

Executive Summary of the Recommendations by the Study Group on Environmental Guidelines for the Japan Bank for International Corporation (JBIC)

September 19, 2001

The Study Group on Environmental Guidelines for the Japan Bank for International Corporation (henceforth, the Study Group) has completed making its recommendations to the Japan Bank for International Corporation (JBIC). The Study Group has been discussing the contents of new and integrated guidelines for JBIC. At present, JBIC has two different environmental guidelines, one for the international finance operations (formerly the operations of the Japan Export Import Bank) and the other for the overseas economic corporation operations (formerly the operations of the Overseas Economic Corporation Fund). JBIC in principle has a plan to establish new and integrated environmental guidelines for both operations.

Currently, the Study Group on Export Credit at the Organization of Economic Corporation and Development (OECD) is discussing an approach on environmental considerations, which will be made common to export credit institutions based in 28 developed countries. It is expected that JBIC's new Guidelines are in line with such discussions, demonstrating the Bank's more responsible initiatives for environmental and social considerations.

The Study Group consists of academics, NGO activists, a Diet member, government officials from the Ministries of the Environment, Foreign Affairs, and Finance, as well as JBIC staff members. However, they do not represent views of any particular organization. 16 meetings were held between October 6, 2000 and July 25, 2001.

The minutes of all the meetings, as well as the documents that have been discussed, are being available on the Study Group web site. Opinions were sought from both inside and outside Japan through the web site and mail. Participation in the meeting by non-members was also granted, as long as they were registered in advance. Such open processes can set a good model for participatory advocacy activities of the civil society. The recommendations made by the Study Group are the results of the constructive discussions, in which the members attempted to foster mutual understanding, while making efforts to find as many agreements as possible.

The Study Group has made the recommendations by taking note of 1) making the contents sufficiently in accordance with experiences of the international community; 2) establishing in principle common guidelines for both the international finance and the overseas corporation operations; and 3) indicating, as clearly and in as much detail as possible, policies, procedures, and standards. JBIC is bound to materialize its new Environment Guidelines based upon these recommendations.

<Summary of the Recommendations>

-Key Concepts (Sustainable development, Environment, and Human rights)

JBIC should undertake its operations in line with the concept of "sustainable development," as well as considerations over the environment and respect towards human

rights, as expressed in international treaties and protocols. JBIC should contribute to sustainable development by making use of a variety of measures so that its funding activities will not bring about unacceptable negative impacts. In specifying policies, procedures, and standards to achieve these goals, JBIC should establish Environmental Guidelines and inform those wishing to be funded by JBIC of the Guidelines, so that they will comply with them.

-Requesting Project Proponent to Observe Environmental Considerations

JBIC should request the project proponent, who wishes to be funded by the Bank, to undertake sufficient environmental and social considerations during the project preparation stages. For projects whose impacts on the environment are regarded as particularly high, the Study Group proposes that JBIC should request the project proponent to conduct Environmental Impact Assessment (EIA) according to international standards and hold consultation meetings with major related parties, such as local communities and NGOs, under the condition of sufficient information disclosure. Taking into account the fact that EIA reports have been completed beforehand for many JBIC-funded projects, the Study Group recommends that JBIC should clearly inform the borrower and the project proponent of the policies on environmental and social considerations which the Bank requires from them, so that sufficient environmental and social considerations, including information disclosure and consultation with local residents, can be practiced at early stages.

-Environmental Review

The Study Group recommends that JBIC should rigorously examine the information provided by the project proponent on environmental considerations, and incorporate it to the decision-making on funding. Of particular importance is the suggestion that JBIC should disclose such environmental information before it makes decisions and seek opinions from third parties, such as NGOs, so that it can increase the quality of the examination. Toward this end, the Study Group proposes that JBIC should greatly expand the amount of project-related information that it discloses, including EIA reports. JBIC is thus expected to adopt procedures applied by international institutions, and increase its transparency regarding the examination processes. It is also recommended that documents to demonstrate that the results of Environmental Review have been reflected upon the decision-making processes should be made public after the loan contract has been signed.

With regard to Environmental Review standards, the Study Group recommends that JBIC should ensure a project's compliance with the legislation and standards of the recipient country, and refer to the criteria and the good practices as established by international institutions and developed countries, such as Japan, regarding environmental and social considerations, while taking notice of governance issues. The Study Group also proposes that an expert committee may be established and can seek opinions in order to raise the quality of environmental considerations, especially for projects with high impacts and projects to which many objections have been expressed.

-Decision-making and its Incorporation to Loan Contracts

The Study Group recommends a principle that the results of Environmental Review

should be incorporated into JBIC'S decision-making over funding. They should also be reinforced in loan contracts. It is clearly stated in Guidelines that JBIC may not fund a project, in case it poses a great problem in terms of environmental and social considerations.

-Monitoring and Follow-ups

The importance of monitoring and remedial measures adopted by the project proponent is emphasized. When JBIC recognizes problems, the Bank will consider claiming its rights to take appropriate measures following the loan contract. This may include suspending the loan.

-Establishment of Outside Committee Ensuring Compliance of Guidelines

The Study Group recommends to JBIC that it should establish special internal sections, as well as an outside expert committee, to ensure both its compliance with Guidelines and accountability and transparency. When a grievance is filed against a JBIC-funded project regarding its compliance with Guidelines, the outside committee responds to the grievance, conducts investigation, makes recommendations to the Bank based on the results, and publicizes the recommendations. Although the Study Group does not specify details about the committee, it highlights, for the first time, the importance to introduce such an objection mechanism, which has already been adopted among international institutions, such as the World Bank.

-JBIC's Support to the Borrower and Related Parties

The Study Group recommends that JBIC should take the initiative to support the borrower and related parties in developing countries, through such means as research funded by "Special Assistance for Project Formation (SAPROF)," in order to require them to respect sufficient environmental considerations.

**For the entire recommendations and the meeting minutes, please visit the Study Group web site at <http://www.sg-egl-jbic.org/>.*