

Survey on Monitoring Provisions used by ECAs and IFIs

Results

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What are they?

- “contractual obligation to report on environmental performance of project operations on a regular basis”
- “means to ensure compliance with conditions and covenants”



In which cases are they used?

- large projects in sensitive sectors or locations, if there are sensitive impacts or if mitigation or compensation measures need to be implemented
- when coverage is awarded under conditions



How?

- specific customised clauses, part of project agreement
- mechanisms comprise review of reports and site visits
- frequency of monitoring depends on type and size of project and can vary during different project phases



Who?

- Design:
 - business teams comprised of experts from ECAs, lenders and project sponsors
- Implementation:
 - ECA, FI, exporter, sponsor/investor, or outside consultant (responses varied greatly)
- Auditing:
 - “if needed”, either by ECA itself or third party auditor



When? - Timelines

- introduced at an early stage of negotiations
- project periods covered are limited to the risk horizon (depending on project, periods covered range from construction to post-commissioning to de-commissioning)



Compliance vs. Non-Compliance

- follow up on requirements to ensure compliance, e.g. through regular monitoring reports
- consequences of non-compliance are breach of contract (in case of major infringements)



Barriers

- new instrument
- resistance from buyers
- lack of qualification of the auditors
- provisions to be adapted to specific cases
- limited leverage/no direct relationship with buyer
- env. issues need to be addressed before financial close
- consequences of breach of contract will not help mitigate env. consequences
- difficult to identify the responsible party