Environmental and Social Risk Assessment: A Practitioner View
June 2011
Topics

- What is an Export Credit Agency
- EFIC’s Policy and Procedure
- Practical Example
- Dilemma
What is EFIC?

- Australia’s Export Credit Agency
- Wholly owned and guaranteed by the Government
- Self-funding statutory Corporation with a private board
- Works directly with exporters, financiers and overseas buyers
- Operates beyond the limits of the commercial market
Products

- Direct Loan
- Export Finance Guarantee
- Political Risk Insurance
- Medium-term export credit insurance
- Documentary credit guarantee/finance
- Bonds – Advance Payment or Performance Bond
- Variety of alliance products
Policy Settings

- Policy for environmental and social review of transactions
- Procedure for environmental and social review of transactions
Applies to all transactions.
OECD Common Approaches the basis
EFIC’s voluntary adoption of the Equator Principles
IFC Performance Standards EFIC’s preferred benchmark.
Disclose potential involvement in Category A projects located outside Australia.
Risk Evaluation - Indonesian Coal Mining

- Ultimate client - Leighton Holdings Limited
- Project development and contracting group
- One of the 30 largest contractors in the world
- World’s largest contract miner
Indonesian Coal Mining - Transaction

- EFIC’s client role - mining contractor
- Direct loan of USD$150m for leasing arrangement
- Expand mining fleet and equipment
- Multiple mine projects
  - Long-term existing mines
  - New mines
  - Existing mines undergoing expansion
Mining
Mining
What is the Project?

PROJECT IMPACT

TIME (years)

IMPACT

Coal Mine

EFIC CLIENT
Ability to Influence

TIME (years)

IMPACT

Coal Mine
EFIC CLIENT
E & S Risk Assessment

- Two review projects
  - contract mining
  - client
- Used *relevant* Performance Standards
- Typically for mining contractor – PS1, 2, 3 and 4
- Reputation Risk assessment for overall project, PS as a basis
Possible Dilemma

Labour Rights
Freedom of association and the effective recognition of the right to collective bargaining

- law does not permit workers to form or join unions, and no unions exist
- law does not prohibit strikes but allows employer to suspend an employee for striking
- workday is eight hours and the workweek six days; however, these standards were not enforced
Elimination of all forms of forced or compulsory labour

- trafficking in persons a serious problem
- illegal but customary for employers to take custody of workers' passports
- some employment agents bring foreign workers to the country to work under forced or compulsory conditions
- increasing incidence of employees prevented from changing jobs
Elimination of discrimination in respect of employment and occupation

- discrimination against noncitizens is prevalent in most areas of daily life
- no established minimum wage, much of the workforce earning only minimal subsistence
- low-skilled, foreign workers face substandard living conditions,
- legal and societal discrimination against women pervasive
## Country Characteristics

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The End & Thanks for Listening

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Ability to Influence

- Performance bonds worth ~ $28 million
- Project supported by the bonds worth ~ $500 million
- Overall Project worth $18,000 million
Ability to Influence 2