

Environmental Risk Assessment Guidance from the EBRD

**Mark King, Environment Department,
EBRD**



EBRD's Charter

"... To promote in the full range of its activities, environmentally sound and sustainable development"

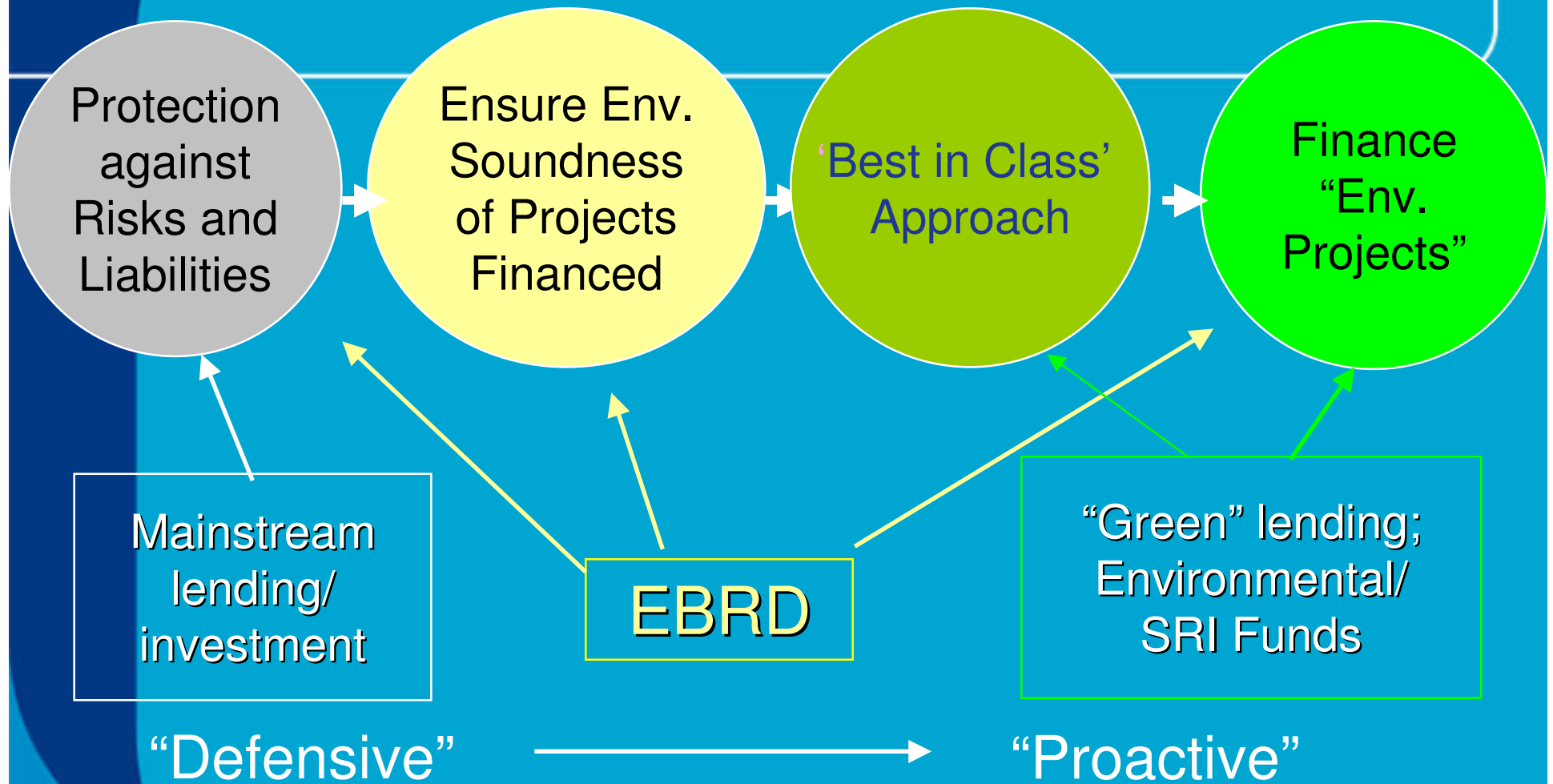


Specific Environmental Requirements for FIs

- Adopt and Implement EDD procedures satisfactory to the EBRD
- Require clients comply at a minimum with local/national standards
- Comply with Environmental Exclusion and Referral Lists
- FIs to monitor environmental performance of sub-projects
- Periodic (usually annual) reporting to EBRD
- FIs encouraged to disclose environmental information



Why FIs consider environmental issues



Factors Affecting Risk Level for Banks

Business activity

Consider overall sector risk, regulatory structure and future market developments

Deal size and term

The size of the deal will define the potential loss, while the term will affect the predictability of risk

Collateral / guarantees

Assess value of collateral and any environmental risk that would be assumed in the event of foreclosure

Management capability

Consider ability to manage current and future environmental risks alongside traditional parameters



Environmental Due Diligence Process

- Screening:
 - this helps determine (1) applicable environmental standards (b) what appraisal action is needed
- Appraisal:
 - level of effort depends on category & case-specifics
 - E.g.: desk-top review of environmental permits; Environmental Audit; Environmental Impact Assessment
- Approval - including environmental risk mitigation if required
- Supervision - continued compliance; implementation of agreed mitigation measures



EBRD's Environmental Capacity Building Programme

- 200+ FIs trained
- Mostly FI-specific
 - Tailored procedures
 - “paper” v CD Rom
- Some product specific group training
- Delivered by:
 - consultants (mainly)
 - Bank Environment Staff
- On-going guidance/hand-holding



EBRD Environmental Risk Management Manual

- Computer based, internet style, “point & click” reference tool
- Key areas:
 - Procedures: 4 step process for environmental appraisal of loans
 - Education: background information on sources of risk & key environmental risk management activities
 - Supporting Tools: reference materials including checklists, contacts, sectoral guidelines, reporting formats



Electronic manual - Overview

Menu navigation

Environmental Procedures

- Lending
- Investment
- Other transactions

Education

Background guidance on sources of risk, key EDD activities and case studies

Supporting tools

Checklists, formats, regulatory overviews, sub sectoral guidelines, etc



Electronic Manual (CD-ROM)

- The manual is downloadable from the EBRD website: <http://www.ebrd.com/enviro/init/erm.htm>
- CD-Rom available in the following languages: English, Russian, Romanian, Latvian, Lithuanian, Polish, Bulgarian and Czech
- To obtain copies contact Anne Maria Cronin, Environment Department (Cronina@ebrd.com)



Moving Forward

- Transparency/Accountability
- Stakeholder Engagement
- Equator Principles
- Social/HR
- Other....

