

Environmental and Social Quality Assurance for Globally Financed Developmental Cooperation

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Abstract: Today in our rule-based societies, higher education providers use sets of quality criteria for defining, implementing and monitoring quality on the level of individual learning. Equally, in the domain of “collective learning”, such compliance has to be guaranteed: the world’s international financial institutions (IFIs) and their “environmental and social quality criteria” are here seen as a lever for society to master the new challenges of climate change in a worldwide environment full of competitors, and competing paradigms.

First, infrastructure projects (such as powerplants, dams or waste management plans) proposed to IFIs are urged to satisfy Quality Assurance criteria to improve their operations. Second, they must satisfy the society’s needs for lifelong employability. Third, they have to enhance a respectful economic culture through leading to competency-based societal build-up.

The deeper meaning of an IFI is to support materialisation of societal values. For selecting submitted projects, IFIs use appraisal procedures with quality criteria on environment and climate change.

Keywords: Project quality criteria, environmental criteria, social criteria, rule-based society, International Financial Organisations, IFIs, infrastructure projects, Central Asia, environmental quality criteria, social quality criteria, European Investment Bank, European Bank for Reconstruction and Development, World Bank, Asian Development Bank.

1. INTRODUCTION

Can International Financial Institutions (IFIs) save the globe from the greenhouse effect and from global warming? When couching in a (neo-)liberal philosophy, which is optimistic of the options for free-market forces to optimally allocate resources [21][15][34] to direct climate-relevant action, then possibly the answer is yes.

However, such optimism necessitates clearly guided framework conditions for the functioning of “free” optimal allocation of capital to available project ideas.

Actually, during the past years, practically all such IFIs (World Bank, EBRD, EIB, ADB, etc.) established catalogues of “environmental and social quality criteria” which (at least in theory should guide project proposals to optimally obey long-term global society’s preferences for sustainability. Such quality criteria in the field of environment will represent the main body of the present article. These were analysed in 2017 by the author and an “Investor Guide” (IG) for large infrastructural projects was created (Figure 1).

This article understands the act of establishing a rule-based procedure for identifying global

infrastructure construction as an act of “collective, global learning”, and therefore uses mainly the original text of IFIs’ websites.

2. INTERNATIONAL FINANCIAL INSTITUTIONS AS COLLECTIVE LEARNERS

In comparison to individual learners, all IFIs (such as the World Bank, European Bank for Reconstruction and Development EBRD, European Investment Bank EIB, Asian Development Bank ADB etc.) can be perceived as “collective learners” [13] are strongly committed to environmental sustainability and social equity and apply certain sets of project quality criteria accordingly to support investment decisions. An approach of game-based learning may facilitate identification of strategies [9].

Therefore, this article starts out by presenting information on relevant **International Financial Institutions** (IFIs), including the EU Investment Facility for Central Asia (IFCA) and its “blending” approach, based on desk studies and analysis of relevant sources. For more profound interest, the IG presents the respective project cycles as well as focus areas, environmental and social quality criteria that are to be applied to infrastructure projects in the fields of environment, water and climate change.

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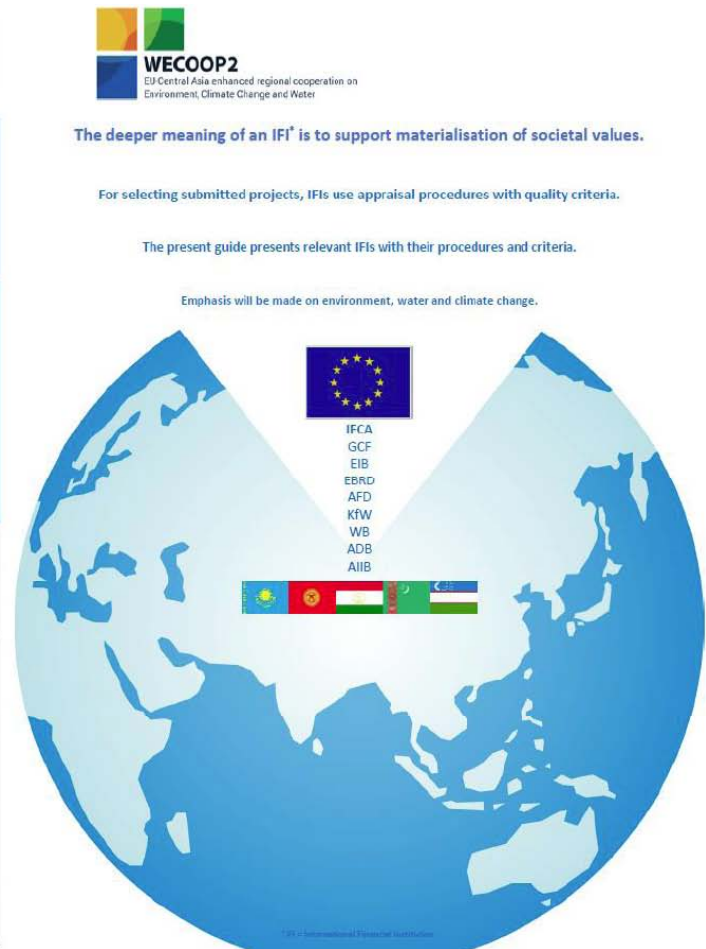
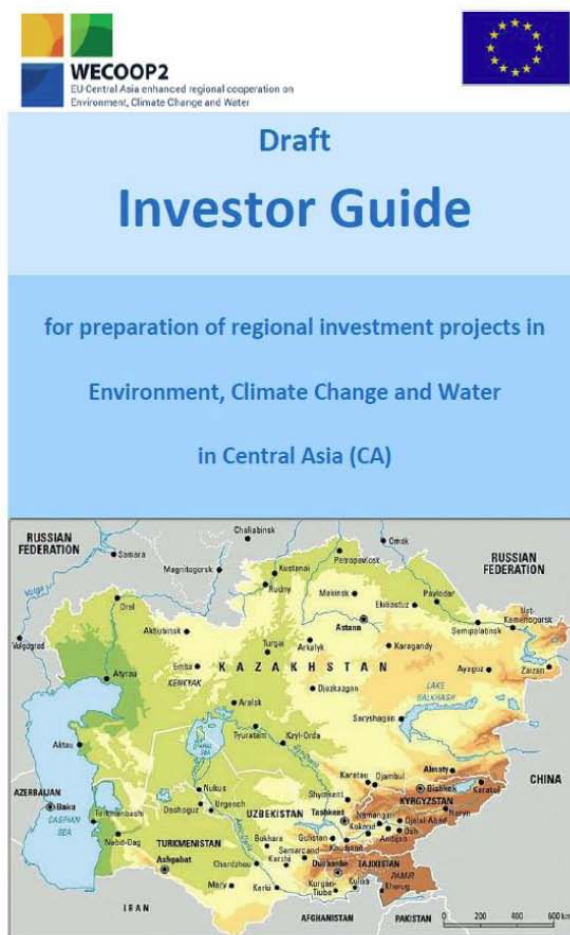


Figure 1: The author's "Investor Guide" for large infrastructural projects to be co-financed by IFIs collected information on their "environmental and social quality criteria" ([16]).

As a case study on the level of sovereign republics (representing the real actors and subjects of "collective learning") in the area of Central Asia, the EU had launched a regular consultative process entitled the "EU-Central Asia Working Group on Environment and Climate Change" [36] which is intended to the professionals of Central Asian state administrations who are involved in identification and preparation of international investment projects in the areas of Environment, Water and Climate Change.

The main purpose of this "collective learning process" [10], [11] is to

- apply economic knowledge and procedural skills required to develop bankable project proposals that are compatible with the *requirements of climate change*,
- to raise awareness on mechanisms and conditions of various relevant IFIs and donors providing funds for climate change adaptation and water and environment projects,

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For selecting submitted projects, IFIs use appraisal procedures with quality criteria.

The present guide presents relevant IFIs with their procedures and criteria.

Emphasis will be made on environment, water and climate change.

- to improve knowledge on preparation and submission of project proposals,
- to support implementation of concrete measures included in relevant policies or strategies and promote exchange of experience between actors and countries.

The following sections therefore provide basic information on the key International Financial Institutions (IFIs) including

- the European Investment Bank (EIB),
- the European Bank for Reconstruction and Development (EBRD),
- the World Bank (WB),
- the Asian Development Bank (ADB)
- the German Kreditanstalt für Wiederaufbau (KfW),

- the French Agence pour le Développement (AFD),
- the China-based Asian Infrastructure Investment Bank (AIIB),
- and others.

As a complementary information, the IG provides the IFIs' basic approaches to project proposal appraisal, respective project cycles and project award criteria. The IG supports administrations in their application preparations, especially through the EU Investment Facility for Central Asia (IFCA) provided by the European Union to support Central Asia.

2.1. International Financial Institutions (IFIs) in general

In the procedure of economy-focused "collective learning", international financial institutions (IFIs) play a major role in the social and economic development programs of nations with developing or transitional economies [11],[14],[15]. This role includes advising on development projects, funding them and assisting in their implementation.

Being based on a broad membership of borrowing and donor countries, each of these institutions operates independently. All however, share the following goals and objectives:

- to reduce global *poverty* and improve people's *living conditions* and standards;
- to support *sustainable* economic, social and institutional development; and
- to promote *regional cooperation* and integration.

IFIs achieve these objectives through loans (credits) and grants to national governments. IFIs can also provide a mix of loans and grants, equity or guarantees. Such funding is usually tied to specific projects that focus on economic and socially sustainable development. IFIs also provide technical and advisory assistance to their borrowers and conduct extensive research on development issues. In addition to these *public procurement* opportunities, in which multilateral financing is delivered to a national government for the implementation of a project or program, IFIs are increasingly lending directly to non-sovereign guaranteed (NSG) actors. These include sub-national government entities, as well as the private sector.

2.2. Working with IFIs

During the recent years, IFIs have made considerable progress in *harmonising* the way they procure goods and services. In many cases, they are now using similar policies and procedures, although the interpretation of these approaches may still vary at the level of the individual institution. The following paragraphs give some of the common features of IFI procurement and how the process is organised, including:

- Country Strategies
- The Project Cycle
- The Procurement Process.

2.3. Details the EU Investment Facility for Central Asia IFCA

One basic concept of the EU instrument IFCA is blended financing (Figure 2). *What can be an added value of "blending"?* The EU support can provide added value [28] in that it

- makes the difference between a project going ahead or being blocked; and/or
- improves a project's design, quality, timing, sustainability, innovation, impact and/or scale.

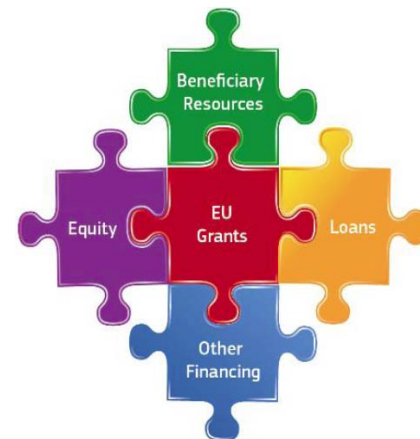


Figure 2: Blending components.

Blending operations typically combine a grant element with loans, equity, guarantees or other risk-sharing mechanisms from public development finance institutions and others financiers, including – where relevant – private investors (Figure 2). For the purpose of this article, a grant element is defined as both an explicit grant where there is a transfer of resources with no obligation or expectation of return.

The added value (or additionality) of grant support in blending operations is defined as the positive results the EU grant achieves above and **beyond** what could have been achieved without the grant. From a EU viewpoint, use of scarce grant funding is justified only if significant additionality is shown.

On a case-by-case basis, the EU grant contribution can take different forms to support investment projects (Figure 3) [30]:

- Investment grant & interest rate subsidy reducing the initial investment and overall project cost for the partner country
- Technical assistance - ensuring the quality, efficiency and sustainability of the project
- Risk capital (i.e. equity & quasi-equity) attracting additional financing
- Guarantees – unlocking financing for development by reducing risk.

Blending provides various benefits to **different stakeholders**: Beneficiary governments: a sustainable and affordable way to tap into significant additional financing for national development priorities.

- Final beneficiaries: increased access to public services, infrastructure and credit, to increase socio-economic development
- Financiers: mitigate the risk of investing into new markets and sectors

- European Union: leveraged impact of EU aid, improved aid effectiveness through greater donor and lender coordination.

Annex 1 provides the list of IFCA’s “environmental and social project criteria.

2.4. Background of the Investment Facility for Central Asia IFCA

This section will use the case study of Central Asia (CA) to depict details: The European Union launched the Investment Facility for Central Asia (IFCA) in 2010 to help address the challenges faced by Central Asian countries in financing key infrastructure, particularly in the energy, environment and social sectors. A key aim of the facility is also to engage the private sector, particularly small and medium-sized enterprises (SMEs), in the development process.

The Facility intervenes in cases where *the regular market fails* to offer sufficient or affordable financing which may hinder the timely realisation of high priority investment projects with the potential to promote inclusive and sustainable socio-economic development.

Similar to the other EU blending facilities, IFCA acts as a *catalyst* to pool resources and improve the coordination and coherence of donor actions, thus conforming to the principles of ownership, partnership and shared responsibilities. IFCA operates by providing financial non-refundable contributions to support loans to Central Asian countries from the EIB, the EBRD and other European multilateral and national development

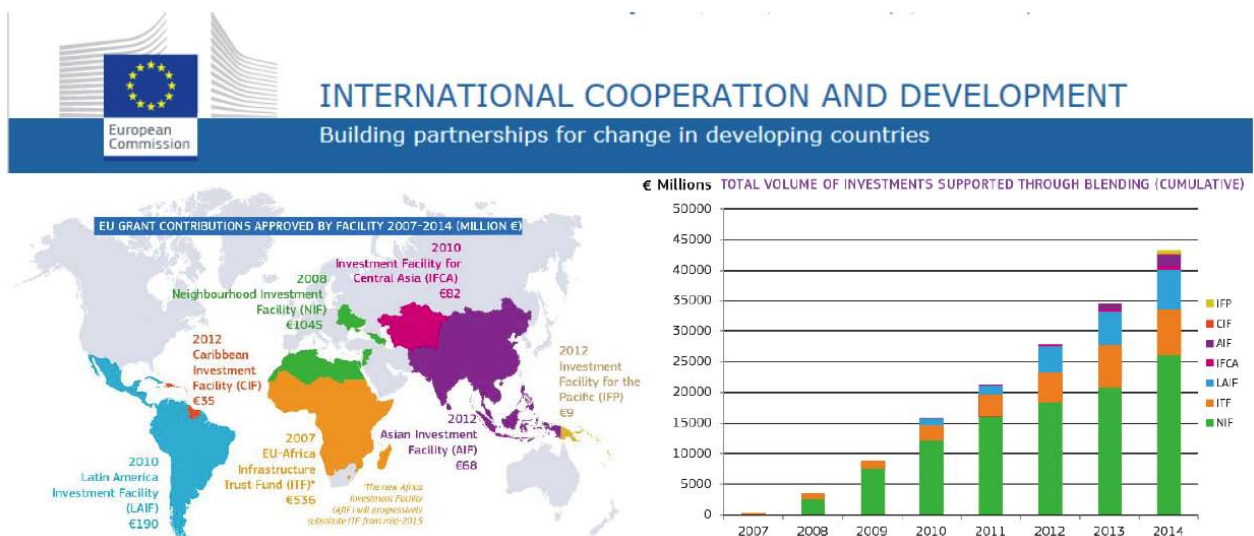


Figure 3: Basic blending data (source: [28], [30]).

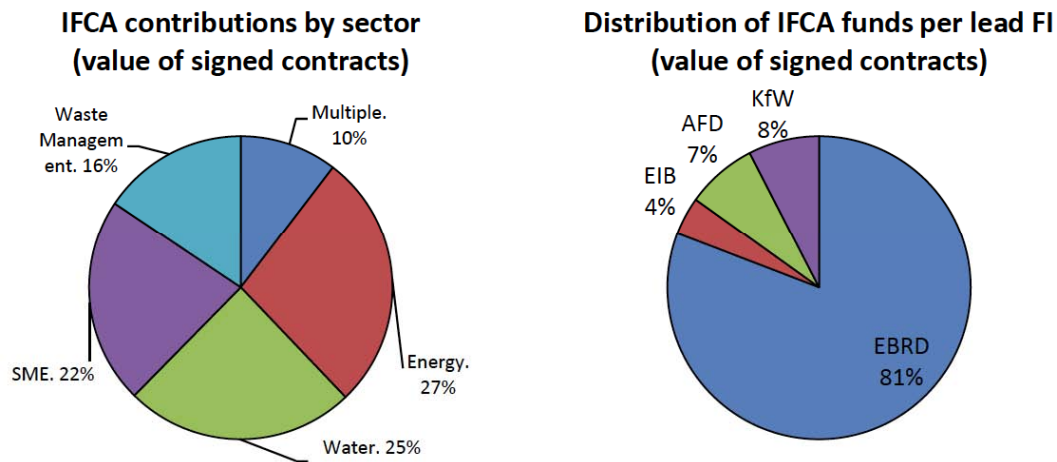


Figure 4: Components of the financial tool IFCA (source: [28], [30]).

finance institutions. Its main purpose is to promote additional investments and key infrastructures with an initial priority focus on energy, environment, water, SMEs and social infrastructure. Based on the development of the Central Asia Strategies, a later extension to transport could be envisaged.

The IFCA contributes to achieving the policy objectives of the Development Cooperation Instrument and the Regional Strategy for Central Asia (Figure 4).

2.5. Implementation of IFCA

The relevant aspect for *education* here in the co-decision process: The contribution of the European Commission to IFCA is decided annually (Figure 5) and the resources are made available from the EU's Development Cooperation Instrument (DCI). The European Commission allocated to IFCA for the period 2010-2015 an overall amount of €145 million.

2.6. Results of IFCA

In line with the objectives of the Regional Indicative Programme 2014-2020 for Central Asia, IFCA's main objective is to contribute to sustainable regional development and economic growth. Consequently, IFCA finances projects with the following aims:

- Better energy and water infrastructures
- Increasing protection of the environment and better focus and control of climate change impacts
- Creation and growth of SMEs and improvement of the employment situations

- Improving social services and infrastructure, including health and education.

In addition, IFCA may support the implementation of bilateral Indicative Programmes in the region.

- investment grant in public infrastructure projects
- loan guarantee cost financing
- interest rate subsidy
- technical assistance
- risk capital operation (the two last ones being financed as part of a specific investment operation or as an envelope made available to the EIB).

The blending decision making process is shown in higher procedural detail according to the "Guidelines on EU blending operations" (Figure 5).

2.7. Two Key Concepts Characterize IFCA: Additivity and Leverage

What do these concepts mean? They are relevant for higher educational processes because of their collaborative approach and their distributed roles in the overall financial decision process.

- **Additivity** – what the EU contribution will add specifically to the project in terms of the benefits defined in the application form [24]
- **Leverage** – third party funds, mobilised by the EU contribution which finance the project [28], [30].

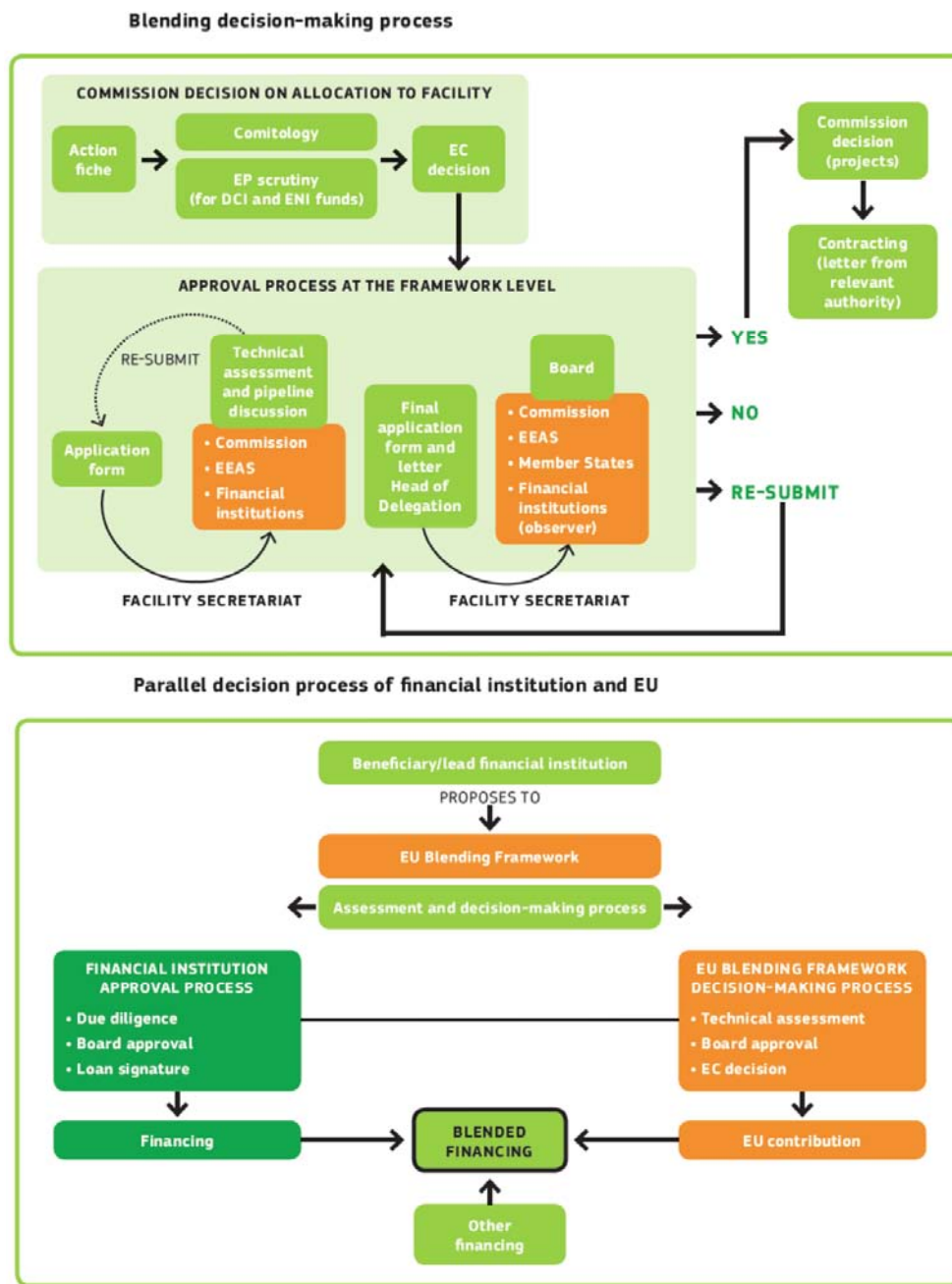


Figure 5: The blending decision-making process (above) and the parallel decision process of IFI and EU (below) can serve as an example for co-decision in education (source: [24]).

Blending as such is defined as the strategic use of a limited amount of grants to mobilise financing from partner FIs and the private sector to enhance the development impact of investment projects (see Figure 6). Technically, blending can take five forms (Figure 7).

2.8. Climate Change Windows (CCWs)

A suitable example for collective learning is the following strategy: in November 2010, specific Climate Change Windows (CCWs) were created in the EU regional blending facilities. The CCWs encompass both

public and private investments in strategic areas such as transport, energy, environment, water, sanitation and forests.

The main objectives behind the establishment of **Climate Change Windows (CCWs)** in the EU regional blending facilities are as follows:

1. Establish a tracking system for climate change related operations;
2. Ensure transparency of EU financing of climate change projects, including by making a



Figure 6: A lever in daily life explains best what leverage in the financial sense means: a small investment provokes a larger investment, as a function of achieved cooperative decision processes (source: [28]).

distinction between programmed funds within geographical instruments and new, additional resources;

3. Guarantee better tracking and EU visibility for all its climate actions;
4. Mainstream the fight against climate change in projects (co)financed by the EU;
5. Attract additional financing for climate change.

The tracking system is based on the contribution of each project to the climate mitigation and/or adaptation objectives of the Rio Convention on Climate Change.

3. IFIS' SOCIAL AND ENVIRONMENTAL PROJECT AWARD CRITERIA

3.1. EIB Priorities and Environmental Standards

As the next financial actor portrayed, EIB had defined four priorities [24]: EIB supports projects that make a significant contribution to **sustainable growth** and **employment** in Europe and beyond, e.g. in Central Asia (EIB, 2017). Annex 2 shows EIB'S environmental and social standards. Activities follow the EIB project cycle [26] and focus on the following four priority areas:

(1) Innovation and skills are key ingredients for ensuring sustainable growth and creating high-value jobs. They play an important part in driving long-term competitiveness. For the EIB, this is a top priority. EIB is a major partner for projects that develop innovation and skills for a growing economy. In 2016, EIB supported innovation and skills with EUR 13,500 M€ of EIB loans.



So far, blending takes one of 5 forms

BLENDING GRANT TYPE	...WHICH CAN ELIMINATE A KEY PROBLEM
Direct Investment Grant	Reduce cost to end users or beneficiary country by partly financing the total investment cost
Interest Rate Subsidy Grant	Reduce cost to end users or beneficiary country by reducing interest cost and/or avoiding IMF debt-ceilings (not a favoured tool for EU)
Technical Assistance Grant	To boost management, speed, project design, feasibility/preparation and quality i.e. address risks
Risk Capital	To address perceived high risk by providing funding which absorbs some of this risk and thereby lowers investors' risk perception (often with the objective of mobilising private capital)
Guarantee	To address perceived high risk by partly guaranteeing certain types of investments (often with the objective of mobilising private capital)



Figure 7: The five forms of blending after Commission definition (source: [29]).

(2) SMEs and Midcaps: Small and medium sized enterprises (SMEs) are important drivers of growth, employment and innovation in Europe. SMEs represent well over 90% of businesses in the EU and employ two thirds of the active working population. Supporting access to finance for SMEs and midcaps is a top priority for the EIB Group. In 2016 alone, the EIB Group financed SMEs and midcaps across the globe to the tune of a record EUR 33.6 billion (EIB Group). EIB supported 300 000 smaller companies, which employ 4.4 million people.

(3) Infrastructure is an essential pillar that interconnects internal markets and economies. These projects play an important role in economic growth, sustainability and job creation, as well as ensuring competitiveness. New investment in infrastructure requires substantial financing at reasonable costs. As the EU bank, EIB has made it a top priority to ensure that EIB continues supporting these initiatives, investing in energy efficiency, transport, water and sustainable urban infrastructure. Our projects are ambitious and vital to maintain economic growth in Europe and beyond. In 2016, the EIB provided EUR 19.7 billion to support infrastructure projects. More than 55 million people benefit from these projects, in particular in less developed European regions.

(4) Climate and environment: EIB is supporting the transition to a low-carbon, environmental friendly and climate-resilient economy. As the largest multilateral provider of climate finance worldwide, EIB commits at least 25% of our lending portfolio to low-carbon and climate-resilient growth. In 2016, the EIB provided EUR 16.9 billion to support environmental projects. For example, EIB backed safer drinking water for 25 million people worldwide. On climate action, the EIB exceeded its target for the seventh year running, providing over EUR 19 billion to help mitigate climate change and adapt to its impact. This represents 26% of total EIB lending in 2016.

As the EU bank, EIB understands the need to promote environmental goals in both developed and developing countries. Our funding supports sustainable projects in over 160 countries and acts as a catalyst to mobilise private finance for climate action, encouraging others to match our long-term investment. To date, EIB is the world's largest issuer of Green Bonds. In support of the Paris agreement, the EU Bank also committed to increase its lending for action in developing countries to 35% of total lending by 2020.

3.2. EBRD Environmental Performance Requirements

EBRD (2016) describes its key sectors of action as follows: Agribusiness, Equity Funds, Financial Institutions, Information and Communication Technologies, Legal Reform, Manufacturing and Services, Municipal infrastructure, Natural Resources, Nuclear Safety, Power and Energy, Property and Tourism, Transport.

EBRD **topics of action** in Central Asia (9.4 bln € until 2017) include the key topics *green economy transition*, economic inclusion, food security; and concretely focus on transport, financial institutions, municipal and environmental infrastructure, information and communication technologies, natural resources, power and energy, and agribusiness.

Environmental and social sustainability is safeguarded at EBRD, namely through the criteria listed in [Annex 3](#), and also through green economy products which amount to one third of EBRD's investment. EBRD's approach to sustainability involves "**Green Economy Transition**" and additionally [23]

- incorporating environmental and social requirements into the appraisal and implementation of all Bank-funded projects based on European Union standards and international good practice
- providing finance and technical assistance specifically aimed at addressing environmental and social issues
- promoting economic inclusion and access to community services such as water and public transport
- supporting projects that promote gender equality
- encouraging public participation through pre-investment consultation and information disclosure, and maintaining regular strategic dialogue with civil society organisations and other stakeholders.

3.3. AFD Priorities and Environmental & Social Risk Management

The French Development Agency (Agence française de développement, [3]) is France's inclusive public development bank. AFD undertakes financing and technical assistance to projects that genuinely improve everyday life [4].

According to AFD, in France, development aid meets *four standards*:

1. **Effectiveness:** an assessment is made of direct results of the aid, and the specific features of the countries are taken into account.
2. **Transparency:** detailed and updated information on the implemented programs is made available.
3. **Coherency:** this requires taking into account the effects of the aid on all the economic and social policies of the donor countries.
4. **Accountability:** the use of funds and the results obtained must be justified to citizens.

This is the commitment of the entire AFD group: *Information, dialogue and response to requests*. For AFD, these are the key conditions for a relationship of trust with all partners. In 2016, AFD Group committed EUR 3.583 billion to “climate” financing (see Figure 8).

Additionally to positive criteria, AFD works through a “negative” exclusion list, see [Annex 4](#).

AFD’s **Corporate Social Responsibility (CSR)** approach is essential for the AFD Group. It involves social, environmental, ethical, human rights, anti-corruption, transparency, dialogue with its partners and

reduction of its environmental footprint. Since 2005, AFD has been developing and implementing a Corporate Social Responsibility (CSR) policy, both in its internal operations and in its financing.

AFD environmental & social risk management: For AFD, supporting sustainable projects that have a strong impact on the population; this involves comparing the results to the judgments and opinions of all the stakeholders. Informing, dialoguing and responding are therefore among the pillars of the social responsibility of the AFD group.

The key document “**Environmental and Social Risk Management Policy for AFD-funded Operations**” sets out the Vision, Objectives, and Principles. This document does not include structured lists of E&S criteria as for other IFIs, but the chapter “Principles” contains sections on: Due diligence, Integrated approach, Responsibility of the client, Categorization of the environmental and social risk, Practice of categorization, Analysis of the documentation, Environmental and Social Commitment Plan, Environmental and social reference standards, Other reference documents, Stakeholder participation-consultation, Disclosure of information, Monitoring and implementation support, Handling of environmental and social complaints, Management of later amendments, Development Policy Loans, Delegated funds, Co-

Geographical breakdown of AFD Group’s “climate” allocations in 2016

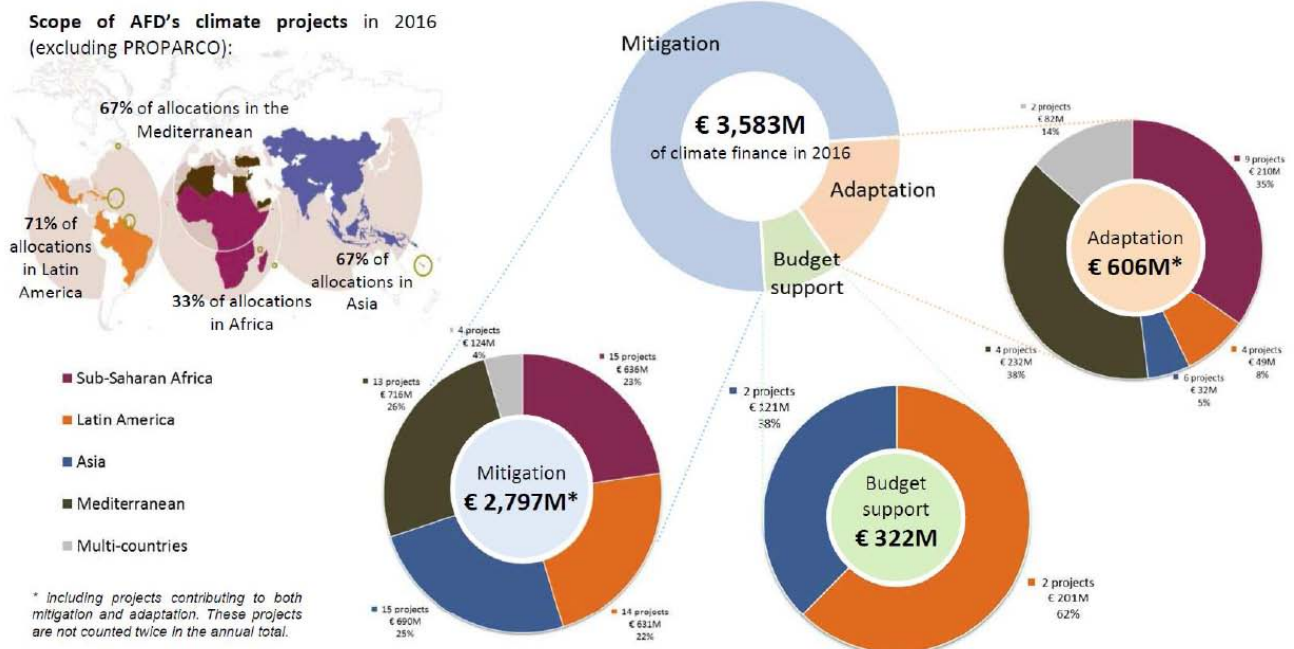


Figure 8: Breakdown of AFD climate financing 2016 (source: [5]).

financing operations, Financial intermediation, Financing in the French overseas territories, Validity and revision of this policy.

Dialogue around strategies: AFD *emphasises dialogue*. The strategic documents drawn up by AFD, which determine its areas of intervention, at sectoral level or on cross-cutting issues, are the subject of consultation with the line ministries and a presentation to the stakeholders, before their transition to the board of directors.

In the case of Country Response Frameworks, a dialogue with stakeholders (local authorities, donors, the private sector, CSOs, etc.) is systematically carried out before the drafting of the document. These strategic documents are available on the AFD website in the sections dedicated to AFD's themes, sectors and intervention areas.

Regulatory and institutional dialogue: AFD is obliged to report to a set of stakeholders defined by the regulations. This accountability is exercised notably in the board of directors, which includes representatives of line ministries, parliamentarians, representatives of NGOs, and representatives of staff, but also to social authorities and via institutional documents and regulatory reporting (reports parliamentarians, the Group's reference document, social report, economic and social data base, etc.).

Dialogue with development actors: The AFD Group is also committed to dialogue with all development actors. ADB is in partnership with more than 150 organizations: international donors, UN agencies, local authorities, NGOs, companies, foundations and think tanks.

3.4. The German Development Bank (KfW)

The German Development Bank named "Reconstruction Credit Institute" (Kreditanstalt für Wiederaufbau, [32]) or more swiftly KfW Development Bank is committed to the concept of sustainability and to an economic system that safeguards the livelihood and quality of life for the coming generations. This is why KfW considers the promotion of ecologically sound, socially just and economically robust developments in partner countries to be its core task, and to drive change forward through "green growth". Developing sustainable economic structures in developing and emerging economies is one of KfW's important business objectives and part of its sustainability management system.

KfW's Sustainability concept: The bank [31] defines its sustainability principles that apply in general for all KfW business areas and subsidiary companies. They are detailed in specific guidelines and apply throughout the KfW organisation as well as for all projects and investments. This way KfW guarantees a sustainable approach for all funded projects worldwide and avoids risks for people and the environment.

The projects and programmes of KfW Development Bank help people in partner countries gain access to clean drinking water and sufficient food. They improve the standards of medical care, education, social security and access to sustainable energy. What is more, they offer solutions for climate change, resource shortages and threats to biodiversity all whilst increasing use of land and resources in view of rising population numbers. This goes hand in hand with changes in economic and social structures.

To drive this change forward towards a "green economy", it is also important to spread the use of eco-friendly technologies in partner countries. In this context, KfW provides effective, efficient and targeted solutions with its projects that meet sustainability criteria and with its specific development approaches.

Furthermore, KfW Development Bank pursues the objective of actively supporting the implementation of international human rights with the instruments at its disposal to do so. In this regard the KfW Group has issued a declaration on human rights in its business operations.

KfW Sustainability Guidelines: The KfW Sustainability Guidelines inform that based on its Statement on Environmental Protection and Sustainable Development to the German parliament, KfW Group has introduced a set of sustainability policies that are aligned with the sustainability strategy of the German Federal Government.

A guide on how to include aspects of sustainability in public procurement procedures for Financial Cooperation projects provides **detailed principles** for its measures to be financed:

- to avoid, reduce or limit environmental pollution and environmental damage including climate-damaging emissions and pollution;
- to preserve and protect biodiversity and tropical rainforests and to sustainably manage natural resources;

- to consider probable and foreseeable impacts of climate change including utilising the potential to adapt to climate change. In this context climate change is understood as climate variability and long-term climate change;
- to avoid adverse impacts upon the living conditions of communities, in particular indigenous people and other vulnerable groups, as well as to ensure the rights, living conditions and values of indigenous people;
- to avoid and minimise involuntary resettlement and forced eviction of people and their living space as well as to mitigate adverse social and economic impacts through changes in land use by reinstating the previous living conditions of the affected population;
- to ensure and support health protection at work and the occupational health and safety of people working within the framework of a FC measure;
- to condemn forced labour and child labour, ban discrimination in respect of employment as well as occupation and support the freedom of association and the right to collective bargaining;
- to protect and preserve cultural heritage;
- to support the executing agency in the management and monitoring of possible adverse environmental, social and climate impacts as well as risks within the framework of the implement FC measure.

A comprehensive list is provided in [Annex 5](#); more detailed info is in ([16]).

3.5. World Bank (WB) Project Quality Criteria (ESS)

Goals of the WB [35] are (1) ending poverty and (2) promoting shared prosperity. Both goals are unequivocally also about progress in non-monetary dimensions of *welfare* including education, health, nutrition, and access to essential *infrastructure*, as well as about enhancing voice and *participation* of all segments of society in economic, *social*, and *political* spheres. WB Goals include Millennium Development Goals (MDGs) & Sustainable Development Goals (SDGs).

The WB offers support to developing countries through policy advice, research and analysis, and

technical assistance. What WB says about Kazakhstan might hold true for all CA states to varying degree: “The longer-term development policy challenge is to *transform* the countries’ growth model away from reliance on natural resource extraction toward a more diversified, competitive economy.” A comprehensive list is provided in [Annex 6](#).

3.6. ADB Focus Areas and Environmental Safeguards

ADB’s “Environment Operational Directions 2013-2020” state ([2]: page v):

To promote the transition to green growth, and address the causes and consequences of climate change, four mutually supportive environment operational directions have been identified:

- Promoting a shift to **sustainable infrastructure**, including clean energy (page 4) and sustainable water management (p. 5)
- Investing in **natural capital**, including Integrated water resources management (p.8)
- Strengthening **environmental governance** and management capacity, including Policy and incentive frameworks (p.10)
- Responding to the **climate change imperative**, incl. GHG emissions mitigation (p.12).

This mentioned report [3] also provides “Guidelines for Classifying Projects with Environmental Sustainability as a Theme” to ensure consistent application of the criteria for classifying projects for environmental sustainability (p.27).

The “**Results Framework, 2013–2020**” (p. 19, 29-33) for the Environment Operational Directions (mentioned above) will guide operations over the period 2013–2020 and progress in these will be monitored by ADB. They come closest (among all information retrieved until now) to “**environmental project criteria**” which are actually searched for by the IG and include:

- Improved energy efficiency and greater use of renewable energy
- Increased use of environmentally sustainable transport systems through “avoid–shift–improve” approach

- Improved water security and enhanced water efficiency and productivity
- Increased levels of inclusive urban economic growth and poverty reduction with fewer global and local environmental impacts
- Improved resilience of urban and rural infrastructure to climate change impacts
- Improved regional trends in reducing land and forest degradation and in sustainable coastal and marine resources management
- Accelerated and expanded implementation of integrated water resources management (IWRM), delivering improved water security and enhanced efficiency and productivity
- Improved availability of, and access to, adequate and safe food for Asia's poor and vulnerable in a sustainable manner.
- National-level governance for environment and climate change strengthened
- Country-level environmental assessment capacity strengthened
- Regional capacity to address transboundary environmental challenges strengthened
- Disaster and climate risk management capacities improved at the country level.

Further environmental and social quality criteria might presently be under development at ADB. At present, no such clear single and recent document (as for WB) could be retrieved for ADB yet.

ADB's text representing environmental criteria is the "environmental safeguards" in [Annex 7](#).

3.7. AIIB Focus Areas and Environmental Standards

AIIB's [7] focus areas are:

- Rural Infrastructure and Agriculture Development
- Energy and Power
- Environmental Protection
- Transportation and Telecommunications

- Water Supply and Sanitation
- Urban Development and Logistics.

AIIB was founded on the initiative of China [16] and provides Sovereign-Backed Financing and Non-Sovereign-Backed Financing. It is felt to back Chinese interests, e.g. the Silk Road Initiative.

For AIIB's environmental and social framework see [Annex 8](#).

4. CONCLUSIONS AND RECOMMENDATIONS

This article has been undertaken to portray the endeavour of establishing worldwide sets of "social and environmental criteria" (under whatever name they may appear in different IFIs) as a task of global "collective learning" in the face of the global climate crisis [8], [17], [18], [19].

The article enumerated the various sets of such criteria that are employed to filter out non-sustainable project applications (at least in theory – and to an unknown degree also in practice) and suggests that they represent a meaningful step towards worldwide rule setting.

The *main conclusion* is that the toolboxes from individual learning may also be applied to collective learning and vice versa. Thus, all enhancement provided by "individual pedagogy and didactics" should be invested into "collective pedagogics and didactics", including knowledge on how to maintain high levels of enthusiasm, professionalism and achievement.

ACKNOWLEDGEMENT

Part of this work was funded by the European Commission through the project Wecoop2 in Central Asia.

ANNEX 1: IFCA SOCIAL AND ENVIRONMENTAL CRITERIA LIST

The first example for a set of defined "environmental and social criteria" is the following list that is applied for IFCA projects, as comparable with the blending guidelines (DEVCO, 2015: 116f).

1. Context of the Project

- Is the need of carrying out the project well justified?

- Is the financial gap well justified; is there insufficient funding from market sources?
- Is there compliance with main national/regional policies in the concerned sector or thematic area?
- Is the project consistent with the National/Regional/Continental Development Strategy?
- Is there clear ownership/support of the project from national/regional authorities?

2. Coherence with the Policy Objectives of the Facility and EU Policies

- Is the project proposal coherent with the policy objectives of the Facility?
- Is the project proposal coherent with the EU policies?
- Are there similar planned or on-going projects in the country/sector? If so, is the coordination mechanisms to be used explained?

3. Consultations before Submission

- How was the EU Delegation involved in the project preparation?
- What kind of consultation process has taken place with the national/regional authorities?
- Have endorsement letters by the Government and the Delegation been provided?

4. Entities Involved / Implementation Scheme / Organisational Set Up / Exit Strategy

- Is the information about the entities involved, the organisational set-up, the implementing scheme, the financial structure and the exit strategy clear?

5. Indicative budget – Uses & Sources, Detailed Description

- Is the indicative budget and financing plan sufficiently detailed?
- Are the costs realistic and acceptable?
- Does the project financing plan present the appropriate mix of funding and leverage between loans and grants?

- Is a budget for visibility foreseen?

6. Debt Sustainability

- Are there any additional concessionality requirements that need to be considered?

7. Financial Leverage

- What is the proposed financial leverage?
- Is the proposed leverage sufficient and coherent?

8. Additionality of the EU Contribution

- Are the expected impact and results of the project and, more specifically, of the EU grant contribution, clearly defined?
- Why is the proposed grant funding necessary for the operation?

9. Justification of EU Contribution

- Is the EU grant amount sufficiently substantiated and justified?

10. Expected Results

- Are the indicators sufficiently reflecting the expected outputs and intended outcomes of the project?
- Are the expected results in line to the project objectives?

11. Project Sustainability

- According to the application, do you think that the project will be sustainable when grant support expires?
- What measures are foreseen to achieve sustainability?

12. Risk Assessment

- Are the mitigation measures for the risks identified sufficient?
- Are additional risks that are not identified in the application? If so, please enumerate.

13. Climate and Environment Rio Markers

- Is the contribution of the project to climate change mitigation/adaptation clearly demonstrated?

1) **Biological diversity**: at least 1 out of these 3: the conservation of bio--diversity, sustainable use of its components (ecosystems, species or genetic resources), or fair and equitable sharing of the benefits of the utilisation of genetic resources.

2) **Combat desertification**: combating desertification or mitigating the effects of drought in arid, semi--arid and dry sub--- humid areas through prevention and/or reduction of land degradation, rehabilitation of partly degraded land, or reclamation of desertified land.

3) **Climate change mitigation**: contributes to the objective of stabilisation of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.

4) **Climate change adaptation**: intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate--related risks, by maintaining or increasing adaptive capacity and resilience. • This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.

14. Indicative Project Calendar

- Are the urgency and maturity of the requested grant contribution consistent with the calendar of the project?

15. Description of Procurement Procedures

- Are the procurement procedures to be used for the project clear in the application?
- Are these procedures accepted to be equivalent to EC ones?

16. Monitoring, Reporting and Evaluation

- Is the monitoring, reporting and evaluation clearly described and sufficient?
- Is a visibility plan proposed?
- Is it in line with EU visibility provisions and does it provide sufficient and clear visibility?

17. Visibility

- Is a visibility plan proposed?

- Is it in line with EU visibility provisions and does it provide sufficient and clear visibility?

ANNEX 2: EIB'S ENVIRONMENTAL AND SOCIAL STANDARDS

The EIB Statement on Environmental and Social Principles and Standards sets the policy context for the protection of the environment and human well-being. An EIB Environmental and Social Handbook provides an operational translation of those standards on over 200 pages grouped across 10 thematic areas:

EIB's Environmental and Social Standards

1. **Assessment and management of environmental and social impacts and risks**: The first standard underscores the importance of managing environmental and social impacts and risks throughout the life of an EIB project through the application of the precautionary principle. The standard's requirements allow for the development of an effective environmental and social management and reporting system that is objective and encourages continual improvements and developments. The standard includes requirements for stakeholder engagement and disclosure throughout the life of the project.

2. **Pollution prevention and abatement**: The objective of the second standard is to avoid and minimise pollution from EIB-supported operations. It outlines a project-level approach to resource efficiency and pollution prevention and control in line with best available techniques and internationally disseminated practices.

3. **Biodiversity and ecosystems**: The objective of the second standard is to avoid and minimise pollution from EIB-supported operations. It outlines a project-level approach to resource efficiency and pollution prevention and control in line with best available techniques and internationally disseminated practices.

4. **Climate-related standards**: The EIB acknowledges the intrinsic value of biodiversity and that its operations may have a potential impact on biodiversity and ecosystems. This standard outlines the approach and measures the promoter has to take to protect and conserve all levels of biodiversity. The standard applies to all habitats (marine and terrestrial) whether or not previously disturbed or legally protected. It focuses on major threats and supports the sustainable use of renewable natural resources and the equitable sharing of benefits from the project's use of natural resources.

5. Cultural heritage: Through its projects, the EIB recognises the central role of cultural heritage within individual and collective identity, in supporting sustainable development and in promoting cultural diversity. Consistent with the applicable international conventions and declarations, this standard aims at the identification, management and protection of tangible and intangible cultural heritage that may be affected by project activities. It emphasises the need for the implementation of a “chance-find procedure”, which outlines the actions to be taken if previously unknown cultural heritage is encountered.

6. Involuntary resettlement: EIB projects sometimes necessitate land acquisition, expropriation and/or restrictions on land use, resulting in the temporary or permanent resettlement of people from their original places of residence or their economic activities or subsistence practices. Standard 6 is rooted in the respect and protection of the rights to property and to adequate housing, and of the standard of living of all affected people and communities. It seeks to mitigate any adverse impacts arising from their loss of assets or restrictions on land use. It also aims to assist all affected persons to improve or at least restore their former livelihoods and living standards and adequately compensate for incurred losses.

7. Rights and interests of vulnerable groups: The EIB seeks to protect all vulnerable project-affected individuals and groups, whilst seeking that these populations duly benefit from EIB operations. The standard requires that there is full respect for the dignity, human rights, aspiration, cultures and customary livelihoods of vulnerable groups including indigenous peoples. It requires the free, prior and informed consent of affected indigenous groups.

8. Labour standards: Good labour practices and the use of appropriate codes of conduct are important to ensure the fair treatment, non-discrimination and equality of opportunity of workers. This standard aims at ensuring that promoters of EIB projects comply with the core labour standards of the International Labour Organisation (ILO) and with national labour and employment laws. The standard also requires the establishment, maintenance and improvement of worker-management relationships.

9. Occupational and public health, safety and security: The EIB expects promoters to protect and secure public and occupational health, safety and security and promote the dignity of the affected

community in relation to project-related activities, with particular attention to vulnerable groups. The standard also requires promoters to adhere to the international norms and relevant human rights principles when using security services.

10. Stakeholder engagement: As a public institution, the EIB actively promotes the right to access to information, as well as public consultation and participation. Standard 10 requires promoters to uphold an open, transparent and accountable dialogue with all project-affected communities and relevant stakeholders in an effective and appropriate manner. The value of public participation in the decision-making process is stressed throughout the preparation, implementation and monitoring phases of a project. The right to access to remedy, including through grievance resolution, is actively required.

ANNEX 3: EBRD'S ENVIRONMENTAL PERFORMANCE REQUIREMENTS

The European Bank for Reconstruction and Development (EBRD, 2016), as item 36 on page 5, lists the following **10 Performance Requirements (PRs)** that are then provided in much more detail (several pages per PR) in the appendix of Investor Guide (Ahamer, 2017):

“36. Projects are expected to meet good international practice (GIP) related to environmental and social sustainability.

To help clients and/or their projects achieve this, the EBRD has defined specific PRs for key areas of environmental and social sustainability as listed below, including their objectives:

- **PR 1 - Assessment and Management of Environmental and Social Impacts and Issues:** identify and evaluate environmental and social impacts and issues of the project; adopt a mitigation hierarchy approach to address adverse environmental or social impacts and issues to workers, affected communities, and the environment from project activities; promote improved environmental and social performance of clients through the effective use of management systems; develop an Environmental and Social Management System (ESMS) tailored to the nature of the project, for assessing and managing environmental and social issues and impacts in a manner consistent with relevant PRs.

- **PR 2 - Labour and Working Conditions:** respect and protect the fundamental principles and rights of workers; promote the decent work agenda, including fair treatment, non-discrimination and equal opportunities of workers; establish, maintain and improve a sound worker-management relationship; promote compliance with any collective agreements to which the client is a party, national labour and employment laws; protect and promote the safety and health of workers, especially by promoting safe and healthy working conditions; prevent the use of forced labour and child labour (as defined by the ILO) as it relates to project activities.
- **PR 3 - Resource Efficiency, Pollution Prevention and Control:** identify project-related opportunities for energy, water and resource efficiency improvements and waste minimisation; adopt the mitigation hierarchy approach to addressing adverse impacts on human health and the environment arising from the resource use and pollution released from the project; promote the reduction of project-related greenhouse gas emissions.
- **PR 4 - Health and Safety:** protect and promote the safety and health of workers by ensuring safe and healthy working conditions and implementing a health and safety management system, appropriate to the relevant issues and risks associated with the project; anticipate, assess, and prevent or minimise adverse impacts on the health and safety of project-affected communities and consumers during the project life cycle from both routine and non-routine circumstances.
- **PR 5 - Land Acquisition, Involuntary Resettlement and Economic Displacement:** avoid or, when unavoidable, minimise, involuntary resettlement by exploring alternative project designs; mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of and access to assets and land by: (i) providing compensation for loss of assets at replacement cost, and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation and the informed participation of those affected; restore or, where possible, improve the livelihoods and standards of living of displaced persons to pre-displacement levels; improve living conditions among physically displaced persons through the provision of adequate housing, incl. security of tenure at resettlement sites.
- **PR 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources:** protect and conserve biodiversity using a precautionary approach; adopt the mitigation hierarchy approach, with the aim of achieving no net loss of biodiversity, and where appropriate, a net gain of biodiversity; promote good international practice (GIP) in the sustainable management and use of living natural resources.
- **PR 7 - Indigenous Peoples:** to ensure that the transition process fosters full respect for the dignity, human rights, aspirations, cultures and natural resource-based livelihoods of Indigenous Peoples – [and 8 other specific objectives with presumably less relevance to CA]
- **PR 8 - Cultural Heritage:** support the protection and conservation of cultural heritage; adopt the mitigation hierarchy approach to protecting cultural heritage from adverse impacts arising from the project; promote the equitable sharing of benefits from the use of cultural heritage in business activities; promote the awareness and appreciation of cultural heritage where possible.
- **PR 9 - Financial Intermediaries (FIs):** enable the FIs to manage environmental and social risks associated with their business activities and to promote good environmental and social business practices among their clients; establish a practical way in which the FIs can promote and achieve environmentally and socially sustainable business practices consistent with this PR through their investments, in line with good international practice in the commercial financial sector; promote good environmental and human resource management within the FIs.
- **PR 10 - Information Disclosure and Stakeholder Engagement:** outline a systematic approach to stakeholder engagement that will help clients build and maintain a constructive relationship with their stakeholders, in particular the directly affected communities; promote improved environmental and social performance of clients through effective engagement with the project's

stakeholders; promote and provide means for adequate engagement with affected communities throughout the project cycle on issues that could potentially affect them and to ensure that meaningful environmental and social information is disclosed to the project's stakeholders; ensure that grievances from affected communities and other stakeholders are responded to and managed appropriately."

ANNEX 4: EXCLUSION LIST FOR AFD GROUP IN FOREIGN COUNTRIES

AFD works through a "negative" exclusion list (AFD, 2019), in addition to the positive criteria mentioned in the main text.

1. Production or sale of any illegal product or unlawful activity under the laws of the host country and France or under international regulations, conventions and/or agreements;
2. Products or activities that use forced labour¹ or child labour;
3. Trade in animals, plants or any natural products not complying with the provisions of the CITES convention;
4. Fishing activity using a drift net of more than 2.5 km in length;
5. Any operation leading to or requiring the destruction of a critical habitat, or any forestry project which does not implement a plan for improvement and sustainable management;
6. Production, use or sale of any dangerous materials such as asbestos or products containing PCBs;
7. Production, use or sale of pharmaceutical products, pesticides/herbicides, ozone layer depleting substances or any other dangerous substances that are banned or are being progressively phased out internationally;
8. Transboundary trade in wastes, except for those accepted by the Basel Convention and its underlying regulations;
9. Production or sale:
 - of arms and/or munitions;
 - of tobacco;
 - of strong alcohol intended for human consumption;

10. Gaming establishments, casinos or any equivalent undertaking;
11. Any trade related to pornography or prostitution;
12. Any activity leading to an irreversible modification or significant displacement of an element of culturally critical heritage;
13. Production and distribution, or investment in, media that are racist, antidemocratic or that advocate discrimination against a part of the population;
14. Exploitation of diamond mines and marketing of diamonds where the host country has not adhered to the Kimberley Process;
15. Any sector or any service subject to an embargo by the United Nations, European Union and/or France in a particular country and with no absolute or relative restriction regarding the amount.

ANNEX 5: KfW ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) CRITERIA

KfW (2017) uses taking into consideration a variety of individual criteria, which are grouped into the ESG criteria (Environment, Social und Governance). Additionally, KfW has exclusion criteria (see Ahamer, 2017).

A: ESG criteria for *non-governmental* issuers

Environment

- Formal environmental policy
- Environmental management system
- Programmes and targets to reduce GHG emissions
- Programmes and targets to increase renewable energy use
- Carbon intensity trend
- % primary energy use from renewables
- Environmental & social standards in credit and loan business
- Sustainable financial services

Social

- Policy on freedom of association
- Formal policy on the elimination of discrimination
- Programmes to increase workforce diversity
- Employee turnover rate
- Activities in sensitive countries
- Employee incidents
- Collective bargaining agreements

Governance

- Policy on bribery and corruption
- Whistleblower programmes
- Signatory to UN Principles for
- Responsible Investment
- ESG reporting standards
- Policy on money laundering
- Disclosure of directors' remuneration
- Board independence
- In-house team dedicated to responsible investment/finance

B: ESG criteria for *sovereign* issuers

Environment

- Land degradation
- Air pollution
- Trend total annual CO₂ emissions
- Percentage of energy from renewable sources
- Coal use
- Ocean health
- Water productivity
- Risk exposure to natural disasters

Social

- Education
- Infant mortality

- Food security
- Level of peace
- Gender equality
- Income equality
- Child labour
- Political rights
- Youth unemployment

Governance

- Voice and accountability
- Rule of Law
- Government effectiveness
- Regulatory quality
- Agricultural regulation
- Habitat protection
- Sustainable energy
- Expenditure on education and healthcare
- Treaties and conventions

ANNEX 6: WB'S ENVIRONMENTAL AND SOCIAL FRAMEWORK (ESF)

In August 2016, the Environmental and Social Policies for WB Projects led to the adoption of a new set of environment and social policies called the Environmental and Social Framework (ESF), containing ten elaborate Environmental and Social Standards (ESS) (WB, 2016):

ESS1: Assessment and Management of Environmental and Social Risks and Impacts: ESS1 sets out the *Borrower's* responsibilities for assessing, managing and monitoring environmental and social risks and impacts *associated with each stage* of a project supported by the Bank through Investment Project Financing, in order to achieve environmental and social outcomes consistent with the Environmental and Social Standards (ESSs). ESS1 *includes* an Environmental and Social Assessment, an Environmental and Social Commitment Plan; and Management of Contractors.

ESS2: Labour and Working Conditions: ESS2 recognises the importance of employment creation and *income generation* in the pursuit of poverty reduction and *inclusive* economic growth. Borrowers can promote sound worker-management *relationships* and enhance the development benefits of a project by treating workers in the project *fairly* and providing safe and *healthy* working conditions. ESS2 includes *non-discrimination* and *equal opportunity*, *worker's organisations*, protection regarding *child labour* and minimum age, and Occupational Health and Safety (OHS).

ESS3: Resource Efficiency and Pollution Prevention and Management: ESS3 recognises that economic activity and urbanisation often generate *pollution to air, water, and land*, and consume *finite resources* that may *threaten people, ecosystem services* and the *environment* at the local, regional, and global levels. The current and projected atmospheric concentration of *greenhouse gases* (GHG) threatens the welfare of current and future generations. At the same time, more *efficient and effective resource use*, pollution prevention and GHG emission *avoidance*, and *mitigation* technologies and practices have become more accessible and achievable. ESS3 includes resource efficiency (water, energy, material), air pollution and pesticides.

ESS4: Community Health and Safety: ESS4 recognises that project activities, equipment, and infrastructure can increase *community exposure to risks and impacts*. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration or intensification of impacts due to project activities. ESS4 includes ecosystem services, *community exposure to health issues*, infrastructure and equipment design and safety, especially for *water dams*.

ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement: ESS5 recognises that *project-related land acquisition and restrictions on land use* can have adverse impacts on communities and persons. Project-related land acquisition or restrictions on land use may cause *physical displacement* (relocation, loss of residential land or loss of shelter), *economic displacement* (loss of land, assets or access to assets, leading to loss of income sources or other means of livelihood), or both. The term "*involuntary resettlement*" refers to these impacts. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land

acquisition or restrictions on land use that result in displacement.

ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources: ESS6 recognises that protecting and conserving biodiversity and sustainably managing living natural resources are fundamental to *sustainable development*. *Biodiversity* is defined as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems. Biodiversity often underpins *ecosystem services valued by humans*. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services.

ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities: Such terms include "indigenous ethnic minorities," "vulnerable and marginalized groups", or "minority nationalities".

ESS8: Cultural Heritage: ESS8 recognises that cultural heritage provides continuity in tangible and intangible forms between the past, present and future. People *identify with cultural heritage* as a reflection and expression of their *constantly evolving values*, beliefs, knowledge and traditions. Cultural heritage, in its many manifestations, is important as a source of valuable scientific and historical information, as an *economic and social asset* for development, and as an integral part of people's *cultural identity* and practice. ESS8 sets out measures designed to protect cultural heritage throughout the project life cycle.

ESS9: Financial Intermediaries: ESS9 recognises that *strong domestic capital* and *financial markets* and *access to finance* are important for economic development, growth and poverty reduction. The Bank is committed to *supporting sustainable financial sector development* and enhancing the role of *domestic capital* and financial markets.

ESS10: Stakeholder Engagement and Information Disclosure: This ESS recognises the importance of *open and transparent engagement* between the Borrower and project stakeholders as an essential element of good international practice. *Effective stakeholder engagement* can improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant

contribution to successful project design and implementation. ESS10 (and other ESS) include the respective *grievance mechanisms*.

ANNEX 7: ADB ENVIRONMENTAL SAFEGUARDS

ADB's Environmental Safeguards (ADB, 2009: Safeguard Policy Statements, p. 16, details in its Appendix 1, p. 30-43):

Objectives: To ensure the environmental soundness and sustainability of projects and to support the integration of environmental considerations into the project decision-making process.

Policy Principles

1. Use a screening process for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment so that appropriate studies are undertaken commensurate with the significance of potential impacts and risks.
2. Conduct an environmental assessment for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues), and physical cultural resources in the context of the project's area of influence. Assess potential transboundary and global impacts, including climate change. Use strategic environmental assessment where appropriate.
3. Examine alternatives to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.
4. Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts by means of environmental planning and management. Prepare an environmental management plan (EMP) that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Key considerations for EMP preparation include mitigation of potential adverse impacts to the level of no significant harm to third parties, and the polluter pays principle.
5. Carry out meaningful consultation with affected people and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned nongovernment organizations, early in the project preparation process and ensure that their views and concerns are made known to and understood by decision makers and taken into account. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment. Establish a grievance redress mechanism to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.
6. Disclose a draft environmental assessment (including the EMP) in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental assessment, and its updates if any, to affected people and other stakeholders.
7. Implement the EMP and monitor its effectiveness. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
8. Do not implement project activities in areas of critical habitats, unless (i) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, (ii) there is no reduction in the population of any recognized endangered or critically endangered species, and (iii) any lesser impacts are mitigated. If a project is located within a legally protected area, implement additional programs to promote and enhance the conservation aims of the protected area. In an area of natural habitats, there must be no significant conversion or degradation, unless (i) alternatives are not available, (ii) the overall benefits from the project

substantially outweigh the environmental costs, and (iii) any conversion or degradation is appropriately mitigated. Use a precautionary approach to the use, development, and management of renewable natural resources.

9. Apply pollution prevention and control technologies and practices consistent with international good practices as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gases emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phaseouts. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.
10. Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures to avoid, and where avoidance is not possible, to minimize, adverse impacts and risks to the health and safety of local communities.
11. Conserve physical cultural resources and avoid destroying or damaging them by using field-based surveys that employ qualified and experienced experts during environmental assessment. Provide for the use of "chance find" procedures that include a pre-approved management and conservation approach for materials that may be discovered during project implementation.

ANNEX 8: AIIB'S ENVIRONMENTAL AND SOCIAL FRAMEWORK

In February 2016, AIIB issued a document of 57 pages including the following 12 requirements (A - L) and three Environmental and Social Standards (ESS 1 - ESS 3) to be included in the project process (AIIB, 2016):

Twelve Requirements (A to L):

A. Screening and Categorization: The Bank screens and categorizes each proposed Project to determine the nature and level of the required environmental and social review, type of information disclosure and stakeholder engagement for the Project. The categorization takes into consideration the nature, location, sensitivity and scale of the Project, and is proportional to the significance of its potential environmental and social risks and impacts.

B. Environmental and Social Due Diligence: The Bank conducts environmental and social due diligence, as an integral element of its appraisal of the Project, and in a manner that is: (a) appropriate to the nature and scale of the Project; and (b) proportional to the level of the Project's potential environmental and social risks and impacts.

C. Environmental and Social Assessment: Generally, the Bank requires the Client to adopt an integrated approach to the process of assessment, given the complex interrelationships of environmental and social risks and impacts in both public- and private-sector Projects.

D. Assessment Documentation and Instruments: The Bank ensures that the Client prepares appropriate environmental and social assessment documents.

E. Environmental and Social Management Plan (EMSP): Once the Client has identified the Project's risks and impacts through the environmental and social assessment, the Bank requires it to develop the measures to manage and mitigate the impacts and reflect them in an ESMP, all as required under ESS 1.

F. Environmental and Social Management Planning Framework(ESMPF): The Bank requires the Client to use an ESMPF if: (a) the Project consists of a program or series of activities whose details are not yet identified at the time the Project is approved by the Bank; or (b) if the Bank authorizes the Client to use a phased approach in accordance with Section G below.

G. Special Circumstances: In exceptional circumstances, duly justified by the Client, the Bank may determine that the timing of the Client's environmental and social assessment of identified activities under the Project, and the timing of the Bank's environmental and social due diligence and the Client's environmental and social assessment, may

follow a phased approach that takes place following the Bank's approval of the Project. [...]

H. Use of Country and Corporate Systems: The Bank may, if requested, decide to offer the Client (whether public or private) the option to use all or part of the Client's existing environmental and social management system for all or part of the Project, on the basis of detailed criteria following [...].

I. Information Disclosure: The Bank requires the Client to ensure that relevant information about environmental and social risks and impacts of the Project is made available in the Project area in a timely and accessible manner, and in a form and language(s) understandable to the Project-affected people, other stakeholders and the general public, so they can provide meaningful inputs into the design and implementation of the Project.

J. Consultation: The consultation covers Project design, mitigation and monitoring measures, sharing of development benefits and opportunities on a Project-specific basis, and implementation issues. The Bank requires the Client to engage in meaningful consultation¹⁰ with stakeholders during the Project's preparation and implementation phases, in a manner commensurate with the risks to, and impacts on, those affected by the Project.

K. Monitoring and Reporting: The Bank and the Client have complementary but distinct monitoring responsibilities. The extent of monitoring activities, including their scope and periodicity, is proportional to the Project's risks and impacts.

L. Grievances: The Bank requires the Client to establish a suitable grievance mechanism to receive and facilitate resolution of the concerns or complaints of people who believe they have been adversely affected by the Project's environmental or social impacts, and to inform Project-affected people of its availability.

Environmental and Social Standards (ESS 1 to ESS 3):

ESS 1: Environmental and Social Assessment and Management: To ensure the environmental and social soundness and sustainability of Projects and to support the integration of environmental and social considerations into the Project decision-making process and implementation.

ESS 2: Involuntary Resettlement: To avoid Involuntary Resettlement wherever possible; to minimize Involuntary Resettlement by exploring Project alternatives; where avoidance of Involuntary Resettlement is not feasible, to enhance, or at least restore, the livelihoods of all displaced persons in real terms relative to pre-Project levels; to improve the overall socioeconomic status of the displaced poor and other vulnerable groups; and to conceive and implement resettlement activities as sustainable development programs, providing sufficient resources to enable the persons displaced by the Project to share in Project benefits.

ESS 3: Indigenous Peoples: To design and implement Projects in a way that fosters full respect for Indigenous Peoples' identity, dignity, human rights, economies and cultures, as defined by the Indigenous Peoples themselves, so that they: (a) receive culturally appropriate social and economic benefits; (b) do not suffer adverse impacts as a result of Projects; and (c) can participate actively in Projects that affect them.

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Received on 20-09-2019

Accepted on 30-09-2019

Published on 04-10-2019

DOI: <https://doi.org/10.31907/2617-121X.2019.03.02.3>

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