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IFIs Undertake Financing when their Environmental and Social Quality Criteria are Met

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<https://orcid.org/0000-0003-2140-7654>**ABSTRACT**

The main content of this article is to describe “climate finance” and “green finance” in detail, as implemented by International Financial Institutions (IFIs) and their pertinent environmental and social project quality criteria. The approach of this article is to perceive and understand environment-related activities of international financial institutions (IFIs) as part of a societal learning process, and consequently to describe their “environmental and social project quality criteria” as an expression of such ongoing societal learning processes. What can our readership, related to global finance, profit from such a comparison? Against the expectation of many, IFIs already implemented efficient rules for redirecting global funds to climate and environmental projects — and have thus performed a successful “act of societal learning”. The “environmental and social project quality criteria” have played a crucial role in convincing economic and administrative actors (i.e., learners in our context) to behave in a climate-compatible manner. Thus, the lesson can be drawn from the domain of “societal learning” to the domain of “individual learning” that clear and transparent criteria sets are decisive for a rule-based societal transformation. This article shows that a criteria-based selection process provides the best results for long-term societal interest; in this case climate protection.

Keywords: collective learning; societal learning; global learning; rule-based society; criteria-based decisions; global warming mitigation; global warming adaptation; International Financial Organisations; IFIs; infrastructure projects; Central Asia; environmental quality criteria; social quality criteria

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ОРИГИНАЛЬНАЯ СТАТЬЯ

Финансирование МФО проектов, соответствующих экологическим и социальным критериям качества

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Институт экономической и социальной истории, Грац, Австрия
<http://orcid.org/0000-0003-2140-7654>**АННОТАЦИЯ**

В статье представлено подробное описание «климатического финансирования» и «зеленого финансирования», реализуемых международными финансовыми организациями (МФО), и соответствующих экологических и социальных критериев качества проектов. **Целью** данной статьи является восприятие и понимание связанной с окружающей средой деятельности международных финансовых организаций (МФО) как части процесса обучения общества и, соответственно, описание «экологических и социальных критериев качества проектов» как выражения продолжающегося процесса обучения общества. Что может извлечь из такого сравнения наша читательская аудитория, связанная с глобальными финансами? Вопреки ожиданиям многих, МФО уже внедрили эффективные правила перераспределения глобальных средств на проекты в области климата и окружающей среды, совершив, тем самым, успешный «акт обучения общества». Экологические и социальные критерии качества проектов сыграли решающую роль в убеждении экономических и административных субъектов (т.е. обучающихся в нашем контексте) демонстрировать климатически совместимое поведение. Таким образом, урок может быть извлечен из области «обучения общества» в область «индивидуального обучения» о том, что четкие и прозрачные наборы критериев имеют решающее значение для преобразования общества на основе правил. Показано, что процесс отбора проектов на основе критериев обеспечивает наилучшие результаты для *долгосрочных интересов общества*, в данном случае — для защиты климата.

Ключевые слова: коллективное обучение; обучение общества; глобальное обучение; общество, основанное на правилах; критериальные решения; смягчение глобального потепления; адаптация к глобальному потеплению; международные финансовые организации; МФО; инфраструктурные проекты; Центральная Азия; экологические критерии качества; социальные критерии качества

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1. INTRODUCTION

The main content of this article is to describe “**climate finance**” and “**green finance**” actions [1–12] to *allow for innovation and growth* [13–29]. Such green financing is undertaken by **International Financial Institutions** (IFIs) and their pertinent and relevant **environmental and social project quality criteria** in great detail.

The approach of the article is to intentionally take a learning-oriented standpoint in order to receive additional insight into suitable procedures of global finance. Given that conceptual progress in science is often made when two apparently incongruent domains of knowledge are combined, this article joins the field of didactics with the field of financing. It is possible that both domains are well known to the reader, or perhaps only one of them — and therefore a brief introduction is provided here.

In general, two main types of learning are perceived, and their key terms are presented and defined here:

- **Individual learning:** one human individual learns from books or other content, on their own or jointly with other partners, and consequently changes behaviour in such a way that said person is more apt for the complex requirements of the present globalised world.
- **Societal learning:** an entire society (or even global society) learns from whatever the given sources are and by whichever (social, political, evolutionary) procedures about the needs of how to form a sustainable humanitarian civilisation and further develop its behaviour, actions, methods, institutions, rules and ethical systems. At present, the most urgent case for such societal learning is global climate change, according to the views of many [30, 31] and.¹ The notion of societal learning is further analysed and linked to *transformative change* (as opposed to mere adaptation) in [32, p. 7, 15; 33; 34, p. 58; 35–39].

Based on the hypothesis that patterns, structures and procedures in individual and societal learning might to a certain degree be similar, successful patterns, structures and procedures from societal learning might also be considered for individual learning. Therefore, a case study for the procedure for societal learning is presented here in detail, based on desk studies; namely how decisions are

made should large-scale infrastructure projects be financed worldwide or not. This case study will deal with the selection criteria for project funding defined by the IFIs.

The main structural similarities between collective and individual learning are self-reflective processes which lead to the constant re-adaptation of targets, methods and procedures. “*Reflection in action*” [40–42] is a fundamental procedural element that is applicable to both domains, while needing a more organised and institutionalised setup in the case of collective learning. In both cases, learning means to act, while the fundamentals for such action remain under continuous scrutiny and re-assessment. Thus, an overall “fluid” appearance of the learning process is characteristic. In the domain of collective learning, this means using sets of socio-economic project criteria while at the same time being inclined to continuously re-assess their usability in the light of ongoing experience with their re-application. Even if the motto of “reflection in action” dates back to the last century, it suitably portrays the decent but unstable equilibrium of acting and contemplating (re-considering against the background of earlier experiences) within the procedure of moving forward in a highly unknown terrain.

The intention is to perceive and understand environment-related activities of international financial institutions (IFIs) as part of a societal learning process, and consequently to describe their “environmental and social project quality criteria” as an expression of such an ongoing societal learning process. More precisely, this article understands global humanity’s reaction to the threats of global warming and global change [43] as a collective learning procedure. This is the key vantage point of the present text. The author suggests that making comparisons between individual and collective learning processes may offer additional insights into both, including suggestions on how to design them suitably, effectively and successfully.

There are differences between the two concepts of climate change and global warming [43–45]. Climate change focuses on meteorological parameters such as changes in temperature and precipitation, and consequently changes in soil moisture, incidences of strong winds and heavy precipitation, including resulting floods. However, the notion of global change extends into social spheres, both regarding driving factors (patterns of energy use and land use) and regarding effects (climate-induced migration, including resulting political instabilities) [30, 43].

¹ FFF (2019), Fridays for Future. International youth movement. URL: <https://www.fridaysforfuture.org/> (accessed on 12.08.2020); UNFCCC (2019), United Nations Framework Contract on Climate Change. Procedures of annual Conferences of the Parties (COP). URL: <https://unfccc.int/> (accessed on 22.06.2021).

What can this volume's readership, likely to be related to higher education and lifelong learning, profit from such a comparison? Against the author's initial expectation, IFIs are starting to become efficient at redirecting global funds to climate and environmental projects — and have thus performed a successful “act of societal learning” [46, 47]. In recent years, several IFIs claim to have succeeded in limiting their funding to projects that are beneficial for combatting climate change [48–51] and.²

The “*environmental and social project quality criteria*” have played a crucial role in convincing economic and administrative actors (i.e., learners in this context) to behave in a climate-compatible manner. Thus, the lesson can be drawn from the domain of “societal learning” to the domain of “individual learning” that clear and transparent criteria sets are decisive for a rule-based societal transformation.

What is the link between IFI and education providers? In this article's view, IFIs have a double functionality in the global process of “societal learning” which represents humanity's search for appropriate answers to global warming, environmental pressures and globalisation:

1. IFIs are *learners* in themselves who strive for a better understanding of global warming and its resulting challenges. Thus, IFIs optimise their own “societal learning”

2. IFIs are *trainers* because of their power to impose rule systems on global financial players such as consortia and state governments who strive to attain their funding support for specific project applications. Thus, IFIs may accelerate “societal learning” in those other actors.

This double nature of trainers actually being learners themselves has been repeatedly highlighted by didactic and pedagogic literature [52, 53]. Thus, the connections between didactic concepts and the domain of finance are manifold: IFIs are both agents of learning processes (when imposing criteria sets) and recipients of learning outcomes (e.g. submitted project proposals).

² AFD (2018), Agence Française de Développement — Climate Financing. URL: <https://www.afd.fr/sites/afd/files/2017-10/climate-activity-afd-group.pdf>. (accessed on 22.06.2021); EBRD (2017), The European Bank for Reconstruction and Development — Sustainability approach. URL: <http://www.ebrd.com/our-sustainability-approach.html>, <http://www.ebrd.com/our-sustainability-work.html>. (accessed on 22.06.2021); KfW (2017), Kreditanstalt für Wiederaufbau, Sustainability Criteria. <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/>. (accessed on 22.06.2021).

This article suggests three fundamental overall success criteria (1–3) that translate into concrete, project-related quality criteria which will be applied for every single infrastructure project. These three criteria equal the current worldwide understanding of *sustainability encompassing social, environmental and economic dimensions* [54]. Later, these fundamental criteria will be mirrored against the quality criteria established by IFIs to ensure a suitable “collective social learning process”:

1. Creating a long-lasting *societal* consensus among all involved social groups
2. Creating *environmental* sustainability in the region, including global climate justice
3. Maintaining long-term *economic* reliability and financially well-functioning economic enterprises and state institutions within the state in question.

Overall, the present article takes an unconventional viewpoint regarding the following aspects:

- (1) the opportunity for an interesting combination of topics lies in combining didactics and finance;

- (2) the link between collective and individual learning in the context of IFIs allows for inserting didactic concepts into the procedures of financing proposals;

- (3) incorporating environmental and social criteria into the selection process will lead to better collective and individual learning among IFI staff.

This work was conceptualised and started on the basis of practical experience with IFIs, namely during the largest EU environmental project in Central Asia, during which several experts from each portrayed IFI were invited to quarterly conferences with the target of implementing ten large-scale transboundary infrastructure projects in the five Central Asian states in cooperation with their governments. Based on a didactic approach towards life, designing institutional structures is perceived here being analogous to an advanced and collective learning design. The insertion of humanitarian responsibility into our tertiary education³ is actually a very profound target of all pedagogy.

In this article, combating climate change is seen as a learning endeavour which needs suitable global institutions with appropriate rules, procedures and structures. This article investigates what these should look like. As a clarification, it is added that the terms “global warming” and “climate change” should be

³ EUCEN (2017), UNIBILITY — University Meets Social Responsibility. URL: <http://www.eucen.eu/projects/unibility> (accessed on 22.06.2021).

clearly differentiated conceptually, even if they are often erroneously used synonymously [43, p. 403; 45, p. 117].

In general, the question is: Can International Financial Institutions (IFIs) support efforts to save the globe from the greenhouse effect and from global warming? When couched in a (neo-) liberal philosophy — which is optimistic about the opportunities for free-market forces to optimally allocate resources [55] and⁴ towards direct climate-relevant action — then presumably the answer is yes. However, when following the view that states should prescribe public and economic action, then a more hesitant answer will be given.

In any case, any optimism regarding a positive role of IFIs necessitates clearly guided framework conditions for the functioning of the “free” optimal allocation of capital to available project ideas.

In fact, in past years, practically all such IFIs (list below) established catalogues of “environmental and social quality criteria” which were supposed to guide project proposals to obey long-term global society’s preferences for sustainability. More specifically, project proposals presented to IFIs for (co-)financing are systematically being measured against these detailed quality criteria, and if a proposal does not sufficiently meet the criteria it will not be funded. Such quality criteria in the environmental field will represent the main body of the present article. These were analysed in 2017 and an “Investor Guide” [56] for large infrastructural projects was created. In the context of the then largest environmental EU project in Central Asia, the “Investor Guide” has the target of informing actors and stakeholders such as governments and industry about options for receiving funding for large infrastructure projects of some 10–100M€ per project. In practice, several IFIs are co-financing such large, and often transnational, projects such as large dams, power plants, irrigation systems, agricultural amelioration, regional waste management — in brief, projects often relevant for climate change mitigation and adaptation [50, p. 41 and Fig. 11).

This article understands the act of establishing a rule-based procedure for identifying global infrastructure construction as an act of “collective global learning”.

⁴ WB (2016), The World Bank. Environmental criteria ESF. URL: <http://www.worldbank.org/en/programs/environmental-and-social-policies-for-projects>; URL: <http://documents.worldbank.org/curated/en/383011492423734099/pdf/114278REVISED-Environmental-and-Social-Framework-Web.pdf> (accessed on 22.06.2021).

The reason why learning is chosen as a general perspective in this article is that the instruments of didactics and pedagogy might offer an additional perspective on the issue of climate change and how to better tackle it. Given that “learning” is widely understood as “changing one’s behaviour”, the lessons of individual learning might be applied to what is referred to here as “collective learning”; namely inducing a change in collective, global societal behaviour in the face of global warming. Therefore, the two types of learning (societal and individual) can also be applied to the practices of IFIs because their quality criteria [56] involve the generation of a set of rules facilitating such improved collective human behaviour. In both individual and collective learning, the learners are pushed to alter behavioural patterns while facing structural obstacles and psychological impediments, be these on the individual or collective levels; and especially when regarding globalisation [57].

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

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

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

2. BACKGROUND: IFIS’ ROLE IN COLLECTIVE LEARNING

In comparison to individual learners, all IFIs (such as the European Bank for Reconstruction & Development EBRD, European Investment Bank EIB, World Bank, Asian Development Bank ADB, etc.) can be perceived as “collective learners” [57], are strongly committed to environmental

sustainability and social equity and apply targeted sets of project quality criteria accordingly to support investment decisions. As a quick example describing the main European Union bank, EIB has defined four priorities,⁵ supporting projects which make an important contribution to both sustainable growth and employment, specifically with regard to the following four priorities that will be explained further later: (1) skills and innovation, (2) SMEs (small & medium enterprises) and midcaps (companies with middle-size share values), (3) infrastructure, and (4) climate and environment.

Therefore, this article starts out by presenting information on relevant International Financial Institutions (IFIs), including the EU Investment Facility for Central Asia (IFCA) and its “blending” approach, based on desk studies and analysis of relevant sources. Blending as a basic concept might not yet be known to all readerships; it is definable as strategic use of a limited volume of grants to mobilise financing by partner FIs and the private sector in order to enhance the developmental impacts of investment projects. For more profound interest, the IG presents the respective project cycles as well as focus areas, environmental and social quality criteria that are to be applied to infrastructure projects in the fields of environment, water and climate change. As complementary information, the IG provides the IFIs’ basic approaches to project proposal appraisal, respective project cycles and project award criteria. The IG supports administrations in their application preparations, especially via the European Union’s Investment Facility for Central Asia (IFCA), provided to support Central Asia.

As a case study on the level of sovereign republics (representing the real actors and subjects of “collective learning”) in the area of Central Asia, the EU has launched a regular consultative process entitled the “EU-Central Asia Work Group on Environment & Climate Change”⁶ which is intended for the professionals of Central Asian state administrations who are involved in the identification and preparation of international investment projects in the areas of Environment, Water & Climate Change.

⁵ EIB (2016), The European Investment Bank. Including relevant subpages. URL: <http://www.eib.org/about/index.htm> (accessed on 22.06.2021).

⁶ WGECC (2017), EU-Central Asia Working Group on Environment and Climate Change. Regular consultative process on the state level. URL: <http://wecoop2.eu/events/> (accessed on 02.12.2018).

The main purpose of such a “collective learning process” [57] is to

- apply economic knowledge and procedural skills required to develop bankable project proposals that are compatible with the *requirements of climate change*,
- to increase awareness of mechanisms and conditions offered by various relevant IFIs and donors who provide funds for climate change (CC) adaptation or water or environment projects,
- to increase knowledge on preparation and submission of project proposals,
- to support the implementation of concrete measures couched in relevant policies & strategies and promote experience exchange between countries and actors.

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

- EIB (European Investment Bank),
- EBRD (European Bank for Reconstruction and Development),
- WB (World Bank),
- ADB (Asian Development Bank)
- KfW (German Kreditanstalt für Wiederaufbau),
- AFD (French Agence Française pour le Développement),
- AIIB (China-based Asian Infrastructure Investment Bank),
- and others.

2.1. Literature review

A review of academic literature on the work and procedures of IFIs starts out with a general monitoring of IFI compliance to the Millennium Development Goals (MDGs) undertaken by [58; 59, p. 4], who underlines the importance of infrastructure projects for effectively implementing the MDGs while perceiving the well-known structural field of tension between growth, productivity and sustainability. Still couched in neoclassical approaches as recommended by [60], this early analysis is still rooted in the theories of optimal geographic localisation as well as in the (presumably over-euphoric) hypothesis of a self-controlled worldwide “convergence” of economic levels and systems [61]. The more recent in-depth study,⁷ proposes a methodology to evaluate and quantify

⁷ FAO (2017). Adoption of climate technologies by the agrifood sector — Methodology. Food and Agriculture Organisation, Rome, p. 15. URL: <https://books.google.at/books?id=w-NfDwAAQBAJ> (accessed on 22.06.2021).

the effects of agricultural practice on global climate change by means of a clear four-step approach.

Gallagher [62, p. 15] and Neves & Cavazotte [63, p. 612] propose a historic view on evolving strategies for fulfilling environmental criteria in large-scale infrastructure projects while using the example of environmental safeguards developed at the World Bank since 1991. Similarly, the EBRD [64] and World Bank Group,⁸ reflect their success criteria for project financing regarding policy coherence and legal accountability with an emphasis on human rights (not yet specifically on environmental or social ethics). WB,⁹ concludes that “at a technical level, the body of knowledge on human rights measurement methodology, although growing, is incomplete despite significant progress in areas such as human rights impact assessments and human rights indicators” [65, p. 158]. An internationally cooperating Master’s curriculum “Global Studies” was established at Graz University in Austria in order to especially care for the worldwide implementation of such humanistic values [66].

Nielson et al. [67] quantify the volume of international aid to which the social and environmental criteria in question should be applied: “Every year, states and international organizations provide somewhere between \$ 120 and \$ 170 billion in official development finance to recipient countries”, while the first (~IFIs) cover one third of this sum. These authors ask if “divergence in institutional form leads to differences in content and function?” — actually it is the motive of the present article to avoid such difference.

2.2. IFCA, the Investment Facility for Central Asia

The tool of “blended finance” and the project line “IFCA”, the EU *Investment Facility for Central Asia* has been presented earlier in this journal [51]. This subsection here will use the case study of Central Asia (CA) to depict details: The EU has launched the Investment Facility for Central Asia (abbreviated as IFCA, while analogous programs exist for other world regions, see coloured areas in *Figure 1*) in 2010 to help address the challenges

perceived by Central Asian countries when financing their key infrastructure, particularly in their environment, energy and social sectors. An additional key aim of this facility is to engage private sector stakeholders, particularly SMEs (small and medium-sized enterprises) within this developmental process.

The Facility can intervene in cases where *regular markets fail* to offer sufficient and affordable financing, namely in cases where market failure hinders a timely realisation of high-priority investment for projects with a potential to promote inclusive as well as sustainable socio-economic development.

Analogously to other EU blending facilities, IFCA is able to act as a *catalyst* when it comes to pooling resources and improving the coordination or coherence of donor actions. In conformity to the principles of ownership, partnership and shared responsibilities, IFCA thus operates by providing non-refundable financial contributions that support loans for Central Asian countries stemming from EIB, EBRD or other European multilateral or national development finance institutions (FI). Its main purpose is: promoting additional investments and key infrastructures while keeping an initial priority focus on energy, environment, water, climate, SMEs and social infrastructure.

IFCA undertakes to achieve the existing policy objectives of the Development Cooperation Instrument and of the Regional Strategy for Central Asia (*Fig. 1*).

2.3. Implementation of IFCA

One additionally relevant aspect of *education* here lies in the co-decision process: the contribution of the EU Commission to IFCA is decided annually (*Fig. 2*) and these EU resources are made available through the DCI (Development Cooperation Instrument). For the period 2010–2015, the EU Commission allocated an overall amount of € 145 million to IFCA.

For the educational domain, this example underlines that the cooperative *design* of decision processes is of key importance for learning, especially when it comes to complex interdisciplinary themes (globalisation, intercultural tensions, global warming policies) in tertiary education. The overall target (both in individual and collective learning) is to perceive and respect all possible viewpoints which are easily represented societally by diverse institutions; in the case of the EU by different bodies representing divergent interests.

⁸ WB (2013), Legal Innovation and Empowerment for Development. The World Bank Legal Review, Vol. 4. Ed. by H. Cissé, S. Muller, C. Thomas, W. Chenguang. URL: <https://books.google.at/books?id=j6SvECYXyCEC> (accessed on 22.06.2021).

⁹ WB (2013), Legal Innovation and Empowerment for Development. The World Bank Legal Review, Vol. 4. Ed. by H. Cissé, S. Muller, C. Thomas, W. Chenguang. p. 147. URL: <https://books.google.at/books?id=j6SvECYXyCEC> (accessed on 22.06.2021).

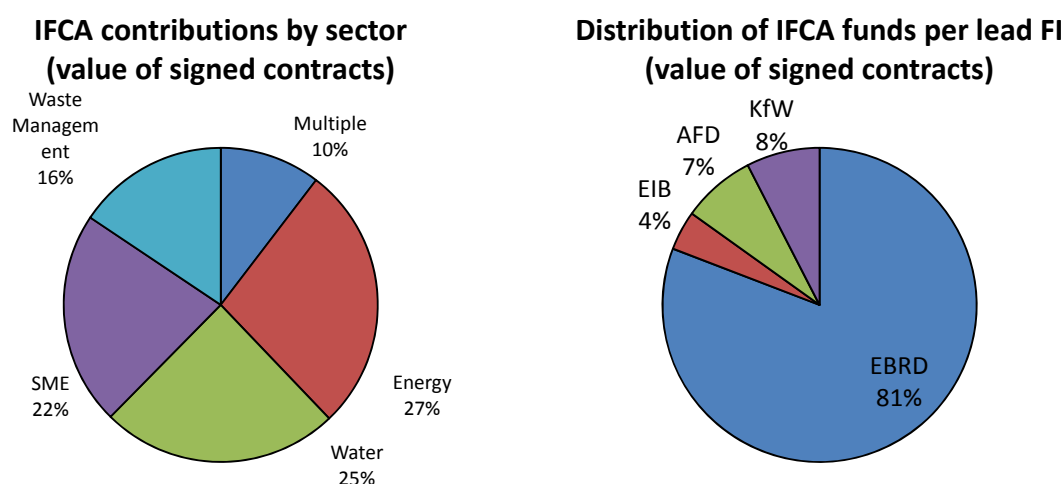


Fig. 1. Components of the financial tool IFCA. At left: thematic sectors for IFCA aid (SME = small and medium enterprises); at right: leading IFI (for abbreviations, see list above)

Source: EU (2019), Innovative Financial Instruments (blending). Brochure and information. URL: https://ec.europa.eu/europeaid/policies/innovative-financial-instruments-blending_en (accessed on 22.06.2021); EU (2015), EU Blending – European Union aid to catalyse investments. Explanation of the blending mechanism. URL: https://ec.europa.eu/europeaid/sites/devco/files/leaflet-eu_blending-2015_en.pdf (accessed on 22.06.2021).

2.4. Results of IFCA

The above-mentioned multilateral decision process optimises taking into account the diverging fact-based aspects of any interdisciplinary, multi-faceted issue. This “collective learning procedure” is thus a positive example of how to solve transcultural, transdisciplinary learning tasks, for which the following enumeration is a concrete example. The insertion of such inter-stakeholder solutions into the pragmatic realm of economic realities is achieved by the financial tools enumerated thereafter.

According to the objectives of the 2014–2020 “Regional Indicative Programme for Central Asia”, IFCA’s main target means contributing to sustainable regional development as well as economic growth at the same time. Consequently, IFCA finances projects having these following aims:

- Improve energy and water infrastructures;
- Increase protection of CA environment with a better focus on and control of climate change impacts;
- Create and enhance SMEs and improve the employment situation;
- Improve social services as well as infrastructure, including health and education.

Moreover, IFCA may support the implementation of so-called bilateral Indicative Programmes in the region:

- investment grant for public infrastructure projects;
- financing loan guarantee costs;

- subsidising interest rates;
- technical assistance;
- risk capital operation

(the latter two are financed as a part of a specific investment operation or as an envelope made available to EIB).

The blending decision-making process is shown in higher procedural detail according to the “Guidelines on EU blending operations” (Fig. 2).

For this article, the decision was made on the one side to devote the entire Chapter 2 to IFCA and on the other article to include all IFIs (in the strict sense) to Chapter 3, because in fact IFCA is more than an IFI but rather a procedure allowing to combine several IFIs for a given project.

3. IFIS’ SOCIAL AND ENVIRONMENTAL PROJECT AWARD CRITERIA

Again, in this article, the additional target (beyond portraying IFIs’ work) is to highlight the way in which IFIs’ actions can be perceived as “societal learning” or “collective learning” with humanity facing the challenge of global warming. IFIs are portrayed and evaluated, while keeping in mind that these are key players in the endeavour of mankind’s learning experience of how to manage global change, globalisation, and especially climate change.

In this view, the role of an IFI is *at the same time the role of a learner and of a trainer* for the education of other agents (by imposing their rules on

FIGURE 4.2 Blending decision-making process

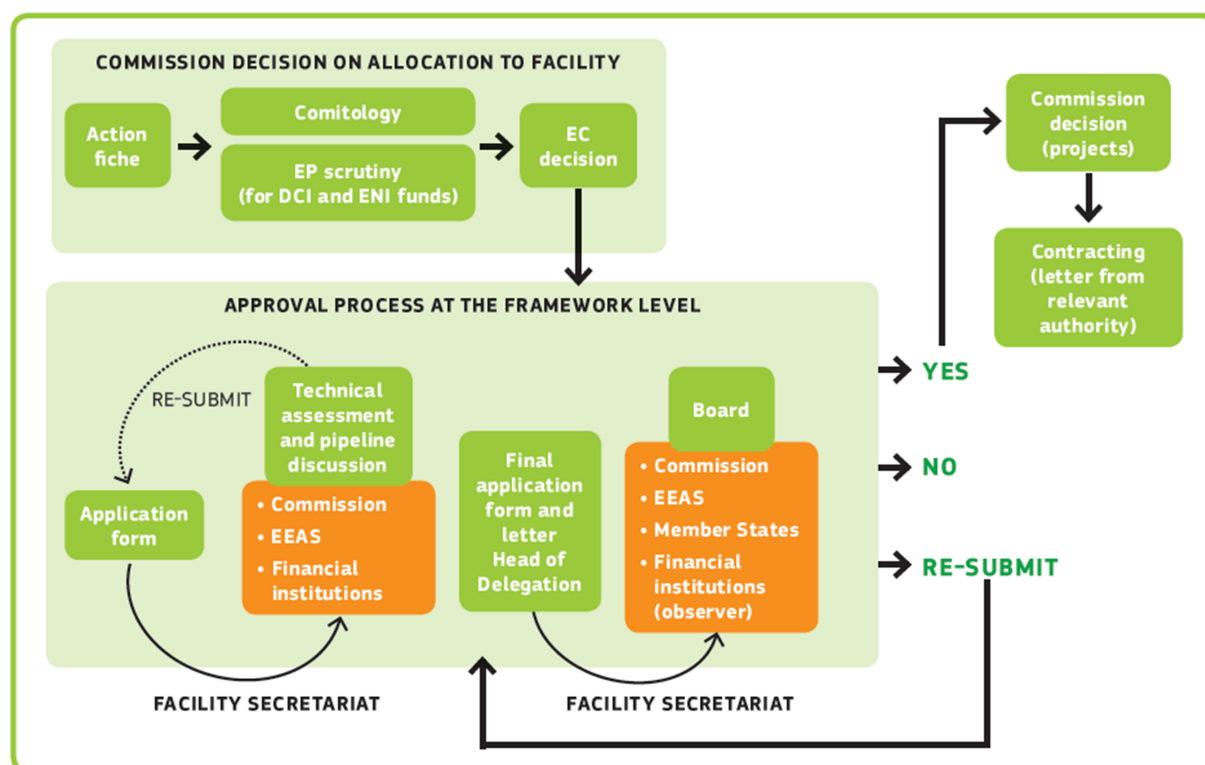


FIGURE 4.3 Parallel decision process of financial institution and EU

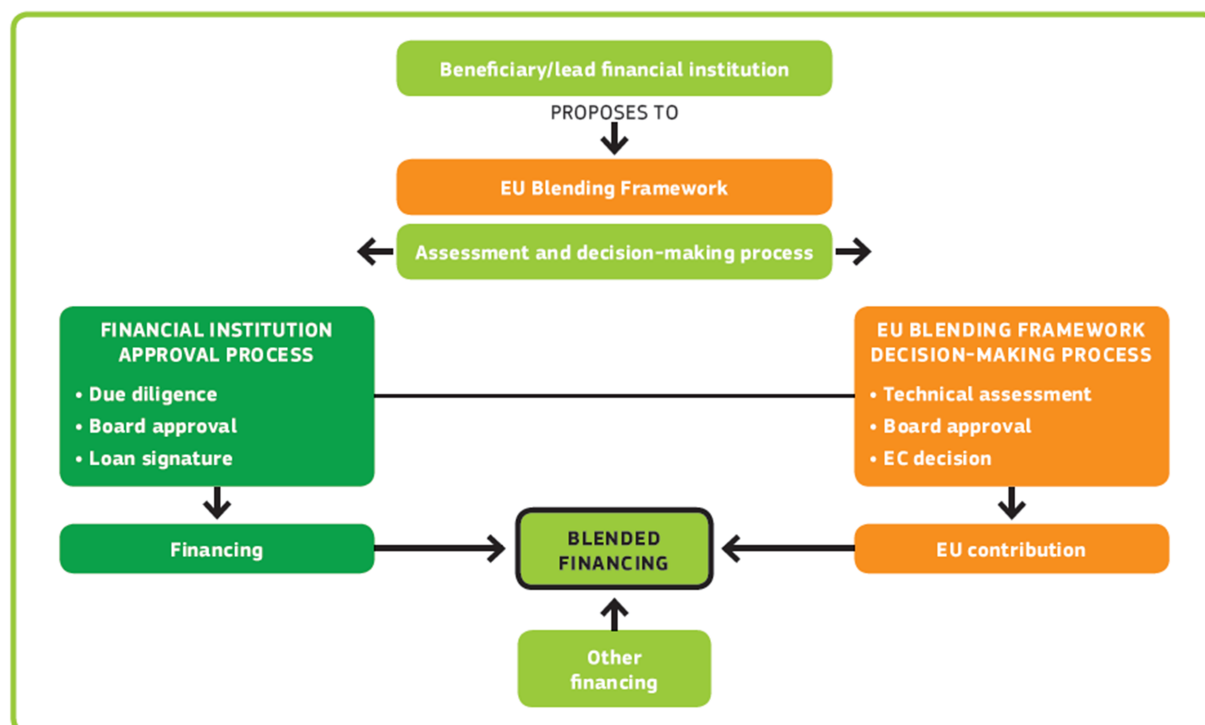


Fig. 2. Above: the blending decision-making process. Below: the parallel decision process of IFI and EU. Both can serve as an example of co-decision in education

Source: EIB (2016), The European Investment Bank. Including relevant subpages. URL: <http://www.eib.org/about/index.htm> (accessed on 22.06.2021).

the project application and financing mechanism) — mainly of project implementers such as large international companies and governments. Thus, and because of their institutional situatedness amidst the global control system of finances, IFIs can be in a position to considerably accelerate “global learning”, i.e. humanity’s answer to global warming.

3.1. EIB priorities and environmental standards

As the first financial actor portrayed, EIB (as the EU’s main bank) has defined four priority avenues for financing projects¹⁰: EIB decided to support projects which *make a significant contribution to sustainable growth & employment* in Europe and regions beyond, e.g., in Central Asia.¹¹ Annex 2 shows EIB’s environmental and social standards in brief. Activities follow the EIB project cycle¹² and focus on the following four priority areas:

(1) Skills and innovation are held to represent key ingredients for ensuring sustainable growth and creating valuable jobs. These play important roles when driving competitiveness in the long term. This is a top priority for EIB. EIB is a major partner in those projects that actually develop innovation and skills for growing economies. In 2016, EIB supported innovation and skills with 13,500 M€ of EIB loans.

(2) SMEs and Midcaps: Small and medium-sized enterprises are essential drivers of growth, innovation and employment in Europe. SMEs represent well over 90% of businesses in the EU, while employing two thirds of the active working population. For the EIB Group, supporting access to finance for SMEs and midcaps is a clear top priority. In 2016 alone, the EIB Group financed SMEs & midcaps across the globe to a record 33,600 M€ (EIB Group). EIB supported 300,000 smaller companies, employing 4.4 million people.

(3) Infrastructure is held to represent an essential fundament that interconnects internal markets with economies. Such projects play important roles for economic growth, job creation and sustainability, as well as for ensuring competitiveness. Substantial financing at reasonable costs is required for new investment in infrastructure. Being ‘the’ EU bank, EIB has made it a top priority to continue supporting

such initiatives, investing in energy efficiency, water, transport and sustainable urban infrastructure. Such projects are ambitious and vital for maintaining economic growth in Europe and wider regions. In 2016, EIB provided 19,700 M€ as support for infrastructure projects. Over 55 million people benefited from these projects, particularly in less developed European regions.

(4) Environment and climate: EIB supports transiting to a low-carbon, environmentally friendly, climate-resilient economy. Being the largest multilateral climate finance provider worldwide, EIB commits more than 25% of its lending portfolio to climate-resilient and low-carbon growth. In 2016, EIB provided 16,900 M€ for supporting environmental projects. As an example, EIB supported a safer drinking water supply for 25 million people worldwide. Regarding climate action, the EIB exceeded its target for the seventh consecutive year, providing over 19,000 M€ to support mitigating climate change and impact adaptation. Overall, this represents 26% of EIB’s total lending in 2016.

As ‘the’ EU bank, EIB understands the need to strongly promote environmental goals in both developing and developed countries. EIB’s funding supports sustainable projects in more than 160 countries and catalyses the mobilisation of private finance into climate action, thus encouraging other actors to match such long-term investment. Until now, EIB is the world’s largest issuer of Green Bonds. In support of the Paris Agreement, EIB also committed to increase its lending for such action in developing countries to 35% of total lending by 2020.

Evaluation of EIB quality criteria:

- EIB’s priorities show strategic focus is on innovation and skills (as a quite suitable proactive focus); SMEs (in harmony with Europe’s structure having small and often private enterprises); infrastructure (as the main driver for economic progress); and climate and environment (with a share of at least 25% within overall funding in 2017; recently this percentage was set to rise). To date, EIB is the largest issuer of Green Bonds in the world and is dedicated in its support of the Paris agreement.

- EIB’s ten environmental and social standards include classical targets such as pollution prevention and biodiversity, but also climate-related standards which are soundly integrated into EU climate policy — but should be further differentiated and operationalised for concrete practice.

In brief, EIB appears as a learning actor who tries to quickly catch up with recent progress in policy (after the Paris agreement) and operationalisation,

¹⁰ EIB (2016), The European Investment Bank. Including relevant subpages. URL: <http://www.eib.org/about/index.htm> (accessed on 22.06.2021).

¹¹ EIB (2017), The European Investment Bank’s Central Asian Engagements. URL: <http://www.eib.org/projects/regions/central-asia/index.htm> (accessed on 22.06.2021).

¹² EIB (2018), The European Investment Bank’s Project Cycle. URL: <http://www.eib.org/projects/cycle/index.htm> (accessed on 22.06.2021).

but lacks wide coverage of all the necessary aspects of up-to-date understanding of sustainability including dynamic climate protection. EBRD's role as trainer should still be improved by proactive training of applicants on how to suitably fulfil project assessment criteria substantially.

This monitoring of IFI quality criteria and those of the following other IFIs will be synoptically evaluated against the threefold quality criteria (established in section 2.8) later in section 3.8.

3.2. EBRD environmental performance requirements

EBRD¹³ describes its key sectors of action as follows: Equity Funds, Agribusiness, Information and Communication Technologies, Financial Institutions, Manufacturing and Services, Municipal Legal Reform, Infrastructure, Natural Resources, Power and Energy, Nuclear Safety, Property and Tourism, Transport.

EBRD topics of action in Central Asia (9,400 M€ until 2017) include the key topics *green economy transition*, economic inclusion and food security; and concretely focus on transport, financial institutions, municipal and environmental infrastructure, information and communication technologies, natural resources, power and energy, and agribusiness.

Environmental and social sustainability is safeguarded at EBRD, namely through the criteria listed in *Annex 3*, and also through products of the green economy which amount to 1/3 of EBRD's investment. EBRD approaches sustainability through a "*Green Economy Transition*", and thus additionally undertakes¹⁴:

- to incorporate social and environmental requirements in the appraisal and implementation procedures of all EBRD-funded projects based on EU standards and on international good practice
- to provide finance and technical assistance that aims specifically at addressing social and environmental issues
- to promote economic inclusion as well as access to community services such as public transport and water
- to support projects which promote gender equality

¹³ EBRD (2016), The European Bank for Reconstruction and Development. Environmental project criteria. URL: <http://www.ebrd.com/who-we-are/history-of-the-ebrd.html>, <http://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html> (accessed on 22.06.2021).

¹⁴ EBRD (2017), The European Bank for Reconstruction and Development — Sustainability approach. URL: <http://www.ebrd.com/our-sustainability-approach.html>, <http://www.ebrd.com/our-sustainability-work.html>. (accessed on 22.06.2021).

- to encourage public participation (PP) through information disclosure and pre-investment consultation, while maintaining regular strategic dialogue with stakeholders of civil society and beyond.

Evaluation of EBRD quality criteria:

- EBRD's priorities show a focus on transition, especially on a "Green Economy Transition", and thus uses an approach that is more dynamic than static. On the other hand, EBRD remains rather general about the need for "incorporating environmental and social requirements". A strong point is EBRD's requirement for "public participation (PP) through pre-investment consultation and information disclosure, while maintaining regular strategic dialogue with civil society organisations". Still, EBRD's criteria set seems improvable by incorporating the latest conceptual achievements.

- The key items within EBRD's 10 "Performance Requirements" (PR) are: Assessment and Management of Environmental and Social Impacts and Issues by a management system; Resource Efficiency, Labour and Working Conditions; Pollution Prevention and Control. A specific asset of EBRD set of rules is PR 9: ensure Financial Intermediaries' compliance with all above criteria.

In brief, EBRD appears as a slow but consensus-oriented learner who should catch up by operationalising recent consensus building after the Paris consensus. EBRD's role as trainer should be significantly sharpened and made more effective by more targeted, better and more concrete project assessment criteria.

3.3. AFD priorities and environmental & social risk management

The French Development Agency (Agence française de développement: see¹⁵) is the inclusive public development bank of France. AFD undertakes technical assistance and financing for projects that genuinely improve everyday life.¹⁶ It is noticeable that AFD recently took a very strong environmental and climate-related stance, and the new management recently announced that it will fund only climate-compatible projects. Thus, AFD plays

¹⁵ AFD (2016), Agence Française de Développement. URL: <https://www.afd.fr/en>; http://www.who.int/workforcealliance/members_partners/member_list/afd/en/ (accessed on 22.06.2021).

¹⁶ AFD (2017), Agence Française de Développement. URL: <https://www.afd.fr/en/finance-projects>, <https://www.afd.fr/en/recherche?page=all&view=start>; <https://www.afd.fr/en/agence-francaise-de-developpement>. (accessed on 22.06.2021).

Geographical breakdown of AFD Group's "climate" allocations in 2016

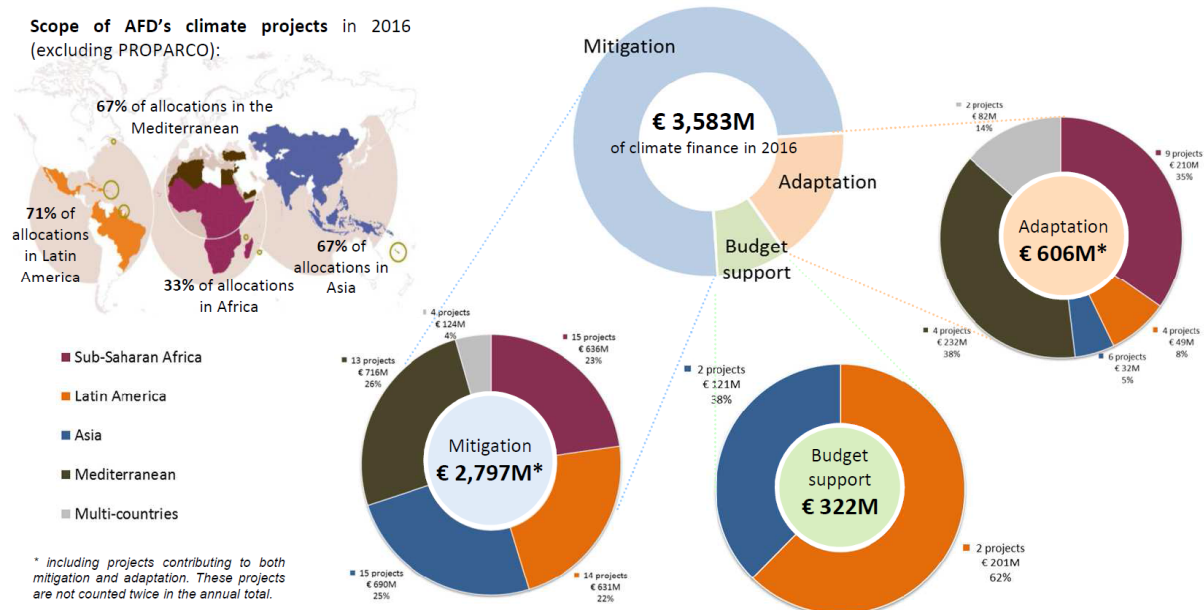


Fig. 3. The breakdown of AFD climate financing 2016 shows the geographical foci of a French agency in French-speaking regions (at left) and its key thematic foci on climate change mitigation followed by adaptation (at right), which are governed by compliance with EU and global climate protection policies

Source: AFD (2018), Agence Française de Développement – Climate Financing. URL: <https://www.afd.fr/sites/afd/files/2017-10/climate-activity-afd-group.pdf> (accessed on 22.06.2021).

an eminent role of “societal learner” who strongly impacts the consciousness of related societal actors.

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

1. Effectiveness: to perform an assessment of direct aid results, taking into account the specific features of the affected countries.

2. Transparency: to update, make available and differentiate information on the implemented programs.

3. Coherency: to take into account the effects of aid on all economic and social policies of donor countries.

4. Accountability: to use funds while the results obtained must be justified to citizens.

This is the commitment of the entire AFD group: *Information, dialogue and response to requests*. For AFD, these are the key conditions for a relationship of trust with all partners. AFD Group committed 3,583 M€ in 2016 to “climate” financing (see Fig. 3).

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

A Corporate Social Responsibility approach (CSR) is essential for the AFD Group. It involves social, environmental, ethical, human rights, anti-corruption, transparency, dialogue with its partners and reduction of its environmental footprint. AFD has developed and

implemented a Corporate Social Responsibility (CSR) policy since 2005, both in its internal operations and for its financing.

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

The key document “Environmental & Social Risk Management Policy for AFD-funded Operations” sets out the Vision, Objectives, and Principles. This document does not include structured lists of E&S criteria as for other IFIs, but the article “Principles” contains sections on: due diligence, integrated approach, responsibility of the client, categorization of the environmental and social risk, practice of categorization, analysis of the documentation, environmental & social commitment plan, environmental & social reference standards, other reference documents, stakeholder participation/consultation, disclosure of information, monitoring and implementation support, handling of environmental and social complaints, management of later amendments, development policy loans, delegated funds, co-financing operations, financial

intermediation, financing in the French overseas territories, validity and revision of this policy.

Dialogue around strategies: AFD *emphasises dialogue*. The strategic documents drawn up by AFD, which determine its areas of intervention at the sectoral level or on cross-cutting issues, are the subject of consultation with line ministries and involve a presentation to the stakeholders, before their transition to the AFD board of directors. In the specific case of Country Response Frameworks, a stakeholder dialogue (with local authorities, donors, the private sector, CSOs, etc.) is carried out systematically before drafting of the document. Such strategic documents are made available on the AFD website in sections dedicated to AFD's themes, sectors and intervention areas.

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

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

Evaluation of AFD quality criteria:

- In its self-description, AFD emphasises dialogue and shows the highest engagement for climate protection. In its internal functioning, ADB gave itself clear and precise working rules: effectiveness, transparency, coherency, accountability. ADB focuses on the following: Corporate Social Responsibility (CSR) involving social, environmental, ethical, human rights, anti-corruption, transparency, dialogue; and environmental & social risk management.

- AFD's "project exclusion list" conforms with general classical understanding but does not yet define a climate protection emphasis (as AFD defined elsewhere) and should be updated by AFD management in the near future.

In brief, AFD presents itself as a cutting-edge learner who recently updated project criteria and project procedures according to the Paris consensus. AFD's role as trainer should be still further enhanced by sensible geographic broadening of its funding

base and made more effective by close monitoring if expressed ideals are actually met in concrete projects.

3.4. The German Development Bank (KfW)

The German Development Bank named "Reconstruction Credit Institute" (free translation for the German term "Kreditanstalt für Wiederaufbau", KfW, see¹⁷), or more succinctly KfW Development Bank, is highly committed to the synergistic concept of sustainability and to an economic fabric that safeguards the conviviality and quality of life for future generations. Therefore, KfW considers the enhancement of ecologically reasonable, socially even and economically stable developments in partner countries, and to promote change forward by "green growth", to be its central tasks. Developing economically sustainable structures in developing and emerging economies is key within KfW's important business targets and is part of KfW's sustainability management system.

KfW Sustainability concept¹⁸: KfW defines its sustainability principles which apply in general to all KfW business fields and subsidiary companies. These are detailed in concrete guidelines and apply across the KfW organisation as well as to all KfW projects and investments. Thus, KfW guarantees a sustainable strategy for all funded projects globally and avoids risks for humans and the environment.

KfW Development Bank's projects and programmes help people in partner countries find access to clean drinking water as well as sufficient food. These projects improve standards of medical care, social security, education and access to sustainable energy. Furthermore, they offer solutions for resource shortages, climate change and threats to biodiversity all whilst increasing land use and resources with a view to rising population numbers. Such goes hand in hand with changes within economic and/or social structures.

In order to drive this change forward towards a "green economy", it has become important to promote the use of eco-friendly technologies throughout partner countries. For that target, KfW provides

¹⁷ KfW (2016), Kreditanstalt für Wiederaufbau. URL: <https://www.kfw.de/kfw.de-2.html>, <https://www.kfw.de/KfW-Group/About-KfW/Auftrag/Entwicklungsfinanzierung/> (accessed on 22.06.2021).

¹⁸ KfW (2017), Kreditanstalt für Wiederaufbau, Sustainability Criteria. URL: <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/> (accessed on 22.06.2021).

effective, targeted and efficient solutions together with its projects which meet sustainability criteria jointly with its specific development approaches. Additionally, KfW Development Bank follows an objective of actively enhancing the implementation of human rights worldwide through the instruments at hand. Thus, the KfW Group has issued a declaration on human rights in KfW's business operations.

KfW's Sustainability Guidelines: These KfW Sustainability Guidelines inform founded on its Statement on Environmental Protection & Sustainable Development at Germany's parliament; KfW Group already introduced a set of sustainability policies which are in line with the sustainability strategy of the Federal Government of Germany.

Guidance on how to respect aspects of sustainability within public procurement procedures for financing cooperation provides detailed principles applicable to its measures:

- avoiding, reducing or limiting environmental pollution and environmental damage including climate-damaging emissions and pollution;
- preserving and protecting biodiversity and tropical rainforests and sustainably managing natural resources;
- considering probable and foreseeable impacts of climate change, including utilising the potential to adapt to climate change. In this context, climate change is understood as climate variability and long-term climate change;
- avoiding adverse impacts upon the living conditions of communities, in particular indigenous people and other vulnerable groups, as well as ensuring the rights, living conditions and values of indigenous people;
- avoiding and minimising involuntary resettlement and forced eviction of people and their living space as well as mitigating adverse social and economic impacts through changes in land use by reinstating the previous living conditions of the affected population;
- ensuring and supporting health protection at work and the occupational health and safety of people working within the framework of a FC measure;
- condemning forced labour and child labour, banning discrimination with respect to employment and supporting the freedom of association and the right to collective bargaining;
- protecting and preserving cultural heritage;
- supporting the executing agency in the management and monitoring of possible adverse environmental, social and climate impacts as well

as risks within the framework of the implemented FC measure.

A comprehensive list is provided in [Annex 5](#); more detailed info is in [56].

Evaluation of KfW quality criteria:

- In its self-perception, KfW's priorities are highly progressive and clearly aligned with protection of the global climate. However, on the level of operational project quality criteria, this tenet has still to be fulfilled and implemented. While KfW's sustainability concept is laudable and already includes the orientation towards a green economy, concrete guidelines are missing and should be established by KfW management for operational practice.

- KfW's Environment, Social and Governance (ESG) criteria suitably cover several specific parameters but are still too technically specific in highlighting single parameters (e.g., % primary energy use from renewables), are not broad enough in scope and miss integration into an overall strategic narrative. Also, they concentrate on classical themes and should include an up-to-date systemic, transition-related understanding with a better focus on global climate change and required energy transformation.

In brief, KfW perceives itself as a cutting-edge learner but should fulfil this self-perception by updating its operational project criteria to the latest scientific consensus and know-how of suitable financial instruments. WB's role as trainer is already positive but should catch up by improving the efficiency of applicable project criteria.

3.5. World Bank Group (WB) project quality criteria (ESS)

The goals of the WB¹⁹ are (1) to end poverty and (2) to promote shared prosperity. Both goals unequivocally also mean progress in the non-monetary aspects of *welfare* including education, nutrition, health, and access to essential *infrastructure*, and are about enhancing the voice or *participation* of all segments within society in economic, *social*, or *political* spheres. WB Goals include Millennium Development Goals (MDGs) and Sustainable Development Goals (SDGs).

WB offers support for developing countries via policy advice, research or analysis, and technical assistance. What WB says about Kazakhstan might

¹⁹ WB (2013), Legal Innovation and Empowerment for Development. The World Bank Legal Review, Volume 4. Ed. by H. Cissé, S. Muller, C. Thomas, W. Chenguang. URL: <https://books.google.at/books?id=j6SvECYXyCEC> (accessed on 22.06.2021).

hold true for all CA states to a varying degree: “The long-term development policy challenge means *transforming* the countries’ growth model away from reliance on natural resource extraction towards a much more diversified and competitive economy.” A comprehensive list is provided in [Annex 6](#).

Evaluation of WB quality criteria:

- By including Millennium Development Goals (MDGs) & Sustainable Development Goals (SDGs), WB relies on the set of values with the highest degree of international legitimacy. On the other hand, recent tailoring and detailing towards climate protection is still improvable and should result in a list of operational and consistent project assessment criteria.

- WB’s Environmental and Social Standards (ESS) include a wide scope and thus cover very well the worldwide consensus on environmental and social values. However, climate-related criteria still seem underdeveloped and appear to be not yet detailed into operational and powerful project appraisal criteria. Given the importance of WB as a key actor, these should be updated.

In brief, WB appears as a slow but consensus-oriented learner who should catch up by operationalising recent consensus building after the Paris consensus. WB’s role as trainer should be significantly tuned up and made more effective.

3.6. ADB focus areas and environmental safeguards

ADB’s document on “Environment Operational Directions 2013–2020” states (see,²⁰ p. 5):

For promoting the transition to green growth, and addressing the causes and consequences of climate change, four mutually supportive environment operational directions have been identified:

(1) to promote a shift to sustainable infrastructure, including clean energy (page 4) and sustainable water management (p. 5);

(2) to invest in natural capital, including integrated water resources management (p. 8);

(3) to strengthen environmental governance and management capacity, including policy and incentive frameworks (p. 10);

(4) to respond to the climate change imperative, incl. GHG emissions mitigation (p. 12).

This mentioned report²¹ also provides “Guidelines for Classifying Projects with Environmental Sustainability as a Theme” in order to ensure consistent application of criteria for classifying projects for the target of environmental sustainability (p. 27).

ADB’s “Results Framework, 2013–2020” (pages 19 and 29 to 33) for the Environment Operational Directions (above-mentioned) guides operations during the period 2013–2020, and progress within these will be monitored by ADB. These come closest — among all information retrieved until now — to “*environmental project criteria*” which are actually searched for by this article and include:

- Improving energy efficiency & greater usage of renewable energy;
- Increasing usage of environmentally sustainable transport systems by the “avoid–shift–improve” approach;
- Improving water security and enhancing water efficiency and productivity;
- Increasing levels of inclusive urban economic growth and poverty reduction with fewer global and local environmental impacts;
- Improving the resilience of urban and rural infrastructure to climate change impacts;
- Improving regional trends in reducing land and forest degradation and in sustainable coastal and marine resources management;
- Accelerating and expanding the implementation of integrated water resources management (IWRM), delivering improved water security and enhanced efficiency and productivity;
- Improving the availability of, and access to, adequate and safe food for Asia’s poor and vulnerable in a sustainable manner;
- Strengthening national governance for the environment and climate change;
- Strengthening country-level environmental assessment capacity;
- Strengthening regional capacities for addressing transboundary environmental challenges;
- Improving disaster & climate risk management capacities at a country level.

Furthermore, environmental and social quality criteria could presently be under development at ADB. Presently, no such clear single or recent document (as for WB) has been retrieved for ADB as of yet.

²⁰ ADB (2016), Asian Development Bank. URL: <https://www.adb.org/documents/environment-operational-directions-2013-2020>; <https://www.adb.org/sites/default/files/institutional-document/33869/environment-operational-directions-2013-2020.pdf> (accessed on 22.06.2021).

²¹ ADB (2016), Asian Development Bank. URL: <https://www.adb.org/documents/environment-operational-directions-2013-2020>; <https://www.adb.org/sites/default/files/institutional-document/33869/environment-operational-directions-2013-2020.pdf> (accessed on 22.06.2021).

The ADB text representing environmental criteria is “environmental safeguards”, see [Annex 7](#).

Evaluation of ADB quality criteria:

- ADB includes the key themes: sustainable infrastructure, natural capital, environmental governance and management capacity, climate change imperative. While the ADB “Results Framework” is not yet a fully-fledged system of criteria, such a tool should be developed quickly and consistently.

- While ADB’s Environmental Safeguards are a great example of very consistent synoptic and holistic thinking, they should soon be put into practice and converted into a proper set of operational project quality criteria.

In brief, ADB shows thorough compliance with its learning role by having established several sets of guidelines, but should soon operationalise them after having coordinated with other IFIs and made sure the latest developments in climate protection strategies are duly incorporated.

3.7. AIIB focus areas and environmental standards

AIIB’s²² focus areas are:

- Rural Infrastructure & Agriculture Development;
- Environmental Protection;
- Energy & Power;
- Water Supply & Sanitation;
- Transportation & Telecommunications;
- Urban Development & Logistics.

AIIB was founded on the initiative of China [56] and provides Sovereign-Backed Financing as well as Non-Sovereign-Backed Financing. It is believed to back Chinese interests, e.g., the Silk Road Initiative.

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

Evaluation of AIIB quality criteria:

As a very young institution, AIIB is still on its way to fully establishing necessary regulations pertaining to environment, climate and social dignity. Reviewing the achievements of other IFIs can greatly help in establishing a well-founded and reliably operational system of ensuring a broad set of ethical values.

AIIB’s twelve requirements and three Environmental and Social Standards should be considerably improved to live up to present-day scientific consensus and global consensus on climate protection (and other social community values). What is needed is an operational criteria system

that soundly ensures AIIB projects are compatible with the highest standards of climate protection and sustainability.

In brief, AIIB appears as a consistent learner catching up from the bottom line after its recent creation. AIIB’s role as trainer is still to be consolidated by erecting a true, strong value/criteria system and should include harmonisation with other IFIs.

3.8. Evaluation of IFIs against this article’s quality criteria

After the brief evaluations above at the end of the single sections 3.n, the above-mentioned IFI project quality criteria are now mirrored with the quality criteria established in Section 1 for a “collective social learning process”:

1. Creating a long-lasting *societal* consensus among all involved social groups: especially AFD and KfW claim to have excellent standards (while other IFIs score medium), but these are still to be duly implemented by profound and in-depth operational criteria. AIIB is still to catch up in this regard.

2. Creating *environmental* sustainability in the region, including global climate justice: All IFIs claim to possess these criteria catalogues, with varying degrees of usefulness, validity and inclusion of recent paradigmatic findings regarding how to facilitate a global energy transition. Hence, it is recommended that IFIs coordinate their needed progress in updating assessment criteria, in order to facilitate applicants to satisfy all IFIs’ criteria at the same time when using a blended financing approach — which is becoming increasingly necessary.

3. Maintaining long-term *economic* reliability and financially well-functioning economic enterprises and state institutions in the state concerned. In this parameter, the innate interest of IFIs leads them to regularly update benchmarking requirements. Again, financial criteria should be harmonised with a view to an increased number of “blended” applications.

As mentioned above in the introductory Section 1, IFIs under the learning paradigm fulfil a double functionality within the process of “societal learning” on a global scale; namely being a learner and a trainer. Based on this article’s analysis, the following conclusions are made for the investigated IFIs:

- In the role of a *learner*, the Europe-based IFIs show relatively the greatest success in incorporating increased levels of understanding of

²² AIIB (2016), Asian Infrastructure Investment Bank. URL: <https://www.aiib.org/en/about-aiib/index.html> (accessed on 22.06.2021).

climate change into their “corporate DNA”, meaning consciousness materialised as corporate mission targets and procedural rules. Hence, their sets of “environmental and social project quality criteria” are inspired by compliance with the needs of global climate change — but most of IFIs need strong implementation of detailed, practical operational parameter systems. Additionally, these criteria systems must be well harmonised among IFIs given the noticeable trend towards “blended financing”, which means that project applicants have to satisfy the criteria sets of several (if not all) IFIs at the same time.

- In the role of a *trainer*, Europe-based IFIs are again starting to incite applicants (especially consortia and governments who apply for IFI finding) and other actors in the game of “societal learning” but they still need to convey the central guiding ideas to potential applicants better in order to influence their project identification at a very early stage.

4. CONCLUSIONS AND RECOMMENDATIONS

A brief discussion on the implications of this study’s findings for the future of the field focuses (a) on the strategic re-definition of success criteria for submitted projects, and (b) their generally increased importance as a control tool for human evolution towards institutionalised humanitarian values.

(a) To the degree that the civilised world takes ecological and sustainable values more and more into account, the rationale of what is assessed as desirable gradually shifts. While in former decades the optimisation of individual advantage might have prevailed, increasingly the ethical values of caring for the entire planet in all its ecological, economic, political and social aspects come to the fore. Given that IFI-financed projects range at the top of steering impulses on socio-economic global evolution, their genesis comes under close scrutiny. Given that such projects are based on a system of rules (and not on individual loyalties to whatever leading individual), the fine-tuning of this set of allocation criteria plays a most sensible role in planetary society. IFI-funded projects range among the largest infrastructure projects ever (such as huge dams for electricity generation, transnational irrigation projects, or transregional traffic veins), and they are able to determine future economic development. In the light of the above, the envisaged set of project allocations plays the role of “planetary software” for the allocation of large financial assets. This set of

rules — like every civilisational structure — is subject to a coevolutionary process of self-creation through “reflection in action”, thus equating a large-scale learning endeavour for the entire human species. In the light of earlier successes and failures, this rule system is gradually adapted and re-adapted. Exactly this is the nature of a planetary learning endeavour. This choice of viewing had motivated the present article’s overall approach.

(b) Within the study of the development of the human species into possible futures (hence, the core interest of the Lomonosov-base “Globalistika” curricula and the analogously in many universities worldwide [67]), the control tools for such development quite naturally come into focus. This is the main motivation of the present article. During these current decades, a move to ever more harmonised criteria sets of IFIs is perceivable, quite practically triggered by the apparent need for ever more multi-donor financing worldwide. Such a harmonisation exercise should quite evidently be well managed, notably forming a standpoint of overall planetary responsibility. One helpful guidance for such a planet-wide management of sustainability-oriented project allocation criteria is to understand these criteria as a collective learning exercise on a planetary level. Foresight as a discipline has always expanded upon how to *steer* into a future. Quite fundamentally, rule sets applicable to the largest existing financial flows on the planet (i.e. IFI funds) are such control tools for planetary human techno-socio-economic evolution.

In concrete terms, what should be learned from the current state of IFI’s incorporation of environmental and social criteria into their assessment processes is the following:

- The increasing level of awareness among all IFIs (including national FIs) of *environmental values* is satisfactory for observers who have noted in past decades that IFIs would simply follow economics and profit-oriented calculus. The achieved inclusion of environmental values might be called satisfactory for those who have long been advocating this.

- The parallel inclusion of *social and developmental ethical values* might be called partly satisfactory for those who have long advocated minority rights, intra-state equity and inter-state justice. Still, the degree to which equality of opportunity has been covered among higher and lower layers of society is not yet convincingly satisfactory.

- Both above assessments uniquely refer to the formal existence of criteria sets. As of now, no assessment could be undertaken on whether these

social and environmental criteria sets *are actually operational* when it comes to identifying concrete infrastructure projects. Such an analysis is still to be done, and an overly euphoric attitude might be misleading at this point in time.

- One key criterion for a successful “learning endeavour” is the self-responsible procedure, meaning that all involved stakeholders are content with the outcome of the final result. It is still to be proven that civil society stakeholders in affected countries are content with the real-world selection of IFI-financed infrastructure projects. The collective of IFIs worldwide has the continuing obligation to include truly and widely civil society, i.e. actors beyond state administrations, in their consultancy structures and processes. This lack can be considered a major flaw in the state of the art.

- In a similar vein, the principal inclusion of civil society into the ongoing reformulation and re-harmonisation exercises of socio-ecological project success criteria is left untackled. IFIs’ strategists are well advised to incorporate such criteria duly, with a focus on world regions with weak democratic traditions, among which include Central Asia, Latin America, Russia or other regions in the grip of autocratic regimes enjoying weak overall legitimacy.

- In order to improve the level of this integration of societal learning processes in the future, IFIs should proactively seek contact with national stakeholders taking care of disadvantaged groups such as migrants, minorities, civic movements and citizens’ rights groups who have advantageously organised themselves on national levels. Such inclusion of civil society might profit from a formal UN umbrella.

- In contrast, the extent to which IFIs integration of environmental and social criteria leads to better societal and individual learning will greatly augment IFIs’ acceptance by a wider society. In such a successful case, IFIs would no longer be perceived as exponents of a merely capitalistic and self-interest-driven world order which is commonly seen as in decline on a planetary level.

- Thus, while the advocated wide dispersion of a thorough societal discussion process and consensus-generation procedure might appear as a waste of effort to a classical understanding of IFIs (namely seeing their identity in a Washington consensus-based identity of global capitalism), a more thorough understanding suggests that IFIs are actually working here on their own future safeguards: without profound ethical fundament, wide acceptance and popular empathy from the

side of the disenfranchised, IFIs will not be able to withhold foreseeable repercussions during the 21st century.

Overall, the present article has taken an unconventional viewpoint regarding the following aspects:

- (1) the combination of didactics and finance allowed to perceive the IFI project cycle as a learning exercise involving both IFI staff and participating state authorities;

- (2) the link between collective and individual learning in the context of IFIs includes the concept of “reflection in action” into the procedures of financing proposals, thus permitting inter-IFI harmonisation of criteria on a global scale;

- (3) proving that environmental and social criteria included in the selection process do lead to a better structured assessment by IFIs, thus triggering collective and individual learning within IFI staff for further project needs.

What are the implications of this brief analysis on the adoption of sustainability criteria by IFIs for other big financial institutions, e.g. commercial and investment banks, credit institutions, etc.?

1. First, it should become clear that under the auspices of an ever-increasing usage of multi-donor financing strategies and “blended” financing models, a *joint application* to several IFIs and other donors at the same time will become more and more common as a most realistic practice. As a clear consequence, project applicants will have to comply with *multiple sets of criteria at the same time*. This clearly calls for harmonising all IFIs’ social and environmental sets of criteria thoroughly, both formally and on the deeper conceptual level. The same appears to be desirable for subsequent monitoring and compliance mechanisms. Quite practically, the implementation of a climate-oriented project should not necessitate multiple compliance exercises, measured against insufficiently harmonised criteria sets.

2. Second, such harmonisation should be performed by a consortium of credible state institutions under the guidance of widely accepted supranational organisations such as UN, OECD or similar.

3. Third, resulting monitoring reports should be made available on the platforms of all involved IFIs in order to ban non-complying institutions (e.g., those applying for projects or performing them) from similar misconduct in the future. Only serious management on non-compliance will be able to convert huge consortia into a mode of self-control *ex ante*, and substantially prohibit green-washing.

4. Fourth, all evaluation and monitoring reports have to be made public and published in original form without being redacted for size and content, in order to prevent a new “business” of reporting “business” biased towards green-washing from developing out of illegitimate interests. Lists of explicit breaches (institutions and countries) should be published regularly. Such a severe set of rules will only improve public credibility of supranational organisations such as the UN and related worldwide organisations.

Summing up, this article has been undertaken to portray the endeavour of establishing worldwide sets of “social and environmental criteria” (under whatever name they may appear in different IFIs) as a task of global “collective learning” in the face of the global climate crisis. The article enumerated the various sets of such criteria that are employed to filter out non-sustainable project applications (at least in theory — and to an unknown degree also in practice)

and suggests that they represent a meaningful step towards worldwide rule setting.

The *main conclusion* is that the toolboxes (i.e., the criteria lists plus the project application procedures) from *individual* learning may also be applied to *collective* learning and *vice versa*. Thus, all enhancement provided by “individual pedagogy and didactics” should be invested into “collective pedagogics and didactics”, including knowledge on how to maintain high levels of enthusiasm, professionalism and achievement.

The key requirement, however, for any state is to esteem, cultivate, enhance and protect a free press which is capable of perceiving and communicating critical viewpoints on societal developments. Without such important institutions (the so-called 4th power in a state, following Montesquieu since 1748), no state will ever strive economically as it lacks its collective socio-political sensorium. Thus: **first, care for a free press!**

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IFCA Social and Environmental criteria list

The first example for a set of defined “environmental and social criteria” is the following list that is applied for IFCA projects, as comparable with the blending guidelines. For more details see in,¹ p. 116f and [56].

1. Context of the project
2. Coherence with policy objectives of IFCA and EU policies
3. Consultations before submission
4. Entities involved or Implementation scheme or Organisational set up or Exit Strategy
5. Indicative budget — Uses & Sources
6. Consultation before submission
7. Debt sustainability
8. Financial Leverage
9. Additionality of the EU contribution
10. Justification of EU contribution
11. Expected Results
12. Project sustainability
13. Risk Assessment
14. Climate & Environment Rio Markers
 - Is the contribution of a given project to climate change mitigation and adaptation clearly demonstratable?
 - (1) Biological diversity: apply at least 1 out of these 3 items mentioned here: conservation of biodiversity, fair and equitable sharing of the benefits of the utilisation of genetic resources or sustainable use of its components (ecosystems, species or genetic resources).
 - (2) Combat desertification: combat desertification or mitigate the effects of drought in (semi-)arid or dry sub-humid areas by prevention and reduction of land degradation, reclamation of desertified land or rehabilitation of partly degraded land.
 - (3) Climate change mitigation: contribute to the objective of stabilisation of GHG (greenhouse gas) atmospheric concentrations at levels that prevent dangerous anthropogenic interference within the climate system through promoting efforts for reducing or limiting GHG emissions or enhancing GHG sequestration.
 - (4) Climate change adaptation: intending to reduce the vulnerability for human or natural systems to impacts of climate change or climate-related risks, through maintaining and increasing adaptive capacity or resilience. This means a range of activities ranging from information and knowledge generation to planning and the implementation of climate change adaptation actions as well as capacity development.
15. Indicative Project Calendar
16. Description of procurement procedures
17. Monitoring, reporting and evaluation
18. Visibility.

EIB's Environmental & Social Standards

The so-called “EIB Statement on Environmental and Social Principles and Standards” sets a policy context for protection of environment and human well-being. An EIB “Environmental and Social Handbook” provides an operational translation of these standards on over two hundred pages grouped across ten thematic areas:

1. Assessing and managing environmental or social impacts & risks: developing an effective environmental & social management and reporting system, plus requirements for stakeholder engagement.
2. Pollution prevention and abatement: resource efficiency as well as pollution control in line with best available technologies (BAT).
3. Biodiversity and ecosystems: protect and conserve all levels of biodiversity, whether or not previously disturbed or legally protected.

¹ DEVCO (2015), Guidelines on EU Blending Operations, Volume 1 “General”, Brussels & Luxembourg, DG for Developmental Cooperation DEVCO. URL: <https://europa.eu/capacity4dev/t-and-m-series/document/guidelines-eu-blending-operations> plus 3 more special reports (accessed on 22.06.2021).

4. Climate-related standards: promote the renewable energy sector and clean energy, optimize the scope for energy efficiency, and align with other EU climate policy investment priorities.

5. Cultural heritage: identification, protection and management of tangible or intangible cultural heritage.

6. Involuntary resettlement: protecting the rights to property and to adequate housing, as well as of the standard of living of all affected people and communities.

7. Rights and interests of vulnerable groups seeking that these populations duly benefit from EIB operations, and full respect for the dignity and human rights of vulnerable groups including indigenous peoples.

8. Labour standards: non-discrimination, fair treatment and equality of opportunity of workers and establishment, improvement and maintenance of worker-management relationships.

9. Occupational health and public health, security and safety: protect and promote the dignity of the affected community while adhering to the international norms and relevant human rights principles.

10. Stakeholder engagement: Being a public institution, EIB actively promotes a right of accessing information, as well as public participation and consultation. Upholding open, transparent and accountable dialogue with all communities affected by the project and relevant stakeholders in an effective and appropriate manner.

Annex 3

EBRD's Environmental Performance Requirements

The European Bank for Reconstruction and Development,² as numbered item 36 on page 5 therein, lists the following **Ten Performance Requirements (PRs)** which are there provided in much more detail (several pages / PR) in the appendix of [56]:

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

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

- **PR 1 – Assessment & Management of Environmental and Social Impacts & Issues**: identify, evaluate, mitigate and develop an “Environmental and Social Management System”;
- **PR 2 – Labour & Working Conditions**: respect equal opportunities of workers, including fair treatment and non-discrimination;
- **PR 3 – Resource Efficiency, Pollution Prevention & Control**: energy, water and resource efficiency;
- **PR 4 – Health and Safety**: safeguard health conditions of workers;
- **PR 5 – Land Acquisition, Involuntary Resettlement and Economic Displacement**: avoid or compensate land loss for dwellers, independent of their legal title of land possession;
- **PR 6 – Biodiversity Conservation & Sustainable Management of Living Natural Resources**: promote good international practice in sustainable management;
- **PR 7 – Indigenous Peoples**: full respect for dignity and human rights;
- **PR 8 – Cultural Heritage**: adopt the mitigation hierarchy approach;
- **PR 9 – Financial Intermediaries (FIs)**: ensure their compliance with all above criteria;
- **PR 10 – Information Disclosure and Stakeholder Engagement**: promote & provide means for adequate engagement with affected communities.

Annex 4

Exclusion list for AFD Group in foreign countries

AFD works through a “negative” exclusion list,³ in addition to the positive criteria mentioned in the main text.

1. Production and sale of all illegal products, unlawful activity under laws of the host country and of France or international regulations, conventions or agreements;
2. Products and activities using forced labour/child labour;
3. Trade in animals or plants and any natural products not complying with the CITES convention's provisions;
4. Fishing activity using drift nets with more than 2.5 km length;

² EBRD (2016), The European Bank for Reconstruction and Development. Environmental project criteria. URL: <http://www.ebrd.com/who-we-are/history-of-the-ebrd.html>, <http://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html> (accessed on 22.06.2021).

³ AFD (2019), Exclusion list for projects. URL: https://www.afd.fr/sites/afd/files/2017-10/exclusion-list-afd_0.pdf (accessed on 22.06.2021).

5. Any operation leading to or requiring the destruction of critical habitats, or any forestry project not implementing a plan for improvement or sustainable management;
6. Production, sale or use of any dangerous material such as products containing PCBs or asbestos;
7. Production, sale or use of pharmaceutical products, pesticides or herbicides, ozone layer depleting substances, any dangerous substances which are banned or are being progressively phased out internationally;
8. Transboundary trading of wastes, except for those accepted by the Basel Convention and its underlying regulations;
9. Production or sale:
 - of arms or munitions;
 - of tobacco;
 - of strong alcohol intended for human consumption;
10. Casinos, gaming establishments or any equivalent undertaking;
11. Any trade related to pornography or prostitution;
12. Any activity leading to irreversible modification or significant displacement of elements of culturally critical heritage;
13. Production or distribution or investment in racist or antidemocratic media or such that advocate discrimination against a part of the population;
14. Exploitation of a diamond mine and marketing of diamonds where the host country has not adhered to the Kimberley Process;
15. Any sector or any service subject to an embargo by the UN, EU or France in a particular country and with no absolute or relative restriction regarding the amount.

Annex 5

KfW ESG (= Environmental, Social & Governance) criteria

KfW⁴ uses taking into consideration a variety of individual criteria that are grouped into ESG criteria (Environment, Social and Governance). Additionally, KfW uses exclusion criteria [56].

(A) ESG criteria applicable to *non-governmental* issuers

- **Environment** (Environmental management system, Formal environmental policy, Programmes and targets for reducing GHG emissions or for increasing renewable energy use, Environmental and social standards in credit & loan business, Carbon intensity trend, percentage of primary energy use from renewables, Sustainable financial services).

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

- **Governance** (Whistle-blower programmes, Policy on bribery and corruption, ESG reporting standards, Signatory to UN Principles for Responsible Investment, Disclosure of directors' remuneration, Policy on money laundering, In-house team dedicated to responsible investment/finance, Board independence).

(B) ESG criteria applied to *sovereign* issuers

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

- **Social** (Education, Food security, Infant mortality, Level of peace, Income equality, Gender equality, Child labour, Youth unemployment, Political rights).

- **Governance** (Rule of Law, Voice and accountability, Regulatory quality, Government effectiveness, Habitat protection, Agricultural regulation, Treaties and conventions, Sustainable energy, Expenditure on education and healthcare).

⁴ KfW (2017), Kreditanstalt für Wiederaufbau, Sustainability Criteria. URL: <https://www.kfw.de/nachhaltigkeit/KfW-Group/Sustainability/Sustainable-Banking-Operations/Sustainable-Investment/KfWs-Sustainable-Investment-Approach/Integration-of-ESG-Criteria/> (accessed on 22.06.2021).

WB's Environmental & Social Framework (ESF)

The Environmental and Social Policies for WB Projects led to the adoption of a new set of environment and social policies in August 2016, called the Environmental and Social Framework (ESF), containing 19 elaborate Environmental & Social Standards (ESS)⁵:

- **ESS-1: Assessment & Management of Environmental & Social Risks & Impacts:** ESS-1 sets out the *Borrower's* responsibilities for assessing, monitoring and managing social and environmental impacts and risks, in order to achieve social and environmental outcomes consistent with the Environmental & Social Standards (ESSs). ESS-1 *includes* a Social and Environmental Assessment, a Social and Environmental Commitment Plan; and Management of Contractors.
- **ESS-2: Labour & Working Conditions:** ESS-2 recognises the importance of *income generation* and employment creation in the pursuit of poverty reduction and *inclusive* economic growth while including sound worker-management *relationships*.
- **ESS-3: Resource Efficiency & Pollution Prevention & Management:** ESS-3 recognises that urbanisation and economic activity often generate *pollution to water, air, and land*, and consume *finite resources* which may *threaten people*, the *environment* and *ecosystem services* at the regional, local, and global levels. The current & projected atmospheric concentration of *greenhouse gases* (GHG) threatens the welfare of future and current generations. At the same time, more *effective and efficient resource use*, pollution prevention as well as GHG emission *avoidance*, plus *mitigation* technologies & practices have become more accessible & achievable. ESS-3 includes resource efficiency (energy, water, material), pesticides and air pollution.
- **ESS-4: Community Health & Safety:** ESS-4 recognises that equipment, project activities, and infrastructure may increase *impacts and community exposure to risks*. ESS-4 thus includes *community exposure to health issues*, ecosystem services, equipment design & safety and infrastructure, especially for *water dams*.
- **ESS-5: Land Acquisition, Restrictions on Land Use & Involuntary Resettlement:** ESS-5 recognises that *project-related land acquisition* and *restrictions on land use* may have adverse impacts on communities or persons. Project-related land acquisition as well as restrictions on land use may cause physical, involuntary or economic displacement or relocation.
- **ESS-6: Biodiversity Conservation & Sustainable Management of Living Natural Resources:** ESS-6 emphasises that conserving and protecting biodiversity in marine, terrestrial and generally aquatic ecosystems as well as sustainably managing living natural resources are most fundamental to *sustainable development*.
- **ESS-7: Indigenous Peoples or Sub-Saharan African Historically Underserved Traditional Local Communities:** Such criteria include “vulnerable and marginalized groups”, “indigenous ethnic minorities,” and “minority nationalities”.
- **ESS-8: Cultural Heritage:** ESS-8 recognises: cultural heritage provides continuity in tangible or intangible forms between the present, past or future. People do *identify with cultural heritage* being a reflection or expression of their *constantly evolving values*, knowledge, beliefs or traditions.
- **ESS-9: Financial Intermediaries:** ESS-9 emphasises that *strong domestic financial* and *capital markets* and *access to finance* are very important for any economic development, poverty reduction and growth.
- **ESS-10: Stakeholder Engagement as well as Information Disclosure:** This ESS-10 recognises the high importance of *open as well as transparent engagement* between Borrower and project stakeholders being an essential element of best international practice.

ADB Environmental Safeguards

ADB's Environmental Safeguards (see⁶: Safeguard Policy Statements, p. 16, details in its Appendix 1, p. 30–43) have the following *objectives*: namely to ensure the sustainability and environmental soundness of all projects and to support integration of environmental considerations into a given project decision-making process.

⁵ WB (2016), The World Bank. Environmental criteria ESF. URL: <http://www.worldbank.org/en/programs/environmental-and-social-policies-for-projects>; <http://documents.worldbank.org/curated/en/383011492423734099/pdf/114278-REVISED-Environmental-and-Social-Framework-Web.pdf> (accessed on 22.06.2021).

⁶ ADB (2009), Asian Development Bank. Environmental Safeguards. URL: <https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf> (accessed on 22.06.2021).

Principles of Policy:

1. Using as early as possible a screening process for each single proposed project, to determine an appropriate extent & type of environmental assessment, so that appropriate studies are undertaken in harmony with the significance of potential risks and impacts.

2. Conducting environmental assessments for each one proposed project to identify potential indirect, direct, cumulative or induced impacts or risks to biological, physical, socioeconomic levels (including impacts on livelihood through environmental media, vulnerable groups, health and safety, and gender issues), and physical cultural resources in the area of the project's context of influence. Assess likely transboundary or global impacts, also regarding climate change. Use SEA (strategic environmental assessment) where appropriate.

3. Examining alternatives to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.

4. Avoiding, and where avoidance is not possible, minimizing, mitigating, and/or offsetting adverse impacts and enhancing positive impacts by means of environmental planning and management. Preparing an environmental management plan (EMP) while including the proposed mitigation measures, environmental monitoring and reporting requirements.

5. Carrying out meaningful consultation with affected people and facilitating their informed participation. Ensuring women's participation in consultation and involve stakeholders.

6. Disclosing a draft environmental assessment (including the EMP) in a timely manner, before project appraisal, plus in an accessible place and in a form and language(s) understandable to affected people and other stakeholders.

7. Implementing the EMP and monitoring its effectiveness. Documenting monitoring results.

8. Not implementing project activities in areas of critical habitats, unless (1) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, (2) there is no reduction in the population of any recognized endangered or critically endangered species, and (3) any lesser impacts are mitigated. Using a precautionary approach to the use, development, and management of renewable natural resources.

9. Applying pollution prevention and control technologies and practices consistent with international best practices as reflected in internationally well-recognized standards such as the World Bank Group's Environmental, Health & Safety Guidelines. Adopting cleaner production processes & good energy efficiency practices.

10. Providing workers with safe and healthy working conditions and preventing accidents, injuries, and disease. Establishing preventive and emergency preparedness and response measures.

11. Conserving physical cultural resources and avoiding their destruction or damage by using field-based surveys that employ qualified as well as experienced experts during environmental assessment.

Annex 8

AIIB's Environmental & Social Framework

During February 2016, the AIIB issued a document of ~60 pages including the following twelve requirements (A to L) and 3 Environmental and Social Standards (ESS 1 to ESS 3) in order to be included in any project process (AIIB, 2016):

12 Requirements (A – L):

A. Screening & Categorization: The AIIB screens and categorizes each proposed project to determine the level and nature of the required social and environmental review, stakeholder engagement for the project and type of information disclosure. The categorization considers the nature, sensitivity, location as well as scale of this project, plus is proportional to its potential environmental significance and its social risks and impacts.

B. Environmental & Social Due Diligence: The AIIB conducts social and environmental due diligence, representing an integral element of its project appraisal, and in a way that is (1) appropriate to the scale and nature of the project and (2) proportional to the project potential social and environmental risks and impacts level.

C. Environmental & Social Assessment: Generally, the AIIB requires the Client to approach the assessment in an integrated process, given all complex interrelationships between social and environmental risks or impacts in both private-sector or public-sector projects.

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

E. Environmental & Social Management Plan (ESMP): When the Client identified a project's risks and impacts by means of the social and environmental assessment, the AIIB requires it to develop all measures to manage & mitigate the impacts plus reflect them in an ESMP, as is required under ESS 1.

F. Environmental & Social Management Planning Framework (ESMPF): The AIIB requires the Client to use an ESMPF if (1) the Project consists of programs or series of activities the details of which are not yet identified during the time the project was approved by the AIIB; or (2) if the AIIB authorizes the Client to use a so-called phased approach in accordance with para G below.

G. Special Circumstances: Only in exceptional circumstances, when duly justified by the Client, the Bank may determine that the timing of the Client's social and environmental assessment of identified activities being part of the project, and the timing of AIIB's social and environmental due diligence or the Client's social and environmental assessment, may follow a phased approach that takes place following AIIB's approval of this project. [...]

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

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

J. Consultation: The consultation comprises project design, monitoring and mitigation measures, sharing development opportunities and benefits on a basis specific to this project, plus implementation issues. The AIIB requires that the Client engages with stakeholders in meaningful consultation during all project preparation or implementation phases, namely in a manner commensurate with the impacts on and risks to those affected by this project.

K. Monitoring & Reporting: The AIIB and the Client have distinct but complementary monitoring responsibilities. The monitoring activities' extent is proportional to a project's impacts and risks, including their scope or periodicity.

L. Grievances: The AIIB requires any Client to establish a suitable mechanism for grievances in order to receive plus facilitate resolution of those concerns or complaints of such people who believe they have been adversely affected by this project's social or environmental impacts, and to inform people affected by this project of its availability.

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

ESS-1: Social and Environmental Assessment & Management: For ensuring the social and environmental soundness and sustainability of projects and in order to support the integration of social and environmental considerations into the project's decision-making process and implementation.

ESS-2: Involuntary Resettlement: In order to avoid involuntary resettlement wherever possible; to minimize involuntary resettlement by exploring alternatives to the project; where avoidance of involuntary resettlement is unfeasible, enhancing, or at least restoring, the livelihoods of all displaced persons in real terms relative to pre-project levels; improving the overall socio-economic status of the displaced poor or other vulnerable groups; and conceiving & implementing resettlement activities as sustainable development programs, which provide sufficient resources to enable the persons displaced by the project to share in project benefits.

ESS-3: Indigenous Peoples: Designing and implementing projects in a way that enhances full respect for Indigenous Peoples' identity, human rights, dignity, economies & cultures, as defined by the Indigenous Peoples themselves, so that they (1) receive culturally appropriate economic & social benefits; (2) do not suffer adverse impacts resulting from projects, and (3) can participate actively in projects affecting them.

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