the Statement. More information, including a copy of the Statement can be found at www.unepfi.net.

Recent initiatives for the harmonisation of environmental procedures

MFI Working Group on Environment- Harmonisation activities

While the introduction of environmental policies and procedures in MDBs was an important step forward to integrate these issues into the development agenda, in some cases, the diversity of these policies has led to increased complexity, and costs of project development. As studies by the World Bank's independent Operations Evaluation Department and others have reported, aid recipients found that differences in a variety of donor operational policies and procedures significantly hindered the effectiveness of external development assistance.

In 2000, the heads of several IFIs (in the "harmonisation" context, referred to as multilateral financial institutions, or MFIs) met to discuss the importance of harmonising their operational policies and practices. This process initially focused on procedures for financial management, procurement and environmental assessment and was later expanded to cover additional topics. In 2002, the Monterrey Consensus called on IFIs to "address systemic issues to ensure coordination/coherence among institutions at policy and operational levels". The World Bank has since facilitated with a number of partners, including the OECD Development Assistance Committee (DAC), a discussion on the development and implementation of a harmonised common framework. The aim of the framework is to meet requests from donors and borrowing countries for more consistency in MFI practices. It seeks to reduce transaction costs and improve borrower practices. The framework is not meant to supersede individual institutional policies, but to provide a general orientation toward best practice.

Among those IFIs promoting the harmonisation agenda, the so-called Working Group on Environment of the Multilateral Financial Institutions (MFI-WGE), which was established over a decade ago, has been requested to promote coordination among MFIs on institutional requirements, processes and practices for environmental assessment of public and private sector projects. The working group, which consists of participants from the WBG, regional MDBs, the DAC, several ECAs, bilateral institutions, and UN agencies, is tasked, among others, with developing a common framework for Environmental Impact Assessment (EIA) and to develop future work plans on environmental policy harmonisation. Several recent outputs from this process are of interest for the purposes of this study:

- In 1999, the MFI-WGE agreed to conduct a survey of the environmental and social policies and procedures of international financial institutions. The survey was managed by the IFC. Of 65 IFIs invited to participate, 17 multilateral development banks, 14 bilateral development financial institutions, and 15 export credits agencies took part in the survey, which was finalised in September 2001. As stated in the introduction, "the purpose of the study was to share information among IFIs so as to improve efficiency when working together on a project. This would not only enhance efficiency for the IFIs concerned but, if it led to some harmonisation, benefit the sponsors by reducing the international requirements imposed on them, i.e., by presenting the sponsors with one set of environmental and social requirements rather than the sponsors having to respond to multiple demands."
- In 2000, the MFI-WGE developed recommendations on the institutional procedures and practices that each MFI should consider in order to ensure that the projects it finances are environmentally and socially sustainable (see Box 2).

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IFC (2001), Environmental and Social Requirements of International Financial Institutions. This survey has been issued as a confidential report, but the OECD has been authorised to draw on it for the purposes of this report.

- In 2003, the MFI-WGE issued, at the High Level Forum on Harmonization in Rome, a paper concerning a Common Framework for Environmental Impact Assessment. The Framework describes the contents of a full EIA report, the broader EIA process, and recommendations for institutional procedures and practices.²²
- The MFI-WGE is currently working on preparation of additional documents including model terms of reference for environmental impact assessments, a common approach for environmental management plans; a common approach for environmental audits and a cooperative work plan for updating the Pollution Prevention and Abatement Handbook of the World Bank.

Box 2. MFI-WGE recommendations: environmentally and socially sustainable projects

In order to ensure that the projects it finances are environmentally and socially sustainable, each MFI should give consideration to:

- Adopting an environmental and social policy and procedural framework appropriate to its mandate.
- Establishing a systematic project review procedure that:
 - states clearly the requirements of the MFI;
 - describes the process used by the staff of the institution (or by its consultants) to review the environmental and social aspects of a project;
 - defines what project-related information is required to enable the institution to determine compliance with host country requirements and with the requirements of the financing institution.
- Stating its requirements for collecting and submitting information at different stages of the project cycle.
- Ensuring that projects, at a minimum, comply with host country requirements for the environment, health, safety and social issues.
- Adopting guidelines suited to the mandate of the institution on public consultation and the dissemination of related information*.
- Ensuring that projects conform to global conventions that borrowing countries have ratified.
- Including compliance with environmental and social requirements in project legal agreements and contractual agreements, where appropriate.
- Requiring that projects be supervised and monitored to ensure continued adherence to agreed measures.
- Providing adequate management commitment, capacity and resources to implement environmental and social policies and procedures.

Source: MFE-WGE

Common approaches on export credits and environment

In 1998, the ECG adopted the "Statement of Intent on Officially Supported Export Credits and the Environment" in which ECG Members express their "desire to conserve and enhance the environment, and to encourage consideration of the environmental impact of projects in buyers' countries...". Following the

^{*} It is generally recognized that confidential business information will not be disclosed.

²² MFI-WGE (2003), A common framework: converging requirements of multilateral financial institutions (not published).

1999 mandate by OECD Ministers "that the work continue with a view to strengthening common approaches...", the ECG adopted in 2000, the "Action Statement on the Environment, in which Members agreed i.e., to "continue to develop, within their national systems of official export credit support, procedures and methodologies for identifying and assessing the environmental impact of projects...". ECG Members further agreed to "explore ways to synthesise common elements and best practices related to environmental review and impact assessment in order to strengthen a framework of common approaches amongst export credit agencies."

This Action Statement led to the initiation of discussions, during 2000, of a draft Recommendation on Common Approaches on Environment and Officially Supported Export Credits. Negotiations ended in November 2001. The draft decision was not adopted due to disagreement of two Members. However, all ECG Members agreed to implement, on a voluntary and unilateral basis, the draft Recommendation at national level and to review the draft in order to enhance it before the end of 2003. A revised draft was adopted by the OECD Council in December 2003.²³

The objectives of OECD Common Approaches include: the promotion of policy coherence between ECA policies and policies for protection of the environment; the development of common environmental procedures and processes and the promotion of good environmental practice and consistent processes with a view to achieving a high level of environmental protection. With the implementation of these objectives, Members of the ECG seek to foster transparency, encourage the prevention and mitigation of environmental impacts, and to enhance financial risk assessment.

The main elements of the OECD Common Approaches are:

- Environmental screening of all projects with a repayment term of 2 years or more. Members may focus environmental review on projects in which their share is above SDR 10 million.
- Classification of projects in one of three categories (A,B and C), according to their potential effect on the environment, in order to indicate the extent of the subsequent environmental review. For Category A projects an Environmental Impact Assessment should be required.
- Review of projects, including scrutiny of Environmental Impact Assessments, in order for Members to evaluate whether to cover or decline official support and, if support is to be provided, the extent of any mitigation requirements.
- Projects should be benchmarked against the standards of the host country, those of the World Bank Group and, where applicable from a geographical viewpoint, those of Regional Development Banks. Members may also benchmark against any higher internationally recognised environmental standards, such as those of the European Community.
- Projects should in all cases comply with the standards of the host country. When the relevant international standards against which the project has been benchmarked are more stringent, these standards would be applied.
- With regard to the most sensitive projects, the environmental standards to be applied will be reported to, and monitored by the ECG, and exceptional deviations below international standards will have to be justified.

²³ Recommendation of the Council on Common Approaches on Environment and Officially Supported Export Credits (C(2003)236]. http://www.oecd.org/dataoecd/26/33/21684464.pdf.

- Exchange of views with relevant stakeholders and with other Members.
- For Category A projects, Members will seek to make environmental information, e.g. Environmental Impact Assessment reports, publicly available 30 calendar days before final commitment to grant official support.

Annexes include an illustrative list of sensitive sectors and areas, based on the EBRD's Environmental Policy and Procedures and an illustrative environmental impact report based on the World Bank's Operational Manual BP 4. 01.

Box 3. The Equator Principles

In June 2003, ten leading banks from seven countries adopted the "Equator Principles," a voluntary set of guidelines developed by these banks for managing social and environmental issues related to the financing of development projects.²⁴ The principles apply to project financing in all industry sectors, including mining, oil and gas, and forestry.

The Equator principles apply to projects with a capital cost of \$50 million or more. They use the IFC's screening process and categories for high-, medium- and low-risk projects. Projects in categories A and B require an Environmental Assessment (EA). Projects must comply with the World Bank Group Pollution Abatement Guidelines and Safeguard Policies. The project sponsor must demonstrate compliance with these guidelines or justify deviation, and the banks involved judge whether these deviations are sufficient. Projects in categories A (and B where appropriate) require an Environmental Management Plan (EMP), consultation with affected people and public disclosure of the EA and EMP. The EA and EMP are subject to independent review. Borrowers have to covenant to comply with the EMP and provide regular reports on compliance.

The motivations for the Banks for committing to these principles are: to manage credit risk; to manage reputation risk; to provide a common approach for their clients, and to avoid project delays caused e.g. by unforeseen environmental and social problems.

Source: www.equator-principles.com.

Main objectives of IFIs environmental policies

Generally, MDBs' environmental policies are part of a broader context or policy, such as a "sustainable development approach". The EBRD, for example, is directed by is founding agreement to "promote in the full range of its activities environmentally sound and sustainable development". The World Bank's environmental strategy is clearly linked to its core objective of lasting poverty alleviation. It sets three interrelated objectives: improving people's quality of life, improving the prospects for and the quality of growth, and protecting the quality of the regional and global environmental commons. The objectives of the EIB's Environmental Statement are to preserve, protect and improve the quality of the environment; protect human health; ensure the prudent and rational utilisation of natural resources; and promote measures at an international level to deal with regional or worldwide environmental problems. The ADB's Environment Policy is grounded in the ADB's Poverty Reduction Strategy, and one of its main challenges is to address the need for environmental interventions to reduce poverty.

As of February 2004, 20 Banks have adhered to the Equator Principles.

Environmental policies or procedures of some ECAs are also embedded in broader approaches.²⁵ Japan's JBIC's Guidelines for example, have the objective of "contributing to efforts by the international community, particularly developing regions, towards sustainable development, through consideration of the environmental and social aspects in all projects subject to lending or other financial operations." Environmental, as well as social and human rights considerations are part of the UK's ECGD's Business Principles adopted in 2000. Environment is part of Canada's EDC's more global approach to "Corporate Social Responsibility", and EDC's governing legislation, Canada's Export Development Act, requires that EDC review projects for their potential environmental and social effects.

Box 4. ABD's Environment Policy: Main challenges

ADB's Environmental Policy contains five main elements aimed at reducing poverty through environmentally sustainable development:

- Promoting environment and natural resource management interventions to reduce poverty directly;
- Assisting developing member countries to mainstream environmental considerations in economic growth;
- Helping maintain global and regional life support systems that underpin future development prospects;
- Building partnerships to maximize the impact of ADB lending and non-lending activities;
- Integrating environmental considerations across all ADB operations.

Source: ADB, www.adb.org/Environment.

One of the main objectives of all IFIs environmental policies is to ensure that projects benefiting from finance or support are environmentally acceptable. Often, policies refer to a second broad objective, namely to cooperate in the financing of projects designed to improve or preserve the environment.

As indicated in the ADB's Environment Policy, "international development agencies including ADB have recognized the need to better integrate environmental considerations into all operations from the earliest stage, moving upstream toward a more strategic and comprehensive approach beyond operational policies targeted only at environmental assessment of individual projects. Several MDBs have incorporated such considerations in their policies. For example, one of the EIB's targets is "to ensure that between a quarter and a third of individual loan operations in the European Union (and accession candidates) will support environmental projects". The IADB also lists among its objectives "to assist in the development, transfer and utilization of science and technology in the field of environmental management and to help strengthen national institutions in environmental management."

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A growing number of IFIs also have social and human rights policies, some of which are integral to their environmental or "sustainable development" policies. Some agencies use comprehensive Environmental and Social Impact Assessments (ESIAs). This paper does not explicitly examine IFIs' social or human rights policies, except in cases when a social issue is imbedded within an environmental policy. In some cases it is difficult to fully separate environmental concerns from social and human rights concerns. For example, worker exposure to toxics, resettlement due to the environmental impacts of a project, or the degradation of natural resources which indigenous peoples rely upon, inextricably link environmental and social concerns. Indeed, the DAC Guidelines on Environmental Impact Assessments state that an EIA should address "social effects, particularly gender specific and special group needs, resettlement and impacts on indigenous people resulting from environmental changes."

Table 1. IFIs' environmental assessment policies: dates

<u>IFI</u>	Date of current environmental policies & environmental review procedures		
WB	Current WB Guidelines in force since 1998; new Environment Strategy adopted in 2001		
IFC	Environmental and Social Safeguard Policies (including the Environmental Assessment Policy) and Environmental and Social Review Procedure adopted in 1998		
AfDB	1990, new Environmental and Social Assessment Procedures adopted in 2001		
ADB	Environmental assessment procedures since 1988, Environment Policy adopted in 2002		
EBRD	Environmental Policy adopted in 1991, revised in 2003		
EIB	Environmental Statement, 2001		
IDB	First Environmental Policy adopted in 1979, new Environment Strategy adopted in 2003		
EFIC	2000		
OeKB	2000, revised in 2002		
OND	2002		
EDC	1999, revised in 2001		
EGAP	2002		
EKF	2000, revised in 2001		
Finnvera	2000, revised in 2002		
COFACE	1999, revised in 2001		
Hermes	2002		
ECIO	2002		
MEHIB	2002		
SACE	2001, revised in 2002		
JBIC/NEX	1999, revised in 2002		
KEIC	2000		
KEXIM	2001		
ODL	2002		
Gerling	2001		
GIEK	1999, updated in 2001		
KUKE	2002		
COSEC	2002		
CESCE	2002		
EKN	2000, revised in 2002		
ERG	2002		
ECGD	2000		
EX-IM	1995		
OPIC	1999, currently under revision		

Some ECAs also specifically mention the objective of promoting the export of national environmental solutions or technologies, and some have developed specific initiatives in support of this objective. Australia's EFIC declares its interest in supporting operations that promote energy and resource efficiency, renewable resources, cleaner production and waste minimization, and encourages exporters involved in these technologies to approach them regarding financial facilities for their goods and services. Under its Environmental Exports Program, the US Ex-Im Bank provides enhanced levels of support for a broad range of renewable energy and other environmentally beneficial exports. Exports qualifying for enhanced support under this program include products or services for foreign environmental or renewable energy projects or facilities, or the export of products and services *specifically* used to aid in the prevention, abatement, control, or mitigation of air, water and ground contamination or pollution, or which provide protection in the handling of toxic substances and wastes, subject to Ex-Im Bank's determination. For several years, Canada's EDC has had in place "EnviroExport", an initiative to support Canadian exporters of environmental technologies and solutions.

This report deals only with the first objective — the procedures put in place by IFIs to ensure that the environmental effects of projects benefiting from their support are acceptable to them.

Co-financing of projects

Most large projects are supported by a variety of financial institutions, including MDBs, bilateral development agencies, ECAs, private banks, etc. Since negotiations leading to such support generally take place in a competitive environment, ensuring co-operation and exchange of environment-related information among the different institutions involved is not an easy undertaking. As already pointed out, the range of requirements of the different institutions, including those regarding the potential environmental impacts of the project, can increase the burden for the project sponsor and lead to inefficiencies. It can also result in IFIs sending unclear and sometimes conflicting messages to governments and industry about sustainability, environmental and social effects of projects. Few mechanisms seem to be in place to improve co-ordination among financing institutions in general or IFIs in particular. The 2001 survey by the IFC provides some recommendations to overcome the challenges posed by diverging environmental and social requirements by IFIs. These are summarised in Box 5 below.

As regards ECAs in particular, most of them express readiness to share information with other ECAs, or other IFIs where relevant, in situations of co-financing. Some of this exchange of information has been organised within the framework of the ECG. In 1999 an agreement about an Exchange of Information procedure for large projects was put in place in the ECG forum. Additionally, ECAs have had discussions at the technical and policy level outside the OECD network on individual projects were they are participating with others, and ECA environmental "practitioners" keep in touch to exchange views regularly on their practice and interpretation of the OECD Common Approaches.

Box 5. IFC study: recommendations to IFIs in a co-financing situation

- IFIs should agree on the early exchange of information on environmental and social issues and requirements;
- IFIs should cooperate with a view to agreeing on a common set of environmental and social requirements for the project;
- IFIs should agree on which institutions will lead overall discussions/negotiations with the client (a "single point of contact") on environmental and social issues; and
- IFIs should document and share their 'stories' because this is an especially effective means to encourage other private sector enterprises in the host country to incorporate sound environmental and social aspects into their facilities.

Source: IFC (2001), Environmental and Social Requirements of International Financial Institutions.

Transparency, disclosure, and consultation with the public

Stakeholder involvement in the development of IFIs' environmental policies

IFIs' activities are increasingly scrutinised by civil society. Civil society groups are pressing them to reform their policies, and to increase transparency and accountability. In response, IFIs, and particularly MDBs, have enhanced public access to information and devised more extensive policies for public

26	IFC (2001)	

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participation. Significant reforms have included new or more inclusive consultation policies and generally, greater public access to information.²⁷

In many cases, IFIs have developed their environmental policies with the involvement of stakeholders following extensive consultations. For example, when it developed its Environment Strategy, the World Bank carried out an extensive consultation via its Internet site. An Annex to the Strategy provides a detailed account of the consultation process. The website will continue to be a venue for future discussions on strategic directions for the Bank's environmental efforts. Similarly, the EBRD, as part of the recent process to revise its Environmental Policy, undertook an extensive public consultation exercise which included, *inter alia*, the release of the draft policy for over 75 days in both English and Russian; consultation workshops; client surveys; and discussions with the Bank's Environmental Council. As a result of this exercise, the Bank received extensive comments, which appear to have significantly aided the policy review.

The ADB approved its new environmental policy in November 2002, which it describes as a "culmination of two years of extensive consultations with internal and external stakeholders, including a Board seminar, country workshops, and several rounds of inter-departmental review." It not only published submissions from stakeholders on its website, but also an assessment of the publication procedure.

OPIC's 1999 Environmental Handbook benefited from extensive review and comments from stakeholders, through website consultation and in meetings with stakeholder groups in the business and environmental communities. Its current review is also subject to broad involvement of the public, inter alia, through an Internet consultation process. Australia's EFIC has posted comments received from NGOs regarding its environmental policies, as well as EFIC's response to those submissions. Japan's JBIC made NGOs' comments on its draft environmental policies public. After the final phase of the public consultation process on its Environmental Review Directive, Canada's EDC posted all stakeholder comments on its website. The consultation process involved cross-country, face-to-face dialogue with stakeholders, including customers, NGOs and government representatives, and made an open invitation for written submissions.

Transparency, disclosure and consultation mechanisms

This section deals with transparency, disclosure and consultation mechanisms related to general environmental information put in place by IFIs. Consultation and disclosure as part of the environmental impact assessment of projects are dealt with more specifically later in the paper.

One of the recommendations of the MFI-WGE is that each IFI should "adopt a framework for defining the level of public consultation and the disclosure of environmental and social information. Each institution should discuss and decide its policy on consultation and disclosure. This should include specifying how and where information is disclosed as well as the number of days affected parties have to review released information. It is generally recognized that confidential business information should not be disclosed."²⁸

There is significant diversity among IFIs' environmental policies in relation to disclosure of information and public consultation. The EBRD cites the United Nations Economic Commission for Europe's (UNECE) Convention on Access to Information, Public Participation in Decision-Making and

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²⁷ Maurer, C. et al, WRI (2003).

MFI-WGE (2003), A Common Framework: Converging requirements of multilateral financial institution., Environmental Impact Assessment (not published).

Access to Justice in Environmental Matters (Aarhus Convention), asserting that it will support its spirit, purpose, and ultimate goals. It further declares itself committed to "enabling dialogue with its stakeholders, including project sponsors and other project stakeholders, governments and business partners, other international institutions and civil society at large." The Public Information Policy, which applies in conjunction with the Bank's Environmental policy, develops this commitment in further detail.

The AfDB has put in place a Disclosure of Information Policy. Among is principles is that information provided to the public for the purpose of permitting dialogue shall be made available in a form and at a time which permits assessment of such information, and enables adequate time for comments. One chapter of the policy deals specifically with environmental information. It provides that summaries of environmental impact assessments of Category 1 projects are prepared by the Bank's staff, including staff's conclusions and recommendations are made available to the public. In all cases, environmental information will be released 120 days prior to presentation to the Boards. The Policy also contains a section on "constraints", which lists categories of information which remain confidential by definition. These include: intellectual property or other information provided to the Bank under any obligation of confidentiality, information concerning the Bank Group's operations, including proposed projects, public disclosure of which might prove prejudicial to the interests of the Bank Group; financial, business or proprietary information of private entities received by the Bank in the analysis or negotiation of a loan unless permission is given by those entities for the release of such information.²⁹

The EIB's Rules on Public Access to Documents state the Bank's commitment to applying an active information policy and to strengthening its efforts in this field. A few exceptions apply to the principle of general disclosure of information, including documents whose disclosure would undermine the protection of commercial interests of a natural or legal person, including intellectual property.³⁰

Commercial confidentiality and national disclosure regulations

IFIs, and more particularly ECAs, often need to strike a balance between public disclosure policies or laws, and legislation regarding business confidentiality or protection of sensitive information. This difficult balance is reflected in the OECD Common Approaches, which recommend, in the section on exchange and disclosure of information: "Taking into account the competitive context in which they operate and constraints of business confidentiality... Members should make available to the public, at least annually, subject to legal provisions on public disclosure in Members countries, information on projects classified in Categories A and B." A large number of ECAs are currently developing or adapting existing public disclosure policies in an effort to improve transparency, while complying with confidentiality regulations and policies. All Member countries of the European Union are Parties to the Aarhus Convention, which imposes on Parties broad obligations to disclose environmental information, and may require ECAs to adapt their disclosure policies.

National commercial codes may state that sharing information that has been provided to public authorities, without authorisation of the providing body, is against the law. Companies may invoke sensitivity or confidentiality of information to decline such authorisation. The question arises as to what corporations actually consider to be commercially sensitive or confidential. The assertion that environmental information related to a project (such as basic project summaries and EIAs) cannot be disclosed due to commercial confidentiality, might merit further analysis.

www.eib.org/environment/en.

www.afdb.org/projects/polices.

³⁰

ECAs often have a more restrictive disclosure policy than national administrations, and some are expressly exempted from applying national disclosure policies. Denmark's EKF for example reports that "EKF is exempted from the Danish Public Administration Act. The public cannot and will not get insight in transactions covered by EKF;³¹. Finland's Finnvera has specific secrecy regulations, in addition to the national policy on public disclosure of information. Accordingly, Finnvera keeps all information concerning guarantees, including EIAs and related information, secret unless the relevant person has given his consent to disclosure. Greece's ECIO considers all information included in an insurance policy to be confidential.

On the other extreme, Canada notes that "EDC believes that disclosure of environmental information is emerging as an essential element of a credible environmental review process for international financial institutions. (...) EDC will continue to promote the proposition for an early amendment to the OECD Recommendation to require the public release of environmental and social information and prior notification on the part of the export credit agency considering support to a project."

Just as IFIs routinely require borrowers to accept financial conditions prior to signing a transaction, some also require borrowers, through a request for disclosure authorisation, to accept conditions on transparency as part of a transaction. For example, Australia's EFIC Environment Policy requires a 45-day public consultation period in relation to an EIA in a form that can be shared with the public, unless the content is deemed commercially sensitive. EFIC's publicly stated view is that such EIA information would not normally be commercially sensitive. EFIC states it will not make its decision regarding a proposed Category A project transaction until the public consultation period has closed and submissions received within time have been considered.

Some IFIs, such as the IFC and OPIC, state that if a project sponsor objects to providing authorisation for the release of environmental assessment information, they will not continue to finance the project. The US Ex-Im Bank requires project sponsors to allow the Bank to make EIA-related documents available to outside parties, and states that it is the responsibility of the sponsor to remove any confidential and financial information from the EIA report. Japan's JBIC takes a similar approach, and encourages sponsors to exclude confidential information from any documents on environmental considerations that may later be subject to public disclosure.

A few IFIs take an intermediate approach and, rather then publishing project information themselves, encourage project proponents to do so. This is the case, for example, for Hungary's MEHIB and Denmark's EKF. The UK's ECGD encourages disclosure by project sponsors and decides whether or not to disclose information itself on a case-by-case basis.

Ex-ante disclosure of information

Generally, IFIs are more open to disclosing some information concerning a project once a financing decision has been taken, than to providing information *before* such decision. Among those IFIs which provide for *ex-ante* disclosure of environmental information are the World Bank and the EBRD.

As regards ECAs, at present, only a few of them disclose information regarding a project for which support has been requested before a decision on financing has been taken. This is likely to change soon, since one aspect of the OECD Common Approaches which has been strengthened during the 2003 discussions is that of *ex-ante* disclosure of environmental information. They provide that, "taking into account the competitive context in which they operate and constraints of business confidentiality... Members should, for Category A projects, seek to make environmental impact information publicly

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OECD (2003).

available at least 30 calendar days before a final commitment to grant official support. In the case where environmental impact information cannot, for exceptional reasons, be made public, Members shall explain the circumstances. "

Among those ECAs which already provide for *ex-ante* disclosure are Canada's EDC, Italy's SACE, Japan's JBIC, the UK's ECDG and the US Ex-Im Bank. EDC has been one of the first ECAs to implement *ex-ante* disclosure provisions. Since 2001, it has encouraged project sponsors to disclose environmental information prior to a final commitment of EDC support. Further, when considering providing support to a Category A project, it has made this fact public on its website. SACE reports that, on a case-by-case basis, for Category A projects where social impacts are relevant, an *ex-ante* disclosure of EIAs is provided for 45 days, subject to the consent of the parties involved. It further requires *ex-ante* disclosure for transactions in the nuclear sector. JBIC also discloses some relevant environmental information upon the screening of a project. For Category A and B projects, it publishes major documents such as EIA reports and environmental permit certificates on its website. Further information is disclosed once the loan agreement has been executed. ECDG discloses on its website brief information about Category A projects relating to applications it has received. The Ex-Im Bank makes EIAs of Category B projects (equivalent to Category A for most other IFIs) available upon receipt of a final application, when it starts its environmental review process. This information is usually disclosed 60 days prior to any final decision to support a transaction.

Environmental assessment of projects

Definition

All IFIs covered by this report carry out some level of environmental review, or environmental assessment, of projects. The procedure generally includes collecting and evaluating environmental information from the project sponsor and other sources, classifying projects in accordance with their potential environmental impacts, requiring an environmental impact assessment for certain projects, ensuring that projects comply with certain environmental standards, requesting project sponsors to comply with certain conditions, where necessary, and monitoring compliance with such conditions.

Box 6. Environmental assessment

Environmental Assessment (EA) is the process of examining and managing the environmental impacts of a project from its earliest stages and to ensure that these impacts are taken into account in the project's design.

According to the IFC, "EA evaluates a project's potential environmental risks and impacts in its area of influence, examines project alternatives; identifies ways of improving project selection, sitting, planning, design, and implementation by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts; and includes the process of mitigating and managing adverse environmental impacts throughout project implementation".

For the World Bank, EA is meant to "take into account the natural environment (air, water, and land); human health and safety; social aspects (involuntary resettlement, indigenous peoples, and cultural property); and transboundary and global environmental aspects", such as climate change, ozone-depleting substance and biodiversity impacts.

Source: OECD (1992); IFC and World Bank Operational Guidelines

The main purpose of environmental assessment procedures is to ensure that the project in question is in conformity with the environmental requirements set by the IFI itself. However, other benefits can also arise. Conducting thorough environmental due diligence through the EA process can reduce financial risks and exposure, and may result in significant cost-savings.³²

Thresholds

The OECD Common Approaches (which apply to projects with a repayment term of two years or more) call on Members to focus screening and environmental review for projects in which the Members' share is above 10 million Special Drawing Rights (SDR).

The main justification for applying a threshold is that, for the provision of support below a certain amount, the cost involved in an environmental review would be too high. On the other hand, the environmental risk linked to a project is not necessarily proportional to its cost, or to the share of an institution in the project benefiting from support. A low-cost project, or a large project benefiting from relatively small shares of financing by several institutions can cause significant negative environmental impacts, *e.g.* if carried out in a highly sensitive area.

Some ECAs do apply thresholds, such as the Czech EGAP and the Korean KEIC. Others set thresholds for project screening as a general principle, but specify that certain projects will be screened regardless of their value, such as those located in sensitive areas (e.g., Belgium's OND, the Dutch Gerling, Luxembourg's ODL). Some IFIs, (e.g. Australia's EFIC and Canada's EDC), screen transactions for environmental impact regardless of value. While using a value threshold for most of its projects, the US Ex-Im Bank screens all nuclear transactions, regardless of export value, against its own Nuclear Procedures and Guidelines.

Screening

The first step in an environmental assessment procedure is to screen projects for which support has been requested. Screening generally implies gathering some basic environmental information relating to the project. It allows environmental assessments to focus on those projects that are most likely to impact the environment and enables authorities to reject, at an early stage, projects that are deemed to be environmentally unacceptable, or for which the IFI excludes support.

According to the EBRD, "screening is carried out to identify potential environmental issues associated with a proposed project and to specify the types of environmental information required in order to assess environmental risks, liabilities, regulatory compliance, any adverse environmental impacts and other concerns. Screening is also used to identify potential environmental benefits or enhancements which could be built into proposed projects. These could include opportunities for cleaner production, energy efficiency, waste reduction, reduction of greenhouse gas emissions, safeguarding and enhancing biodiversity, and other forms of good environmental practice."

Screening normally involves responding to an environmental questionnaire or application completed by the applicant for support or project sponsor. Increasingly, screening questionnaires are available on IFIs' websites. Their extent and level of detail varies. Sweden's EKN asks applicants to fill in the questionnaire as exhaustively as possible and indicates that "a guarantee application will be turned down if sufficient information and analysis of environmental impacts are not received." EKN's questionnaire includes initial questions asking for a project description; whether the applicant for official support and the

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For example, the European Commission cites a case where the environmental impact assessment for construction of an airport in Denmark identified savings of 40 million Euro for the project sponsors. See EC, *A successful EIA for Billund Airport*, www.europa.eu.int.

project sponsor have a certified Environmental Management System (EMS) according to ISO 14001 or other internationally accepted EMS standards; whether the goods or project in question meet recognised environmental standards; whether an environmental impact assessment has been carried out, and whether the local population has been consulted. It then contains series of questions to determine the environmental and social impacts of the project.

The questionnaire put in place by France's COFACE requests very detailed information about the environmental impacts of the project, including on the level of a variety of emissions, effluents, noise, risk of soil and water pollution, production of hazardous and non-hazardous wastes, impacts on landscapes and cultural heritage, impacts on the human and social environment and on animal and plant species, as well as any benefits for the environment. It further asks the applicant to indicate whether the environmental impacts linked to the project could lead to an image risk, or to an increase of the financial risk. Spain's CESCE uses a sophisticated on-line system allowing for automatic screening of projects.

Categorisation

The initial information gathered through the screening procedure or by other means serves to classify a project into a category, depending on its likely environmental impacts. For each category, different requirements regarding the assessment of environmental impacts apply. In principle, categorisation is an ongoing process. Therefore, the category can be changed, as more detailed information becomes available and implementation of the project proceeds.

In general, projects are classified in the following categories:³³

• <u>Category A</u> projects are those "likely to have significant adverse environmental impacts that are sensitive (*e.g.*, impacts that are irreversible, or those affecting indigenous people, natural habitats, involve resettlements), diverse, or unprecedented." These impacts may affect an area broader than the sites or facilities subject to physical works.³⁴ Generally, IFIs require an environmental impact assessment to be carried out in connection with projects in this category.

The World Bank and the EBRD, among other MDBs, have established lists of sensitive sectors and specify that projects in any such sector fall under category A. Examples of such projects include crude oil refineries and pipelines, nuclear power plants, large-scale logging, pulp and paper mills, large dams, large scale tourism and retail development, large tanneries, and installations for intensive rearing of poultry and pig. It further includes projects in sensitive locations, or likely to have a perceptible impact on such locations (such as national parks and other protected areas; sensitive locations of national, regional or international importance such as wetlands; and forests with high biodiversity value).

The EBRD list of sensitive sectors is part of the OECD Common Approaches and many ECAs have incorporated it, directly or by reference, in their environmental procedures. Austria's OeKB

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This list is based on the categories used by the World Bank in WB OP 4.01. It is also used by most IFIs, and in the draft Common Approaches. The US Ex-Im procedures, which pre-date the OECD Common Approaches, take a different approach: transactions screened as having little or no potential effects are categorised as "A" (comparable to World Bank's "C"category); transactions having the potential for significant impact are classified as "B" (comparable to World Bank Category "A"); transactions having the potential for some impact are classified as "C" (comparable to World Bank's category "B". Some IFIs, such as the AfDB, use categories "1, 2 and 3".

WB OP 4.01. Sensitive areas include National Parks, or other conservation areas of high importance, such as wetlands, areas prone to desertification/ erosion, areas of archeological significance, and areas of importance to ethic groups.

also considers projects involving genetically modified organisms (GMOs) to be sensitive and thus, as falling under Category A.

• <u>Category B</u> projects are those expected to have potential environmental impacts less adverse than those of Category A. Impacts are likely to be site-specific, few of them are irreversible and in most cases mitigation measures can be designed.

IFIs have significantly varying requirements for inclusion in this category, and for the type of environmental review required for projects in this category. Examples of Category B projects in Australia's EFIC regulations include agro-industry, livestock and fisheries projects; housing developments; tourism, and small or medium scale projects in the following areas: irrigation, water supply, sanitation and waste management; and industrial development.

Most IFIs carry out some kind of environmental assessment of Category B projects, and some (e.g., Korea's KEXIM; Hungary's MEHIB, Austria's OeKB, France's COFACE) reserve the right to require an EIA for projects in this category to be carried out on a case-by case basis. Generally, EIAs for Category B projects have a more limited scope than those for category A projects. The US Ex-Im Bank carries out a full evaluation of all reviewed transactions to ensure that the project meets its own as well as local guidelines.

• <u>Category C</u> projects are likely to have minimal or no environmental impacts. Australia's EFIC includes in this category transactions "where EFIC's exposure is less than 360 days, or where the export is considered to be 'off-the-shelf'. These transactions are typically characterised as exports of commodities, consumables or equipment." For this type of project, no environmental assessment is generally required beyond screening. One exception is the EBRD, which specifies that "regardless of the A,B or C categorisation for environmental assessment, projects may require an Environmental Audit."

In addition to the three above, some IFIs use the following categories:

- <u>Category D</u> (or E, in the case of OPIC) applies to projects with demonstrable environmentally beneficial impacts, or, as in the case of the Swedish EKN, "exports aimed solely at improvement of the environment". These include pure environmental investments, environmental equipment and technology, exports of sustainable energy technology and exports which reduce emissions of greenhouse gases. An environmental assessment may still be required due to site sensitivity.
- <u>Category FI</u> (to date, used only by a few IFIs, including the World Bank, EBRD, ADB, JBIC and OPIC) applies to projects which involve investment of funds through a financial intermediary in subprojects that may result in adverse environmental impacts. The World Bank requires the financial intermediary to conduct an environmental assessment for each sub-project, with Category A and B projects within the portfolio being subject to review by the Bank. EBRD, prior to establishing relationships with financial intermediaries, conducts environmental due diligence on the latter and its portfolio.³⁶

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Some IFIs also have an unofficial category called "Big-B" projects—those projects that are deemed to fit Category B, but may have potential to have Category A-type environmental impacts.

This involves an assessment of the financial intermediary's existing environmental policies and procedures vis-à-vis the Bank's environmental requirements and its capacity to implement them, as well as a general assessment of the environmental issues associated with the intermediary's existing and likely future portfolio.

Categorical prohibitions

A few IFIs use "categorical prohibitions": specific sectors and projects that the IFI will not, under any circumstance, finance. For example, the US OPIC states that the first step for screening of projects involves determining if an application for a project would violate any categorical prohibitions. According to OPIC, "this policy is intended to save applicants time and money on projects that OPIC is unable to support."

The IFC also has specific categorical prohibitions on project financing. For example, it does not finance production or trade in pesticides and herbicides subject to international bans or phase-outs (including the so-called "dirty dozen" chemicals). Furthermore, the IFC will not finance either any project that would "contravene country obligations under relevant international environmental treaties and agreements", and, as covered in its forestry safeguard policy, it will not finance projects within primary tropical moist forests.

Box 7. Summary of OPIC's categorical prohibitions

- Infrastructure and extractive projects located in primary tropical forests;
- Projects involving the commercial manufacturing of ozone-depleting substances (ODS) or the production or use of persistent organic pollutants (POPS);
- Projects involving the construction of large dams which *i.a.*, disrupt ecosystems upstream or downstream, impact biodiversity, or displace large numbers of inhabitants (5000 people or more)
- Projects in or impacting natural World Heritage Sites, United Nations List of National Parks and Protected Areas;
- Extraction or infrastructure projects in or impacting protected area Categories I, II, III, and IV, as defined by the IUCN.

Source: www.opic.gov

Germany's Hermes and Austria's OeKB exclude from support exports of nuclear technology designed for the building of new or conversion of existing power plants. Australia's EFIC checks all transactions against: (i) international commitments defined in treaties, protocols and other declarations, and (ii), an exclusion list of prohibited material, substances and countries, based on Australian Customs Regulations.

Main elements of environmental assessment

Instruments for environmental assessment: overview

Over the years, a variety of tools have been developed to carry out different levels of environmental assessment. Furthermore, IFIs may use different denominations for the same, or similar tools. A summary of the different instruments is provided below to help understand the range of types of environmental assessment and their specific applications.³⁷

Adapted from IFC OP 4.01 Annex A definitions and EBRD's Environmental Policy.

Box 8. Content of an environmental assessment report for a category A project

An environmental assessment (EA) report for a Category A project focuses on the significant environmental issues of a project. The report's scope and level of detail should be commensurate with the project's potential impacts.

The EA report should include the following items (not necessarily in the order shown):

- (a) Executive summary. Concisely discusses significant findings and recommended actions.
- (b) *Policy, legal, and administrative framework.* Discusses the policy, legal, and administrative framework within which the EA is carried out. Explains the environmental requirements of any co-financiers. Identifies relevant international environmental agreements to which the country is a party.
- (c) Project description. Concisely describes the proposed project and its geographic, ecological, social, and temporal context, including any offsite investments that may be required (e.g., dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Indicates the need for any resettlement plan or indigenous peoples development plan (see also sub-paragraph (h.v) below). Normally includes a map showing the project site and the project's area of influence.
- (d) Baseline data. Assesses the dimensions of the study area and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project location, design, operation, or mitigatory measures. The section indicates the accuracy, reliability, and sources of the data.
- (e) Environmental impacts. Predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for environmental enhancement. Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention.
- (f) Analysis of alternatives. Systematically compares feasible alternatives to the proposed project site, technology, design, and operation—including the "without project" situation—in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.
- (g) Environmental management plan (EMP). Covers mitigation measures, monitoring, and institutional strengthening.
- (h) Appendixes
 - (i) List of EA report preparers individuals and organizations
 - (ii) References written materials both published and unpublished, used in study preparation.
 - (iii) Record of interagency and consultation meetings, including consultations for obtaining the informed views of the affected people and local nongovernmental organizations (NGOs). The record specifies any means other than consultations (e.g., surveys) that were used to obtain the views of affected groups and local NGOs.
 - (iv) Tables presenting the relevant data referred to or summarized in the main text.
 - (v) List of associated reports (e.g., resettlement plan or indigenous people's development plan).

Source: The World Bank, Operational Manual.

- Environmental Impact Assessment (EIA): An instrument used for a proposed project, often a "greenfield" project, to identify and assess potential environmental impacts, discuss the policy, legal and administrative framework, assess pre-existing conditions (baseline data), evaluate alternatives (including a "without project" scenario) and design prevention, mitigation, management and monitoring measures. International best practice implies a full EIA for Category A projects, although not all IFIs specify this as binding policy. The MFI-WGE defines EIA as "a process for examining the environmental and human consequences, both beneficial and adverse, of a proposed activity, and for incorporating appropriate measures to address them into project design and implementation. The EIA process is designed to provide decision-makers and stakeholders with adequate information to manage responsibly the environmental, and often, social, consequences of their actions. In EIA, attention to impacts and issues is selective and strategic. In order to determine proprieties for attention, projects with significant impacts and/or sensitive issues normally consider both technical information provided by qualified specialists and the views of key stakeholders, including affected groups."
- Environmental Action Plan (EAP): An instrument that details the environmental measures necessary during the implementation and operation of a project; it often accompanies a full EIA.
- Environmental Analysis: An analysis carried out for a project with environmental impacts that may be readily identified, assessed or mitigated.
- Environmental Audit: An instrument used for an existing facility, in cases such as the privatisation or modernisation of a plant.

It is not possible, within the scope of this paper, to explore these instruments in detail. This section will therefore focus on key elements of the various Environmental Impact Assessment procedures used by IFIs. Box 8 lists the elements of a standard EA report, based on the World Bank's Operational Manual. This list has been included (in a slightly shortened version) in the OECD Common Approaches and is currently also used as a reference by numerous ECAs.

Actors involved

Environmental assessment is, in most cases, the responsibility of the borrower or project sponsor, not the IFI itself. According to the AfDB's Environmental and Social Assessment Procedures (ESAP), "it is essential that the borrower assumes such responsibility to ensure that the ESAP lead to environmentally and socially sustainable projects. In fact, unless the borrower is directly involved and committed to implement the measures identified during the assessment process, the project's outcomes and results may not reflect nor allow to achieve the Bank's sustainable development objective". The ESAP then sets out in detail the different responsibilities, not only of the borrower, but also of each of the various Bank departments involved in the assessment process.

The institution providing funding assists the borrower, as appropriate. Best practice implies using an independent third party with relevant expertise to carry out the EIA. Upon receipt of the EIA or other EA tool, IFI staff review the assessment report to determine if it contains all the relevant information needed to make a financing decision. Some IFIs, generally smaller ECAs, have recourse to external specialists. The Finnish Finnvera requires that independent environmental experts or advisers at Finnvera assess the environmental impacts and review the EIA studies. The Swedish EKN specifies that, when necessary, it will engage engineering and consultancy companies to conduct technical reviews. The Swiss GRE indicates that where a report requires detailed examination by an external consultant, the costs will be

shared among the GRE and the exporter.³⁸ The Czech EGAP publishes on its website a list of consultants recognised by EGAP to carry out environmental assessment.

Several ECAs provide that, where several IFIs are involved in the project, the environmental assessment by other financial actors involved will suffice, and no additional environmental review will be carried out. For example, in case of projects including subcontractors from Poland, The Polish KUKE will accept the EIA or environmental analysis report issued by the main project contractor, as well as by international financial institutions such as the Wold Bank Group, regional development agencies or a domestic development agency.

Generally, the EIA process involves other key stakeholders besides the project proponents, including government officials, directly affected groups and other interested parties, such as NGOs.

Consultation with affected populations and disclosure of environmental assessment information

Consultation with affected populations and local NGOs *during* the assessment process, and disclosure of information *after* the EA process are considered essential, and numerous IFIs explicitly require applicants to provide evidence that such consultations have duly been carried out.

Effective public consultation can generate positive commercial benefits for a project, such as reduced financial risk, reduced costs, avoidance of costly mitigation measures down the road, and enhanced benefits for and relations with local communities. Failing to adequately consult with stakeholders can result in project delays, security concerns, and a tarnished reputation.

According to the MFI-WGE, information dissemination, through the release of EIA results to stakeholders in a location, format, and language that allows them to provide comments, is an integral part of the EIA process. More specifically, "the EIA process is designed to provide decision-makers and stakeholders with adequate information to manage responsibly the environmental, and often social, consequences of their actions... In order to determine priorities for attention, projects with significant impacts and/or sensitive issues normally consider both technical information provided by qualified specialists and the views of key stakeholders, including affected groups."

The IFC survey concluded that "the reality is that few institutions explicitly define what is expected. Generally, IFIs do not define how the views of affected parties are to be taken into account in the project." For a long time, public consultation has been a vague and unevenly executed IFI policy. However, over the last few years, most IFIs, not least, through pressure from civil society groups, have significantly improved their policies and have adopted a more transparent approach.

One resource that provides clarity on the consultation process is the IFC's good practice manual called *Doing Better Business Through Effective Public Consultation and Disclosure*. It states, "calling attention to environmental and related social issues early in the process and involving stakeholders in meaningful consultations, helps avoid costs and delays in project implementation, and reduces the need for project conditionality to the extent that appropriate measures are incorporated into project design."³⁹

The GRE finances a maximum of 20 000 CHF of such expenses.

³⁹ IFC, ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_pubconsult/\$FILE/PublicConsultation.pdf.

Box 9. IFC's management principles for disclosing project information during the assessment process

- Disclose early—Provide information as early as possible to the public during planning and implementation
- Use disclosure to support the consultation process—provide the public with information relating to the benefits and disadvantage of the proposed project prior to the consultation.
- Provide meaningful information—information should be understandable to project-affected people to enable them to make informed judgments.
- Ensure the accessibility of information—disseminate information to project-affected people in culturally appropriate ways.

Source: ifcln1.ifc.org/ifcext/enviro.nsf/Content/Disclosure.

The World Bank requires that, for all Category A and B projects proposed for financing, during the EA process, the borrower consult project affected groups and local non-governmental organisations about the project's environmental aspects, and take their views into account. It further requires borrowers to make EA reports publicly available and to be translated into the local language of project-affected people and local NGOs in the respective country. The Bank also makes the EA reports available to the public prior to a decision to finance the project. Category A project reports are publicly available 120 days prior to a Board decision. Category B project reports are made available 60 days prior to Board decision. For Category A projects, the World Bank requires the publicly-disclosed EA report to include an Annex regarding the public consultations, including the issues raised and how they have been taken into account.⁴⁰

For Category A projects, the IFC requires a review of the public consultation and disclosure activities carried out to date. If it deems it necessary, the IFC will conduct a "supplemental public consultation and disclosure plan to address identified deficiencies".⁴¹

The EBRD annexes detailed consultation procedures to its environmental policy, in line with its "Public Information Policy". For significant greenfield projects and projects involving major transformation in particular, the Bank is committed to meaningful consultation. At a minimum, project sponsors must ensure that national requirements for public consultation, as well as EBRD requirements, are met. Among the mechanisms for consultation which may be used are technical meetings with experts, meetings with community leaders, public meetings, press and other media coverage, information disclosure via Web sites or libraries, and correspondence. For each project, the EBRD releases a project summary with an environmental annex on its website, for a period ranging between 30 days (for private sector projects) and 60 days (public sector projects). For Category A projects, EBRD requires the full EIA report to be made publicly available at or near the project site, in a language which is accessible to the majority of potentially affected people, at least 60 days before consideration of the project by the EBRD Board of Directors for private sector projects, and 120 days in the case of public sector projects. In addition to local disclosure, the EIA is also released at the EBRD Headquarters and relevant local EBRD office, and to EBRD Directors. Project sponsors are required to inform the public as well as the EBRD Board how

World Bank, <u>www.worldbank.org/operations/disclosure.</u>

⁴¹ IFC; http://ifcln1.ifc.org/ifcext/enviro.nsf/Content/PoliciesandGuidelines.

comments on the EIA received during the disclosure period were taken into account.⁴² Disclosure is the rule: any exception or derogation must be approved by the management of the Bank and reported to the Executive Committee and the Board of Directors.

The EIB publishes on its website a list of projects for which its finance support is sought. Projects are placed on this list at a stage when discussion with the promoter and the project appraisal work by the Bank's teams give reasonable grounds to assume the EIB's financial involvement. Although the consent of the promoter is sought, the latter may only oppose publication on grounds of confidentiality. As a general rule, the project is placed on the list before the financing decision is taken by the Board. 43

ECAs take a variety of approaches to public consultation and disclosure in the context of an EIA. The list describing "the scope of environmental analysis" of the Polish' KUKE includes the opinion of non-governmental organisations, and specifies that, in case of impossibility of obtaining the opinion of local organisations from the importer's country, "it is possible to deliver the opinion of non-governmental organisations of ecological nature in the country or of international organisations." The environmental guidelines of Japan's JBIC give particular emphasis to public consultation and require the project sponsor to solicit stakeholders' participation "from the project planning stage". Germany's Hermes states that, "wherever the applicant has the chance to involve the population concerned in the host country, he should encourage and support the buyer to involve the local population in corresponding projects." Australia's EFIC not only requires project sponsors to seek stakeholders' comments through the EIA process, but also provides for a 45 day public consultation, via its website, as part of its own internal assessment. The Austrian OeKB indicates that, in addition to information provided by the project sponsor, it will obtain and considere, if appropriate, information from third parties (Austrian trade commissions, NGOs, press, and other sources).

Site visits

Some IFIs include site visits as part of their environmental review of projects. Due to the costs involved, this is generally available only to large IFIs, including most MDBs. The World Bank and the IFC are among the few institutions that systematically carry out site visits for Category A and B projects. Among ECAs, most report that they might envisage carrying out site visits on a case-by-case basis and, generally, for Category A projects with particular environmental risk. One example is Canada's EDC. Japan's JBIC provides that it may, when necessary, conduct surveys of proposed project sites by dispatching environmental experts to confirm environmental and social considerations. Italy's SACE reports that it has carried out site visits for three category A projects. Its assessment is that site visits can be very useful in certain stages of the review, not only to inspect the site but also to talk to local authorities and people.

Standards and guidelines

Benchmarks versus binding standards

To assess the environmental impacts of a project, IFIs broadly take two different approaches: to require that the project comply with a set of binding standards, or to use standards or good practices as benchmarks or reference points. The latter approach allows for more flexibility, since the decision-maker is

Other important public consultation requirements include scoping of EIAs, and Public Consultation and Disclosure Plans; see Annex II section 3 of the Environmental Policy for full details www.ebrd.org/enviro/index.htm.

EIB, www.eib.org/environment/docs/environdoc en.pdf.

not bound by a fixed set of standards, but may choose those standards which are best adapted to the project, or to the institutions' purposes.

On the other hand, this margin of flexibility has been seen by some as a loophole allowing institutions to derogate from standards or guidelines at will. Further, the fact that certain IFIs apply benchmarks selectively or partially — e.g., certain aspects of World Bank guidelines, such as emission standards, but not others, namely transparency requirements — has raised criticism.

According to ECA-Watch, "though intended to simplify matters, the benchmarking approach is in fact overly bureaucratic, time and staff-intensive and fails to provide exporters with the clarity and predictability around the standards they are expected to meet" It has also been said that, in the context of harmonisation, a benchmarking approach runs counter to the objective of achieving a level playing field. A recent report from the US General Accounting Office (GAO) which examined the common aspects and differences among ECAs environmental policies, and, in particular, the differences between environmental procedures used by the US Ex-Im Bank (which uses binding standards) and ECAs using a benchmarking approach does not confirm this assertion. 45

IFIs use or refer to a variety of standards, guidelines and benchmarks. In many cases, the standards applied, or benchmarked against, depend on the category, or potential level of environmental impact of a project.

A few IFIs have developed their own standards and guidelines, with which projects must comply. Examples of the latter are the World Bank, whose standards and guidelines are used as benchmarks by a majority of IFIs, and the US Ex-Im Bank, which follows its own standards.

At a minimum, IFIs generally require that a project comply with host country regulations. Some IFIs, notably the World Bank and the IFC, and among ECAS, the US Ex-Im Bank, require compliance with their own environmental standards. Most IFIs, including a large majority of ECAs use existing international standards and guidelines — generally World Bank guidelines — as benchmarks. Others benchmark projects against home country standards and rules. The Hungarian MEHIB, for example, uses its national standards for minor sub-supplier or subcontractor deals; the Czech EGAP applies national rules for operations applying to less than 5% of the total value of a project.

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ECA-Watch (2003).

US General Accounting Office (GAO), (2003).

Table 2. IFI environmental assessment policies: standards and benchmarks

<u>IFIs</u>	Requires compliance with international standards (WB/IFC/EU/WHO)	Requires compliance with internal standards (e.g. IFIs own standards, IFI home country standards)	Benchmarks against a range of standards (national and international)	Comments
WB		X		
IFC		X		
AfDB		X		
ADB	X			
EBRD	X			
EIB	X			
IDB	X			
EFIC			Χ	
OeKB			X	
OND			Х	
EDC			X	
EGAP			Х	
EKF			X	
Finnvera			Х	
COFACE			X	Also applies its own sectoral policies: power plants, dams, oil and gas plants
Hermes			Х	<u> </u>
ECIO			Х	
MEHIB			Х	
SACE			Х	Also uses industry best practice as reference
JBIC/NEXI			Χ	
KEIC/KEXIM			X	
ODL			X	
Gerling			X	
GIEK			Х	
KUKE			X	
COSEC			X	
CESCE			Х	
EKN			Х	
ERG			Х	References WCD guidelines for dams
ECGD			Х	Also uses best industry practice as reference
EX-IM		Х		EX-IM guidelines draw from IFC guidelines
OPIC	X			j

World Bank "Guidelines"

The World Bank Guidelines are considered by many to be a model, and are therefore described here in more detail. The World Bank has established a three-tiered format for its comprehensive set of policies on a diversity of subjects, including environmental assessment and related environmental and social "safeguard policies". The first two, Operational Policies (OP) are mandatory standards while Bank Procedures (BP) provide guidance for their implementation. There are also Good Practices (GP) documents that provide non-binding guidelines for staff and project sponsors. The GP are being replaced or complemented by policy specific handbooks that provide non-binding guidance on implementation of the policies and examples of good practices. These documents provide clarity to staff, project sponsors and stakeholders as to which policies involve binding compliance standards, which ones concern recommended procedures and which documents involve only suggestions (good practice).

Pollution Prevention and Abatement Handbook

The World Bank's Pollution Prevention and Abatement Handbook (PPAH) contains prevention and abatement measures and numeric targets for reducing pollution emissions from the production process in over forty industrial sectors. The targets include emissions levels considered acceptable to the World Bank. The guidelines, through cleaner production and end-of-pipe solutions, are designed to protect human health, be cost-effective and commercially proven, promote good industrial practices that can lead to greater productivity and energy efficiency, and follow current regulatory trends. They are designed to be used in the context of the World Bank's Operational Policy OP 4.01. The IFC's Environmental, Health and Safety Guidelines of 1998 also cover certain sectors not covered by the PPAH.

The PPAH has become the set of guidelines that many other IFIs reference. Some private sector banks and corporations, such as Bank of America, and more recently, the Banks adhering to the "Equator Principles", publicly state that they follow "World Bank Guidelines".

The PPAH was drafted in the mid-nineties and there are some gaps in its coverage of sectors, such as the exclusion of open pit mining and logging. The PPAH acceptable emissions levels were also drafted prior to the Kyoto Protocol and the recognition of the need for reduction of greenhouse gas emissions. There is some discussion now within the World Bank and among other IFIs that the 1998 PPAH is perceived to be in need of updating. A collaborative update of the PPAH is therefore being planned as part of the MDB Harmonization process.

Safeguard policies

The World Bank Group has developed a set of ten environmental and social "safeguard policies" which are designed, by sector or issue, to ensure that operations "do no harm". The environmental policies include OP 4.01 on Environmental Assessment, which provides a framework for evaluation of potential impacts and risks, public consultation and disclosure. The environmental safeguard policies also include OP 4.04 on Natural Habitats, which does not allow support for projects that involve significant conversion or degradation of critical habitats; OP 4.36 on Forests, which aims to support sustainable forestry practices; OP 4.09 on Pest Management, which aims to support integrated pest management; OP 4.37 on Safety of Dams, and OPN 11.03 on Cultural Property. Two social safeguard policies are also included: OP 4.12 on Involuntary Resettlement and Land Acquisition and OD 4/20 on Indigenous Peoples. Gaps remain, however, in these safeguard policies. For example, the IFC's Compliance Advisor Ombudsman (CAO) cited the IFC's failure to address safeguards for cyanide leaching processes in mining operations, as well as the lack of project-level measurements of GHGs as part of a climate change policy.

ECA- specific standards

Besides MDBs, the US Ex-Im Bank is among the few IFIs to apply and require compliance with its own standards, rather than using a benchmarking approach. It uses *quantitative* guidelines to assess air emissions, water quality, and noise impacts. These guidelines identify acceptable concentrations of pollutants in air, water and soil media, and define noise levels. It further uses *qualitative* guidelines to assess the management of solid, hazardous and toxic materials and wastes; the ability of a project to withstand the potential impacts of natural hazards, based on elements such as seismic coefficients and other design features; and the potential impacts on the project's ecological context, socioeconomic, and

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⁴⁶ IFC, ifcln1.ifc.org/ifcext/enviro.nsf/Content/Safeguardpolicies.

IFC, Compliance Advisor Ombudsman (CAO), Review of IFC's Safeguard Policies. www.cao-ombudsman.org.

sociocultural environment based on informed analysis of the results of social, economic, and scientific surveys, investigations and projections. A set of guidelines apply to projects in specific industrial sectors, namely: pulp and paper mills; iron and steel mills; mining and milling; oil and gas development; thermal, gas turbine and engine driven power plants; forest operations (logging); petroleum refineries and petrochemicals facilities; hydropower and water resources management. Other guidelines apply to projects not covered by the latter.

Box 10. EDC's illustrative list of internationally recognised good practices, standards and guidelines

- World Bank's Pollution Prevention and Abatement Handbook.
- The International Finance Corporation's Guidelines and Safeguard Policies.
- The environmental requirements, standards, policies or guidelines of regional development banks (such as the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development and the Inter-American Development Bank).
- Canadian Council of Ministers of the Environment (CCME): Canadian Environmental Quality Guidelines.
- World Health Organisation (WHO): Air Quality and Drinking Water Quality Guidelines.
- Good practices guidelines published by United Nations Environment Programme.
- Good practices guidelines published by internationally recognised industry associations such as Responsible Care, International Council on Metals and the Environment or International Atomic Energy Agency.
- ISO 14000 standards.

Source: EDC's Environmental Review Directive, Annex 5.

France's COFACE has adopted sectoral guidelines for three strategic sectors -- power plants, dams, and oil and gas.

Other internationally recognised standards and guidelines

• Some IFIs use a range of internationally recognised guidelines to benchmark environmental impacts of projects. These include EU environmental standards, the World Health Organisation's Air and Water Quality Guidelines, and the major multilateral environmental agreements (MEAs). Some IFIs, specifically note they will not finance a project that contravenes home or host country commitments to MEAs. For example, the IFC states it "does not finance project activities that would contravene country obligations under relevant international environmental treaties and agreements." The Australian EFIC indicates that "all transactions are checked against international commitments defined in treaties, protocols and other declarations".

In addition, some IFIs refer to various other guidelines of standards. For example:

The EBRD requires that projects it finances meet good international environmental practice. Therefore, it requires that projects be structured so as to meet: (i) applicable national environmental law; and (ii) EU environmental standards, insofar as these can be applied to a specific project. Where such standards do not exist or are inapplicable, the EBRD identifies other sources of good practice, including relevant World Bank Group Guidelines, the approach of other IFIs and donors, and good industry practice, and requires compliance with the selected standards. It further specifies that it will not finance projects that would contravene country obligations under relevant international environmental treaties and agreements. In addition, it requires that

projects be structured to meet IFC Safeguard Policies on indigenous peoples, involuntary resettlement and cultural property if they involve potential impacts related to such matters.

- The EIB states that it applies the environmental management principles of "precaution" and "polluter pays", as called for in EU policy, to all investments it finances.
- Italy's SACE and the UK's ECGD also refer to good (or best) business practice in addition to national and international standards.
- The Dutch Gerling has encouraged companies to abide by the OECD Guidelines on Multinational Enterprises. In a similar vein, the Swedish EKN has put on its website a note drawing the attention of its clients to recommendations published by the UN, the OECD and the Swedish Government concerning responsible business and the need to give consideration to human rights, corruption and sustainable development.

Evaluation, monitoring and accountability

Evaluation of environmental information

The evaluation of environmental information related to a project is an element in the process of making a decision on: (a) whether to grant support to a project; (b) to decline it; or (c) to make support conditional on certain modifications to the project, including mitigation measures, so as to satisfy the institution's environmental criteria.

The fact that a project has adverse environmental effects is not necessarily a reason for an IFI to decline support. Only few IFIs provide information on how environmental considerations will weigh in the final decision. Canada's EDC is one of them. It provides a list of grounds which in its view justify providing support to a project that has adverse environmental effects despite mitigation measures. These include:

- the adverse environmental effects, taking into account mitigation measures, associated with the project are not, in EDC's view, significant;
- EDC's satisfaction that the project is designed to meet or exceed internationally recognised good practices, guidelines or standards;
- the existence of what are in EDC's view compelling socio-economic considerations as presented by the host country;
- the project represents an opportunity to improve environmental conditions in the host country above base-line conditions;
- the project provides the opportunity to transfer environmentally sound technologies, services and knowledge to, or for the benefit of, the host country.

Project documents and final contracts may include environmental covenants or conditions that require the project sponsor to uphold certain environmental standards or procedures throughout the life of the project and grant the IFI specific rights, such as ongoing monitoring and audits. In general, all funding in support of a project is subject to compliance with a number of conditions, and IFIs generally reserve the right to suspend or cancel funding in cases of non-compliance.

Some institutions specifically indicate the consequence of non-compliance with conditions related to environmental performance of the project. For example, the IFC states that, in the event a project sponsor

fails to comply with relevant environmental and social covenants detailed in the investment agreement, IFC has certain rights such as suspension, cancellation and acceleration of the loan. The Canadian EDC provides that compliance of a project with host country laws and regulations will normally be confirmed through warranties and representations. Where EDC's environmental review identifies a need to monitor a project, EDC will seek to obtain such rights, assurances or covenants as it deems necessary to provide it the ability to conduct such monitoring during the term of its support to the project. Where EDC is unable to secure such rights, assurances or covenants as it deems necessary in the circumstances, it may decline to enter into the transaction.

For the US OPIC, material misrepresentation or non-compliance with environmental undertakings may constitute an event of default under the terms of its insurance contracts and loan agreements. Depending on the severity and reversibility of the environmental impact and the investor's responsibility and due diligence in attempting to prevent the default and in curing the problem, OPIC may treat the default as curable or incurable. In the case of a curable default, OPIC works with the investor to develop a feasible timetable for remediation. In the case of an incurable default, OPIC may require contract termination in the case of insurance, or acceleration of repayment or other available lenders' remedies, in the case of a loan. If an equity investment on the part of a financial intermediary is involved, divestiture by the latter may be required. Additionally, failure to meet contractually required reporting requirements can constitute a default. In all cases, OPIC seeks to work cooperatively with investors and lenders to arrive at an equitable resolution of the situation, taking into account the requirements of other lenders and insurers.

Japan's JBIC states that, if it considers that a project is likely to have an adverse impact on the environment due to inappropriate environmental and social considerations, it will encourage, through the borrower, the project proponent to undertake appropriate changes in light of environmental and social considerations, failing which JBIC may decide not to extent funding. The borrower must inform JBIC of measures and monitoring related to measures based on environmental and social considerations undertaken by the project proponent. If the borrower and the project proponent do not meet the conditions required by JBIC under its environmental guidelines, or if it becomes apparent that the project will have an adverse impact on the environment after funding is extended, due to the parties failure to supply correct information during the environmental review process, JBIC may, in accordance with the loan agreement, suspend the disbursement or declare the principal outstanding at the time, with interest and any other charges payable immediately.

Monitoring of projects

Environmental monitoring is an important aspect of the project implementation process. It serves two purposes. The first is to ensure that the project sponsor complies with the applicable environmental standards and various environmental components of the project. The second is to keep track of the ongoing environmental impacts associated with projects and the effectiveness of mitigation measures as a feedback mechanism. According to the EBRD's Environmental Policy, procedures should also be established to ensure that mitigation, monitoring, and relocation and compensation plans, described in project approval documents, are implemented (compliance audit). For many projects, the EBRD requires an Environmental Action Plan (sometimes also referred to as Environmental Management Plan or monitoring plan) which documents key environmental issues, actions to be taken to address them adequately, the implementation schedule and an estimate of the associated costs (see Box 11 for more detail).

In its new Environment Strategy, the IDB assesses its experience with implementation and monitoring of projects. It indicates that during project execution, there are risks that the contractual environmental obligations will not be met, either for internal reasons, such as lack of training or resources, or for external reasons, such as a difficult socio-political context. The Bank's capacity to identify and respond to an environmental problem in an operation under way also depends on strengthened local capacities, including

the role of the Bank's country offices. According to the IDB, some experiences have shown that operational environmental supervision coupled with local oversight and civil society participation can facilitate and make more effective the work of the Bank's country offices.

Box 11. The EBRD's Environmental Action Plan (EAP)

The EAP typically addresses issues requiring a long-time or phased approach, such as compliance with expected future regulatory requirements, including compatibility with EU or other international legal requirements, standards and practices. The EAP may also address opportunities to further improve the environmental performance of the project and the costs of doing so.

EAPs are agreed between the EBRD and the project sponsor and become part of the legal agreement with the Bank. Where current operations are not in compliance with regulatory requirements and existing permits, the proposed actions and schedules for these areas of non-compliance should be agreed with the competent environmental and/or health and safety authorities. The EAP should be satisfactory to the Bank prior to final review of the project by EBRD management.

In order to verify proper and timely implementation of EAPs and adherence to agreed environmental covenants, the EBRD requires that project sponsors submit periodic reports on the implementation of EAPs and other environmental requirements. As a rule, annual reports will be expected.

During implementation, results of reports, audits or monitoring trips may indicate that changes are necessary to the EAP. In this case, EAPs may be updated or revised, to the satisfaction of the Bank.

Source: EBRD's Environmental Policy

OPIC's relationship with the project sponsor. It reserves the right to monitor projects' compliance with environmental representations and undertakings throughout the term of its insurance or financing. Monitoring may take the form of self-reporting by the investor of summaries and, in specified cases, raw data obtained from monitoring a project's environmental performance (emissions, effluents or other waste discharges) as well as its environmental impacts (e.g., on ambient conditions and biological resources). OPIC requires investors to submit annual self-monitoring reports for Category A projects. These annual reports must provide OPIC with regular testing results for any emission standards, effluent standards, ambient air limitations or water quality limitations that were represented by the investor. Monitoring may also take the form of third party evaluation, including compliance information developed by host government authorities, co-lenders and independent auditors.

Accountability mechanisms

A number of IFIs have put in place independent mechanisms to assess the institution's compliance with its own policies. These mechanisms are generally open to the public and allow them to bring claims where they consider they have been harmed by the institution.

The World Bank created an independent Inspection Panel in 1994 to hold the Bank accountable for the proper implementation of its policies and procedures. This mechanism allows citizens which would believe that they could be potentially harmed or believe that they have been harmed by the failure of the World Bank to properly implement its policies, to request an investigation by the Inspection Panel. Over the last 10 years the Inspection Panel accepted 30 requests for a potential investigation and has supported participation and accountability. 48

A majority of the requests received so far by the Panel have cited violations of the World Bank's environmental assessment policies. Also frequently cited are the World Bank's policies on information disclosure and project supervision. A number of claims have involved the failure to screen the projects correctly under the environmental assessment or indigenous peoples' policies, as well as the failure to extend the rights of consultation to all of the people affected by the project who should be consulted according to the policy. The World Bank has also created a Quality Assurance Compliance Unit, an internal unit that reviews the Bank's compliance with its own safeguard policies. These mechanisms for compliance and accountability have set a precedent among other MDBs, and the EBRD, ADB and IDB have since established their own inspection mechanisms.

The IFC and MIGA accountability mechanism is the Compliance Advisor/Ombudsman (CAO), an office designed to provide a non-judicial, practical approach to contentious aspects of projects. The CAO provides a mechanism for project-affected communities to raise their concerns at any time during the project process. This office is independent of the managements of the IFC and MIGA and reports directly to the President of the World Bank Group. The CAO has three roles: (a) responding to complaints by persons affected by projects and attempting to resolve the issues, using a flexible, problem-solving approach; (b) providing independent advice to the president and senior management of the IFC and MIGA; and (c) overseeing audits of the IFC's and MIGA's environmental and social performance, both on systemic issues and in relation to sensitive projects.

Canada's EDC and Japan's JBIC are among the few ECAs which have established a specific accountability or compliance mechanism. Canada's EDC declares itself "accountable to numerous stakeholders". According to EDC's Disclosure Policy, these include its customers, employees, shareholders, and the larger domestic and international community. To ensure EDC's accountability, the following measures exist within the EDC: a code of conduct, a code of business ethics, an environmental review framework and the EDC Board of Directors. Moreover, EDC has designated an "ombudsman-type" Compliance Officer, accountable to EDC's Board of Directors, with broad powers to investigate and resolve complaints raised about EDC's compliance with its Corporate Social Responsibility policies and initiatives, including its environmental review procedures.

JBIC's environmental and social guidelines establish that, in order to ensure compliance with the Guidelines, JBIC accepts objections regarding its non-compliance with the Guidelines and takes the necessary actions. The purposes of JBIC's Compliance Mechanism are to investigate facts regarding compliance, to report results to the Governor of JBIC, and to promote dialogue between the parties concerned for an early resolution of disputes concerning specific environmental or social problems which were caused by a project under JBIC's financing due to non-compliance with the Guidelines. Two independent compliance/ombudsman officers, independent from the operational departments, are in charge of the task. They are appointed by the Governor of JBIC taking into consideration the opinion of a multi-stakeholder committee.

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World Bank (2003), Accountability at the World Bank: The Inspection Panel - 10 Years On.

World Bank, Inspection Panel, *Annual Reports 1994-2001*, cited by Bernasconi-Osterwalder, N. and Hunter, D. (2002).

Evaluation of IFIs' environmental policies and procedures

As already indicated, most MDBs have recently updated their environmental policies. In general, these new or updated policies build upon an evaluation of previous policies. The IDB, which adopted its new environmental policy in July 2003, has published an assessment of the effectiveness of its previous procedures, as well as lessons learnt from past experience. These are summarised in Box 12.

Box 12. IDB: Lessons learnt from past experience with environmental procedures

- It is important to integrate the social dimensions in evaluating project impacts. Integrating social and environmental dimensions in operations also makes it possible to provide significant added value to Bank operations form their conception.
- Project teams need to be held accountable for their environmental and social obligations; this needs to be accompanied by a rigorous framework for environmental and social review that guarantees operations will be of high quality.
- It is important to have competent and trained environmental professionals on project teams, exploiting
 environmental opportunities and minimising the social and environmental problems in the programming,
 design and implementation of operations.
- The work of project team needs to be facilitated with up-to-date technical guidelines procedures and instruments for good practices.
- It is important to establish a constructive dialogue with the communities that benefit from or are affected by an operation and with civil society in general.

Source: IDB 2003, Environment Strategy Document, www.iadb.org/exr/topics/env.

In 1999-2001, the World Bank's independent Operations Evaluation Department (OED) carried out a comprehensive assessment of the Bank's past environmental performance. The assessment concluded that the Bank had made significant progress in safeguarding investments financed by the Bank and in helping developing countries address their environmental challenges. It pointed out however, that significant challenges remain on both fronts. The report recommended emphasis on three key areas: (a) demonstrating the critical role of environment in sustainable development and poverty reduction, and incorporating environmental objectives into its core strategy and operations; (b) improving the Bank's environmental safeguard polices and their implementation; (c) making a shift in the approach to global issues by focusing on local-global overlaps.⁵⁰

The EIB has set up a self-evaluation system in order to strengthen its ability to assimilate experience acquired in the course of operations. Every project completed is subjected to *ex post* analysis by the Projects Directorate aimed at comparing the project's actual results and impact with the projections made during appraisal. The results of these individual analyses are solely for the EIB's internal use and are not made public.

Most ECAs have only very recently put in place their environmental policies. It is therefore generally premature for them to evaluate these policies. Canada's EDCs' environmental review policy and

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World Bank (2001), "Making Sustainable Commitments. An Environmental Strategy for the World Bank," Annex L, www.worldbank.org/ESSD/envext.nsf/41ByDocName/EnvironmentStrategy.

procedures are regularly and comprehensively audited by the Auditor General of Canada. The findings of the last audit were made public in 2001, after which EDC revised its policy and processes. Another audit is currently underway, with the findings expected to be released in 2004. The US Ex-Im Bank's Environmental Procedures and Guidelines are periodically revised, generally every 2-3 years. Some ECAs, such as Finland's Finnvera, Spain's CESCE and the Netherlands's Gerling are planning reviews of their policies in the near future, when some experience has been gathered. Sweden's EKN is planning a comprehensive revision for 2004.

Final remarks

This report has described environmental policies and environmental review procedures in IFIs and has analysed in more detail some of key issues. Since various IFIs are currently reviewing their policies, this report has attempted to provide a "snapshot" of the current situation. It has not attempted to assess these policies, nor to describe compliance of the different IFIs with their own policies.

This overview reflects a significant first step of convergence of environmental policies and review procedures on some key issues. Some of these key issues are: increasing transparency and disclosure of environmental information once a financing decision has been taken; increasing involvement of stakeholders, categorisation of projects, requirements of environmental impact assessment for projects with important potential impacts on the environment (Category A projects).

This convergence is a consequence, at least in part, of ongoing harmonisation processes. In the case of ECAs in particular, the negotiations and recent adoption of the OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits have led to significant harmonisation of environmental review procedures. Ongoing exchange of views on implementation issues by ECAs' environmental practitioners contribute to this process.

In other areas, divergences remain, for example, on disclosure of environmental information relating to a project, and, in particular, disclosure *before* a decision on financing has been taken; on applicable or referenced standards; and on the establishment of accountability mechanisms. Some of these divergences are likely to gradually disappear among ECAs, following the adoption of the Common Approaches.

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Multilateral Development Banks

The World Bank (WB) www.worldbank.org

International Finance Corporation (IFC) www.ifc.org.

Multilateral Investment Guarantee Agency (MIGA) www.miga.org.

The European Bank for Reconstruction and Development (EBRD) www.ebrd.org.

The European Investment Bank (EIB) www.eib.org.

The Asian Development Bank (ADB) www.adb.org.

The Inter-American Development Bank (IADB) www.iadb.org.

The African Development Bank (AfDB) www.afdb.org

Export Credit Agencies

Australia: Export Finance and Insurance Corporation (EFIC) www.efic.gov.au.

Austria: Österreichische Kontrollbank AG (OKB) www.oekb.at.

Belgium: Office National du Ducroire/Nationale Delcredererdienst (OND) www.delcredere.be.

Canada: Export Development Canada (EDC) www.edc.ca.

Czech Republic: Exportní Garantní Pojistovací Spolecnost, a.s. (EGAP) www.egap.cz.

Denmark: Eksport Kredit Fonden (EKF) www.ekf.dk.

Finland: Finnvera plc www.finnvera.fi.

France: Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE) www.coface.fr.

Germany: Hermes Kreditversicherungs-AG www.hermes-kredit.com.

Greece: Export Credit Insurance Organisation (ECIO) www.oaep.gr.

Hungary: Magyar Exporthitel Biztosító Rt (MEHIB) www.mehib.hu.

Italy: Istituto per i Servizi Assicurativi del Commercio Estero (SACE) www.isace.it.

Japan: Japan Bank for International Cooperation www.jbic.go.jp.

Japan: Nippon Export and Investment Insurance (NEXI) www.nexi.go.jp.

Korea: Korea Export Insurance Corporation (KEIC) www.keic.or.kr. and Export-Import Bank of

Korea (KEXIM) www.koreaexim.go.kr.

Luxembourg: Office du Ducroire (ODL) www.ducroire.lu.

The Netherlands: Gerling NCM www.gerlingncm.com.

Norway: Garanti-Instituttet for Eksportkredit (GIEK) www.giek.no.

Poland: Korporacja Ubezpieczén Kredytów Eksportwych Spólka Akcyjna (KUKE SA)

www.kuke.com.pl

Portugal: Companhia de Seguros de Créditos, SA (COSEC) www.cosec.pt.

Spain: Comañía Española de Seguros de Crédito a la Exportación, S.A. (CESCE) www.cesce.es.

Sweden: Exportkreditnämnden (EKN) www.ekn.se.

Switzerland: Geschäftsstelle für die Exportsrisikogarantie (ERG) web.swiss-erg.com.

United Kingdom: Exports Credits Guarantee Department (ECGD) www.ecgd.gov.uk.

United States: Export-Import Bank of the United States (Eximbank) www.exim.gov.

United States: Overseas Private Investment Corporation (OPIC) www.opic.gov.