

PROJECT FINANCE, EQUATOR PRINCIPLES: ASSESSMENT AND MANAGEMENT OF SOCIAL & ENVIRONMENTAL RISKS



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Presentation Outline

- Equator Principles of 2006
- Equator Principle Financing Institution
- The Principles
- Requirements for Social and Environmental Assessments
- Overview of (World Bank's) IFC Performance Standards



The Equator Principles

A benchmark for the financial industry to manage social and environmental issues in project financing



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Equator Principles of 2006

- A set of Voluntary Guidelines for assessing and managing Social and Environmental Risks to Project Financing
- An Initiative from the Banking and Financing Sector
- First Initiated in 2002 by various Banks and the World Bank's International Financing Corporation (IFC)
- First Released in 2003, subsequently revised in 2006
- Adopted by over 40 Financing Institutions during a Three Year Implementation Period. Applicable to projects with a total capital cost of USD 10 Million or More!



The Equator Principles are designed to protect ecosystems and uphold the rights of people living there - The Age, Australia

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Equator Principle Financing Institution

- Financing Institution or Agency that has adopted the Equator Principles
- Financing Institution or Agency that will not provide loans to projects where the borrower will not or is unable to comply with the agency's procedures to implement the principles.

SAMPLE LIST OF EQUATOR PRINCIPLE FINANCING INSTITUTIONS

ABN AMRO, BANK OF AMERICA, CITIGROUP INC, CREDIT SUISSE GROUP, HSBC GROUP, ROYAL BANK OF CANADA, STANDARD CHARTERED BANK, WESTPAC BANKING CORPORATION – OVER 40 INSTITUTIONS WORLDWIDE

Common and Coherent

Environmental Policies

Globally Applicable

Social Policies

All Industry Sectors



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The Principles

Project Categorization

EPFI to classify projects based on IFC Criteria

Social & Environmental Assessment

Conduct SEA for Category A and B Projects

Applicable Social and Environmental Standards

Projects in Non OECD and low income OECD – to refer to and comply with IFC Performance Standards and EHS Guidelines

Action Plan and Management Systems

Action Plan and Management System to develop and implement mitigation measures, corrective actions, monitoring for the impacts and risks

Consultation and Disclosure

Consultation and engagement of Project Affected Communities

Grievance Mechanism

Grievance mechanisms in the Management System for affected communities during construction and operation

Independent Review

SEA, Action Plan & Consultation Review by Independent Technical Experts

Covenants

Compliance to Regulations, Action Plan, Reporting Requirements and Decommissioning Requirements

Independent Monitoring and Reporting

Periodic Monitoring by Independent Expert

EPFI Reporting

EPFI to report publicly of implementation of principles



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Social and Environmental Assessment

Category A Project

- Significant Adverse Social and Environmental Impacts

Category B Project

- Limited Adverse Social and Environmental Impacts

Category C Project

- No Social or Environmental Impacts

Social and Environmental Assessment

Action Plan

Projects in NON OECD Countries and not in the High Income OECD Countries to refer to and implement as applicable the IFC Performance Standards and comply with the Consultation and Grievance Mechanism requirements



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SEA – Assessment Guidelines



Exhibit II:
Illustrative list of potential social and environmental issues to be addressed in the Social and Environmental Assessment documentation

In the context of the business of the project, the Assessment documentation will address, where applicable, the following issues:

- a) assessment of the baseline social and environmental conditions
- b) consideration of feasible environmentally and socially preferable alternatives
- c) requirements under host country laws and regulations, applicable international treaties and agreements
- d) protection of human rights and community health, safety and security (including risks, impacts and management of project's use of security personnel)
- e) protection of cultural property and heritage
- f) protection and conservation of biodiversity, including endangered species and sensitive ecosystems in modified, natural and critical habitats, and identification of legally protected areas
- g) sustainable management and use of renewable natural resources (including sustainable resource management through appropriate independent certification systems)
- h) use and management of dangerous substances
- i) major hazards assessment and management
- j) labour issues (including the four core labour standards), and occupational health and safety
- k) fire prevention and life safety
- l) socio-economic impacts
- m) land acquisition and involuntary resettlement
- n) impacts on affected communities, and disadvantaged or vulnerable groups
- o) impacts on indigenous peoples, and their unique cultural systems and values
- p) cumulative impacts of existing projects, the proposed project, and anticipated future projects
- q) consultation and participation of affected parties in the design, review and implementation of the project
- r) efficient production, delivery and use of energy
- s) pollution prevention and waste minimisation, pollution controls (liquid effluents and air emissions) and solid and chemical waste management

Note: The above list is for illustrative purposes only. The Social and Environmental Assessment process of each project may or may not identify all issues noted above, or be relevant to every project.



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The IFC Performance Standards

		Key Focus Areas
Performance Standard 1	Social and Environmental Assessment and Management Systems	Social and Environmental Impacts Engagement of Affected Communities Social and Environmental Performance through effective Management Systems
Performance Standard 2	Labor and Working Conditions	Worker-Management Relationship Fair Treatment, Non Discrimination and Equal Opportunity Compliance to legal requirements Prevent child labour and forced labour Safe and healthy working conditions
Performance Standard 3	Pollution Prevention and Abatement	Avoid/Minimize adverse impacts on human health and environment Reduction of emissions contributing to climate change



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The IFC Performance Standards

		Key Focus Areas
Performance Standard 4	Community Health, Safety and Security	Avoid/Minimize risks to and impacts on the health and safety of the local community during the project life cycle from both routine and non-routine circumstances Safeguarding of personnel and property
Performance Standard 5	Land Acquisition and Involuntary Resettlement	Avoid/Minimize involuntary resettlement Mitigate adverse social and economic impacts Improve/Restore the livelihoods and standards of living of displaced persons
Performance Standard 6	Biodiversity Conservation and Sustainable Natural Resource Management	Protect and conserve biodiversity Promote the sustainable management and use of natural resources



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The IFC Performance Standards

		Key Focus Areas
Performance Standard 7	Indigenous Peoples	Development process to consider needs of indigenous people Avoid adverse impacts on indigenous people On-going relationship with indigenous people Participation of indigenous people Preserve culture, knowledge and practices of indigenous people
Performance Standard 8	Cultural Heritage	Protect cultural heritage from adverse impacts of project activities Promote equitable sharing of benefits from use of cultural heritage



ENVIRONMENTAL IMPACT ASSESSMENT PROCESS FOR WASTEWATER TREATMENT PLANTS (WWTP)

THANK YOU

Questions?



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