Webinar Sustainable Project Finance: Stakeholder Engagement & Managing Risk

February 15, 2017
William Feragotto
What is sustainable project finance all about?

• Early identification of social and environmental risks that might cause negative effects on the sustainability of a project to be financed

• Designing specific sustainable solutions for every identified potential risk

• Preventing negative impacts
What is sustainable project finance all about?

- Enhancing project’s positive impacts in the influence area
- Promoting transparency and community trust
- Active inclusion of stakeholders throughout project life cycle
How does it work?

By implementing **recognized financial standards** such as:

- IFC Performance Standards and specific sector guidelines
- World Bank Safeguard Policies
- EBRD (European Bank for Reconstruction and Development).
- CAF Environmental and Social Safeguards
How does it work?

• Equator Principles (EP)

• United Nations Principles for Responsible Investment - UNPRI

• Lenders and international investors’ specific policies

• Strict compliance with relevant host country regulations
How does it work?
Identified Environmental and Social Risks

• Lack of management systems
• Incipient project description
• Lack of analyses of alternatives
• Limited or reduced zones of influence
• Superfluous environmental assessments
Identified Environmental and Social Risks

- Lack of community engagement and liaising
- Public order and law enforcement: economic pressure
- Prior consultation: ethnic groups – Supreme Court and Constitutional Court
- Working conditions: resistance and barriers to formalization
Identified Environmental and Social Risks

- Immigration into project zones
- Biodiversity management, protected species (closed seasons), protected areas
- Exclusion zones
- Land use
- Disproportionate inflation
- Land use and production changes
- Conflicts arising from relationships with authorities
- Existing environmental and social liabilities
Recommendations

• Clear definition of the whole projects
• Early identification of applicable financial standards
• Environmental and Social Impact Assessment understood as a powerful sustainability and management tool
• Early and continuous community engagement and liaising. Clarity in expectations management
• Process transparency. Clarity in defining project’s impacts and benefits
• Clear understanding of local contexts and dynamics
The business of sustainability

William Feragotto
Partner
William.Feragotto@erm.com

Alejandro Duarte
Partner
Alejandro.Duarte@erm.com

+57 1 744 1222
Bogota, Colombia

www.erm.com