



# De-risking infrastructure finance: the role of environmental and social standards

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To meet its infrastructure ambitions, Africa must mobilize private investment at scale.



1. Public Finance can act as the spearhead.
2. Public Finance can set some baselines (safeguards; legislation).
3. Private finance shuns unreasonable or overpriced risk.
4. Environmental and social aspects can be de-risked using recognized tools and standards.
5. *If glossed over, environment and social aspects can strand projects and assets.*



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Industry Agenda

## Strategic Infrastructure Mitigation of Political & Regulatory Risk in Infrastructure Projects

Prepared in collaboration with The Boston Consulting Group

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- Delays are often due to the unexpected outcomes of environmental and social dimensions.
- Societal concerns are inconsistent over time: during the infrastructure asset lifetime, the perception of technological safety or environmental responsibility might change.
- ... Never compromise the integrity of permit processes. Permits must continue to rely on strict environmental standards and social policy objectives, and on minimizing illegal behaviour.
- Instruments... have various features in common – not just the type of risk events that can be insured, but also the sustainability standards required for project eligibility.
- Environmental- and social-impact assessments will be part of the planning process, and should include early and meaningful community consultations through appropriate formats. Such consultations will help to ease local anxieties, and improve the project design.
- Besides managing their operations in a properly professional way, companies also need to manage them sustainably, respecting norms on employment, human rights, the environment and other areas. These norms are codified in international standards, such as OECD guidelines for multinational enterprises and for private-sector participation in infrastructure, and are extensively discussed in the literature on corporate social responsibility.



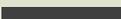
## Ways to integrate sustainability

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1. Sustainability Standards – environmental and social (ESS) - help give credibility to the idea of infrastructure-as-an-asset class.
2. Build Better: integrate ecosystem and social functions. Resilience and sustainability are not just “build stronger”.
3. Integration at scale, not just at project level.
  - Land use, spatial planning, Strategic Environmental Assessment, Cumulative EIA
4. Safeguards and standards are both important. Complementary but different
  - Safeguards: project compliance
  - Standards: design and delivery



## PIDA 2040 INFRASTRUCTURE PLANS

-  High significance ecosystems
-  Key African elephants & great apes Landscapes
-  Turtle nesting sites
-  PIDA energy infrastructure
-  PIDA hub ports
-  PIDA transport infrastructure





Are resource corridors  
fulfilling their development potential  
whilst protecting the integrity of  
ecosystems?



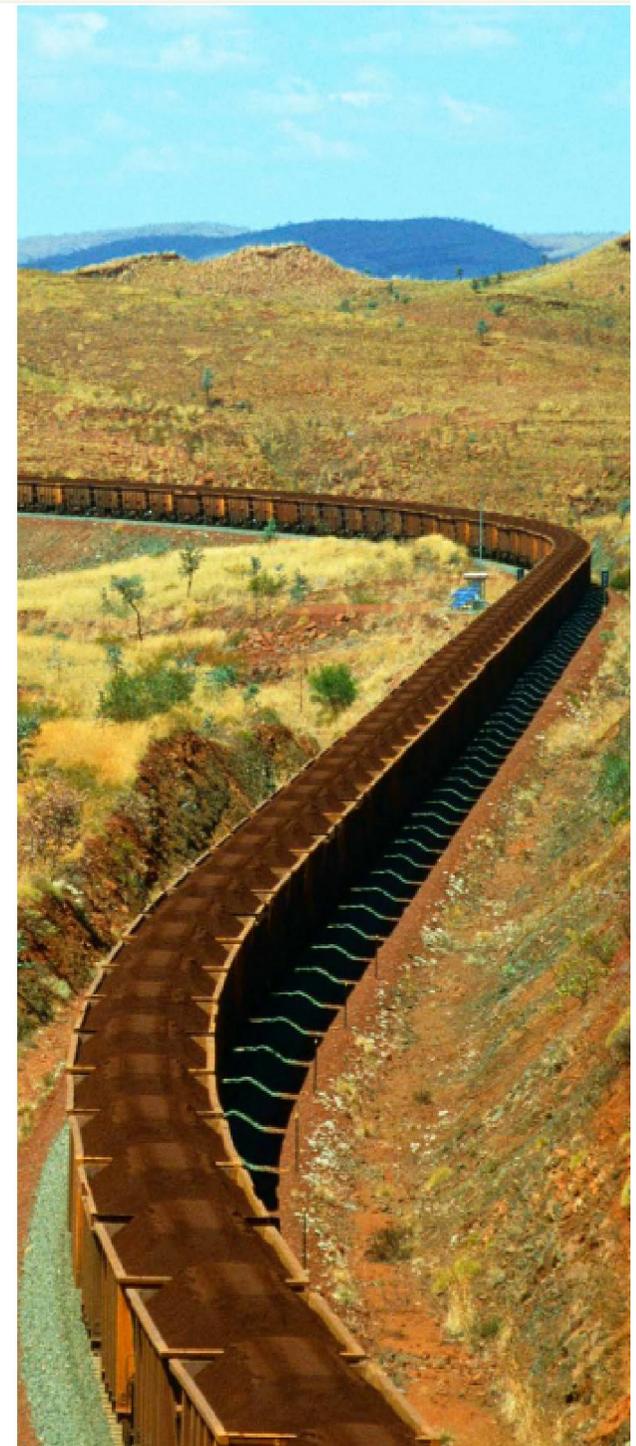
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Joint Initiative on  
Rapid Basin-wide Hydropower Sustainability  
Assessment Tool



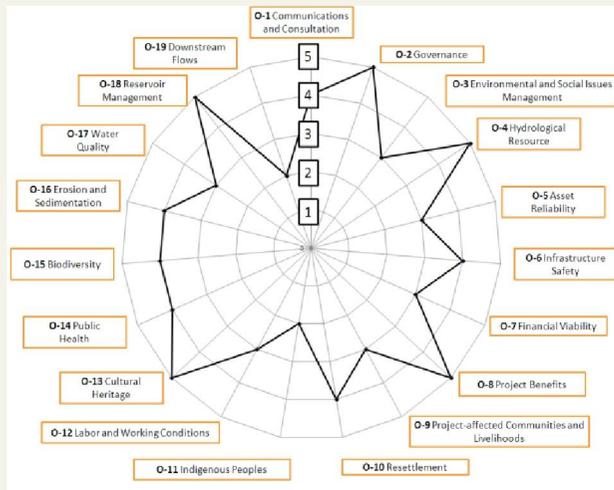
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# The Hydropower Sustainability Assessment Protocol

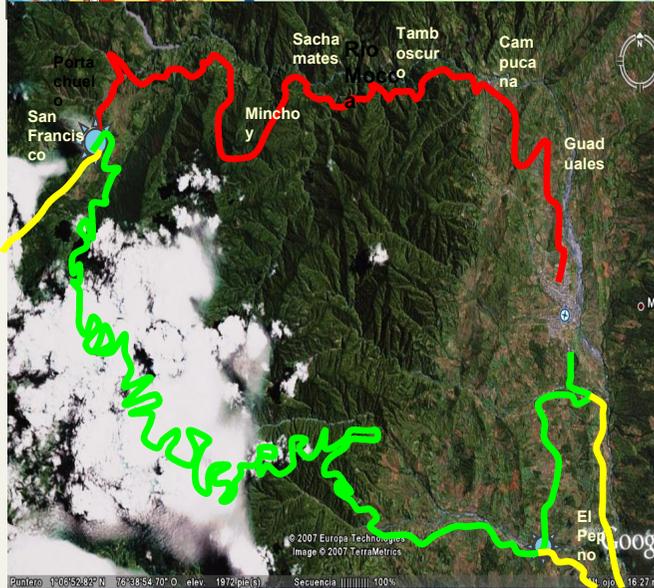
- A tool for reviewing and benchmarking projects with respect to their environmental, social, technical and financial implications.
- Launched in 2011,
- Multistakeholder process: hydropower industry, banks, governments, academia and non-governmental organizations
- Governed by a multistakeholder council
- By late 2014, more than 15 assessments had been conducted across five continents.
- The EU has decided to adopt the protocol to assess European hydropower projects.



The Protocol encompasses all aspects of sustainability				
TECHNICAL	ENVIRONMENTAL	SOCIAL	ECONOMIC AND FINANCIAL	INTEGRATIVE
Siting and design	Downstream flows	Project affected communities and livelihoods	Economic viability	Demonstrated need and strategic fit
Hydrological resource	Erosion and sedimentation	Resettlement	Financial viability	Communications and consultation
Reservoir planning, filling and management	Water quality	Indigenous peoples	Project benefits	Governance
Infrastructure safety	Biodiversity and invasive species	Cultural heritage	Procurement	Integrated project management
Asset reliability and efficiency	Waste, noise and air quality	Public health		Environmental and social issues management



# The Pasto-Mocoa approach is a model for IDB lending in infrastructure





## A model for infrastructure finance

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*“The Pasto-Mocoa approach is a **model** for IDB lending in infrastructure and agriculture [...] The impact of this work is potentially very significant – with returns that exceed the project funding [...] The IDB wants to undertake **further pilot projects** using the decision support tool and the World Bank and BNDES are also interested in learning from the IDB system”*

Independent External Evaluation of WWF-UK’s Partnership Programme Arrangement with DFID 2008-2011 (PPA)

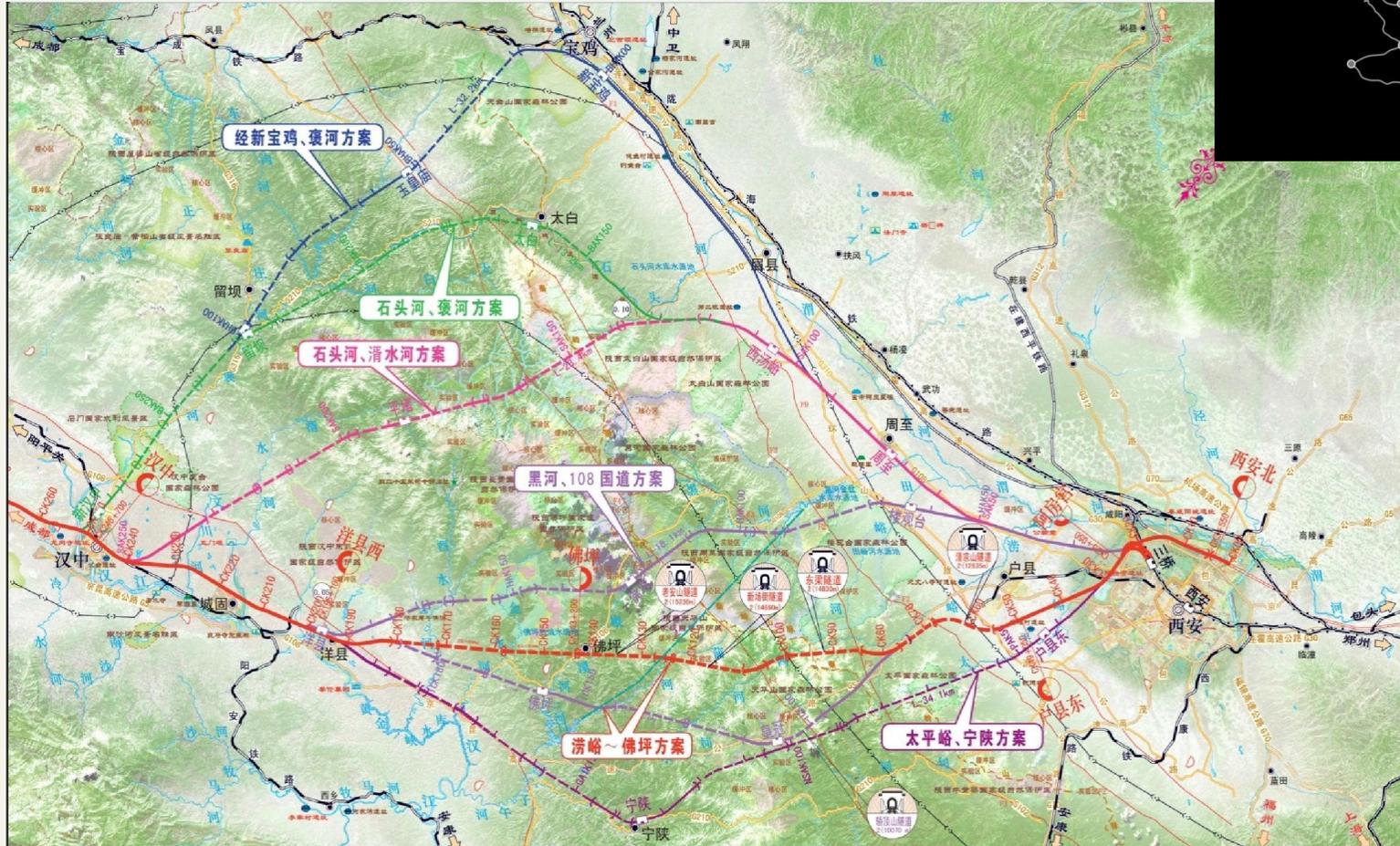
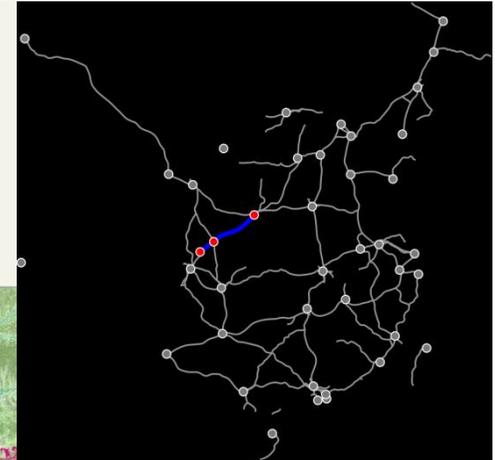
*“Improvements in compensation and mitigation plans and funding have been significantly greater than is usual for this type of projects [...] Their work to improve the quality of local-level consultation and participation has strengthened existing social processes and created the conditions for strong monitoring during the implementation stage [...] The government of Colombia has agreed to this loan structure, setting a precedent for future infrastructure development”*

Active Citizens, Accountable governments: Civil society experiences from the Latin America Partnership Programme Arrangement (LAPPA), DFID



# Xi'an-Chengdu High Speed Railway (510km)

including Qinling Panda and Ibis landscape



The designer accepted the recommendations and selected the most feasible and lowest impact route; 84.7% of the railroad will be built with tunnels and bridges where it crosses giant panda and crested ibis habitat.



## Summary:

### De-risk the investment

Do it **at scale**, risk occurs not only at project level

**Do it upstream** – there are more and more tools available.

**Environmental and social issues are often key risk areas** for infrastructure projects – and **investors**.



# Thank you

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