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USAID MEKONG SAFEGUARDS ACTIVITY

FINANCIER PROFILES REPORT

An Overview of Infrastructure Financiers in the CLMTV Countries

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TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS

Acronym/ Abbreviation	Definition
AA	Federal Foreign Office
Activity	Mekong Safeguards
ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
AIIB	Asia Infrastructure Investment Bank
ALPs	A Loan Participations
AOA	Articles of Agreement
ASEAN	Association of Southeast Asian Nations
BIC	Bayfront Infrastructure Capital
BMBF	Federal Ministry of Education and Research
BMUB	Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety
BRI	Belt and Road Initiative
BUILD	Better Utilization of Investments Leading to Development
CAF	China-ASEAN Investment Cooperation Fund
CITES	Convention of International Trade in Endangered Species of Wild Fauna and Flora
CLMTV	Cambodia, Laos, Myanmar, Thailand and Vietnam
CPSD	Country Private Sector Diagnostic
Database	The Activity's Stakeholder Database
DCA	Development Credit Authority
DFC	U.S. International Development Finance Corporation
DMCs	Developing Member Countries
E&S	Environmental and Social
ECA	Export Credit Agency
ECAFE	Economic Commission for Asia and the Far East
EDCF	Economic Development Cooperation Fund
EHS	Environmental, Health and Safety
EIA	Environmental Impact Assessment
EP	Equator Principles
EPFIs	Equator Principles Financial Institutions
ERIA	Economic Research Institute for ASEAN and East Asia
ESF	Environmental and Social Framework
ESG	Environmental, Social and Governance
ESPP	Environmental and Social Policy and Procedures

Acronym/ Abbreviation	*Definition*
ESS	Environmental and Social Standards
EU	European Union
Eximbank	Export-Import Bank
GDP	Gross Domestic Produce
GW	Gigawatts
IAEA	International Atomic Energy Agency
ICT	Information and Communication Technology
IFC	International Finance Corporation
IKCF	Inter-Korean Cooperation Fund
InfraSAP	Infrastructure Sector Assessment Program
IPF	Investment Project Financing
JBIC	Japan Bank for International Cooperation
Kexim	Korean Eximbank
LNG	Liquefied Natural Gas
MCPP	Managed Co-Lending Portfolio Program
MLN	Mekong Legal Network
MUFG Bank	Mitsubishi UFJ Bank
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
PCG	Partial Credit Guarantee
PIDG	Private Infrastructure Development Group
PPP	Public-Private Partnership
PS	Performance Standards
RBL	Results-Based Lending
SDG	Sustainable Development Goals
SDO	Sustainable Development Office
SET	Stock Exchange of Thailand
SMBC	Sumitomo Mitsui Banking Corporation
SME	Small and Medium-sized Enterprise
SPS	Safeguard Policy Statement
TFP	Trade Finance Program
TOF	Take-Out Facility
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USAID	United States Agency for International Development
WB	World Bank
WBG	World Bank Group
WHO	World Health Organization

I INTRODUCTION

1.1 Activity Description

USAID Mekong Safeguards ("the Activity") is a five-year program (2018–2023) that supports policymakers, government regulators, major financiers, developers, and contractors with information and tools to foster consistent application of environmental, social, and governance (ESG) standards into early decision making on potential infrastructure projects and throughout their lifecycle.

USAID Mekong Safeguards helps to operationalize the vision of sustainable infrastructure development that lower Mekong countries (Cambodia, Laos, Myanmar, Thailand and Vietnam (CLMTV)) have put forward in their respective national green-growth strategies and regional platforms. This vision has been publicly championed by major infrastructure financiers such as the World Bank (WB), the Asian Development Bank (ADB), and several bilateral donors, including Australia, Japan, and the United States.

For the purposes of this report "infrastructure" is considered to include:

Power generation and transmission

Including solar, hydroelectric, wind, tidal (e.g. tidal and wave generation), thermal (e.g. gas) and power transmission.

Transport

Including roads, railways, ports, airports and supporting infrastructure such as bridges.

Telecommunications

including fiber optics, data centers, telecommunications towers, base stations for satellites, location data networks.

Water infrastructure

Including water harvesting and storage, water treatment (e.g. drinking water treatment, water recycling schemes and wastewater treatment), water distribution, storm water management and flood defenses (e.g. drainage, flood monitoring and warning systems, flood defense infrastructure).

Major donors and lenders are increasing their infrastructure investments in the CLMTV, joining new financing vehicles such as the Belt and Road Initiative (BRI), the Lancang-Mekong Cooperation Mechanism, and the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) Infrastructure Fund. With projected new investment over the next decade, power generation is expected to grow from 96 gigawatts (GW) to at least 280 GW, largely through new hydropower dams and coal-fired power plants. Furthermore, developers of road and rail infrastructure plans are projecting that, over the same period, rail infrastructure is likely to increase by at least 20 percent and high-speed rail capacity will increase over 50 percent.

Environmental and social (E&S) related regulations and mitigation efforts, however, are not keeping pace. The number of projects and their cumulative effects are damaging the Mekong ecosystem and affecting fisheries, forestry, farming, air quality, water quality, and flood regulation. Negative impacts on these and other ecosystem services, in turn, threaten lower Mekong populations' food security, health, homes, and livelihoods.

Typically, E&S risks are considered in infrastructure projects through an Environmental Impact Assessment (EIA) process. However, there is no agreement on a framework for transboundary EIAs and there are flaws in the development and implementation of EIAs in each country in the CLMTV in the project lifecycle. Moreover, the source of the finance for a project will often determine if any additional requirements beyond host-country E&S laws and regulations will apply. For example, an infrastructure project financed by the ADB will require adherence to the ADB Safeguard Policy Statement whilst an infrastructure project financed by a commercial bank will often not require any additional E&S requirements beyond meeting local regulations. Whilst meeting host-country E&S requirements is a minimum requirement, as noted above, E&S regulations in CLMTV countries are often not keeping pace with E&S-related developments and considerations. This is further impacted when host-country requirements are not consistently applied or integrated effectively into the project lifecycle. This leads to risks and impacts not being identified, not managed, or mitigated in the decision making and development process, with local and often global implications for E&S aspects. Finally, as EIAs are often the primary tool in integrating E&S risks into a project, the timing of this process is crucial. However, often EIA's are undertaken after key project decisions affecting the E&S aspects have already been taken leaving minimal scope to properly account for E&S risks, for example in pre-feasibility and feasibility studies.

Whilst recognizing the economic-growth imperative of this underdeveloped region and the role of infrastructure in contributing to growth, the Activity promotes profitable economic growth through sustainable infrastructure development.

Therefore, the Activity aims to:

- → Minimize negative environmental impacts of infrastructure projects by fostering a more robust and consistent understanding and application of E&S requirements in CMLTV countries.
- → Advocate the integration of E&S considerations into early decision making on infrastructure projects to ensure that these risks and impacts are properly identified and managed throughout the project lifecycle.
- → Encourage decision makers to avoid unnecessary, harmful infrastructure through adoption of smart technologies, system-scale infrastructure planning, and innovations.

1.2 Report Purpose

The purpose of the CLMTV Infrastructure Financier Profiles report ("the Report") is to:

- Broadly provide a contextual overview of the existing use of EIA in the CMLTV countries and in infrastructure projects.
- Provide an overview of relevant key aspects such as existing sustainability commitments in CLMTV countries, green finance and other relevant aspects.
- Develop a list of infrastructure donors, investors, and debt providers known to be active or likely to be active in CLMTV.
- Develop profiles that captures key information including summary details and their E&S standard adopted and their approach to incorporating E&S aspects into their decision-making process (including adoption of any international E&S standards).
- Develop recommendations for next steps in the Activity.

1.3 Report Information Gathering Approach

This report has been prepared using desk-based resources to set the context, for example, the overview on infrastructure requirements and drivers for infrastructure development. This has then been supplemented with available public information on financial institutions and, where possible with information obtained from financial institutions who have been willing to engage to provide general information (non-confidential) as it relates to this report.

In this Report the infrastructure financiers were selected based on the following criteria:

- Known to be active or likely to be active in CLMTV countries and infrastructure development;
- To include a range of profiles across multilaterals, export credit agencies, financing platforms and other financing platforms with a range of standards and approaches; and
- Based on market knowledge, and or anecdotal information.

2 LOWER MEKONG INFRASTRUCTURE FINANCE OVERVIEW

Infrastructure plays a central role in the CLMTV economic, social and environmental development. It is the backbone of the economy in all the CLMTV countries and it contributes to improving the wider region's investment environment for attracting foreign development funding[1]. Put simply:

Investment in power infrastructure increases energy security, electrification rates, provides electricity to industrial estates in rural areas, and is essential for achieving universal access for all.

Greater connectivity in national transport infrastructure enhances logistical efficiency and supports the growth of investment, trade and commerce.

Information and communication technology (ICT) infrastructure, supports downstream businesses such as e-commerce and increases connectivity between CLMTV countries and with the wider world.

Investment in water supply and sanitation increases the health of the population, supports development with reliable clean water supplies and can help to reduce healthcare costs of CLMTV countries.

Estimates of required infrastructure investments in the lower Mekong region vary widely depending on the source, methodology, and time horizon. The ADB, for example, estimates that for different regions of Asia, the required level of infrastructure investment should be 4.5 to 8.2 percent of Gross Domestic Product (GDP) and even higher (5.2 to 9.1 percent) on a climate-adjusted basis (i.e. the costs of climate change adaptation and mitigation).

For Southeast Asia, the estimates are 5.0 and 5.7 percent of GDP for the base case and climate-adjusted scenario, respectively. It is also worth noting that these estimates mask the significant diversity which characterizes the CMLTV group, across language, culture, political structure, level of development and economic output gross domestic product per capita.

[1] https://www.asean.org/wp-content/uploads/2015/12/ASEAN-Investment-Report-2015.pdf

Table 1 Infrastructure Finance Needs in CMLTV Countries

INFRASTRUCTURE FINANCE NEEDS	
COUNTRY	ESTIMATED INFRASTRUCTURE INVESTMENT NEEDS IN 2021
Thailand	USD 31,635 million
Laos	USD 1,248 million
Vietnam	USD 16,473 million
Cambodia	USD 1,700 million
Myanmar	USD 4,856 million
Total	***USD ~ 56,000 million***

Source: 5.7 percent investment requirement times forecasted 2021 GDP by www.tradingeconomics.com

Whilst the need for infrastructure is clear and the level of investment can be estimated, the lower Mekong countries are not able to invest the required sums in their infrastructure due to budget shortfalls. Whilst the gap can be partly closed by multilaterals such as the ADB, AIIB and WB, this also presents an opportunity, opening up the need for financing by private finance, including commercial banks. Thailand, for example, has been able to consistently invest only three percent of its GDP in infrastructure. The other lower Mekong countries are no exception in this regard. In fact, infrastructure financing gaps are common all over the world. CLMTV economies would struggle to self-finance the level of infrastructure investment that is required for their sustainable future development thus creating the need for countries to attract other sources of financing.

It is worth noting that much of the funding used for infrastructure in emerging markets is often sourced through foreign donor assistance. That is especially true for small and less-developed countries for which the financing of an infrastructure project would constitute a heavy burden on a country's GDP. Another significant cause of CLMTV reliance on donor aid is that local infrastructure projects are less financially attractive to private capital sources due to long breakeven periods and high perceived risk. Some efforts are being made to mitigate some of this, for example the Association of Southeast Asian Nations (ASEAN) issued its own principles for Public-Private Partnership (PPP) Frameworks in order to help support governments on implementing effective PPP frameworks to create a predictable and efficient environment for infrastructure investment to deliver infrastructure and attracts the private sector[2]. PPPs can be critical in the development of large-scale infrastructure projects, particularly where there maybe complexity in project development or approval processes. In recent years ASEAN Member States have been proactively formulating and reinforcing their national systems on PPP to encourage private participation in infrastructure projects[3].

Currently, the largest CLMTV donor countries are Japan and Korea, whilst the largest multilateral donors include the WB and the ADB.
Table 1

Table 2 Top Infrastructure Donors in CMLTV Countries

TOP INFRASTRUCTURE DONORS				
CAMBODIA	LAO PDR	MYANMAR	THAILAND	VIETNAM
Japan, Asian Development Bank, France, Korea	Japan, Asian Development Bank, World Bank, Korea, Thailand	Japan, World Bank, Asian Development Bank, United States, Korea	Japan, Asian Development Bank	Japan, World Bank, Korea, Asian Development Bank,

Source: http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/infrastructure-finance.htm

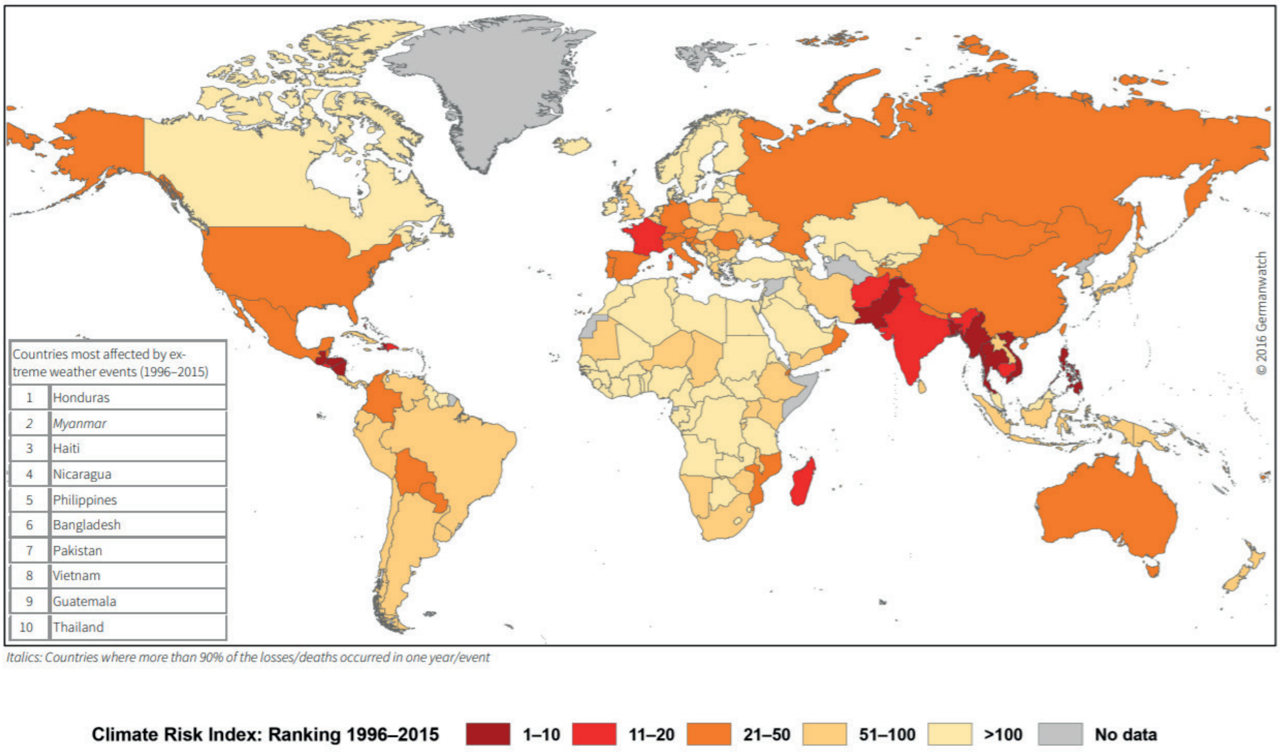
Additionally, there are number of relevant megatrends that will influence infrastructure needs and development. These trends (or "megatrends") broadly include:

- Urbanization, with rural populations moving to urban areas and population growth.
- Emerging and growing middle classes.
- Climate change.

Whilst the first two megatrends are growth drivers for increasing demand for infrastructure the latter will be an impediment to growth and increase costs for infrastructure development, by requiring climate adaptation e.g. increasing elevation design levels to mitigate flooding. There is also an imperative to ensure that the need to reduce emissions is actively included in the planning, design and development in CLMTV countries. This becomes even more important as three of the world's ten countries most affected by climate change are CLMTV countries - namely Myanmar, Thailand, and Vietnam[4], as Figure 1 below demonstrates. Additionally, with extensive coastline of Cambodia, Myanmar, Thailand and Vietnam (noting Laos is land locked) and more populous neighbors (such as India and China), climate change may also impact interstate relations in the region (e.g. through water competition or migration due to food scarcity). Given this context, there is a need to reduce emissions that drive climate change, and "future proof" where possible; both of which are directly relevant to infrastructure development.

[2] https://www.asean.org/storage/images/pdf/2014_upload/Attachment-ASEAN%20%20PPP%20Principles.pdf
[3] http://www.eria.org/PPP%20in%20ASEAN_Full%20Report_2015.pdf
[4] https://germanwatch.org/sites/germanwatch.org/files/publication/20432.pdf

Figure 1 World Map of the Global Climate Risk Index 1996–2015



Source: Germanwatch (2017). Global Climate Risk Index 2018.

In addition, continuing a "business as usual" approach would mean adopting a "grow now and clean up later" model, which is likely to result in higher economic and social costs in the future, as compared to greener action now[5] [6]. Acting early to secure green infrastructure is especially important for ASEAN countries that have yet to build much of their infrastructure, particularly given infrastructure lifespan that is measured in decades. Doing so will also support the ASEAN Member States in meeting international commitments related to climate change and sustainable development including the Paris Agreement.

Interlinked with CMLTV countries is the broader ASEAN plan for improving connectivity between ASEAN countries that is captured in the Master Plan on ASEAN Connectivity 2025 (Master Plan)[7]. A key objective of the Master Plan is to work towards a comprehensively connected and integrated ASEAN region and has five key strategic areas: sustainable infrastructure, digital innovation, seamless logistics, regulatory excellence, and people mobility. This is mentioned here in the context of being another driver for infrastructure project development, with a focus on interconnectivity between CLMTV countries.

5 http://webarchive.nationalarchives.gov.uk/20100407163608/http://www.hm-treasury.gov.uk/d/Summary_of_Conclusions.pdf
6 https://openknowledge.worldbank.org/bitstream/handle/10986/6058/9780821395516.pdf
7 https://cil.nus.edu.sg/wp-content/uploads/2019/02/2016-Master-Plan-On-ASEAN-Connectivity-2025-1.pdf

3 APPROACHES TO EIA AND FINANCIER E&S STANDARDS

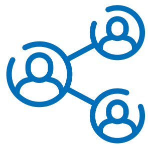
3.1 Overview

Infrastructure projects tend to be new, large scale developments with construction activities that often require significant areas of land, are often labor intensive and can often carry with them a wide array of E&S risks and impacts, such as involuntary resettlement, biodiversity risks, impacts on indigenous peoples, worker occupational health & safety, community health & safety etc.

In order to support in the understanding of the of E&S topics, a summary of key E&S sub-topics is provided below in Figure 2 below.

Figure 2 Key Environmental & Social Topics

- Air emissions
- Biodiversity
- Climate change
- Wastewater
- Land contamination
- Water pollution
- Waste



- Occupational health and safety
- Community health & safety (and security)
- Labour & working conditions (including forced/illegal/migrant labour)
- Involuntary land acquisition and resettlement
- Stakeholder engagement
- Grievance management
- Indigenous peoples
- Cultural heritage (e.g. artifacts, customs, sites)

Note, this is a summary of typical key topics and does not encompass all topics. In addition, not all maybe relevant to each infrastructure project in addition, some topics may be more relevant in some jurisdictions and sectors than others.

To effectively understand and manage these E&S risks and impacts there is a need for early consideration, which should start as soon as possible and be conducted concurrently with the feasibility and design selection studies in an integrated manner. This may entail some early studies that will consider priority areas (e.g. biodiversity) that can then be used to provide some early input into alignments and design considerations in infrastructure e.g. the use of different alignments to avoid areas of high biodiversity for railways. Although it is recognized that other factors including cost and technical feasibility may also need to be considered. Where existing early decisions have already been made, the impact assessment process may lead to a reconsideration of these decisions and potentially new alignments to ensure that E&S risks and impacts are minimized.

3.2 Approaches to EIA in the Mekong

In 2016, USAID through the Mekong Partnership for Environment Program, commissioned Earth Rights International and Mekong Legal Network (MLN) to produce an Environmental Impact Assessment in the Mekong Region Manual for EIA practitioners in the six Mekong countries.

The manual is the first comparative analysis of the EIA systems of each of the six Mekong countries, including the common themes and approaches[8]. To note the Manual builds on the 2015 research (also funded by USAID) titled Environmental Impact Assessment Comparative Analysis in Lower Mekong Countries[9].

These documents presented the following key findings:

- EIA is a process used by all governments in the Mekong Region to assess the potential impacts of development proposals and to consider alternative options and management strategies as part of the decision on whether to proceed with the project.

- In the Mekong Region, there are various agreements and mechanisms for considering transboundary environmental issues, however, no agreement for transboundary considerations in EIAs exists yet. As such, there is no regional framework for EIAs for proposed projects that have transboundary impacts (particularly important for some regional features like the Mekong River that runs through four of the five CLMTV countries).

- The Mekong countries have adopted the same general approach to EIA and environmental assessment. EIA processes consist of more-or-less similar procedures, involving screening, scoping, impact assessment, approval, and post-decision implementation. EIA processes in the Lower Mekong countries are commonly backed by legislation in each country, often with the support of regulations and guidelines for particular sectors or areas. However, differences also exist.

- A key weakness across the Mekong Region is that monitoring, compliance and enforcement of the EIA process remains poor. Whilst the focus is on the preparation and review of the EIA leading to the determination of the project (approval or rejection), there is little attention on the enforcement and compliance with the Environmental Management Plan as defined by the EIA.

- A second key weakness is the implementation of EIA processes in Lower Mekong countries often commences too late, when the major project decisions (including site, design, and construction preparation) already have been made, thereby rendering the EIA process a formality.

[8] https://earthrights.org/wp-content/uploads/eia_manual_final_0.pdf
[9] https://portal.gms-eoc.org/uploads/resources/1117/attachment/Environmental%20Impact%20Assessment%20Comparative%20Analysis%20In%20Lower%20Mekong%20Countries.pdf

As some further background, provided in this report, the EIA process has been established in Southeast Asia for over 40 years. The CLMTV countries have a formal and legally binding system of environmental impact assessment for major projects that may have a significant environmental or social impact. The EIA process can be defined as: "The process of identifying, predicting, evaluating and mitigating the biophysical, social, and other relevant effects of development proposals (and other activities) prior to decisions being taken and commitments made"[10].

As the CLMTV countries face rapid economic growth, with the associated infrastructure and industrial development, the EIA process has become an increasing important tool for promoting sustainable economic growth in the region.

The principles of conducting an EIA are generally clear and overall, many of the elements are common throughout the CLMTV countries (ASEAN and internationally). Also see Section 3.2.6 below on the ASEAN Charter that provides some further context on EIA in ASEAN (and, therefore, CLMTV countries).

However, EIA is typically not considered sufficient on its own, as the focus is on environmental aspects and therefore often not accounting for social aspects, that can be substantial in terms of social impacts. For example, significant involuntary land acquisition and resettlement for a new railway line, as in the case of the Vientiane–Boten railway, linking the capital of Laos with the border of China. Therefore, assessments termed Environmental and Social Impact Assessments (ESIAs) were developed to incorporate the consideration of social impacts, including consultation and agreement with impacted communities. Furthermore, Strategic Environmental Assessments (SEAs) have also been developed as another tool, recognizing that there is often a need to consider at a country-level a national process for policy and planning (that also considers cumulative impacts) prior to the project assessment stage in an ESIA.

International standards such as those in section 3.3, typically consider an ESIA rather than simply an EIA, recognizing the broader suite of topics which are interlinked and need appropriate assessment of the risks and impacts in infrastructure development. Figure 3 below shows a schematic demonstrating typical EIA topics and the additional wider topics that maybe included in an ESIA.

[10] www.iaia.org/publicdocuments/specialpublications/ Principles%20of%20IA_web.pdf

Figure 3 Schematic of EIA topics and ESIA Topics

Environmental Impact Assessment (EIA)

Topics often include:

- Surface water and sediment
- Groundwater/water/wastewater
- Air quality
- Climate Change
- Noise and vibration
- Landscape and visual amenity
- Soil and land use
- Biodiversity
- Waste

Environmental and Social Impact Assessment (ESIA)

Topics often also include:

- Stakeholder Engagement/Consultation*
- Socio-economic study*
- Health, safety and security*
- Involuntary resettlement and land acquisition:
  - Loss of land
  - Loss of structures
  - Loss of Livelihood
  - Loss of assets
  - Loss of access to community infrastructure or
- Cultural heritage
- Indigenous people
- Labour and working conditions
- Traffic and transport

* These topics sometimes are included in an Environmental Impact Assessment.

3.3 International E&S Standards

In this section of the report, a brief summary of international style standards that are required to be applied by the entities that have developed them, in addition to being referred to (often as guidance) by other parties in infrastructure development.

3.3.1 Overview

In the following sections are some international standards/requirements that are adopted by a variety of financial institutions (including the owning organization).

In terms of their practical application a generally common approach is applying the following to the investment process:

- Screening against an exclusion list. This is typically a list of prohibited activities which a financial institution will not support, for example the ADB Prohibited Activities List[11], IFC Exclusion List[12], Standard Chartered 's Prohibited Activities list[13], etc.

- The host-country's policy, legal and institutional framework, including its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules and procedures. This is typically the minim requirement across all financing, with legal agreements requiring compliance with host-country legal requirements at a minimum.

- Other requirements/guidance, e.g. the ADB Safeguard Policy Statement. In these cases where this is applied, it is typically the stricter of the requirements been host-country laws and regulations and the "additional" international standards that are applied, unless there is reason not to, for example under the Equator Principles there is the concept of a "justified deviation", which typically means that there is no significant impact to the environment or human health.

3.3.2 ADB Safeguard Policy Statement

ADB's Safeguard Policy Statement[14] was issued in 2009 aims to address E&S risks in development projects and minimize and mitigate, if not avoid, adverse project impacts on people and the environment. Its specific objectives are, namely, to avoid project adverse impacts on the environment and affected people where possible; minimize, mitigate and/or compensate for adverse project impacts on the environment and affected people when it is not possible to avoid them; and assist borrowers / clients to improve their safeguard systems and develop the capacity to manage E&S risks.

[11] See Appendix 5: https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf
[12] http://www.ifc.org/exclusionlist
[13] https://www.sc.com/en/sustainability/position-statements/prohibited-activities/
[14] https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf

3.3.3 IFC Performance Standards

IFC's Environmental and Social Performance Standards[15] (PS) were first issued in 2006 and updated in 2012 and define IFC's client responsibilities for managing their environmental and social risks. The PSs are directed towards clients, providing guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way. In the case of its direct investments (including project and corporate finance provided through financial intermediaries), IFC requires its clients to apply the PSs to manage environmental and social risks and impacts so that development opportunities are enhanced.

3.3.4 Equator Principles

The Equator Principles (EPs) were first established in 2003 and are now on the fourth version[16] and are a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.

At the time of writing there are 105 Equator Principles Financial Institutions (EPFIs) in 38 countries have officially adopted the EPs, covering the majority of international project finance debt within developed and emerging markets. (There are currently no EPFIs in CLMTV countries.)

The Equator Principles address a specific means of financing, namely, associated with project finance. In CLMTV countries they require (amongst other requirements) the application of host-country requirements in addition to IFC Performance Standards as all CLMTV countries are "non-designated".

3.3.5 JBIC Environmental Guidelines

JBIC has established "JBIC Guidelines for Confirmation of Environmental and Social Considerations (Environmental Guidelines)"[17], which set out the guiding policy and procedures for confirming that the borrowers or project proponents have taken appropriate steps for environmental and social considerations. The Guidelines states that project proponents undertake appropriate environmental and social considerations so as to prevent or minimize the impact on the environment and local communities, and not bring about unacceptable impacts which may be caused by the projects for which JBIC provides funding. To note, the JBIC Environmental Guidelines consider adherence to the World Bank Safeguard Policies (now Environmental and Social Framework) and IFC Performance Standards as good international practice.

[15] www.ifc.org/performancestandards
[16] https://equator-principles.com/wp-content/uploads/2020/05/The-Equator-Principles-July-2020-v2.pdf
[17] https://www.jbic.go.jp/en/business-areas/environment.html

3.3.6 World Bank Environmental and Social Framework

The World Bank Environmental and Social Framework (ESF)[18] was launched in 2018 and sets out the World Bank's commitment to sustainable development, through a Bank Policy and a set of Environmental and Social Standards that are designed to support Borrowers' projects.

The ESF comprises of:

- The Bank's aspirations regarding environmental and social sustainability.
- The Bank's Environmental and Social Policy for Investment Project Financing, which sets out the mandatory requirements that apply to the Bank; and
- The Bank's Environmental and Social Standards which set out the mandatory requirements that apply to the Borrower and projects.

3.4 Gender

Whilst not an obvious interlink, infrastructure development and gender do have a number of overlaps and is recognized as becoming increasingly important with development finance institutions now setting best practices when it comes to integrating gender considerations into infrastructure projects.

The focus of this is acknowledging and supporting women and consideration of benefits to women in the development lifecycle, in addition to minimizing negative impacts, for example negative impacts on families with displacing households.

Key aspects to be considered include:

- Reducing the health, education and social-protection gaps between men and women.
- Removing constraints to increase women's participation in the labor force, enhance income-earning opportunities, and improve access to key productive assets.
- Removing barriers to women's ownership and control of assets, including improving women's access to land, housing and technology.
- Enhancing women's visibility and engaging men and boys by including women in decision making, reducing discrimination and reduce gender-based violence and its impact.

[18] https://www.worldbank.org/en/projects-operations/environmental-and-social-framework

Infrastructure projects, through their inherent characteristics, can result in disruption to communities. The aim should be to ensure this disruption does not worsen the existing power imbalances between women and men. This often begins with the earliest stages of infrastructure design, and then needs to continue throughout the construction and operational phases.

As an example of an approach, the ADB has recognized that gender equality and women's empowerment are essential for meeting Asia's aspirations of inclusive and sustainable development. ADB has developed a Policy on Gender and Development (GAD) that is a guiding framework for gender and development activities. The GAD Policy adopts gender mainstreaming as the key strategy for promoting gender equality and women's empowerment across the full range of ADB operations at a strategic level with country partnerships to implementation on a project basis. Furthermore, ADB's Strategy 2030 includes "accelerating progress in gender equality" as one of its seven operational priorities. ADB then track and report annually on gender performance.

3.5 Existing Relevant Sustainability Commitments in CLTMV Countries

There are three key sets of initiatives that are relevant to infrastructure in CLMTV countries (and globally), namely, ASEAN Charter, the Sustainable Development Goals (SDGs) and the Paris Agreement. Whilst neither initiative directly references E&S aspects in financing, it is clear that consideration of E&S in the infrastructure lifecycle will be a key enabler to meet the intentions of both initiatives.

3.5.1 ASEAN Charter

The ASEAN Charter, which came into force in December 2008, commits the ASEAN community (and therefore CLMTV countries) to support sustainable development for the benefit of present and future generations. In Article 1 of the ASEAN Charter one of the stated purposes is: *"To promote sustainable development so as to ensure the protection of the region's environment, the sustainability of its natural resources, the preservation of its natural resources, the preservation of its cultural heritage and the high quality of life of its peoples"*[19].

This commitment was also further embedded under the Manila Declaration on the ASEAN Environment in 1981[20]. The recognition of the EIA process as a basis for sustainable development in ASEAN was further acknowledged in the Bangkok Declaration on the ASEAN Environment 1984 which sought to strengthen the use of EIA[21]. Included the Bangkok Declaration is the guideline of *"Continue and strengthen the use of Environmental Impact Assessment (EIA) process and extended Cost - Benefit Analysis for minimizing the adverse effects and for ensuring proper consideration of*

[19] https://asean.org/wp-content/uploads/images/archive/publications/ASEAN-Charter.pdf
[20] https://environment.asean.org/manila-declaration-on-the-asean-environment/
[21] https://environment.asean.org/bangkok-declaration-on-the-asean-environment/#:~:text=To%20implement%20the%20ASEAN%20DEVELOPMENT,view%20to%20incorporating%20environmental%20dimension.

environmental values in all projects and programs under government that are likely to produce significant environmental impact and its gradual extension to the private sector including industry". Note however, the focus on environmental aspects, rather than broader E&S risks and impacts. Nonetheless the intent to ensure that impact assessment is conducted is clear where there may be significant impacts.

3.5.2 Sustainable Development Goals

The SDGs are a set of 17 global goals set by the United Nations Development Programme (UNDP) that were adopted unanimously by all 193 member states in 2015.[22] Of particular relevance to infrastructure is ***SDG 9***: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Two targets under ***SDG 9*** relate directly to sustainable infrastructure are:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Target 9.1

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Target 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

[22] https://www.un.org/sustainabledevelopment/blog/2015/09/historic-new-sustainable-development-agenda-unanimously-adopted-by-193-un-members/

3.5.3 Paris Agreement

The Paris Agreement was established within the United Nations Framework Convention on Climate Change (UNFCCC) and was adopted on 12 December 2015[23]. The Paris Agreement focusses on greenhouse gas (GHG) emissions mitigation, adaptation and finance and starts in the year 2020. Under the agreement, each country must determine, plan and regularly report on the contribution (Nationally Determined Contributions, or NDCs) that it will undertake to mitigate global warming. The NDCs are at the core of the Paris Agreement and the building blocks in the achievement of the long-term goal of slowing climate change. The NDCs document the efforts by each country to reduce their national emissions and adapt to the impacts of climate change. The first submission by countries for NDCs is in 2020. Thereafter, enhanced ambitions are to be submitted every five years. Prior to the first submission of NDCs countries have submitted Intended NDCs (INDCs) that include what have been termed unconditional commitments and conditional, where conditional commitments present more ambitious commitments (or sets of actions) provided certain conditions are met, generally with additional external assistance that can include financial support.

To meet their NDC commitments, countries will need to put in place a comprehensive set of policies aimed at reducing carbon emissions (that will also need to include infrastructure development). At the time of preparing this report, all CLMTV countries have ratified the Paris Agreement[24]. All CLMTV countries have submitted their NDCs as a pledge of their contributions[25]. For Southeast Asia overall, unconditional NDC projections are only slightly below a business as usual scenario, whilst conditional pledges are in line with a 3°C scenario global temperature increase with this more ambitious goal being conditional on the provision of climate finance and international support[26]. Consequently, Southeast Asia will need to expand its ambition to meet the Paris Agreement. The cost to achieve a 2°C scenario through 2010 to 2050 is expected to be around 2.5% to 3.5% of GDP in Southeast Asia. However, benefits from reduced air pollution, traffic congestion, and vehicular accidents can offset 40% to 50% of the above costs[27]. The importance of infrastructure in relation to NDCs is that it is estimated that approximately 70% of global greenhouse gas emissions are from the construction and operation of infrastructure[28].

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[23] https://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf
[24] https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en
[25] http://www.indonesiaunfccc.com/asean-ndc-partnership-translating-ndc-into-actions/
[26] https://www.unescap.org/sites/default/files/Download.pdf
[27] https://www.unescap.org/sites/default/files/Download.pdf
[28] http://blogs.worldbank.org/infs/low-carbon-infrastructure-essential-solution-climate-change

A recent Intergovernmental Panel on Climate Change (IPCC) report has set forth a scenario in order to limit global warming to 1.5°C. The underlying message is to cut carbon emissions as much as possible as swiftly as possible, which should spur along the need for more ambitious NDCs.

Whilst the scale of the investment potential contained in the NDCs is massive, the ability of many CLMTV countries to deliver on their commitments will not only be met by their governments and donors, and therefore requiring private finance. Well considered projects may be well placed to support NDC implementation and infrastructure can be a priority area to reduce carbon emissions in existing and future development and mitigate the impacts of climate change.

3.6 Green Finance

The term "green finance" is increasingly being adopted, including for infrastructure financing, although there is not yet a unifying definition of what green finance constitutes.

Broadly, to qualify as green finance, the focus can be on greening of existing infrastructure, spending or mobilizing additional investments in key sectors (such as clean energy, sustainable transport, natural resources management and pollution prevention and control). The Climate Bond Initiative (CBI) taxonomy[29] often serves as a guide for "climate aligned" assets and projects (including infrastructure related aspects).

This is included in this report as the demand for green finance has increased which has resulted in the development and growth of dedicated green financial products including green bonds, green loans, social and sustainable bonds, green infrastructure investment trusts and green index products and is becoming increasingly of interest particularly for commercial banks.

Note that it is the actual concept, design and execution throughout the lifecycle of an infrastructure project that defines how green it may be. For instance, a new build electric railway system powered by thermal power may not be greener overall than an upgrade of an existing road in terms of greenhouse gas (GHG) emissions over the life of the project, but that balance could change if the rail project were powered by renewable energy. Overall, better green outcomes become more likely the earlier they are incorporated into the decision-making process of infrastructure projects (from conception, preparation and design, through to construction, operation and ultimately decommissioning). This can start at the outset with government master planning that decides the location and types of projects through to the detailed design phases where alignments or technology choices influence the overall ability to deliver as green infrastructure. Additionally, to qualify as green this can mean the meeting of certain eligibility criteria that may not take into account wider E&S impacts, for example, negative biodiversity impacts from a hydropower project or involuntary resettlement in the development of a utility-scale solar power plant. As such green finance may not typically be a panacea for managing E&S aspects on infrastructure projects.

[29] https://www.climatebonds.net/standard/taxonomy

4 FINANCIERS OF CLMTV INFRASTRUCTURE PROJECTS

The sections below provide profiles of financiers that had been identified for inclusion in this report and are summarized in Table 3 below.

Table 3 Selected Financial Institutions

NAME OF INSTITUTION	TYPE OF FINANCIAL INSTITUTION
Asian Development Bank	Multilateral
Asian Infrastructure Investment Bank (AIIB)	Multilateral
Bayfront Infrastructure	Financing Platform
China-ASEAN Capital Advisory	Financing Platform
International Finance Corporation (IFC)	Multilateral
InfraCo Asia	Financing Platform
Japan Bank for International Cooperation (JBIC)	Export Credit Agency
KfW-INPEX	Development Institution
Korea Exim Bank (KEXIM)	Export Credit Agency
Krung Thai Bank	Commercial Bank
Mitsubishi UFJ Bank (BTMU)	Commercial Bank
Mizuho Bank	Commercial Bank
Siam Commercial Bank	Commercial Bank
Standard Chartered Bank	Commercial Bank
Sumitomo Mitsui Banking Corporation (SMBC)	Commercial Bank
Thanachart Bank	Commercial Bank
U.S. International Development Finance Corporation	Development Institution
World Bank	Multilateral

Profiles of these financiers are included below.

4.1 Asian Development Bank

Description

1. Overview

The Asian Development Bank (ADB) is a regional development bank established on 19 December 1966, which is headquartered in the Ortigas Center located in the city of Mandaluyong, Metro Manila, Philippines. The company also maintains 31 field offices around the world to promote social and economic development in Asia. The bank admits the members of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, formerly the Economic Commission for Asia and the Far East or ECAFE) and non-regional developed countries. From 31 members at its establishment, ADB now has 68 members.

The Asian Development Bank (ADB) is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. It assists its members and partners by providing loans, technical assistance, grants, and equity investments to promote social and economic development.

2. Scope

In 2018, the demand for ADB assistance continued to grow. New commitments in 2018 reached USD 21.58 billion in loans and grants, exceeding the target of USD 19.71 billion and the 2017 total of USD 19.69 billion. Of the 2018 total, private sector commitments saw year-on-year growth of 37% to about USD 3.14 billion, the highest level to date. ADB private sector operations also mobilized co-financing of USD 7.17 billion. Including official and commercial co-financing and technical assistance, ADB's total commitments last year were USD 35.82 billion, a 13% increase on 2017.

1) Products and Services

→ Public Sector (Sovereign) Financing
ADB offers a range of financial products that help developing member countries (DMCs) build economic growth and social development. These tools include loans, technical assistance, and grants. Public sector (sovereign) financing is extended to DMC governments and public sector entities, such as state-owned enterprises. Sovereign lending or financing secured by a government guarantee forms the greater part of ADB's development assistance.

→ Private Sector (Non-sovereign) Financing
ADB focuses on projects that help promote private investments in the region that will have significant development impact and will lead to accelerated, sustainable, and inclusive growth.

→ Co-financing Partnerships

Building strong partnerships with diverse institutions is a major focus of ADB's Strategy 2030 to mobilize more resources for its sovereign and non-sovereign operations. A key measure of ADB's success is the volume and quality of additional resources it mobilizes on top of its own financing. ADB works jointly with international development agencies, multilateral and bilateral institutions, the private sector, and other emerging development partners to fund activities that improve people's lives in the region. ADB also helps developing member country governments and private sector borrowers in securing debt financing from commercial financial institutions for ADB projects on commercial terms.

→ Results-Based Lending (RBL) for Programs

Results-based lending (RBL) is a performance-based form of financing, where disbursements are linked to the achievement of results rather than to upfront expenditures, as is the case with traditional investment lending.

→ Trade Finance Program (TFP)

ADB's Trade Finance Program (TFP) fills market gaps for trade finance by providing guarantees and loans to banks to support trade. Backed by its AAA credit rating, ADB's TFP works with over 200 partner banks to provide companies with the financial support they need to engage in import and export activities in Asia's most challenging markets. With dedicated trade finance specialists and a response time of 24 hours, the TFP has established itself as a key player in the international trade community, providing fast, reliable, and responsive trade finance support to fill market gaps. A substantial portion of TFP's portfolio supports small and medium-sized enterprises (SMEs), and many transactions occur either intra-regionally or between ADB's developing member countries. The program supports a wide range of transactions, from commodities and capital goods to medical supplies and consumer goods. The TFP continues to grow, supporting billions of dollars of trade throughout the region, which in turn helps create sustainable jobs and economic growth in Asia's developing countries. TFP is a program of ADB's Private Sector Operations Department.

→ Funds and Resources

Most of ADB's lending comes from its ordinary capital resources, offered at near-market terms to lower- to middle-income countries, and beginning in 2017, at very low interest rates to lower income countries. ADB also provides loans and grants from Special Funds, of which the Asian Development Fund is the largest. The Asian Development Fund offers grants that help reduce poverty in ADB's poorest borrowing countries.

2) Operational Priorities

a) Addressing remaining poverty and reducing inequalities

Supports the Sustainable Development Goal agenda to tackle poverty and inequality and leave no one behind.

Strategic Operational Priorities:

- Human capital and social protection enhanced for all
- Quality jobs generated
- Access to opportunities increased for the most vulnerable

b) Accelerating progress in gender equality

Support for gender equality and women's empowerment is also central to the 2030 Agenda for Sustainable Development.

Strategic Operational Priorities:

- Women's economic empowerment increased
- Gender equality in human development enhanced
- Gender equality in decision-making and leadership enhanced
- Women's time poverty and drudgery reduced
- Women's resilience to external shocks strengthened

c) Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability

Thirteen of the seventeen Sustainable Development Goals are relevant to or will be impacted by actions on climate change, climate and disaster resilience, and the environment.

Strategic Operational Priorities:

- Mitigation of climate change increased
- Climate and disaster resilience built
- Environmental sustainability enhanced

d) Making cities more livable

Cities in Asia and the Pacific have unprecedented opportunities to transform the well-being of their citizens and to catalyze economic development through increased urbanization by 2030. Strategic

Operational Priorities:

- Improve access, quality and reliability of services in urban areas
- Strengthen urban planning and financial sustainability of cities
- Improve urban environment, climate-resilience and disaster management of cities

e) Promoting rural development and food security

Cities in Asia and the Pacific have unprecedented opportunities to transform the well-being of their citizens and to catalyze economic development through increased urbanization by 2030. Strategic

Operational Priorities:

- Rural development
- Agricultural value chains
- Food security

f) Strengthening governance and institutional capacity

Governance and institutional reforms are needed to sustain development momentum in the region and to ensure that the benefits of growth are equitably and widely shared.

Strategic Operational Priorities:

- Strengthened public management and financial stability
- Enhanced governance and institutional capacity for service delivery
- Strengthened country systems and standards

g) Fostering regional cooperation and integration

Operations are expected to enhance connectivity and competitiveness, promote regional public goods, strengthen cooperation in the finance sector, and strengthen sub-regional initiatives.

Strategic Operational Priorities

- Greater and higher quality connectivity between economies
- Global and regional trade and investment opportunities expanded
- Regional public goods increased and diversified

E&S Approach Summary

1. *Environmental & Standards Adopted*

ADB has established its Safeguard Policy Statement (SPS) which governs the E&S safeguards of ADB's operations. The objectives of the SPS are to avoid, or when avoidance is not possible, to minimize and mitigate adverse project impacts on the environment and affected people, and to help borrowers strengthen their safeguard systems and develop the capacity to manage environmental and social risks.

The current SPS was approved by ADB's Board of Directors in July 2009, the SPS builds upon the three previous safeguard policies on the environment, involuntary resettlement, and indigenous peoples, and brings them into a consolidated policy framework that enhances effectiveness and relevance. The SPS applies to all ADB-supported projects reviewed by ADB's management after 20 January 2010. ADB works with borrowers to put policy principles and requirements into practice through project review and supervision, and capacity development support. The SPS also provides a platform for participation by affected people and other stakeholders in project design and implementation.

ADB's SPS includes the following main components:

- ADB's Safeguard Policy and the relevant implementation requirement.
- ADB's Safeguard Requirements are separated to include.

  These safeguard requirements are as follows:
  - Safeguard Requirements 1: Environment (Appendix 1).
  - Safeguard Requirements 2: Involuntary Resettlement (Appendix 2).
  - Safeguard Requirements 3: Indigenous Peoples (Appendix 3).
  - Safeguard Requirements 4: Special Requirements for Different Finance Modalities (Appendix 4).

- ADB Prohibited Investment Activities List.

In addition, ADB has also established the following policies relating to E&S aspects:

- ADB's Social Protection Strategy.
- ADB's Policy on Gender and Development.

2. *How E&S review is incorporated into the investment lifecycle*

The ADB has developed a consolidated Operations Manual section that specifies ADB's internal review procedures for due diligence and for supervision throughout the project cycle.

ADB will not finance projects that do not comply with its safeguard policy statement, nor will it finance projects that do not comply with the host country's social and environmental laws and regulations, including those laws implementing host country obligations under international law. In addition, ADB will not finance activities on the prohibited investment activities list (included in Appendix 5 of the SPS).

For projects proposed for financing, ADB will conduct a review against the Safeguards, which includes reviews of the borrower's safeguard documents, as part of its overall due diligence. Due diligence and review includes field visits as well as desk-based reviews as appropriate. Through this process, ADB reviews whether all key potential E&S risks and impacts of a project are identified, whether effective measures to avoid, minimize, mitigate, or compensate for the adverse impacts have been incorporated into management plants and designs of the project and whether the borrower understands ADB's SPS and requirements as laid out in Safeguard Requirements 1–4 and has the necessary commitment and capacity to manage social and environmental impacts and/or risks adequately. The approach also requires that the role of third parties is appropriately defined in the safeguard (management) plans and that consultations with affected people are conducted in accordance with ADB's requirements. If from this process it is identified that the assessment and planning process, or the safeguard documents, do not meet ADB's E&S requirements, then the borrower is required to undertake additional assessment and/or improve the safeguard plans.

During the life of the project where ADB's has been involved, monitoring is undertaken. The extent of monitoring activities is commensurate with the project's risks and impacts. Measures to meet the requirements under the SPS are included in legal agreements and borrowers are required to submit periodic monitoring reports on their implementation performance. ADB monitors projects on an ongoing basis until a project completion report is issued.

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4.2 Asian Infrastructure Investment Bank (AIIB)

Description

1. *Overview*

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission to improve social and economic outcomes in Asia. The bank began operations in January 2016 with its headquartered in Beijing and it has a total of 103 approved members worldwide. By investing in sustainable infrastructure and other productive sectors in Asia and beyond, we will better connect people, services and markets that over time will impact the lives of billions and build a better future.

2. *Scope*

According to the Articles of Agreement (AOA) of AIIB, the bank will "provide or facilitate financing to any member, or any agency, instrumentality or political subdivision thereof, or any entity or enterprise operating in the territory of a member, as well as to international or regional agencies or entities concerned with economic development of the Asia region." Furthermore, the AOA permits the bank to provide financing in a variety of ways, including, inter alia, making loans, investing in the equity capital of an enterprise, and guaranteeing, whether as primary or secondary obligor, in whole or in part, loans for economic development. In addition, the bank may underwrite, or participate in the underwriting of, securities issued by any entity or enterprise for purposes consistent with its purpose.

Product and Services

a) Sovereign-Backed Financing
Supports the Sustainable Development Goal agenda to tackle poverty and inequality and leave no one behind.

- A loan to, or guaranteed by, a member of AIIB.
- A guarantee that:
  - covers debt service defaults under a loan that are caused by a government's failure to meet a specific obligation in relation to the project or by a borrower's failure to make a payment under the loan.
  - is accompanied by a member indemnity.

b) Non-sovereign-Backed Financing

Any financing extended by AIIB that is not a sovereign-backed financing. it includes any financing to or for the benefit of a private enterprise or a sub-sovereign entity (such as a political or administrative subdivision of a member or a public sector entity) that is not backed by a guarantee or counter-guarantee and indemnity provided by the member to the bank.

c) Equity Investment

Direct equity investments in private or public sector companies. It may invest either in a new enterprise or an existing enterprise. The investment may take a variety of forms, including:

- Subscriptions to ordinary shares or preference shares (or a combination of both).
- A loan convertible into equity. The bank's investment may not exceed thirty percent (30%) of the company's ownership holdings.

However:

- In exceptional circumstances, the board of the bank may decide to approve a higher, but not controlling share.
- If the bank's investment is in jeopardy, the bank may take control of the company in order to safeguard its investment.

d) Preparation Advances for Sovereign-Backed Financing

AIIB may decide to make an advance (Preparation Advance) to finance preparatory activities for a project to be supported by sovereign-backed financing. A Preparation Advance is made only when there is a strong probability that the financing for which it is granted will be extended, but granting a Preparation Advance does not obligate the Bank to finance or otherwise support the project for which it is granted.

The maximum aggregate principal amount of all approved Preparation Advances for any given project may not exceed the lesser of:

- Ten percent (10%) of the total estimated amount of financing for a project.
- USD10 million equivalent; or,
- The President decides whether to approve each Preparation Advance.

E&S Approach Summary

1. *Environmental & Social Standards Adopted*

E&S is a fundamental aspect of the AIIB's support for infrastructure development and enhanced interconnectivity in Asia. AIIB has established its Environmental and Social Framework (ESF) to support the bank and its clients in achieving environmentally and socially sustainable development outcomes. It does so by integrating good international practice on environmental and social planning and management of risks and impacts into decision-making on, and preparation and implementation of, AIIB supported projects.

The ESF includes the following elements:

- Introduction and Vision. This provides an overview of the objective and structure of AIIB's ESF.
- Environmental and Social Policy of AIIB. This document sets out mandatory requirements regarding environmental and social screening, categorization, due diligence, management, information disclosure, consulting, reporting and monitoring, as well as grievance redress.
- Environmental and Social Standards (ESS). These standards include specific requirements regarding environmental and social assessment and management, involuntary resettlement and indigenous peoples.
- Environmental and Social Exclusion List.

Note that the ESF was first issued in 2016 and is currently undergoing a review process that includes public consultation with a view to present the updates in February 2021.

In addition, AIIB will launch its AIIB-Amundi Climate Change Investment Framework on 9 September 2020 which will include the bank's position and requirements regarding climate change related risks.

2. *How E&S review is incorporated into the investment lifecycle*

AIIB maintains an operational policy for its financing operations that incorporates project E&S aspects. The process is broadly:

AIIB screens and categorizes each proposed project to determine the nature and level of the E&S review required. This categorization takes into consideration the nature, location, sensitivity and scale of the project, and is also based on the nature and extent of the potential environmental and social risks and impacts. This process also considers which of the ESS are applicable. Where there are existing E&S assessments for the project, AIIB reviews these to consider if further work is required. Categorization is carried out, using the highest E&S risk from the project. As part of the categorization process, AIIB may carry out a site visit to understand the content and the borrower's approach to managing E&S aspects.

For infrastructure, AIIB would categorize as one of three categories (this also includes some of the required review and assessment obligations for projects):

- Category A: A project is categorized A if it is likely to have significant adverse E&S impacts that are irreversible, cumulative, diverse or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works and may be temporary or permanent in nature. As a result AIIB requires that an ESIA is conducted (or equivalent E&S) assessment, for each Category A Project, and to prepare an E&S Management Plan and or E&S Management Plan framework as part of the ESIA. The ESIA for a Category A project examines the potential E&S impacts, both positive and adverse, compares them with those of feasible alternatives (including the "no project" situation), and recommends any measures needed to avoid, minimize, mitigate, or compensate for adverse impacts and improve E&S performance of the Project.

- Category B: A project is categorized B when: it has a limited number of potentially adverse E&S, the impacts are not unprecedented, few if any of them are irreversible or cumulative, they are limited to the project area and can be successfully managed using good practice in an operational setting. AIIB requires that the borrower conduct an initial review of the E&S implications of the project. Then based on this review, AIIB determines the appropriate approach to assess the project's E&S risks and impacts. The assessment examines the project's potentially negative and positive E&S impacts and recommends any measures needed to avoid, minimize, mitigate, or compensate for adverse impacts and improve the E&S performance of the Project.

- Category C: A Project is categorized C when it is likely to have minimal or no adverse E&S impacts. In these cases, AIIB does not require an E&S assessment, but does require the borrower to conduct a review of the E&S implications of the project.

As part of the internal review process AIIB conducts E&S due diligence, that is proportional to the he nature and scale of the project and its E&S risks and impacts. As part of this process, AIIB reviews the E&S assessment to considers its appropriateness and completeness As part of this process AIIB considers whether the project can be implemented in accordance with the ESP and ESSs, E&S reputational risks and the management and mitigation measures (including their timing). Theis review is then fed through to a risk assessment for each investment where AIIB undertakes an integrated assessment of the risks to consider the achievement of the project's development objectives that also takes into account the E&S assessment. and other relevant information.

The legal agreements include aspects related E&S topics and are governed by the inclusions in the E&S Policy. AIIB pays particular attention to any gaps in implementing E&S obligations with an initial approach of requiring corrective measures by the borrower before looking to exercise its rights under the legal agreements.

AIIB requires monitoring of projects after investment, with reporting provided by the borrower in addition to oversight by AIIB. That includes addressing any issues arising during project implementation.

The ESF requires that AIIB borrowers establish an appropriate project-level grievance mechanism to receive and facilitate resolution of the concerns or grievances of people who believe they have been adversely affected by the project's environmental or social impacts. Similar to other multilaterals, AIIB has developed a complaints mechanism available for those affected by its projects. This is in the form of an independent Compliance, Effectiveness and Integrity Unit (CEIU). The CEIU is independent of AIIB Management and its Director General reports directly to the AIIB Board of Directors.

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4.3 Bayfront Infrastructure

Description

1. Overview

Bayfront was established in 2019 in connection with the Infrastructure Take-Out Facility ("TOF") initiative, which was designed and structured by Clifford Capital to help mobilize institutional capital for infrastructure debt in Asia. The establishment of Bayfront builds on the successful issuance of Asia's first securitization of project finance and infrastructure loans through Bayfront Infrastructure Capital ("BIC") in 2018.

The TOF has been designed with a view to providing investors with exposure to a diversified portfolio of project and infrastructure loans across multiple geographies and sectors, and positioned to fulfil several strategic objectives, including:

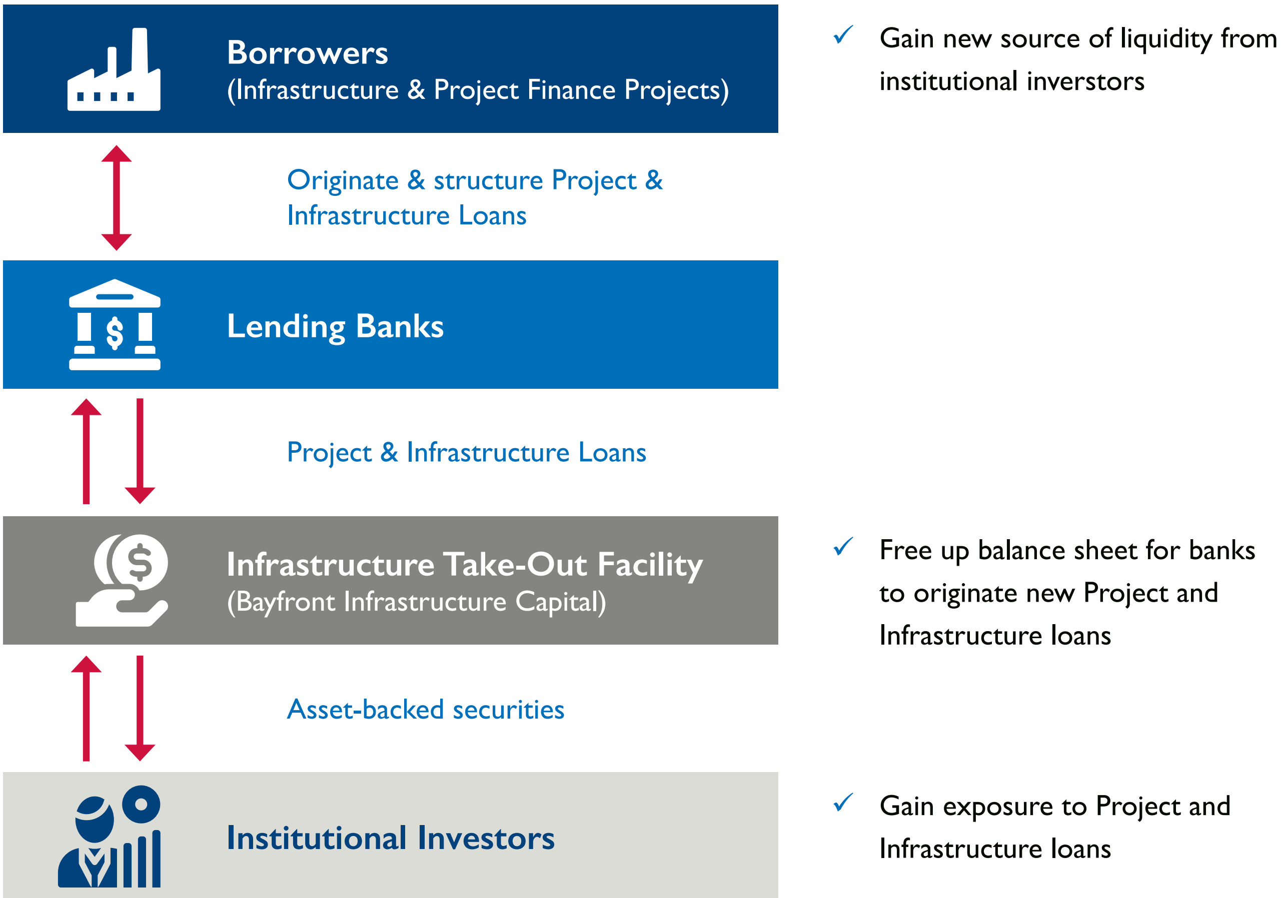
- Addressing Asia-Pacific's infrastructure financing gap by mobilizing a new pool of institutional capital.
- Unlocking additional capital for Asia-Pacific infrastructure financing through facilitating capital recycling by banks.
- Creating a new asset class for institutional investors to access project and infrastructure loans in Asia-Pacific and the Middle East regions in a credit-enhanced structure.
- Addressing existing market frictions that prevent large scale mobilization of institutional capital for infrastructure financings, thereby facilitating institutional participation in the project finance asset class in a readily accessible manner.

2. Scope

Bayfronts business activities involve:

- Acquisition, warehousing, and management of a portfolio of project and infrastructure loans.
- Sponsoring, structuring, and managing all future distributions (through securitization or otherwise) of these loans to institutional investors.
- Investing in the equity tranche or vertical slice of each securitization issuance that we sponsor.

The graphic below illustrates the overview of the operations:



E&S Approach Summary

1. *Environmental & Social Standards Adopted*

Bayfront purchases loans mostly from financial institutions that have adopted the Equator Principles and by the nature of such secondary purchases, these loans and the associated projects have already been subject to E&S due diligence conducted by the original lenders and their appointed E&S consultant(s) prior to financial close, along with ongoing monitoring of their E&S performance up to the point of acquisition by Bayfront. Nonetheless, prior to any acquisition or commitment, all loans are screened for compliance with the E&S Framework that has been developed.

2. *How are E&S Risks incorporated into investment decision*

The E&S Framework established by Bayfront set out the E&S requirements of Bayfront in relation to its project finance and/or infrastructure loan acquisition, and it has four components: E&S Policy, E&S Categorization, E&S Risk Rating and an Exclusion List.

Bayfront evaluates the inherent E&S impacts of the underlying project financed by the loan to be acquired, and its residual E&S risks, at the point of loan acquisition or prior to providing the commitment to the selling bank. The assessment of residual risks mainly consists the following components:

- Screening the project financed by the loan to be acquired against an E&S Exclusion List. Bayfront will not acquire any loans that finance any activities on the E&S Exclusion List, including any loans related to coal-fired power generation, coal mining, coal processing or transport.

- Screening the overall E&S performance of the project, and its sponsors, for potential E&S related reputational risks, as part of an initial red flags screen.

- Bayfront categorizes the projects considered into Category A, B or C based on an assessment of the project's inherent E&S impacts. This may already be available already (provided by an independent E&S consultant), although the categorization adopted would be after review of the justifications provided and comparison with the Bayfront approach on E&S Categorization. For Category A and B projects, Bayfront undertakes a detailed assessment of residual E&S risks based on information available at that point in time, which may include review of independent E&S consultant reports, E&S reporting commitments and performance of the project sponsors, and the E&S covenants and remedies in the loan documentation. For the definitions used, these align with IFC's approach, i.e.

    - Category A activities are business activities assessed to have potential significant adverse environmental or social risks and/or impacts which are diverse, irreversible, or unprecedented.

    - Category B activities are business activities assessed to have potential limited adverse environmental or social risks and/or impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures.

    - Category C activities are business activities assessed to have minimal or no adverse environmental or social risks and/or impacts.

- For Category A and B projects, Bayfront undertake a detailed assessment of residual E&S risks based on available information, which may include review of independent E&S consultant reports, E&S reporting commitments and performance of the project sponsors, and the E&S covenants and remedies in the loan documentation.

- The expected E&S impacts of projects financed by loans acquired are assessed and rated (including reputational risk). Each type of E&S risk is classified, which reflects the residual risks related to a loan at any point in time, against each of the 11 "Aspects" listed below:

    - Regulatory Status.
    - Assessment and Management of E&S Risks and Impacts.
    - Involuntary Resettlement or Land Acquisition.
    - Indigenous People.
    - Biodiversity Impacts.
    - Cultural Resource Impacts.
    - Environmental, Health and Safety Management System.
    - Labor and Employment Relations.
    - Stakeholder Engagement and Disclosure.
    - Grievance Redress Mechanism; and
    - Public Concerns and Formal Complaints.

- Transactions that are in the Oil & Gas, Metals & Mining and Hydropower sectors are governed by additional specific requirements contained within certain sector guidelines.

- For a specific loan, if the risk rating is "High Risk" under any category of "Aspects", the loan would typically be excluded from consideration.

- These risk ratings provided to loans to be acquired determine the extent of monitoring and oversight required of the project post-commitment or acquisition, with "Medium Risk" projects requiring more intensive ongoing monitoring than "Low Risk" projects, based on review of the E&S monitoring reports and, where applicable, engagement with the project sponsors.

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4.4 China-ASEAN Investment Cooperation Fund

Description

1. Overview

China-ASEAN Investment Cooperation Fund ("CAF") is a USD-denominated offshore quasi-sovereign equity fund sponsored by the Export-Import Bank of China ("EXIM Bank"), among other institutional investors, under the direction of the PRC State Council and approved by the National Development and Reform Commission.

The establishment of CAF was led by EXIM Bank and approved by the PRC State Council. It was formally announced by the Chinese Premier Wen Jiabao in 2009, and further approved by the National Development and Reform Commission in 2013.

China-ASEAN Capital Advisory aims to maximize the value and return for its investors through investment in the region, strengthening economic cooperation between China and ASEAN countries for mutual development.

2. Scope

The China-ASEAN Investment Cooperation Fund was established in 2013 and targets investments in infrastructure, energy and natural resources in ASEAN countries. It was established with an initial USD 1 billion but has a target of USD 10 billion. The China Export-Import Bank (Eximbank) led the formation of the fund and was the main sponsor, contributing USD 300 million of its starting capital. The World Bank's International Finance Corporation holds equity in the fund and contributed USD 100 million, or 10% of its phase one funding. During this first phase, the fund invested in 11 projects, including telecoms, mining, transport and energy. China aims to raise USD 3 billion for the fund's second phase.

At least 20% of its first phase funds were allocated to investments in Indonesia. Over 30% to Cambodia, Myanmar, Laos and Vietnam, with the rest spread across Southeast Asia.

Investment Approach

CAF's investment professionals evaluate each potential deal opportunity based on a comprehensive due diligence process that analyzes a company's financial performance, market growth potential, industry attractiveness and competitive position. Through close cooperation, CAF supports the management of investee companies to successfully implement effective business plans that include acquisition development programs, corporate capital restructuring, scalable expansions designed to leverage competitive advantages and strategies for improving overall operating performance.

E&S Approach Summary

1. *Environmental & Social Standards Adopted*

CAF states that it "specializes in sustainable investments that not only bring financial growth to the investee company but also significant values to the community." In July 2014, the fund jointly issued the Social Responsibility and Environmental Protection Guidelines for Investments in the ASEAN Region with ASEAN-China Centre to provide guidance on corporate social responsibility and environmental protection for the fund's investment projects and all Chinese enterprises operating and investing in the ASEAN region.

Together, the 8 Performance Standards establish standards that the clients are to meet throughout the life of an investment by CAF:

- Assessment and Management of Environmental and Social Risks and Impacts.
- Labor and working conditions.
- Resources efficiency and pollution prevention.
- Community health, safety and security.
- Land acquisition and involuntary resettlement.
- Biodiversity conservation and sustainable management of living natural resources.
- Indigenous people.
- Cultural heritage.

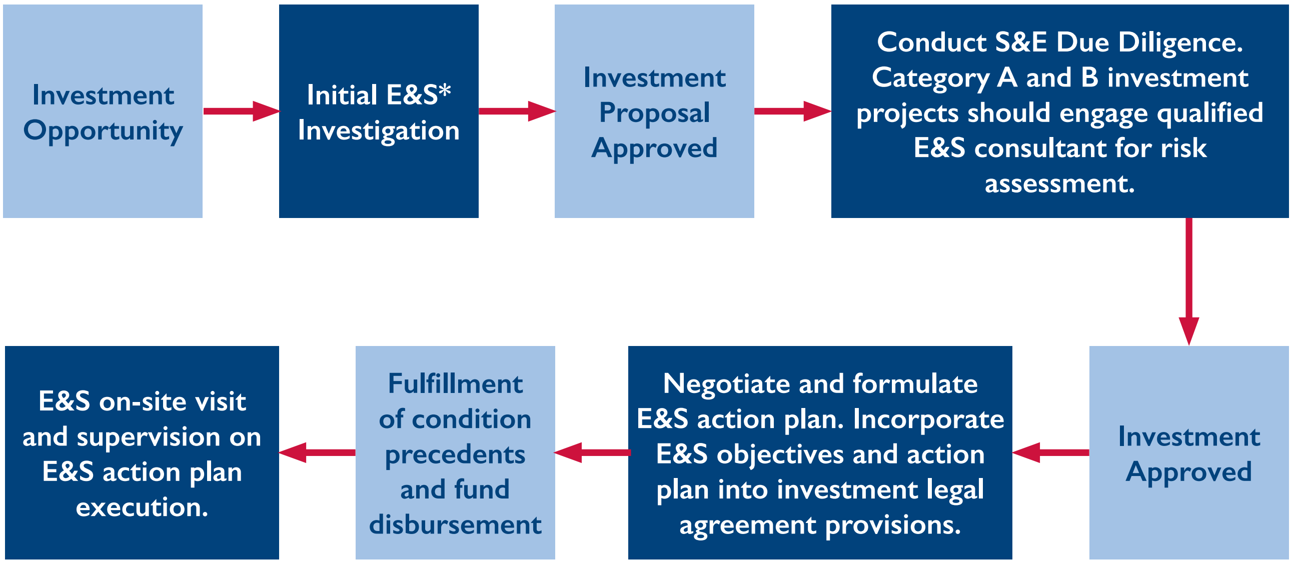
2. *How E&S review is incorporated into the investment lifecycle*

From the beginning of the deal flow, CAF assesses a prospect's guiding values and business practices. During the subsequent due diligence stage, CAF considers a company's E&S past and existing performance against the Fund's own E&S standards. The aim is to ensure investee companies have appropriate capacity for E&S management and are operating their business in a sustainable manner.

CAF has developed an environmental and social (E&S) management system which is an integral process of the investment team's evaluation and selection of investment opportunities, however, this management system is not available in the public domain.

In addition, all companies and projects that receive investment from the fund are required to apply the Social Responsibility and Environmental Protection Guidelines for Investments in the ASEAN Region.

The E&S review process of the Social Responsibility and Environmental Protection Guidelines for Investments in the ASEAN Region is presented in the figure below:



* E&S: Environmental and social responsibility

The adoption and publication of the fund's guidelines represent a step forward in social and environmental governance that no other Chinese-led funds have taken to date. Although the fund has not established a complaints mechanism.

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4.5 International Finance Corporation (IFC)

Description

1. Overview

IFC— which is a sister organization of the World Bank and member of the World Bank Group— is the largest global development institution focused exclusively on the private sector. Established in 1956, IFC is owned by 184 member countries. The organisation has a global presence in more than 100 countries, a network consisting of hundreds of financial institutions, and more than 2,000 client firms. IFC helps developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments.

2. Scope

IFC provides investment, advice, and asset management—offerings that are mutually reinforcing and can be tailored to a client's specific needs.

a) Loans
CAF's investment professionals evaluate each potential deal opportunity based on a comprehensive due diligence process that analyzes a company's financial performance, market growth potential, industry attractiveness and competitive position. Through close cooperation, CAF supports the management of investee companies to successfully implement effective business plans that include acquisition development programs, corporate capital restructuring, scalable expansions designed to leverage competitive advantages and strategies for improving overall operating performance.

b) Equity
IFC invests directly in companies' and financial institutions' equity and also through private-equity funds. IFC generally invests between 5 percent and 20 percent of a company's equity. IFC encourages companies it invested in to broaden share ownership through public listings, thereby deepening local capital markets. IFC also invest through profit-participating loans, convertible loans, and preferred shares.

c) Trade and Supply Chain Finance
The IFC Global Trade Finance Program guarantees trade-related payment obligations of approved financial institutions. The program extends and complements the capacity of banks to deliver trade finance by providing risk mitigation on a per-transaction basis for more than 218 banks across 71 countries.

d) Syndications

IFC promotes development by mobilizing financing for the private sector in its developing member countries. In carrying out this role, IFC operates as both a financial and developmental institution. This developmental mandate is what differentiates IFC from commercial financiers. IFC acts as a catalyst in raising capital from foreign and domestic sources, in both private and public markets, for projects in the private sector of its member countries.

This service includes the following elements:

- Managed Co-Lending Portfolio Program (MCPP). MCPP is IFC's newest syndicated loan platform. The MCPP platform leverages IFC's origination capacity and deep market knowledge to source opportunities for third-party investors to co-lend alongside IFC on commercial terms.

- B Loans. IFC's B Loan allows participants to enjoy the advantages of IFC's status as a multilateral institution. When an IFC loan includes financing from the market through the B Loan structure, IFC retains a portion of the loan for its own account (the "A Loan"), and sells participations in the remaining portion to participants (the "B Loan"). The borrower signs a single Loan Agreement with IFC, and IFC signs a Participation Agreement with the participants. IFC is the sole contractual lender for the borrower. While IFC is the lender of record, the participants' involvement is known to the borrower, and is included in any transaction and publicity.

- Parallel Loans. In response to international commercial banks' retrenchment from cross-border emerging market lending in fiscal year 2009, IFC began syndicating parallel loans to International Financial Institutions, and other ineligible B loan participants. Under this approach, IFC acts as arranger—and can also act as administrative agent—by using its existing syndication platform, deal-structuring expertise, and global presence to identify investments, perform due diligence, and negotiate loan documents in cooperation with parallel lenders. Lenders under this structure enjoy cost and time savings through this streamlined approach. Borrowers benefit from enhanced access to financing and time & cost savings throughout the life of the loan.

- A Loan Participations (ALPs). An A Loan Participation is an effective exposure management tool which IFC uses to reduce its risk exposures—dollar for dollar—to a client, country, or sector. An ALP is created through the partial sale of an A Loan to commercial banks or other financial institutions and is governed by a Participation Agreement, much like the agreement used for IFC B Loans. As in a B loan, IFC remains the lender of record for the entire A Loan. An ALP participant shares all project risks with IFC and has the same benefits of a traditional B Loan participant.

e) Treasury Client Solutions

IFC offers innovative derivative, structured finance, and local currency products and solutions that enable clients to hedge foreign exchange, interest rate, and commodity price exposure. These services offerings include:

- Local-Currency Finance. Lending to the private sector in developing countries has traditionally been in the form of loans denominated in foreign currency such as the dollar or the euro. But the volatility in currency markets represent a major risk for companies with revenues in local currency. IFC provides long-term local-currency solutions and helps companies access local capital markets. By matching the currency denomination of assets and liabilities, they can concentrate on their core businesses rather than worry about exchange rate volatility, expanding and creating jobs.

- Partial Credit Guarantee. A partial credit guarantee (PCG) represents a promise of full and timely debt service payment up to a predetermined amount. Typically, the sum that IFC pays out under the guarantee covers creditors irrespective of the cause of default. The guarantee amount may vary over the life of the transaction based on the borrower's expected cash flows and creditors' concerns regarding the stability of these cash flows. IFC tailors guarantees to meet the needs of both borrower and creditors. They are structured to reduce the probability of default of the debt instrument and increase the recovery if default occurs. In general, IFC's objective is to offer the minimum amount of guarantee necessary to facilitate a successful transaction.

- Portfolio Risk-Sharing Facilities. A risk sharing facility allows a client to sell a portion of the risk associated with a pool of assets. The assets typically remain on the client's balance sheet and the risk transfer comes from a partial guarantee provided by IFC. In general, the guarantee is available for new assets to be originated by the client using an agreed upon underwriting criteria, but in certain situations may also be used for assets that have been already originated. Typically, the client's purpose in entering into a risk sharing facility with IFC is to help the client increase its capacity to originate new assets within an asset class in which IFC is interested in increasing its own exposure.

- Securitizations. Securitization structures are most appropriate for a company that seeks financing but is unable to tap funding sources for the desired tenor and funding cost because of its perceived credit risk. In general, any asset class with relatively predictable cash flows can be securitized. The most common assets include: mortgages, credit cards, auto and consumer loans, corporate debt, and future revenues. IFC invests in domestic or cross-border securitizations and provides credit enhancement to transactions through funded or unfunded participations, mainly at the mezzanine level.

f) Blended Finance

In addition to providing commercial financing, IFC uses complementary tools to crowd in private sector financing that would otherwise not be available to projects with high development impact. One such approach is to blend concessional funds—typically from development partners—alongside IFC's own commercial funding. Blended finance uses relatively small amounts of concessional donor funds to mitigate specific investment risks and help rebalance risk-reward profiles of pioneering, high-impact investments so that they have the potential to become commercially viable over time. IFC uses a disciplined and targeted approach to blended finance governance, including by following five key blended finance principles agreed to by development finance institutions. This strategic use of blended finance allows IFC to use the smallest amount of concessional funding possible to fill financing gaps in areas of strategic importance.

g) Advisory

Providing advice is a critical part of IFC's strategy to create markets and mobilize private investment. Through this work, we help establish the necessary conditions that will attract the most private capital, enabling the private sector to grow. IFC is shifting to a more strategic approach, systematically linking our advisory programs to the greatest needs identified in World Bank Group country and sector strategies. IFC will increasingly focus on developing high-impact projects that can help its clients attract the financing they need—particularly in the poorest and most conflict-affected areas of the world.

h) Asset Management

IFC's asset management is operated by IFC Asset Management Company. The company mobilizes and invests capital in sustainable companies in emerging markets for attractive returns and impact.

E&S Approach Summary

1. *Environmental & Social Standards Adopted*

IFC's approach to sustainability is governed by IFC's Sustainability Framework and Corporate Governance methodology. These internal requirements are designed to help IFC's clients improve their business performance, enhance transparency, engage with the people affected by the projects IFC finances, protect the environment, and achieve greater development impact.

IFC's Sustainability Framework articulates its strategic commitment to sustainable development and is an integral part of IFC's approach to risk management. The Sustainability Framework comprises the following components:

- → The Policy on Environmental and Social Sustainability, which defines IFC's commitments to environmental and social sustainability.
- → The IFC Performance Standards, which define responsibilities of IFC's clients for managing environmental and social risks. The standards include:
    - Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts.
    - Performance Standard 2: Labor and Working Conditions.
    - Performance Standard 3: Resource Efficiency and Pollution Prevention.
    - Performance Standard 4: Community Health, Safety, and Security.
    - Performance Standard 5: Land Acquisition and Involuntary Resettlement.
    - Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.
    - Performance Standard 7: Indigenous Peoples.
    - Performance Standard 8: Cultural Heritage.
- → The Access to Information Policy, which articulates IFC's commitment to transparency.

2. *How E&S review is incorporated into the investment lifecycle*

The activities covered include (i) investments financed directly by IFC; (ii) investments implemented through financial intermediaries (FIs) or managed by IFC's Asset Management Company or any other IFC subsidiary, as well as investments funded in part or in whole by donors; and (iii) advisory services.

E&S due diligence is integrated into IFC's overall due diligence of the investment activity under consideration.

The E&S due diligence typically includes the following key components: (i) reviewing all available information, records, and documentation related to the E&S risks and impacts of the business activity under consideration (ii) conducting site inspections and interviews, where appropriate (iii) assessing the business activity's E&S performance in relation to the requirements of the Performance Standards and provisions of the World Bank Group (WBG) Environmental, Health and Safety (EHS) Guidelines or other internationally recognized sources, as appropriate and (iv) identifying any gaps and the measures and actions to address these gaps. These are captured in an Environmental and Social Action Plan (ESAP) that are included as a necessary condition of IFC's investment.

IFC applies its exclusion list in addition to host-country requirements and IFC will only finance investment activities that are expected to meet the requirements of the Performance Standards within a reasonable period of time.

In terms of monitoring, to follow-up on commitments made by borrowers, there are provisions for E&S reporting, in additional to allowing supervision visits by IFC staff or representatives. If through the monitoring the borrower fails to comply with the E&S requirements in the legal agreement, then IFC will work with the client to bring it back into compliance and if the client fails to re-establish compliance, IFC may then exercise its rights and remedies, as appropriate.

As part of the review of E&S risks and impacts of a proposed investment, IFC uses a process of E&S categorization to reflect the magnitude of risks and impacts. The resulting category also specifies IFC's institutional requirements for disclosure in accordance with IFC's Access to Information Policy. These categories (for infrastructure related projects) are below:

- Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts.

IFC supports its clients in addressing E&S issues arising from their business activities by requiring them to develop and implement external communications/grievance mechanism to receive complaints from Affected Communities. An escalation process is available for Affected Communities through the Compliance Advisor/Ombudsman (CAO) to enable individuals and communities affected by IFC-supported business activities to raise their concerns to an independent oversight authority. Note that the CAO is independent of IFC management and reports directly to the President of the World Bank Group. The CAO responds to complaints from those affected by IFC-supported business activities with the goal of enhancing environmental and social outcomes on the ground and fostering greater public accountability of IFC.

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4.6 InfraCo Asia

Description

1. *Overview*

InfraCo Asia Development (InfraCo Asia) is a donor-funded commercially managed infrastructure development company. It is a company of the multilateral development organization, the Private Infrastructure Development Group (PIDG). InfraCo Asia acts as principal to develop commercially viable infrastructure that contributes to economic growth and poverty reduction in selected lower income countries of South and Southeast Asia.

InfraCo Asia's mission is to provide responsible leadership in bridging the infrastructure gap that can't be met by government or development bank funding at the early stage of project development. Through its project development and financing expertise, InfraCo Asia provides a catalyst for the private sector to invest in sustainable infrastructure projects in South and Southeast Asia.

2. *Scope*

InfraCo Asia funds pre-financial close, early-stage infrastructure development activities by taking an equity stake in high-risk projects.

<u>Two Complementary Pools of Capital</u>

→ Development Capital:

- Provides early-stage development expertise and capital.
- De-risks projects and creates bankable investment opportunities.
- Invests as sponsor / joint owner, usually in partnership with local or regional sponsors.

→ Investment/Construction Capital:

- Provides capital at or near financial close.
- Bridges the gap when a project is unable to raise all the capital needed.
- Participates as co-investor alongside private sector, usually taking a minority stake.
- Flexible in form of investment: equity / mezzanine / debt finance.

E&S Approach Summary

1. *Environmental & Social Standards Adopted*

PIDG policies that apply to InfracoAsia require a commitment to ensuring that all its activities align with Good International Industry Practices (GIIP).

This includes the following GIIP:

- IFC Performance Standards
- The Principles of the UN Global Compact
- The Voluntary Principles on Security and Human Rights.

2. *How E&S review is incorporated into the investment lifecycle*

As InfraCo is a member of PIDG it should be aligned with its E&S policies. PIDG's E&S policies are captured in the Health, Safety, Environmental and Social (HSES) governance document.

Broadly, PIDG is committed to ensuring that all its activities operate to the national legal requirements of the host country law and compliance with international standards if higher.

In turn the commitments are captured under policies as follows:

- PIDG health and safety policy: This policy includes standards of health and safety that apply across companies and projects, protecting the health and safety of people, contractors, visitors, and neighbors. It requires the prevention and reduction of accidents by enabling a culture where all have responsibility for safety, and accidents, incidents and high potential near-misses are promptly reported and investigated and the lessons learned are shared and acted upon throughout PIDG.

- PIDG environment policy: This policy includes striving to avoid or minimize potential adverse environmental impacts and conserve biodiversity. It ensures that all PIDG companies monitor and demonstrate the climate change impact of PIDG projects and support climate change mitigation and adaptation. It ensures the consideration of water use efficiency and water conservation measures in all projects.

- PIDG social policy: This policy requires that all PIDG companies and projects, provide sustainable social benefit to the communities which host them, and to avoid creating adverse social impacts from any activities. It provides the mandate for addressing gender inequality and safeguarding vulnerable groups, including women and girls. It ensures the consideration of displacement and project induced influx. The policy ensures that good communication and stakeholder consultation underpins business decisions.

- PIDG security policy: This policy ensures the security of people, contractors, and assets across all the PIDG companies. It ensures that activities, including those of contractors, avoid any adverse impact on the security and human rights of the communities in which they operate. It provides the means to ensure the principles of proportionality are applied through all security provisions and provides for a structured interface with host country security forces.

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4.7 Japan Bank for International Cooperation (JBIC)

Description

1. Overview

JBIC was established on April 1, 2012 in accordance with the Japan Bank for International Cooperation Act (JBIC Act), which was promulgated and came into effect on May 2, 2011.

JBIC's mission is to contribute to the sound development of Japan and the international economy and society by conducting its operations in the following four fields:

- Promoting the overseas development and securement of resources which are important for Japan.
- Maintaining and improving the international competitiveness of Japanese industries.
- Promoting the overseas business having the purpose of preserving the global environment, such as preventing global warming; and
- Preventing disruptions to international financial order or taking appropriate measures with respect to damages caused by such disruptions.

2. Current Activity

JBIC offers a range of financial products and other services to our clients, including:

a) Export Loans
Export loans support Japanese plant, ship and technology exports.

b) Overseas Investment Loans
JBIC provides overseas investment loans to meet long-term financing needs of Japanese firms for their international business development, including projects that will establish/expand production bases and develop natural resources overseas.

c) Equity Participations
JBIC supports overseas business operations of its clients by participating in their equity investments. Interested Japanese business firms should contact specific international finance departments for more information.

d) Import Loans
Import loans support the import of strategically important goods by Japanese firms, including oil, natural gas (such as LNG) and iron ore. The guarantee facility is available for the import of goods other than natural resources.

e) Untied Loans

Untied loans are loans not conditional on procurement of equipment and materials from Japan. These loans finance projects and programs primarily in developing countries; the imports they need; and their efforts to achieve balance-of-payments equilibrium or stabilize currencies.

f) Guarantees

JBIC issues guarantees for loans extended by private financial institutions, public bonds issued by governments and other public entities in developing countries and corporate bonds issued by overseas Japanese subsidiaries and affiliates.

g) Research and Studies

JBIC conducts feasibility and other studies in the early stage of the projects undertaken in developing and resource-endowed countries.

Since its establishment in April 2012, JBIC has provided proactive support for the projects such as natural resources and infrastructure development projects overseas, M&A transactions involving Japanese companies and the overseas businesses of Japanese SMEs. The Bank participates from the early stages of projects and provides funds for projects with relatively high-risk profiles through various financial instruments.

E&S Approach Summary

1. *Environmental & Social Standards Adopted*

JBIC has established the JBIC Guidelines for Confirmation of Environmental and Social Considerations, which set out the guiding policy and procedures for confirming that the borrowers or project proponents have taken appropriate steps for environmental and social considerations.

The guideline contains requirements in relation to the following aspects:

- Underlying Principles.
- Examination of Measures.
- Scope of Impact to be Examined.
- Compliance with Laws, Standards and Plans.
- Social Acceptability and Social Impacts.
- Ecosystem and Biota.
- Involuntary Resettlement.
- Indigenous Peoples.
- Monitoring.
- ESIA Reports for Category A Projects.

The guidelines were formulated in reference to international frameworks on environmental and social considerations and human rights, such as the Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence¸ the World Bank Safeguard Policies and/or IFC PS, as well as the World Bank Group EHS Guidelines.

Where appropriate, JBIC also refers to standards established by other international financial institutions, other internationally recognized standards, and/or standards or good practices established by developed countries, such as Japan, as benchmarks.

2. *How E&S review is incorporated into the investment lifecycle*

The JBIC Guidelines for Confirmation of Environmental and Social Considerations sets out the mandatory requirements of JBIC in relation to E&S management for projects receiving funding from JBIC. The following E&S review will be conducted by JBIC during its investment lifecycle:

- For projects JBIC intends to finance:
  - Categorization (screening) of the project into one of the categories listed in Section 4.(2), Part 1 of the guidelines; and
  - When making a decision on funding, a review on environmental and social considerations will be conducted by JBIC, including onsite assessment by expert(s) dispatched by JBIC, to confirm that the requirements are duly satisfied (hereinafter referred to as "environmental reviews").

- For project financed by JBIC:
  - After the decision on funding has been made, monitoring and follow-up will be conducted by JBIC.

Before starting environmental reviews of a project, JBIC classifies the project into one of the following categories (relevant to infrastructure). JBIC classifies each project in terms of its potential environmental impact, taking into account such factors as: the sector and scale of the project, the substance, degree and uncertainty of its potential environmental impact, and the environmental and social context of the proposed project site and surrounding areas.

- Category A: A proposed project is classified as Category A if it is likely to have a significant adverse impact on the environment. A project with complicated impact or impact which is difficult to assess due to lack of precedence is also classified as Category A. The impact of Category A projects may affect an area broader than the sites or facilities subject to physical construction. Category A, in principle, includes projects in sensitive sectors or with sensitive characteristics, and projects located in or near sensitive areas.

→ Category B: A proposed project is classified as Category B if its potential adverse environmental impact is less adverse than that of Category A projects. Typically, its impacts are site-specific, few if any are irreversible, and mitigation measures are more readily available.

→ Category C: A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impact. Projects that correspond to one of the following are, in principle, classified as Category C, with the exception of projects with sensitive characteristics and projects located in sensitive areas as indicated in Section 3, Part 2 of the guidelines:

- Projects for which the JBIC's share is not above SDR 10 million.
- Sectors or projects in which no particular environmental impact is normally expected (e.g., support for international balance of payments, maintenance of existing facilities, acquisition of rights and interests without additional capital investment); or
- Cases in which involvement in the project of the borrower or JBIC is minor, such as the export/import or lease of machinery or equipment that is not connected with a particular project, and where there would be little reasonable significance in JBIC's conducting an environmental reviews.

The subsequent environmental reviews will then be conducted in accordance with the procedures for that category.

After the screening process, JBIC carries out environmental reviews according to the following procedures for each category.

→ Category A: JBIC examines the potential negative and positive environmental impact of projects. JBIC evaluates measures necessary to prevent, minimize, mitigate, or compensate for potential negative impact, and measures to improve the environment, if such measures are available. For category A projects, borrowers, and related parties must submit following documents and JBIC conducts environmental reviews based on, and after the receipts of these documents:

- Environmental and Social Impact Assessment reports and environmental permit certificates issued by the host governments or other appropriate authority.
- For projects that will result in large-scale involuntary resettlement or loss of means of livelihood, resettlement action plans, including where necessary, livelihood restoration plans. For projects that will require measures for indigenous peoples, indigenous people's plans.

JBIC will also check on the extent of stakeholder participation and information disclosure being undertaken for the project, in accordance with the environmental impact assessment systems of the host country.

- Category B: The scope of environmental reviews for Category B projects may vary from project to project, but it is narrower than that for Category A projects. The environmental reviews for Category B projects are similar to those of Category A projects. As part of the review process, JBIC also requires measures to improve environment performance, if any such measures are available. JBIC undertakes its environmental reviews based on information provided by borrowers and related parties. Where an environment impact assessment procedure has been conducted, JBIC may refer to the ESIA reports and permit certificates. However, this is not a mandatory requirement.

- Category C: For projects in this category, JBIC does not undertake environmental reviews beyond screening.

In conducting the aforementioned reviews, JBIC refers to the corresponding environmental checklists for each sector, and also considers where appropriate any statements or reports made publicly available by Japan's national contact point on the OECD Guidelines for Multinational Enterprises.

For category A and B projects, JBIC in principle confirms through the borrower the results of monitoring undertaken by the project proponents on the items which have a significant environmental impact over a certain period of time. This is in order to confirm the project proponents' undertaking of environmental and social considerations

The information necessary for monitoring needs to be supplied by the borrowers and related parties by appropriate means. When necessary, JBIC may also conduct its own investigations. Also, when necessary, JBIC may request the cooperation of the borrowers and related parties in conducting its own investigations to confirm the state of undertaking of environmental and social considerations.

JBIC makes efforts to include ES& requirements in legal agreements or their attached documents, when it considers it necessary to ensure undertaking of environmental and social considerations by borrowers and related parties:

- The borrower shall report to JBIC on measures and monitoring related to environmental and social considerations undertaken by the project proponents. If, due to unforeseen circumstances, there is a possibility that the requirements for environmental and social consideration may not be fulfilled, the borrower shall report it to JBIC.

- If any problems regarding environmental and social considerations arise, the borrower shall make efforts for discussions to be held between the project proponents and project stakeholders.

- When project proponents and the host governments (including local governments) other than the borrower have important roles to play in terms of environmental and social considerations, the borrower shall endeavor to include these parties in entering into agreements.

- If it becomes evident that the borrower and the project proponents have not met; and the conditions required by JBIC under the guidelines, or if it becomes apparent that the project will have an adverse impact on the environment after funding is extended due to the borrower's or related parties' failure to supply correct information during the environmental reviews process, JBIC may, in accordance with the loan agreement, suspend the disbursement or declare all the outstanding principal at the time, with interest and any other charges thereon, to be payable immediately.

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Countries and Regions in Charge: Viet Nam

Website URL

https://www.jbic.go.jp/en/

4.8 KfW-IPEX Bank

Description

1. *Overview*

Since its founding in 1948 and according to its statutory mission, KfW-PPEX Bank (KfW) has been supporting change and encouraging forward-looking ideas - in Germany, Europe and throughout the world. For this purpose, it has provided more than 1.7 trillion euros in loans over seven decades.

2. *Scope*

As a "Bank aus Verantwortung" (a bank committed to responsibility), the Export and Project Finance aspect is related to KfW IPEX-Bank.

→ Target Group
Large and medium-sized companies conducting international business (PEAs for large-scale investments in infrastructure, environmental and climate protection).

→ Volume of commitments 2018
EUR 17.7 billion.

→ Financing priorities
Medium and long-term structured financings for a). Export finance (incl. trade finance) and other financing for specific purposes of export companies; b). Maintenance and expansion of German and European infrastructure including corresponding means of transport; c). Climate and environmental protection projects; d). Securing German and European raw material supplies; and e). Foreign investments of German companies.

E&S Approach Summary

1. *Environmental & Social Standards Adopted*

KfW has adopted the Equator Principles and aligns itself with the IFC Performance Standards and WBG EHS Guidelines. In addition, KfW applies the OECD Common Approaches. KfW is also a signatory to the UNEP Statement by Financial Institutions on the Environment and Sustainable Development.

KfW group have developed an exclusion list in addition to sectoral guidelines that provide specific requirements for palm oil and forestry, large dam and hydropower projects, and non-conventional oil & gas.

2. *How E&S review is incorporated into the investment lifecycle*

KfW has established a process for the screening of E&S requirements in the processing of deals. The first stage is screening, where the project is categorized according to the IFC definitions for categories into category A, B or C.

Category A applies to projects with potential E&S risks and possible significant negative impacts on the E&S conditions. Projects at newly developed sites (greenfield) in particular often fall into this category. Impacts have the potential to be considerably negative if they are complex, irreversible or unprecedented. These risks and impacts can affect a wider area than just the facility under construction, the immediate vicinity of the facility or any associated facilities or the project area in the stricter sense.

For Category A projects an assessment of E&S impacts is required in the form of an ESIA and an environmental and social action plan (ESAP) which KfW expects the borrower to provide. The ESAP includes the measures which are necessary to prevent, mitigate, correct and monitor the negative impacts identified in the ESIA study and also includes the responsibilities and costs. In addition, the borrower is expected to have an Environmental & Social management system (ESMS) in place.

Category B comprises projects that may also have negative E&S impacts although are generally less severe and can usually be mitigated. The nature of the impact assessment is defined on a case-by-case basis.

Category C comprises projects that cause no or only minor E&S impacts. Projects in this category usually do not require an assessment and the scope is normally limited to that required by the host-country.

Notably, if the project is to be implemented in a region or context in respect for human rights is an issue, a detailed Human Rights Impact Assessment (along with actions to be taken) may be required.

KfW requires that for category A and as appropriate for category B, an independent environmental and social consultant (IESC) completes an independent E&S review. This process includes a review of the impact assessment process undertaken for the project. In reviewing this information, there general principles considered include:

- The ESIA identifies actions for the improvement of E&S management.
- Local project operators must be technically capable of managing the pollution control systems to ensure proper operation of their facilities.
- There should be assurance that there has been provision for the funds to implement E&S actins required to address negative impacts.

To support projects, KfW requires compliance with all relevant E&S laws and regulations, completion of the ESAP, regular reporting on legal compliance and addressing ESAP actions decommissioning where applicable, is undertaken in an agreed schedule.

E&S requirements are included in legal agreements, with obligations to monitor and report the implementation of the E&S mitigation measures. This may include the sue of an independent expert.

KfW also requires that client must establish a grievance mechanism to receive and address complaints submitted by employees and the project-affected population.

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Website URL

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4.9 Korea Exim Bank (KEXIM)

Description

1. *Overview*

The Export-Import Bank of Korea ("Kexim") is an official export credit agency (ECA) providing comprehensive export loan and guarantee programs to support Korean enterprises conducting business overseas. Since its establishment in 1976, Korea Eximbank has actively supported Korea's export-led economy and facilitated economic cooperation with foreign countries.

The Korea Exim Bank aims to facilitate the development of Korea's economy and enhance economic cooperation with foreign countries through the provision of financial supports for export and import transactions, overseas investments projects, and the development of overseas natural resources.

2. *Scope*

Korea Eximbank's primary services include export financing, trade financing, and guarantee programs structured to meet the needs of clients in a direct effort to both complement and strengthen clients' competitiveness in global markets. The Bank also provides overseas investment financing, import financing, and financial advisory and structuring services aimed to exploit business opportunities abroad.

Furthermore, the Bank is responsible for the operation of two government funds: the Economic Development Cooperation Fund (EDCF), a Korean Official Development Assistance (ODA) program, and the Inter-Korean Cooperation Fund (IKCF), an economic cooperation program to promote exchanges with North Korea.

The Bank is fully government-owned (formally, ownership is distributed among several government bodies). Total amount of loans and guarantees outstanding is US$ 50 - 60 billion (80% of the amount is in loans).

E&S Approach Summary

1. *Environmental & Standards Adopted*

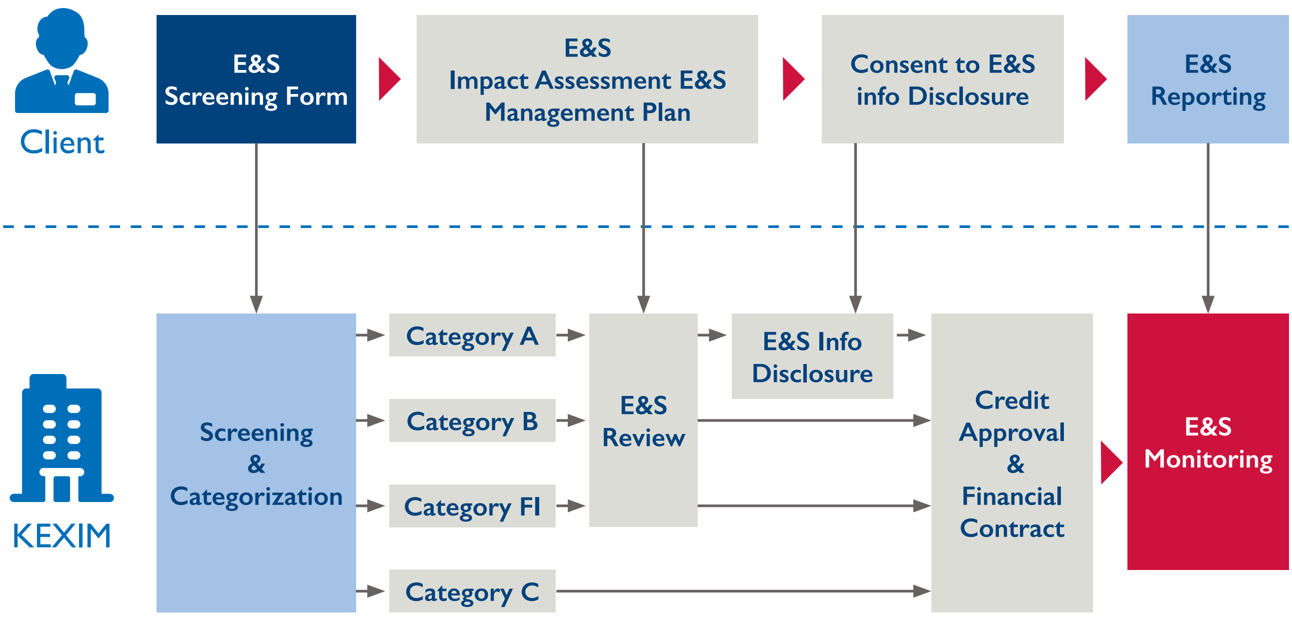
The Bank uses a proprietary framework and doesn't refer to any established/auditable ones. At the same time, Kexim's description of the process has similarities with that published by JBIC.

The framework covers Environmental and Social screening, due diligence and monitoring process and is aligned with the Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the OECD Common Approaches). This refers to the IFC Performance Standards and associated WBG EHS Guidelines. In addition, Kexim has developed E&S Impact Assessment and Review Checklists for the following sectors/operations:

- General Checklist
- Thermal Power Plant
- Electrical Power Transmission and Distribution
- Petroleum Refinery
- Large Volume Petroleum-based Organic Chemicals Manufacturing
- Natural Gas Processing
- Liquefied Natural Gas (LNG) Facilities
- Offshore Oil & Gas Development
- Onshore Oil & Gas Development
- Mining
- Base Metal Smelting and Refining
- Integrated Steel Mills

2. *How E&S review is incorporated into the investment lifecycle*

The figure below presents the bank's E&S review process along the investment lifecycle.



Kexim carries out an Environmental and Social review for projects exceeding SDR 10 million (i.e., roughly equivalent to US$ 13 million as of March '20).

The process includes screening and categorization whereby Kexim considers the levels of E&S risks involved in the project to be supported and categorizes the project according to the extent and level of such risks.

For category A projects (those with potential significant adverse environmental and/or social impacts which may affect an area broader than the sites) requires an E&S Impact Assessment Report to be provided which is then reviewed by an independent party.

For category B projects (those projects with potential E&S impacts which are less adverse than those of category A projects, and for which mitigation measures are more readily available. Information on E&S aspects is reviewed.

For category C (those projects with minimal or no potentially adverse environmental and/or social impacts) no environmental and social impact review required.

The process includes review of E&S documentation from clients and offers suggestions for improvement, where applicable. E&S requirements are included in legal agreements with borrowers. Monitoring is undertaken throughout the loan or guarantee period. If required, further remedial actions/restrictions are undertaken.

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4.10 Krung Thai Bank

Description

1. Overview

Krungthai (or Krung Thai) Bank is a state-owned bank under license issued by the Ministry of Finance. The bank was established on 14 March 1966 following the merger of two government-owned banks, Kaset Bank and Monton Bank. On 2 August 1989, Krungthai Bank was the first state enterprise to list its shares on the Stock Exchange of Thailand (SET). However, most of its stock is owned by Thailand's Ministry of Finance (55%)

2. Scope

The Bank was established as a commercial bank as offers a range of banking and financial services including retail banking and corporate banking.

E&S Approach Summary

1. Environmental & Standards Adopted

It is not clear if the Bank has adopted international recognized E&S standards.

2. How E&S review is incorporated into the investment lifecycle

The Bank has adopted a Sustainability strategy; however, this is primarily focused on the actions the Bank takes internally and not related to its financial offerings. The basis of the Sustainability Strategy is illustrated below. However, it is not clear if the sustainability framework is applicable to its internal operations (staff, buildings etc.), and also to its financial products (financing, loans etc.).

Economic

1. Corporate Governance
2. Codes of conduct/Compliance/ Corruption & Bribery
3. Emerging Risk
4. Materiality
5. Customer Relationship Management
6. Supplier Code of Conduct
7. Tax Strategy
8. Innovation

Social

1. Social Reporting
2. Labor Practice Indicators and Human Rights
3. Human Capital Development
4. Human Resource Management
5. Occupational Safety and Health
6. Community Involvement
7. Stakeholder Engagement

Environment

1. Environmental Reporting
2. nvironmental Policy/ Management System
3. Operational Eco-Efficiency
4. Biodiversity

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  International banking activities: Offering financial enquiry services and coordinating with Krungthai Group

Website URL

https://krungthai.com/en/personal

4.11 Mitsubishi UFJ Bank (BTMU)

Description

1. Overview

MUFG Bank, Ltd. is the largest bank in Japan. It was established on January 1, 2006, following the merger of the Bank of Tokyo-Mitsubishi, Ltd. and UFJ Bank Ltd. MUFG is one of the three so-called Japanese "megabanks" (along with SMBC and Mizuho).

2. Scope

The Bank provides a number of financial products and services and broadly include Loan Syndication, Structured Finance, Asset Finance, Global Markets, Personal banking, Transaction Banking, and Transaction Services for Financial Institutions. The Structured finance division of the bank includes Project Finance, Export Credit Agency Finance, and Aviation finance (amongst others).

MUFG is active in the CLMTV due to the region's high GDP growth rates. It has a 77% stake in Bank of Ayudhya (Krungsri) in Thailand, as well as a 20% state in Vietnam's Vietinbank. In addition, MUFG plays a significant project finance role was number one in global MLA League Tables for Project Finance for seven years in a row from 2012-2018 (Project Finance International).

MUFG has recently invested in multiple Green Bond offerings. At this stage these have been focused on local infrastructure in Japan and for infrastructure in Africa via JBIC, however the appetite for sustainable infrastructure development is present. In addition, MUFG was ranked the first in the world as a finance arranger in the renewable energy sector for the third consecutive year (ending 2018).

E&S Approach Summary

1. Environmental & Standards Adopted

MUFG adopted the Equator Principles in December 2005 and announced its endorsement of the Equator Principles 4th Edition in November 2019. The Bank is also a member of the Equator Principles Association's Steering Committee.

In addition, the Bank has established its own Environmental and Social Policy Framework and it supports the following international agreements and initiatives:

- Paris Agreement.
- Recommendations of Task Force on Climate-related Financial Disclosures (TCFD.
- Principles for Responsible Investment (PRI).
- Equator Principles.
- United Nations Environment Programme Finance Initiative (UNEP FI).
- Principles for Financial Action for the 21st Century.
- CDP (formerly the Carbon Disclosure Project).

2. *How E&S review is incorporated into the investment lifecycle*

MUFG has two corporate policies which influence the Banks approach to investment. The first is the Environmental and Social Policy. This Policy outlines the approach that MUFG takes in responding appropriately to environmental and social issues in its business activities and contributing to sustainable environmental and social development. The Policy also includes a list of prohibited and restricted transactions.

Prohibited Transactions include:

- Illegal transactions and transactions for illegal purposes.
- Transactions which violate public order and good morals.
- Transactions that negatively impact wetlands designated under the Ramsar Convention.
- Transactions that negatively impact UNESCO designated World Heritage Sites.
- Transactions violating the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Washington Convention).
- Transactions involving the use of child labor or forced labor.

Regarding restricted transactions, if the bank is considering providing financing for these transactions, the identification and assessment process for environmental and social risks or impacts will be used to confirm the client's approach to managing environmental and social issues. If the environmental and social management approach of client's is not considered sufficient relative to the level of the potential risks or impacts, financing will not be provided Restricted Transactions include:

- Cross-sectoral items:
    - Impact on Indigenous Peoples Communities.
    - Land expropriation leading to involuntary resettlement.
    - Impact on High Conservation Value areas.
- Sector specific items
    - Coal Fired Power Generation Sector.

MUFG will not provide financing to new coal fired power generation projects. Exceptions may be considered by taking into consideration the energy policies and circumstances of the host countries, international standards, and the use of other available technologies.

The identification and assessment process for E&S risks/impacts also exists. This includes the following steps:

- Standard due diligence (initial classification of the project and categorization of the Project (restricted list etc.)).
- Enhanced due diligence (for projects listed on the restricted transactions list).
- Financing Reputational Risk Management (where transactions are likely to have significant negative impacts and the investment decision involves executive management).

MUFG Group has also established a Responsible Investment Policy. The Policy is based on the Principles for Responsible Investment (PRI) and, MUFG states they are committed to incorporating fair criteria in consideration of ESG aspects into our decision making on investments. However, this Policy is primarily applied to the Asset Management business.

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4.12 Mizuho Bank

Description

1. Overview

Mizuho Bank, Ltd. is the integrated retail and corporate banking unit of Mizuho Financial Group, the third largest financial services companies in Japan, with total assets of approximately USD 1.8 trillion in 2017. Mizuho is one of the three so-called Japanese "megabanks" (along with MUFG and SMBC).

2. Scope

Mizuho provides a full spectrum of banking services. Its corporate division places a high priority on what it calls high-growth Asian economic zones where the Bank intends to "capture capital flows both inside and outside the region, leverage its strong client base, and develop stable business foundations". Business includes:

- Deposits.
- Lending.
- Buying and selling of securities.
- Securities investment.
- Domestic exchange settlement.
- Foreign exchange transaction services.
- Corporate bond trustee and register services.
- Auxiliary businesses.

Mizuho is not a dedicated infrastructure player However, it ranks very high, albeit below the two other Japanese mega-banks MUFG and Sumitomo Mitsui, in league tables for Project Finance - a typical mechanism for the financing of large-scale Infrastructure. It participates in such deals in various roles - from lender to advisor. In addition in June 2019, the Bank launched Mizuho Environmentally Conscious Finance (Mizuho Eco Finance) which will provide financing to clients who meet a certain minimum score based on the Bank's scoring system, which utilizes an environmental assessment model to evaluate client initiatives and benchmarks via a globally accepted environmental verification and evaluation program (including monitoring).

E&S Approach Summary

1. Environmental & Standards Adopted

Mizuho has established various E&S related policies at its group level, as well as business unit levels. A summary can be found in the figure below.

PROVIDE FINANCING OR SUPPORT FOR RAISING CAPITAL

Environmental & Standards Adopted

- → Establish an Enviromental and Social Management Policy for Financing and Investment Activity

Mizuho Bank, Mizuho Trust & Bangking, Mizuho Securities, and Mizuho Americas

- → Implement the Environment and Social Managemenet Policy for Financing and Investment Activity

FINANCING LARGE-SCALE DEVELOPMENT PROJECTS

Mizuho Bank

- → Adoption and application of the Equator Principles

INVESTMENT (ASSET MANAGEMENT)

Mizuho Trust & Bangking

- → Establish and implement policies on responsible investment in our asset management business
- → Establish and implement policies on Japan's Stewardship Code

Asset Management

- → Establish and implement policies on ESG investment
- → Establish and implement policies on Japan's Stewardship Code

Mizuho considers responsible investment and financing, and respect for human rights as one of its key sustainability areas and is central to the Bank's banking activities.

With respect to project finance the Bank uses an internal standard, Mizuho's Credit Code, which stipulates its basic approach, guidelines, and lending criteria, and emphasizes the importance of utilizing the provision of credit as a means of contributing to the sustainable development of the economy and the society as well as solving social issues. Secondly, when investing in large scale infrastructure projects the Bank uses the Equator Principles to conduct environmental and social risks assessments/due diligence (adopted in 2003).

2. *How are E&S Risks incorporated into investment decision*

Mizuho Bank has created the Sustainable Development Office (SDO) in its Global Project Finance Department and is responsible for the bank's overall implementation of the Equator Principles.

When providing a loan, the Bank first prepares an "Equator Principles (EP) Screening Form", which is a simplified checklist. The SDO then reviews the EP Screening Form and categorizes the proposed project into A, B or C based on the magnitude of the potential environmental and social impacts. Also, the SDO prepares recommendations to inform the necessary actions that the client shall take to comply with the environmental and social requirements. In addition, the relevant environmental and social covenants are included in the loan documentation. This is process is illustrated by the flow chart below.

Initial Due Diligence

- Screening and Categorizing of project
- The Client's appointment of Environmental and Social Due Diligence (ESDD) for category A and B projects
- Undertake site visit

Structuring

- Preparation of ESDD Reports by E&S Consultant
- Preparation of draft Action Plan (AP)
- Preparation of draft Environment and Social Covenants (E&S Covenants)

Syndication

- The Client's Sharing of ESDD Reports with the potential lenders
- Q&A regarding environmental and social issues between the sponsors and the potential lenders
- Negotiation about AP and E&S Covenants

Monitoring

- Regular reporting on the Client's compliance with environmental and social laws in the host country and AP

Termination of the Loan

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4.13 Siam Commercial Bank

Description

1. Overview

Siam Commercial Bank was established by royal charter on January 30, 1907 as the first Thai bank. In 2019, the bank has a total asset of 2,964 billion Thai Baht (approximately 95.2 billion USD as of August '20)

2. Scope

The bank has a wide array of financial products and services. Its retail services include home loans, personal credit, car hire purchase, credit cards, ATM cards, debit cards, currency exchange facilities and overseas remittances as well as investment and insurance products. For corporate and SME customers, the bank offers cash management-related services, lending products, international trade financing, treasury products, debt and capital market products, corporate advisory, investment banking and other services.

In addition, the Bank's SCB Group includes three major subsidiaries that provide specialized financial services: SCB Securities, SCB Asset Management and SCB Life Assurance.

E&S Approach Summary

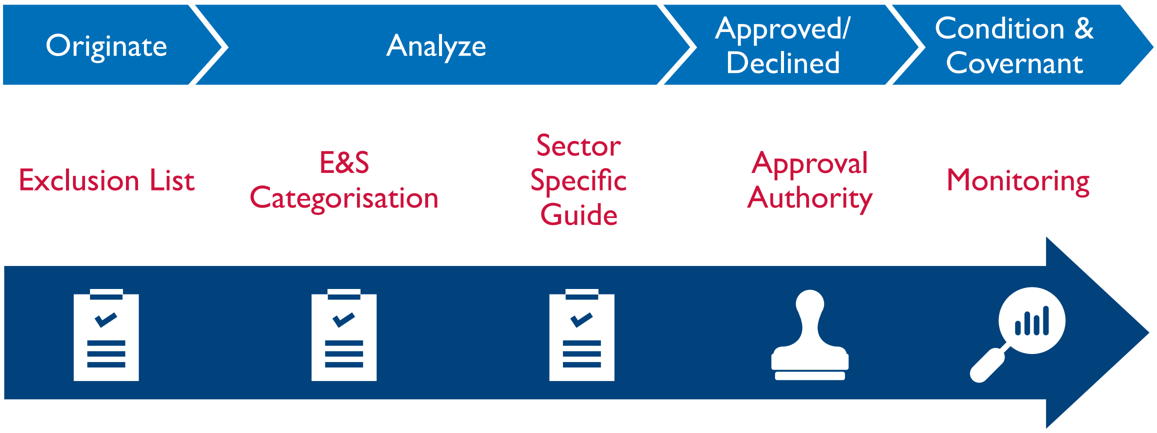
1. Alignment with Environmental Standards

The Bank has established its Responsible Lending Policy with reference to international practices on social and environmental risk analysis and management, such as the Equator Principles and IFC Guidelines. As described in its 2019 Annual Report, "the bank will implement responsible lending policies in line with international standards and continue integrating environmental, social and governance (ESG) factors into our business practices".

In addition, the Bank has established the following sector guidelines to provide further requirements in terms of environmental and social management:

- Alternative energy
- Dam
- Infrastructure
- Thermal powerplant

2. How are E&S Risks incorporated into investment decision



SCB Responsible Lending

The responsible lending process is fully integrated into the principle framework for credit process, the Credit Policy Guide, to ensure its implementation.

Firstly, during the deal origination stage, the exclusion list will screen out the type of projects SCB does not provide finance. During the analysis stage, transactions are categorized in accordance with their environmental and social (E&S) risk levels. Transactions with different environmental and social risk categories will require different approval authority.

In addition, a sector specific guide check is conducted in accordance with the type of lending/ finance, as well as applicable industry sectors. All the information will be considered in due diligence exercise and included in the credit approval process prior to the development of mutual agreement and monitoring of compliance status.

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Website URL

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4.14 Siam Commercial Bank

Description

1. *Overview*

Standard Chartered PLC is a British multinational banking and financial services company headquartered in London, England. It operates a network of more than 1,200 branches and outlets (including subsidiaries, associates, and joint ventures) across more than 70 countries and employs around 87,000 people. It is a universal bank with operations in consumer, corporate and institutional banking, and treasury services.

2. *Scope*

Standard Chartered stands ranks much lower in the project finance league tables. For example, in 2018 it only completed 18 project finance deals for a total amount of USD 2 billion versus MUFG's 148 deals / USD 18 billion. However, Standard Chartered is interested in both the sector and the region, which can be evidenced by the Kien Luong power plant case, where the bank was considering making a large loan (in excess of USD 1 billion), even though the project itself fell apart by 2017.

The Bank has a range of financial products and services including:

- Corporate and institutional Banking.
- Retail Banking.
- Commercial Banking.
- Private Banking.

Th Bank has a Green and Sustainable Product Framework which sets out banking activities which are mapped against relevant SDGs and SDG targets. Types of banking activities within this Framework include but are not limited to: Corporate Finance lending exposures, as well as Capital Markets instruments held by our liquidity desk (including certified green bonds, social bonds, sustainability bonds and bonds from supranational agencies). Additionally, we will identify clients whose business activities align to the Framework, to begin classifying and allocating additional credit exposures (such as corporate-level lending and trade finance).

E&S Approach Summary

1. *Environmental & Standards Adopted*

The Bank adopted the Equator Principles in October 2003. In addition, the Bank refers to IFC Performance Standards and Industry Standards & Good International Industry Practice.

The Bank maintains Position Statements (that are publicly disclosed) that articulate the Banks' sector-specific criteria that they assess our clients against when considering providing financial services in relation to the following topics:

- Infrastructure and transport
- Extractive industries
- Power generation
- Agro-industries
- Chemicals and manufacturing

In addition, the Bank has articulated approaches in relation to human rights and climate change. The Bank also maintains a list of Prohibited Activities.

The Bank expects its clients to identify any potential E&S risks around a particular project and show that they are managing these appropriately. This includes complying with the Equator Principles where these apply

2. *How E&S review is incorporated into the investment lifecycle*

The Bank has developed an E&S Framework that is embedded into their credit approvals process. For Corporate or Commercial Banking clients, relationship managers (RMs) carry out an Environmental & Social Risk Assessment (Client ESRA). This process assesses the performance against the Bank's Environmental & Social (E&S) criteria. Where large transactions are involved, e.g. project finance, the Bank also carries out a separate Transaction specific ESRA.

After completion of the ESRA, if there are action items then an action plan will be prepared and agreed with the client to improve their E&S risk profile, which may also include engaging external specialists if appropriate. The Bank maintains an approach of engaging with clients to inform them about E&S criteria (including any changes) and if necessary, agree a specific, time-bound action plan to address issues. The Bank also maintains the prerogative that if a client is unwilling or unbale to meet the Bank's requirements, then they would look to end the relationship, subject to any contractual obligations.

The Client ESRA is reviewed each year to capture any changes to the client's risk profile. Relationship managers and credit officers receive training to help them assess E&S risks against the Bank's criteria, in addition having access to online resources.

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4.15 Sumitomo Mitsui Bank (SMBC)

Description

1. Overview

Sumitomo Mitsui Banking Corporation (SMBC) is a Japanese multinational banking and financial services company headquartered in Yurakucho, Chiyoda, Tokyo, Japan. It is the second largest bank in Japan by assets and market capitalization (as of 2019). Along with MUFG and Mizuho, SMBC is referred to as a Japanese megabank, one of the three largest banks who dominate market share in Japan's financial system. The bank is closely affiliated with Sumitomo and Mitsui keiretsu.

2. Scope

SMBC and its group companies offer a broad range of financial services including Trade Finance, Syndicated Loans, Project Finance, Cash Management, Yen Clearing, Securities Services, and Real Estate Finance.

SMBC is four times winner of the "Global Bank of the Year" award for major project finance and is committed to promote project finance as one of its core businesses.

In April 2020 SMBC commenced the launch of a cross border syndicated loans (green loans) to overseas customers based on the Green Loans Principles. In addition, SMBC has established a 10-year plan (SMBC Group GREEN×GLOBE 2030) focused on Green Finance with an investment target of JPY 10 Trillion over the period.

SMBC established the SDGs Finance Department in September 2018 to support clients in issuing SDG bonds, namely green bonds, and raise funds that help resolve social and environmental issues. SMBC has issued multiple green bonds which are aimed at financing and refinancing expenditures related to renewable energy, energy efficiency, green buildings, clean transportation, and pollution prevention and control.

E&S Approach Summary

1. *Environmental & Standards Adopted*

SMBC adopted the Equator Principles in January 2006. In February 2019 SMBC announced its endorsement of the Principles for Responsible Banking put forward by the United Nations Environment Programme Finance Initiative.

SMBC have also adopted policies on the following sectors:

- Coal-fired power generation
- Hydroelectric power generation
- Oil and gas
- Coal mining
- Tobacco manufacturing
- Nature conservation
- Palm oil plantation development
- Deforestation
- Manufacturing cluster bombs and weapons of mass destruction

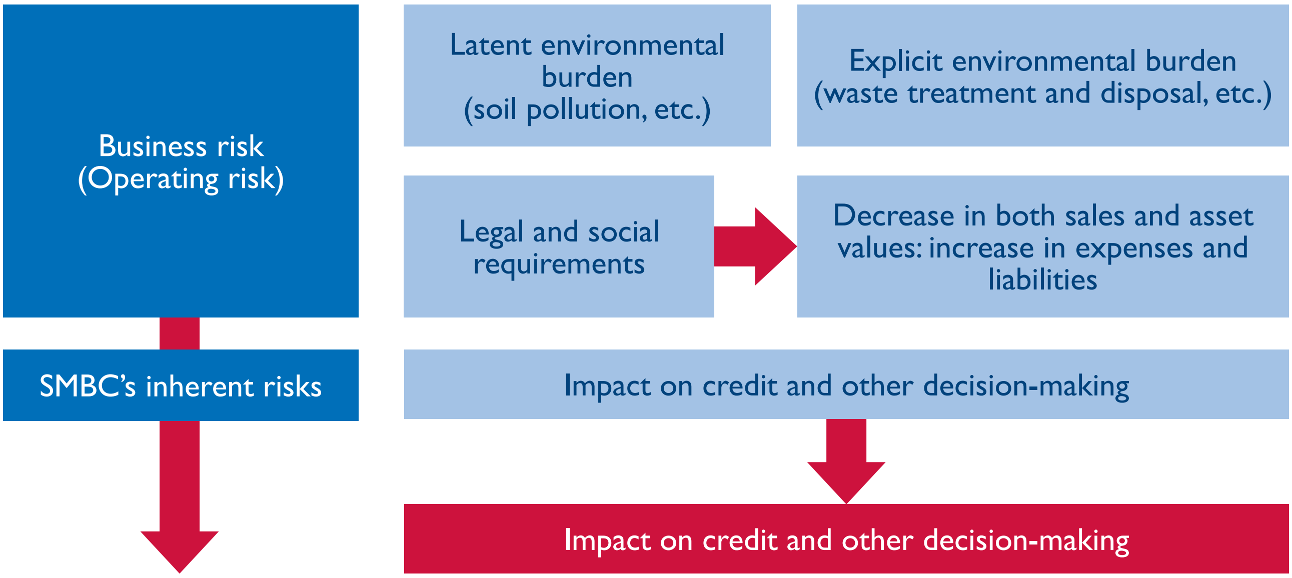
2. *How E&S review is incorporated into the investment lifecycle*

SMBC has established a "credit policy" that specifies universal and basic principles, guidelines, and norms of credit business, along with the basic principle of not providing credit that is problematic from the perspective of publicity and sociality.

SMBC has also established a loan policy for environmental and social risks and stipulates that the bank will not provide credit that may have a significant adverse effect on the global environment. In addition, in financing large-scale projects that may have a large impact on the environment and society, the Bank has adopted the Equator Principles.

The image below summarizes the approach:

Types of environmental risk



With environmentally friendly finance drawing increasing attention, SMBC has limited the financing of new coal-fired power plants to those using ultra-supercritical or more highly efficient methods, in addition to the issuance of green bonds to fund eco-friendly projects.

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- Phone: +81-3-3282-8111
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- Activity: SMBC Myanmar seeks to serve the growing needs of its clients expanding in the country. Today, it continues to work closely with Kanbawza Bank (since 2012) to expand its offering in the country. Its presence in Myanmar was first established as a representative office in Yangon in 1996, and it was one of the first foreign banks to open a branch there in 2014. The Thilawa Front Office was opened in July 2016 to help its clients leverage the opportunities in the Thilawa Special Economic Zone.

Bangkok Branch

- Phone: + 66 (2) 353-8000
- Fax: + 66 (2) 353-8282
- Activity: SMBC has the longest history among Japanese banks in Thailand, with more than 60 years of history in the country. Through its two locations in Bangkok and Chonburi, the bank offers a host of products and services, which are strengthened by SMFG's network of companies. The branch has an award-winning team and a strong presence in the domestic debt market. In 2013, SMBC Thailand was ranked 4th in the Mandated Lead Arrangers rankings and was the top ranked foreign bank (2016) by Loan Pricing Corporation, a Thomson Reuters company.

Hanoi Branch

- Phone: +84 (24) 3946 1100
- Fax: +84 (24) 3946 1133
- Activity: SMBC is a leading foreign commercial bank in Vietnam providing a wide range of wholesale banking services to top tier corporates through our branches in Ho Chi Minh City and Hanoi, which opened in 2006 and 2008, respectively.

Website URL

https://www.smbc.co.jp/global/

4.16 Thanachart Bank

Description

1. Overview

Thanachart Bank Public Company Limited (TBank) is a bank headquartered in Bangkok, Thailand. It commenced operations on 22 April 2002 with Thanachart Capital PCL (TCAP) as its parent company. The Bank is Thailand's sixth-largest bank (in assets).

Note that In 2019, Thanachart agreed to merge with TMB Bank, a retail bank in Thailand, which would make the merged bank the sixth largest bank in Thailand. The merger is expected to be completed in 2021.

As of August 2020, the merger between TMB Bank (TMB) and Thanachart Bank (TBANK) proceeds as planned, with an expected completion date of July 2021.

2. Scope

TBank offers a full range of financial services to over 4 million customers including Retail, Hire Purchase, Corporate and SME banking, Insurance, Life Assurance, Securities Brokerage and Fund Management.

E&S Approach Summary

1. Environmental & Standards Adopted

Thanachart Capital (the parent company) completed the signing of MoU on "Formulating Sustainable Banking Guideline - Responsible Lending", an initiative by the Thai Bankers' Association, on13 August 2019. This guideline set out the minimal expectations on responsible lending practices for all banks based in Thailand, and it requires banks to address ESG risk management from the following four perspectives:

- Leadership and responsible lending commitment.
- Stakeholder engagement.
- Internal implementation mechanisms.
- Transparency

2. How E&S review is incorporated into the investment lifecycle

At this stage it is not clear what the process or progress is on the integration of E&S into the deal lifecycle.

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4.17 U.S. International Development Finance Corporation

Description

1. Overview

U.S. International Development Finance Corporation (DFC) is an independent agency of the U.S. Government that provides financing for private development projects. It was created by the bipartisan Better Utilization of Investments Leading to Development (BUILD) Act of 2018, which was signed into law by President Donald Trump on October 5, 2018. DFC officially began operations on December 20, 2019.

DFC consolidates and modernizes the Overseas Private Investment Corporation (OPIC) and Development Credit Authority (DCA) of the United States Agency for International Development (USAID). In addition to OPIC and DCA's existing capabilities, DFC is equipped with a more than doubled investment cap of $60 billion and new financial tools.

2. Scope

As America's development bank, DFC helps businesses expand into emerging markets, finances solutions to the most critical challenges facing the developing world and reinforces U.S. foreign policy and national security interests. DFC is also committed to continuing OPIC's long track record of generating income for debt reduction.

DFC invests across sectors including energy, healthcare, critical infrastructure, and technology. DFC also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets.

DFC support development in emerging markets through:

- Equity Financing: DFC is equipped to provide equity financing—either direct into specific projects or to support emerging market investment funds.
- Debt Financing: DFC can meet the long-term capital investment financing needs of any size business in a wide variety of industries such as critical infrastructure, power generation, telecommunications, housing, agribusiness, financial services, and in projects that can achieve a positive impact in the host country (Up to USD 1 Billion over 25-30 years).
- Political Risk Insurance: Coverage of up to $1 billion against losses due to currency inconvertibility, government interference, and political violence including terrorism. DFC also offers reinsurance to increase underwriting capacity.
- Technical Development: Feasibility studies and technical assistance accelerate project identification and preparation to better attract and support private investment in development outcomes.

One of DFC identified priority areas is the Indo-Pacific – DFC has active projects across the Indo-Pacific and has committed to a heightened focus to help transform this vast region into a global economic leader in trade, innovation, and technology.

E&S Approach Summary

1. *Environmental & Standards Adopted*

US DFC has established its Environmental and Social Policy and Procedures (ESPP) which refers to:

- IFC Performance Standards and applicable WBG EHS Guidelines.
- Internationally Recognized Worker Rights.
- Host country laws, regulations and standards related to environmental and social performance, including host country obligations under international law.

In addition, DFC has developed sector-specific approaches for the following sectors and types of project:

- Investment in large, diverse enterprises.
- Project development activities.
- Construction and operation of dams.
- Forestry projects.
- Healthcare.
- Renewable fuels projects.
- Financial intermediaries.

2. *How E&S review is incorporated into the investment lifecycle*

The Environmental and Social Policy and Procedures (ESPP) addresses DFC's commitments regarding the E&S dimensions of sustainable development and provides fund applicants notice of the general environmental and social requirements that are applied in evaluating prospective projects and monitoring on- going supported projects.

The E&S review process includes the following elements as part of the investment lifecycle.

Screening and categorization are undertaken to consider the Area of Influence of the project for the purposes of the E&S in addition to public consultation. The nature and scale of the E&S risks and impacts are also considered, including those project impacts that could preclude support This process also helps to identify issues to be investigated in detail in the E&S review process. This also determines requirements for documentation, consultation, disclosure, notification and third-party audit. All projects and subprojects are categorised as Category A, B, C (the relevant categories for infrastructure) based on E&S factors.

- Category A: projects may have significant adverse I impacts that are irreversible, sensitive, diverse, or unprecedented in the absence of adequate mitigation measures.

- Category B: projects are likely to have limited adverse environmental and/or social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. Category B projects are considered medium risk. For these reasons, the scope of environmental and social assessment for Category B projects is narrower than that required for Category A projects.

- Category C: projects are likely to have minimal adverse environmental or social impacts. Examples of Category C projects may include financial services, telecommunications projects not involving new physical infrastructure, bid bonds and data processing.

In addition, Special Consideration projects potentially have heightened adverse project related social risks associated with the involvement of or impact on Project Affected People including Workers. Projects may be classified as Special Consideration based on an assessment of the severity of possible social risks, and their relevance to a project.

Key risk factors that are taken into consideration may include:

- Industry or sector: labor-intensive industries or sectors that are statistically more likely to infringe upon Labor Rights.

- Regional vulnerabilities: projects in countries (i) with a documented history of Labor Rights issues, (ii) having recently experienced conflict associated with Project Affected People, or (iii) with weak or compromised regulatory systems.

- Presence of vulnerable groups: (i) utilization or reliance to a large degree on large pools of sub-contracted, unskilled, temporary, and/or migrant Workers, including within the supply chain; (ii) project risks or impacts that fall disproportionately on Project Affected People who, because of their particular circumstances, may be disadvantaged or vulnerable, or (iii) sectors in which there is a high risk for the use of forced labor or child labor.

- Significant adverse impacts: (i) projects anticipated to have adverse impacts on a significant number of Workers, or (ii) projects that by their nature or footprint could cause or be anticipated to cause (or be complicit in) significant adverse Human Rights impacts.

An E&S review is undertaken to determine whether projects seeking support can be implemented in accordance with the requirements of the ESPP and the Performance Standards and to identify opportunities to avoid adverse impacts and, if impacts are unavoidable, to identify required mitigation and compensation.

This process also considers the identification of opportunities to improve E&S performance of projects seeking support. The review includes:

- A review of a borrower's Environmental and Social Management System (ESMS).
- A review of the borrower's evidence of Meaningful Consultation with Project Affected People within the defined Area of Influence.
- A review of conformance against the Categorically Prohibitions of DFC, IFC Performance Standards, host country's environmental and social laws or regulations, as well as human rights related guidance provided by the US Department of State.
- A review of the residual impacts after mitigation.

When specific mitigation measures or actions are required, borrower are required to prepare and implement an Environmental and Social Action Plan (ESAP).

The ESAP will:

- Describe the actions necessary to implement mitigation measures or corrective actions to be undertaken.
- Prioritize these actions.
- Include a timeline for their implementation.
- Be disclosed to Project Affected People and stakeholders in a timely manner.
- Describe the schedule and mechanism for external reporting on the implementation of the ESAP.

DFC undertakes detailed, tailored environmental and social reviews for certain sectors and types of projects, these include:

- Investment in large, diverse enterprises.
- Project development activities.
- Construction and operation of dams.
- Forestry projects.
- Health care.
- Renewable fuels projects.
- Financial intermediaries.

To ensure that Project Affected People are informed and consulted during project preparation and implementation, and enhance transparency and accountability related to DFC's environmental and social management, DFC makes information available concerning its activities to enable borrowers and Stakeholders, including Project Affected People and members of the interested public.

Although disclosure of project-related information is primarily the responsibility of Applicants, DFC is committed to making non-confidential project-specific information available to enhance transparency and accountability and to foster good governance. Project-related information that is posted on the DFC web site includes project summaries, summaries of DFC environmental and social site-monitoring reports, DFC's active portfolio list and portfolio company investments of DFC supported investment funds.

DFC reviews information provided by the borrower with respect to baseline environmental and social conditions, technical design, operating performance, mitigation measures and residual impacts of projects. Based on this information, DFC develops appropriate undertakings (covenants) required of the borrower, which are included in the legal agreement. The terms of the covenants take into account, amongst other things, the level of project control which the borrower will have regarding compliance with DFC standards and the borrowers role in the project. The covenants remain in effect during the term of the legal agreement.

DFC monitors project compliance with all E&S (and underlying representations) requirements in the legal agreement. DFC also monitors changes in projects and local context that may affect the E&S profile of projects. In addition, there maybe site visits by DFC (or appointed third parties) to review E&S performance. Monitoring reports are also submitted by borrowers to DFC.

New investments are also screened for Climate-related Risks and Climate- related Vulnerability. A desk-based climate vulnerability/impact assessment is undertaken, using publicly available tools and databases such as the World Bank Climate Change Knowledge Portal.

An Office of Accountability has been created to provide DFC clients and project-affected parties with access to a transparent, independent, predictable, and fair avenue for addressing disputes that may arise around DFC-supported projects. The Office of Accountability operates separately from DFC's financing operations so that it can effectively and impartially implement its functions. The Director of the Office of Accountability reports directly to DFC's Board of Directors.

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4.18 World Bank

Description

1. *Overview*

Established in 1944, the World Bank Group (WBG) is a family of five international organizations that make leveraged loans to developing countries. It is the largest and most well-known development bank in the world and is an observer at the United Nations Development Group.

The World Bank Group has set two goals for the world to achieve by 2030:

- End extreme poverty by decreasing the percentage of people living on less than USD1.90 a day to no more than 3%.
- Promote shared prosperity by fostering the income growth of the bottom 40% for every country.

2. *Scope*

As a long-term partner, the World Bank Group helps developing countries build smart infrastructure that supports inclusive and sustainable growth. Its strategy focuses on:

- Deploying innovative diagnostic tools and approaches such as the Infrastructure Sector Assessment Program (InfraSAP), a strategic planning tool that helps governments identify opportunities for improving infrastructure performance among different sectors; and Country Private Sector Diagnostic (CPSD) reports, which enable the World Bank and the International Finance Corporation (IFC) to identify opportunities to help create or expand markets and private sector investment in developing countries.
- Expanding private co-financing by partnering with multilateral development banks, bilateral development agencies and private financial institutions to champion investments that unlock opportunities and impact poverty reduction.
- Scaling-up cooperation in digital development, smart transportation and clean energy by convening other World Bank Group institutions, international development agencies, private sector entities and NGOs to deliver solutions.
- Building knowledge and capacity through academic partnerships such as the #Infra4Dev conference series.

E&S Approach Summary

1. *Environmental & Standards Adopted*

Every project financed by the World Bank Group is designed to achieve specific social and environmental impacts. The World Bank Group has established its environmental and social safeguard policies for addressing environmental and social issues arising from projects financed by the World Bank Group during project design, implementation and operation. These policies provide a framework for consultation with communities and for public disclosure. The current Environmental and Social Framework (ESF) was adopted by the World Bank as of the 1 October 2018, and the framework applies to all new investment project financing of the bank.

The ESF contains the following components:

- The World Bank's Vision for Sustainable Development.
- The World Bank's Environmental and Social Policy for Investment Project Financing (IPF), which sets out the requirements that apply to the Bank.
- The 10 Environmental and Social Standards (ESS), which set out the requirements that apply to Borrowers, including:
  - ESS1: Assessment and Management of Environmental and Social Risks and Impacts.
  - ESS2: Labor and Working Conditions.
  - ESS3: Resource Efficiency and Pollution Prevention and Management.
  - ESS4: Community Health and Safety.
  - ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement.
  - ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.
  - ESS7: Indigenous People/Sub-Saharan African Historically Underserved Traditional Local Communities.
  - ESS8: Cultural Heritage.
  - ESS9: Financial Intermediaries.
  - ESS10: Stakeholder Engagement and Information Disclosure.
- Bank Directive: Environmental and Social Directive for Investment Project Financing.
- Bank Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups.

The World Bank recognizes that standards will include those aspects of the country's policy, legal and institutional framework, including its national, subnational, or sectoral implementing institutions and applicable laws, regulations, rules and procedures, and implementation capacity, which are relevant to the environmental and social risks and impacts of the project. The aspects that are relevant will vary from project to project, depending on such factors as the type, scale, location and potential environmental and social risks and impacts of the project and the role and authority of different institutions

2. *How E&S review is incorporated into the investment lifecycle*

The Environmental and Social Policy for Investment Project Financing sets out the mandatory requirements of the World Bank in relation to the projects it supports through its financing.

This includes the following requirements:

- → The World Bank undertakes its own due diligence of proposed projects, commensurate with the nature and potential significance of the environmental and social risks and impacts related to the project in question.
- → As and where required, the World Bank will support the potential borrower to carry out early and continuing engagement and meaningful consultation with stakeholders (noting the requirements under ESS10), in particular affected communities, and in providing project-based grievance mechanisms.
- → Assist the potential borrower in identifying appropriate methods and tools to assess and manage the potential E&S risks and impacts of the project.
- → Agree with the potential borrower on the conditions under which the World Bank is prepared to provide support to a project, as set out in the Environmental and Social Commitment Plan (ESCP).
- → Monitor the environmental and social performance of a project in accordance with the ESCP and the ESSs.

This Environmental and Social Policy for Investment Project Financing and the ESSs apply to all projects supported by the World Bank through investment project financing. In summary, the World Bank will only support projects that are consistent with, and within the boundaries of, the World Bank's Articles of Agreement and are expected to meet the requirements of the ESSs in a manner and within a timeframe acceptable to the World Bank (there is an allowance for time to address gaps identified). These actions are agreed in the format of an ESCP that set's out the material measures and actions required for the project to meet the ESSs over a specified timeframe. Additionally, the ESCP will form part of the legal agreement. The legal agreement will include, as necessary, obligations of the borrower to support the implementation of the ESCP.

As part of the financing process the World Bank includes disclosure of document as requirements relating to the environmental and social risks and impacts amongst other things.

An important part of the process is monitoring of the E&S performance of the project in accordance with the requirements of the legal agreement, including the ESCP. The nature and extent of the monitoring for E&S aspects is proportionate to the nature of the E&S risks and impacts of the project. The Bank will monitor projects on an ongoing basis as required by OP 10.00. 39 A project will not be considered complete until the measures and actions set out in the legal agreement (including the ESCP) have been implemented. To the extent that the Bank evaluation at the time of project completion determines that such measures and actions have not been fully implemented.

Where appropriate and included in the ESCP, the borrower is required to engage stakeholders and third parties, such as independent experts, local communities or non-governmental organizations (NGOs), to complement or verify project monitoring information.

As part of the process, the World Bank also requires that a grievance mechanism is established to receive and facilitate resolution of concerns and grievances from project-affected parties arising in connection with the project, in particular about the

As an overarching aspect, there is the World Bank's corporate Grievance Redress Service (GRS) which allows project affected parties to raise complaints directly to the World Bank. The GRS provides a mechanism through which complaints received are promptly reviewed in order to address project-related concerns. Further escalation is also possible to the World Bank's independent Inspection Panel to request an inspection to determine whether harm has occurred as a direct result of World Bank noncompliance with its policies and procedures.

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5 SUMMARY AND RECOMMENDATIONS

As set out previously, CLMTV countries currently face enormous infrastructure needs which is estimated to cost in the order of USD56 billion – which will not be met by the countries themselves. Without infrastructure development, it will hinder economic growth, connectivity and reducing poverty levels. Whilst the gap can be partly closed by multilaterals such as the ADB, AIIB and WB, this also presents an opportunity, opening up the need for financing by private finance, including commercial banks.

The incredibly important aspect in this is the significant negative E&S risks and impacts from infrastructure development including:

GHG emissions

(in construction and operation)

Loss of biodiversity

Long-term impacts

from involuntary land acquisition and resettlement

Community and worker health & safety

Impacts on vulnerable and marginalized peoples

(including indigenous peoples)

Loss of cultural heritage

So, whilst infrastructure demand is high and will eventually go-ahead, it should not be at the expenses of ignoring E&S risks and impacts. Indeed, these E&S impacts must also be considered against the backdrop of increasing awareness of E&S risks and impacts from stakeholders, including climate change, human rights and biodiversity concerns.

Fundamentally, practical steps are required to balance infrastructure development with the assessment understanding and management of E&S risk and opportunities. This requires many stakeholders including:

- Governments and regulators
- Project designers, developers and engineers
- Contractors and subcontractors constructing projects
- Financiers.

Enabling this will support the regions efforts to meet legal requirements, Paris Agreement commitments, realise the SDGs, and minimise the region's vulnerability to climate change.

As noted previously, whilst in each of these jurisdictions have impact assessment frameworks in place, the focus and the extent of these, including the level of understanding, varies. Importantly the integration into the various components such as pre-feasibility, feasibility, detailed design etc. is often not well established, including the "flow through" of requirements to construction work. As such, meeting local requirements is often not enough, from an E&S perspective. The overlaying of more international requirements (that importantly consider both environmental & social throughout the lifecycle) are important.

The report includes a wide range of financiers, from country-specific commercial banks through to very well-established multilateral banks who play a leading role in infrastructure development and have a clear E&S agenda.

Some key summary points are provided below, that mainly relate to financiers, other than multilaterals.

- Internal E&S capacity varies, with some well-established teams of E&S professionals, through to limited/no capacity and/or reliance on third parties.
- Some E&S screening of projects is limited to a legal review of whether permits and approvals had been obtained and some limited assessment of potential reputational risks.
- Whilst the Equator Principles are referred to as standard in some cases, these do not cover all types of financing and not all financiers had adopted these in any case.

- Financiers can be brought in to finance projects in their later stages of development, which provides challenges in retrospectively applying any E&S requirements and standards, and hence involvement may become an assessment of residual risks (and reputational risk) before considering whether to proceed. In addition, the understanding of the details of the process for development e.g. site selection/ alignment selection implications, good international practice at various stages is often not well defined. This is strongly linked to understanding the residual risks associated with financing. For example, significant involuntary resettlement may have a significant ongoing impact well into the operational stage of a project for those who were resettled, and potentially give rise to reputational risk as well as community unrest/ protests directed against the project. Hence there is a driver to understand these types of issues.

- There is increasing awareness/concern in relation to NGO/stakeholder interest and action in relation to E&S topics, for example residual impacts from involuntary resettlement, or in relation to financing types of infrastructure such as coal-fired power.

- The capacity and understanding of project developers (and appetite to go beyond local requirements) is also a factor. Some infrastructure projects are designed with international E&S requirements in mind, however, others needed to "catch-up" to address these (this also ties into the point above, on the point at which financing is sought). "Turning back the clock" on decisions made is often troublesome and ties into a need to have some understanding of E&S risks and how they are managed/mitigated at each stage of the development.

- The appetite to include E&S considerations in a meaningful manner is in some cases linked to who else may be acting as a financier, and the desire not to be seen as "uncompetitive". Hence "leveling the playing field" is a factor.

- Where multilaterals (or other development banks with a clear E&S agenda) are involved, other financiers take comfort that a transaction was being completed with E&S matters addressed appropriately.

5.1 Recommendations

Based on the work undertaken to-date there is clearly an opportunity to support the enhancement of the understanding and integration of E&S aspects into infrastructure development in the Lower Mekong Region.

Recommendations for this in terms of the Activity are:

- Development of a "primer" that is accessible to financial institutions and helps to "demystify" the importance of E&S considerations and their integration into the development process. This should include a summary of E&S topics and their relevance and may include a summary of key E&S topics by infrastructure type. This would also assist in helping financiers to understand how E&S risks and impacts were considered earlier in a project and the residual risk they may need to consider;

- Using this developed primer to undertake some additional engagement and to ensure that it is advertised and accessible, for example being available online in addition to publishing a summary of this e.g. as an editorial;

- The primer would also offer the opportunity for engagement with financial institutions, for example through webinars, to discuss the primer and or discuss other relevant aspects; and

- Engagement with other entities working in this space to support the development of E&S approaches, minimize overlap and complement each other. This may also be through engagement with relevant organizations such as bankers' associations.

For more information,
please visit:

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