



ENVIRONMENT JUNE 2001

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INVESTMENT GUARANTEES OF THE  
FEDERAL REPUBLIC OF GERMANY

► **Direct Investments Abroad**

## ► ENVIRONMENT

**ENVIRONMENT AND GUARANTEE COVER**

*Within the scope of their engagements at home and abroad German investors are faced with a variety of requirements regarding global environmental protection and conservation of natural resources. The Federal Republic of Germany (Federal Government) takes into consideration environmental aspects when granting investment guarantees for direct investments abroad.*

*The Federal Government supports projects with negligible environmental impacts, projects creating a sustainable improvement of the environmental situation at the investment location or projects with environmental impacts that in the overall view can be balanced out with other positive effects. The Federal Government has now systemised its **PROCEDURE TO CONSIDER GUARANTEE APPLICATIONS UNDER ENVIRONMENTAL ASPECTS**. The procedure comprises steps for the preparation of the decision-making on the application and the subsequent monitoring of guaranteed investments.*

*The purpose of this leaflet is to outline the procedure and the requirements of the Federal Government for granting investment guarantees under environmental aspects.*

**CRITERIA FOR THE ENVIRONMENTAL AUDIT**

Federal guarantees for direct investments abroad can be granted according to the Federal Budget Law and the relating regulations. The projects have to be **ELIGIBLE FOR PROMOTION** and **JUSTIFIABLE AS TO RISK**. An essential criterion for the eligibility for promotion of a project is its environmental compatibility. Furthermore environmental issues can influence the political risk of a project.

**SCREENING**

The environmental procedure consists of several steps. The first step is a preliminary assessment (**SCREENING**) in order to determine the environmental impact of the project. The screening is carried out on the basis of the information provided by the investor in the application form (cp. sec. B.7) where the investor is requested to briefly outline the project and the essential production processes and to explain whether there are factors of particular environmental impact.

On the basis of the investor's information every investment is preliminarily categorised into one of three categories of which the investor will be informed.

**CATEGORIES****CATEGORY A:**

Projects assumed to have strong environmental impacts that mostly appear to be not locally limited and/or irreversible. This particularly applies to projects affecting nature reserves or settlement areas of indigenous peoples or entailing large-scale resettlements.



#### **CATEGORY B:**

Projects assumed to have limited environmental impacts that usually appear to be locally limited and reversible.

#### **CATEGORY C:**

Projects for which no or only insignificant environmental impacts are to be expected.

### **REVIEW**

In a second step projects of the categories A and B are examined more closely under environmental aspects (**REVIEW**). For this the investor has to submit further information and documents. The extent of information required varies whether the project belongs to category A or B.

#### **CATEGORY A:**

**DETAILED INFORMATION** is required on the following issues:

- ▶ description of the project regarding location, type and size
- ▶ particulars on the significant environmental impacts of the project
- ▶ description of the measures that can prevent, reduce or compensate these impacts
- ▶ description of the project alternatives as well as the environmental reasons for choosing this particular project alternative
- ▶ particulars on the compliance with host country and international environmental standards
- ▶ a non-technical summary of the aforementioned information

The investor is usually able to submit an **EXPERTISE BY AN ACKNOWLEDGED ENVIRONMENTAL EXPERT** on all or several of the above-mentioned aspects.

#### **CATEGORY B:**

For these projects the investor has to provide **INFORMATION** regarding the issues mentioned under category A that are relevant for this project. Emphasis should be laid on the significant environmental impacts of the project, the envisaged environmental protection measures and the compliance with environmental standards.

#### **CATEGORY C:**

For these projects no further information is required due to their minor environmental impacts.

### **DECISION-MAKING PROCESS**

A project can be considered eligible for promotion under environmental considerations if it complies with the environmental standards of the host country. Compliance with more stringent international environmental standards normally results in a project being regarded eligible for promotion under environmental considerations. If international environmental standards are not attained, the eligibility for promotion under environmental considerations is examined in detail. The decision-making process also takes into account if and to what extent the investor plans additional measures for improving the environmental quality.

### **MONITORING**

After issuance of a policy for projects of the categories A and B the investor has to submit annual reports on the environmental situation of the project (**MONITORING**).

Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit and Investment Guarantee Schemes as well as the Untied Loan Guarantee Scheme, thus securing economic growth and safeguarding jobs. To this end, the Federal Republic of Germany provides guarantees against commercial and political risks in connection with export transactions as well as against the political risks of foreign direct investments. In addition to this framework, it is also possible to cover the commercial and political risks of untied loans to finance projects which are particularly deserving of support.

The German Government has mandated a consortium formed by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Euler Hermes Deutschland AG to manage these promotion schemes.



Federal Ministry  
of Economics  
and Technology

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