



UK Export  
Finance



# The use of ESIA in environmental and social risk management by OECD Export Credit Agencies

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# 5 Objectives

Aim to answer five questions:

1. What are Export Credit Agencies?
2. What Environmental and Social Standards do they apply?
3. What is the role of Environmental and Social Impact Assessment (ESIA) for ECAs applying these standards?
4. What are the consequences of ESIA in ECA financing and how does this assist project resilience?
5. What challenges does UKEF commonly encounter when reviewing ESIA documents?



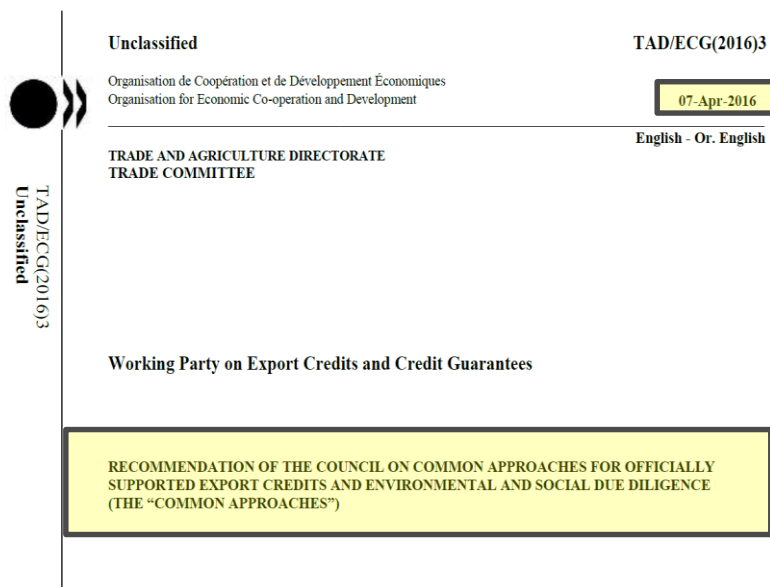
# Background and Context

- Export Credit Agencies (ECAs) exist to support business operating in their countries by providing government backed guarantees, insurance and (in some cases) direct lending to projects which buy their goods and services. UKEF was the first official ECA, being established in 1919.
- All OECD ECAs have agreed policies which aim to apply the same standards to projects they support in order to avoid trade distortion. From 2003 this has included environmental, social and human rights issues.



# OECD 'Common Approaches' 2012 (revised 2016)

- Applies to all 34 OECD member ECAs
- Relevant export transactions only; for example only those with a repayment term of 2 years or more
- Requires environmental and social due diligence and post-issue monitoring to ensure these projects are aligned with international standards; most commonly IFC's Performance Standards on Environmental and Social Sustainability 2012



<http://www.oecd.org/tad/xcred/oecd-recommendations.htm>



# Applicability of ESIA to projects seeking ECA support

- Para.4 ii) Adherents should undertake appropriate environmental and social reviews..as part of their due diligence
- Para. 18 For a Category A project, Adherents should require an ESIA to be undertaken...to address the issues set out in the international standards applied to the project
- Para. 19 For a Category B project... Adherents should require appropriate information.. that addresses the relevant environmental and social impacts of the project...may be contained in an ESIA or in project-related assessment reports, planning and concept documents, environmental and social studies and plans, technical documentation of pollution control plans and criteria, applicable legal and regulatory frameworks, community engagement activities..and information collected during discussions with applicants



- UKEF requires the Project developer to produce impact assessment documentation which is benchmarked against the IFC Performance Standards (2012) and the applicable EHS General and Sector Guidelines for all applicable projects seeking export support.
- In particular circumstances the OECD Common Approaches allows for projects to be benchmarked against the World Bank Safeguard Policies and/or the standards of other Multilateral Financial Institutions (AfDB, ADB, EBRD, IDB, MIGA etc. )



# The role of Impact Assessment for OECD ECAs

- Environmental and Social Impact Assessment against International Standards is the foundational step used to determine whether OECD ECA financial support can be applied to relevant projects
- ECA review of ESIA information will result in a go/no go decision to provide support
- The quality and completeness of the ESIA may significantly effect the speed that the financing can take place
- Where gaps are identified these may be included in financial covenants which the developer must satisfy in order to retain the conditions of financial support



# How does ESIA affect projects which seek ECA support?

- The ESIA and subsequent ECA review lead to impact and risk mitigation measures being included within environmental and social management plans for project design, construction, operation and decommissioning; these are covenanted into the financing.
- It is the implementation of these plans that helps to reduce the scale and magnitude of project-related negative impacts to the environment and people, and helps maximise the benefits of the project.
- In summary, through the use of ESIA, financing of more sustainable (and resilient) projects can occur, and over time this contributes to sustainable development.





# Feedback from UKEF experience

- Early engagement with the project developer is essential to confirm the scale, scope, and timing for an appropriate ESIA to meet international financing requirements
- Most challenges result from incomplete scoping studies
- Baseline data collection can hold up financing (e.g. seasonal data and/or adequate stakeholder engagement)
- Use of practitioner and other professional guidance is very helpful e.g. IAIA Social Impact Assessment Guidance (2015)
- OECD ECAs publically disclose project ESIA information for Category A projects at least 30 days prior to providing support – this results in an additional level of public scrutiny; it is helpful for authors of ESIA's to know this (language, NTS, etc.)



Stakeholder engagement meeting, north west Russia.  
Post-construction transfer of ownership of access road.  
Resilient and sustainable?



Rural bridge design, Sri Lanka.  
Design for maximum river height and erosion control measures.  
Resilient and sustainable?





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Gas pipeline route, Oman.

Mitigation for climate change induced increase in flash flood erosion.

Resilient and sustainable?



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Thank you

Time for Questions & Answers



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# Practical Application of IFC PSs

## A BALANCED APPROACH

