

Guidelines

ERG guidelines for assessing environmental and social issues

Introduction

The decision-making process for granting export risk guarantees involves careful assessment, which not only takes into account basic economic considerations, but also other important aspects such as the objective of sustained global development. In this endeavour, ERG also takes into consideration foreign policy objectives in the areas of development, human rights, democracy, peaceful coexistence of nations, and the environment.

To make possible the identification of environmentally sensitive projects, ERG carries out an environmental review for any transactions it supports. The guidelines for this assessment are based on the OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits, 2004, <http://www.oecd.org/dataoecd/26/33/21684464.pdf>.

Procedure

Pre-screening

In order to identify and assess environmentally relevant aspects including the social consequences of a project, such as for example involuntary resettlement, ERG subjects all applications to a screening process.

In a first step, by means of filter criteria, those projects are identified that may have adverse environmental impacts, i.e. projects in an environmentally sensitive sector (e.g. power stations) or in an environmentally sensitive location (e.g. near a nature reserve). The filter criteria are contained in the preliminary application as well as in the guarantee application.

Based on this first screening, ERG office undertakes a preliminary classification of the proposed project according to Categories A, B, or C as provided for by the OECD. (For a detailed definition of these categories see "Project categories" below).

Project categories

A projects have potentially significant adverse environmental impacts on an area broader than the site of the operational plants. In principle, Category A includes large projects in environmentally sensitive sectors, as well as projects located in or near environmentally sensitive regions. Projects in this category require an environmental impact assessment (EIA).

B projects have potential environmental impacts that are less significant than those of Category A. Typically, these impacts are site-specific. They are usually reversible and mitigation measures are easier to take. As a rule, projects in this category require an environmental questionnaire with supplementary information on environmentally relevant aspects. In some circumstances, an EIA may be required.

C projects have minimal or no adverse environmental impacts. These projects need no further assessment.

Guidelines

ERG guidelines for assessing environmental and social issues

Process for A projects

- These are the projects with the highest potential risk. They are therefore subjected to the most comprehensive assessment.
- Typical A projects include, for example, thermal power stations with an output exceeding 300 MW, and large hydroelectric power stations.
- For A projects a full environmental impact assessment is required. The EIA or a summary thereof is to be made available to the public at least 30 calendar days before the final assessment of an application.
- In the first instance, the project sponsor is responsible for preparing the EIA. The applicant should do everything possible to ensure that the information necessary for an environmental assessment is provided to ERG early.
- If the World Bank or another international financial institution (IFI) is involved in the project, the EIA is usually assessed by this institution. If several export credit agencies are involved in a project (multi-sourcing), the EIA is normally assessed by the agency with overall responsibility. In any case, ERG reserves the right to involve a consultant in the assessment process.
- If no IFIs or other export credit agencies are involved, or if ERG has a leading role, the EIA will be analysed for ERG by a suitable independent consultant.
- Assessment of the EIA takes place according to the principle of benchmarking. Local or internationally applicable standards such as for example those of the World Bank, the EU or the responsible Regional Development Bank serve as the benchmarks. When local and international standards are compared, the more stringent requirements are to be applied. Any deviations from these standards have to be disclosed and explained to the OECD (the latter applies to transactions with a credit period of 24 months or more only).
- Expenses incurred for orders placed with external consultants in this context are allocated as follows: ERG pays expenses for consultancy services and any travel etc. that may be necessary up to an amount of CHF 20,000 for each project. Any expenses beyond this are to be borne by the exporter. Orders to be placed with consultants are discussed with the exporter before they are issued.

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- Before a guarantee application for an A project can be considered by the ERG office, the following should be available:
 - EIA/EIAR in English, German or French,
 - The EIA must be made available to the interested public at least 30 calendar days before the guarantee application is considered, as a rule by publication on the internet by the project sponsor.
 - In the case of resettlement, a resettlement action plan (RAP),
 - Evaluation of the EIA and other relevant reports by a consultant or an IFI
 - If a project is controversial, comments by stakeholders.
 - If there are significant contradictions between the point of view of the EIA evaluation and that of the stakeholders, further evaluation by the consultant is required, with such evaluation accounting for the differences.
- In the case of hydroelectric power stations it should also be demonstrated to what extent the recommendations made by the World Commission on Dams will be met. This can take place either by an independent committee of experts or it can be part of the evaluation of the EIA by an independent consultant.
- As has been the case so far, conditional approval may be given for a project.

Process for B projects In the case of shipments of Category B, the Environmental Questionnaire plays an important role. Depending on the project and the industry, additional data may be required, such as the effluent levels, air emissions and noise levels. These are benchmarked against local as well as international standards, such as those of the World Bank, the EU or the responsible Regional Development Bank. When local and international standards are compared, the more stringent requirements are to be applied. Any deviations from these standards have to be disclosed and explained to the OECD (the latter applies to transactions with a credit period of 24 months or more only). Typical B projects include, cement plants, metal processing, polymerisation plants and switchyards.

Process for C projects These projects require no further assessment.

Typical C projects are for example supply of rolling stock or food processing machines.

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Monitoring	<p>ERG has the option to use a monitoring mechanism in order to ensure that conditions concerning environmental or social aspects are actually met. This applies mainly to A projects. The environmental impact assessment should define how to implement environmental mitigation plans and assign clear responsibilities for the measures envisioned. In the case of large projects, monitoring is usually carried out by an independent international monitoring panel whose reports are in turn made available to the financial institutions and insurers involved. The obligation to report regularly on the progress of a project can be incorporated into the guarantee.</p> <p>In case of non-compliance, the monitoring panel will usually ask for remedial action. In addition, ERG can suggest political interventions either by way of the ERG board or by way of the State Secretariat for Economic Affairs. In addition, any earlier non-compliance can be taken into account in future business dealings with the same counterparty.</p>
Publication of environmental data <i>ex ante</i>	<p>Once an application has been made (either a preliminary application or a guarantee application), projects of Categories A and B where the value of the supplies amounts to CHF 10 million or more will be listed on the ERG web page, with at least the following details:</p> <p>country, sector, project name and/or export goods, reference to additional information where available</p>
Publication of the EIA <i>ex ante</i> in the case of A projects	<p>In the case of Category A projects, the environmental impact assessment or a summary thereof is to be made available to the interested public at least 30 calendar days before the final assessment of an application.</p>
Publication <i>ex post</i>	<p>Once a final guarantee commitment has been made and the relevant fee has been paid, ERG aims to publish all transactions with a delivery value of CHF 10 million or more on the internet. The following details will be published:</p> <p>country, exporter, project name and/or export goods, transaction value (in categories), credit period, environmental category, reference to additional information where available</p>
Exporter's approval for publication	<p>For the purpose of safeguarding the justified interests of the exporter, the exporter's approval for publication is obtained on the application form. In justified cases, the exporter may decline publication.</p>