

# EBRD's Environmental Due Diligence

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## Aims of Presentation

1. EBRD Activities
2. EBRD Environmental Due Diligence (EDD)



## 1. EBRD Activities



## What is the EBRD?

- An Investment Bank with Public Shareholders:
  - owned by 61 countries (including Japan - 8.6%) and supranational shareholders (EU; EIB)
  - AAA-rated international financial institution founded in 1991
  - 1000 employees (15 Japanese staff)
- Mandate: facilitate the transition to market economies
- Capital base of €20 billion and net cumulative business volume of €33.3 billion to date - €4.9 billion (301 projects) in 2006:
  - Largest single investor in the region
  - Nearly half of EBRD financing devoted to financial institutions
  - **80%** private sector/privatisation projects in 2006 (76% in 2005)



Knowledge of local environments:  
32 offices in 29 countries



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## EBRD and Environmental Guiding Principles

- Environmental and Sustainable Development Mandate – Responsibility as a public institution
- Core Business Issues – legal, financial and reputation-based- Private sector orientation
- Revised Environmental Policy (2003) and Public Information Policy (2006) and new Independent Recourse Mechanism (2004)

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## 2. EBRD Environmental Due Diligence (EDD)

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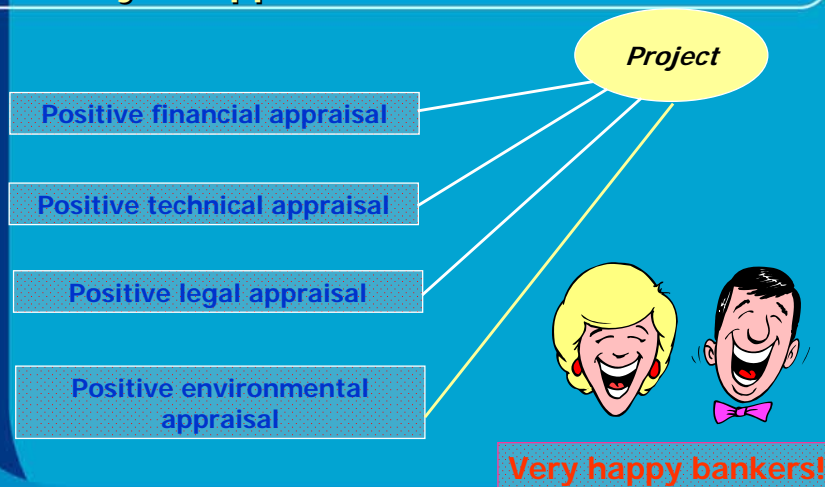
## Environmental Due Diligence (EDD)

- Helps the Bank **decide** if an activity should be financed:
- Helps **identify ways** in which operations can be **structured**:
  - to avoid and/or mitigate risks
  - to provide environmental benefits

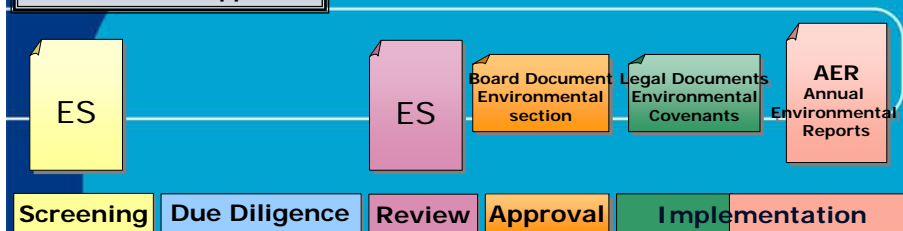
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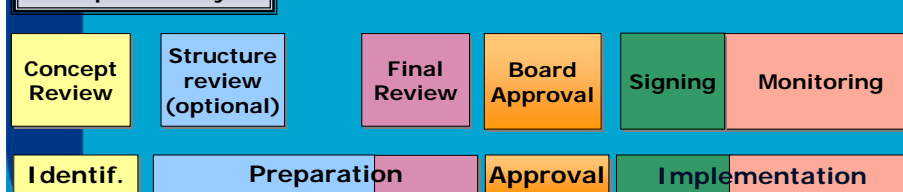
## Environmental Protection as a Criterion for Project Appraisal



## Environmental Appraisal



## The Operation Cycle



## Project requirements

### EBRD environmental standards

- Applicable national environmental law
- EU environmental standards
  - Where such standards do not exist or are inapplicable...*
- Good international practice i.e. IFC, World Bank, other IFIs, good industry practice



## Environmental Screening

Screens the project on the basis of available information:

- The nature, size and location of operation (greenfield/not, sector, facilities, production, output, vicinity of sensitive areas, etc).
- The type of transaction (equity, project loan, corporate loan, working capital, material investment, financial restructuring etc).
- If environmental information is insufficient to classify the project, an Initial Environmental Examination (IEE).



## Environmental Screening Categories:

### A level

- **major or significant** environmental impacts which are **not easily** identified or mitigated

Environmental Impact  
Assessment

### B level

- significant environmental impacts which are easily identified and can be mitigated

Environmental  
Analysis

### C level

- minor or no environmental impacts associated with the project

No assessment required

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## Environmental Investigations

- **Review of environmental documents** provided by the Clients (e.g. EIA, audit)
- **Review of national EIA legislation**
- **Past liability** (soil/ground water contamination)
- **Current E, H and S legal compliance**
- Key issue and **adequacy of mitigation measures**
- **Site visit**
- **Discussion with the Sponsor**
- Discussion with national environmental authorities, if needed
- **Discussion with affected people**, if applicable

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## Environmental Action Plan (EAP)

If environmental investigations identify shortfalls or opportunities for improvement...

... the Bank will require the Sponsor to establish a programme for improvements to achieve compliance (incorporated into Legal Documents)



The Environmental Action Plan

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## Category A Projects

- Project notification
- Scoping
- Public consultation and disclosure plan
- Full EIA package in local language
- Local disclosure, EBRD London, EBRD Resident Office
- Best efforts for EIA on client web-site in English and local language
- Minimum comment period (60/120 days before Board)
- Feedback to public on comments following consultation
- Annual environmental report to public

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## Environmental Impact Assessment (EIA)

- Scoping
  - Identification of potential environmental impacts
  - Identification of alternatives
- Public consultation and disclosure plan
- Determining of environmental baseline
- Assessment of environmental impacts
- Mitigation measures and/or measures to enhance environmental benefits
- Environmental monitoring plan

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## Social Due Diligence as part of Environmental Due Diligence

More explicit social commitments in 2003 Environmental Policy :

“Environment” used in a broad sense - also includes

- **Worker protection issues:** Health & safety, child labour, forced labour, discrimination
- **Community issues,** “such as cultural property, involuntary resettlement, and impacts on indigenous peoples”

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## EBRD Social Requirements

- Compliance with national employment law and ILO core convention on child labour, forced labour and discrimination
- Compliance with IFC Safeguard Policies on indigenous peoples, involuntary resettlement and cultural property.

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## References for Japanese organizations

- Environmental **D**ue **D**iligence is a decision-making tool
- Establish **G**uiding **P**inciple (e.g. Equator)
- Establish the workable **P**rocedures and record-keeping **D**ata **M**anagement **S**ystems
- Establish accountable **D**isclosure and **C**onsultation **P**rocedures
- Be mindful of increasing demand for **C**orporate **S**ocial **A**ccountability

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