

1st Working Conference on Environmental Governance Standards In Development Finance Institutions in Asia

March 20-22, 2006
Hanoi, Vietnam

Conference Completion Report

Organized by the
**Association of Development Finance Institutions
in Asia and the Pacific**
in partnership with the
UNEP/Wuppertal Institute, Centre for Sustainable Consumption and Production and the
University of Leeds & Sustainable Research Institute (SRI)
In cooperation with the
Bank for Investment and Development of Vietnam

With funding support from the
European Union Asia Pro-Eco 1 Programme



First Working Conference on Environmental Governance Standards for Financial Institutions in Asia March 20-22, 2006

Day 1: Opening and Pre-Workshop Briefings Monday, 20 March 2006

Opening Ceremony

The program was opened by Mr. Octavio B. Peralta, Secretary-General of ADFIAP at 9:45 a.m.

The welcome speech was rendered by Mr, LE Dao Nguyen, BIDV Deputy General Director. The BIDV, a local bank in Hanoi acting as the host member-bank of ADFIAP for this conference provided the secretariat support for the ADFIAP training team.

This was followed by a keynote address rendered by Mr. Dirk Gerlach, Rural Development & Environment Team Leader, Delegation of the European Commission to Vietnam.

Introduction to the Partner Institutions

- ADFIAP: Mr. Octavio B. Peralta, ADFIAP Secretary-General
- Wuppertal Institute/ Centre for Sustainable Consumption & Production: Ms. Burcu Tuncer, Project Manager, WI/CSCP, Germany
- St. Andrews University and Sustainable Research Development Centre: Mr. Frank Figge, Director, SDRC/St. Andrews University

Coffee break was announced at 10:15 am. wherein a group picture taking took place.



ADFIAP Secretary General,
Mr. Octavio B. Peralta



Mr. Le Dao Nguyen, Dep General Director of Bank for Investment and Development of Vietnam (BIDV) delivering the welcome speech



Mr. Dirk Gerlach, representative from the EU Delegation in Vietnam with ADFIAP Secretary General, Mr. Octavio B. Peralta

Country Reports

The participants were given instructions in advance on how to prepare their Country Reports as a pre-conference assignment. These country reports were designed as inputs to the IEMS workshop that will be conducted in Day 2.

The participants individually made their presentations in the afternoon during the plenary session. The country reports are designed to provide the participants' answers to the questions:



1. *What is in it for me?*

1.1 *If your organization has not yet started to look into management of internal environmental aspects, what benefits can you possibly foresee? Who do you think might benefit?*

1.2 *If you already managing your internal environmental issues, why did you start to address these issues in the first place?*

2. *Where to concentrate on?*

2.1 *Which issues would be priorities in your institution?*

2.2 *Why do you think these issues need priority attention?*



A Vietnamese participant, Mr. Do Hoai Nam did a country report

Day 2: IEMS Workshop Tuesday, 21 March 2006

INTRODUCTION: The concept of the IEM Tool

Aim of the Workshop

- To collect as much as guidance as possible from the participants for the development of the resource book; and
- Develop the material and customize it according to the participants' expertise and experience.

Scope and Coverage

Session 1:	Business Case
Session 2:	Prioritization
Session 3:	Current Performance
Session 4:	Opportunities

SESSION 1: BUSINESS CASE

Business Case for the application of the IEMS

OBJECTIVES

- To collect reasons to tackle internal environmental issues
- Why should you devote any resources to enhance your institution's internal environmental performance?
- What financial, reputational and organizational benefits would you expect?



Ms. Burcu Tuncer of CSCP explaining the concept of IEM Tool to the participants

WORKSHOP RESULTS

Responses from the Participants

The participants were asked by the facilitator to write down their individual inputs on their respective yellow cards. The individual responses were presented during the plenary discussion and discussed / shared with other participants.

Fiji To reduce cost and increase profit
To become a leader in the region in the field of EGS

Bangladesh
Reduce cost

Malaysia
To provide a good public image to the bank and demonstrate to the public its willingness to become environmental friendly

Thailand
Improve paper usage

Pakistan
Establish an effective control over resources
Enhance time saving as resource saving
Provide awareness among the bank's employees
Support national goal of clean environment
Obtain international recognition of the bank in environmental governance.

Bhutan
Instill consciousness among the employees
Save space on paper/document files
Provide better image to the Bank
Provide an opportunity to use IT in management systems
Make the bank a leader in the installation of IEMS in the co
Ensure sustainable and robust institution.
Create surplus fund thereby increasing revenue and higher dividends
Attract more customers and good environment for the employees.



Mr. Le Tho,
participant from Bhutan

RP

- Cost reduction in power, travel, paper use, etc
- Take up income opportunities from used and scrap materials and other waste
- Promote a healthy and safe environment for the employees
- Ensure compliance with regulatory requirements

Indonesia

- Promote cost reduction measures for greater productivity
- Provide a more comfortable environment for bank employees and its customers



Indonesian participant,
Mr. Cecep Trisna

Summary of Points Raised

Ms. Burcu Tuncer made a recap of the learnings from this session as shown below:

- Reduce cost and increase profit
- Provide a chain of benefits
- Ensure a good image for the bank
- Become a leader in instituting institutional reforms and installation of EGS
- Support regulatory requirements of the national government
- Ensure a healthy environment and promote employees' awareness of the need for greening the bank



Ms. Burcu Tuncer

SESSION 2: PRIORITIZATION Prioritization of Internal Environmental Issues

OBJECTIVE

- To identify key internal environmental issues for your financial institution

WORKSHOP EXERCISE

All workshop participants were instructed to identify their bank's internal environmental issues and practices according to the bank's own experience along the following areas:

- Materials Use (especially paper use)
- Energy Use (including heating, ventilation, and electricity use)
- Water Use
- Solid Waste
- Transport
- Emissions to air
- Supply chain management (green procurement)
- Facility management
- Training on environmental issues

These identified issues were presented and discussed with the other participants during their workshop,

SUMMARY OF WORKSHOP RESULTS

The participants' inputs /answers to the questions in the exercise were summarized by Ms. Burcu Tuncer, the workshop facilitator.

Policy Areas	Priorities
Material use	Paper consumption
Energy use	Lighting, telephone & fax, air-conditioning, other electronic office equipment
Water use	Sanitation facilities, kitchen use, aircon
Solid waste	Electronic waste, collect paper waste and sell to recyclers
Transport	Car-pooling for employees
SCM	Lack of policies on SCM and contractor procedures
Facility mgmt	Sunnier
Training	Still work to be done (all mentioned)

SESSION 3: CURRENT PERFORMANCE

Understanding and Measuring Current Performance

OBJECTIVE

- Understand your institution's current performance concerning energy use;
- Identify most energy consuming activities; and
- Quantify and benchmark your institution's energy use.

WORKSHOP EXERCISE

Please fill in the first row of the table given below (5 minutes). You may use the data that you collected previous to the IEMS Workshop.

Later when you benchmark your data with the other financial institutions, you may get a better idea about your institutions performance in the Group.

	What is the total energy consumption/year (in MJ)	What is the total energy use per personnel?	What is the total energy use / operating expense?
Your financial institution			
Lowest in the Group			
Highest in the Group			

	What is the total energy consumption/year (in MJ)	What is the total energy use per personnel?	What is the total energy use / operating expense?
How is your financial institution performing? (Well, Average, Poor)			

Activities related to energy use with an improvement potential

Please tick the boxes that apply to your financial institution and write one to two arguments in the given space (10 minutes). Please prepare to present one issue in front of the group.

Measures for specific activities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Don't know	Additional Comments Possibilities for improvement
Lighting				
Is your institution using daylight in administration buildings and production sites?				
Do employees normally switch off lamps after work?				
Does your company use energy-saving bulbs or fluorescent tubes and avoid conventional light bulbs?				
Is the adjustment of lighting available, like installing of motion detectors in less frequently used areas of buildings (e.g. toilets or underground parking lots, etc), reducing lighting at night				
Running Office Equipment				
Is there awareness in your institution of the energy consumed by office equipment such as computers, printers, refrigerators and transformers?				
Do employees normally switch off office equipment after work?				
Use of energy saving equipment, like computers with flat screens and PCs turning of automatically at night.				

Measures for specific activities	☑	☒	Don't know	Additional Comments Possibilities for improvement
Ventilation and air conditioning				
Does your company use ventilation of offices by open window instead of full air-conditioning. For example, as soon as the windows are opened, air condition switches off automatically.				
Does your company use a heat exchanger to maximize ventilation?				
Optimization of the air-conditioning systems and heating, e.g. operating hours and temperatures, possibility of switching off air-conditioning in parts where the building is empty.				
Heating				
Have temperature settings been adjusted to ensure minimum energy use for a given comfort level?				
Do you close windows while heaters are on?				
Can your company use district heating?				
Do you use wind or solar power as a substitute for non-renewable energy sources when possible?				
Have refrigerators and freezers been placed in locations that avoid exposure to heat (from ovens, heaters or sunlight, for example)?				
Other activities				

The participants were asked to submit their individual workshop outputs to the project team. A knowledge sharing session followed where all the participants were encouraged to discuss their respective outputs and share their own experiences to the other participants.



Participants sharing knowledge and experiences. Sokreth Issara (Cambodia), Syed Mustafa and Janeta Anthony (Malaysia)

SESSION 4: OPPORTUNITIES

Identifying improvement opportunities, selecting the most feasible ones, setting targets for improvement and developing an action plan

OBJECTIVES

- List the improvement options;
- Assess the feasibility of the improvement options and choose one;
- Develop an action plan including the responsible personnel, targets and indicators for monitoring

WORKSHOP EXERCISE

Listing the opportunities for improvement

Based on your replies that you gave in Session 3 and your answers to the pre-workshop exercise for Session 4, what opportunities for improvement can you suggest for the corresponding energy using activities? List one or two option on the right hand column. (5 minutes).

Activities related to energy use	Opportunities for improvement
Lighting	<ul style="list-style-type: none"> • _____ • _____
Running Office Equipment	<ul style="list-style-type: none"> • _____ • _____
Ventilation and air conditioning	<ul style="list-style-type: none"> • _____ • _____

Activities related to energy use	Opportunities for improvement
Heating	<ul style="list-style-type: none"> • _____ • _____
Other...	<ul style="list-style-type: none"> • _____ • _____

Feasibility Assessment

The following feasibility forms will assist you in assessing the technical (Form 1), economic (Form 2), and environmental (Form 3) relevance of two improvement options that you identified in the previous step. Which option is more feasible to implement?

Every question is formulated so that you can give 1, 2, or 3 points in the column titled "Score". Please firstly write down the options that you would like to compare in the first row. After filling in each form you will add the scores and determine the average value. You will then insert this average value into the "Priority Finder" table (Form 4). (10 minutes)

Option 1: Option 2:		
FORM 1: TECHNICAL ASPECTS		
Questions	Score for Option 1	Score for Option 2
Does the potential measure require large (1), moderate (2), or small (3) changes to your company's existing infrastructure?		
Do your employees have limited (1), sufficient (2), or good (3) knowledge or experience required to execute the measure?		
Will the measure have a negative (1), neutral (2), or positive (3) effect on the service quality?		
Will the measure have a negative (1), neutral (2), or positive (3) effect on workplace safety?		
Will the measure have a negative (1), neutral (2), or positive (3) effect on the working process in your institution?		
Does the implementation of the measure require complex (1), moderate (2), or simple (3) technology?		
Does employee training necessary for the implementation of this measure require a lot (1), some (2), or no (3) productivity loss?		
Does this measure reduce the health and safety risks for the employees: not at all (1), somewhat (2), a lot (3)?		
Will the measure have a negative (1), neutral (2), or positive (3) effect on product and service quality?		
Other:		
Total Points		
Average Value (Total Points/Number of Questions)		

FORM 2: ECONOMIC ASPECTS		
Name of Option 1:		
Name of Option 2:		
Questions	Score for Option 1	Score for Option 2
Does this measure correspond poorly (1), moderately (2), or well (3) with your company's investment policy?		
Is the payback period of the measure long (1), moderate (2), or short (3)?		
Does the measure reduce energy costs: not at all (1), somewhat (2), or a lot (3)?		
Does the measure reduce material costs: not at all (1), somewhat (2), or a lot (3)?		
Does the measure reduce waste disposal costs not at all (1), somewhat (2), or a lot (3)?		
Does the measure reduce costs associated with risk: not at all (1), somewhat (2), or a lot (3)?		
Does the measure reduce your company's insurance costs: not at all (1), somewhat (2), or a lot (3)?		
Does the measure reduce the monthly operational costs: not at all (1), somewhat (2), or a lot (3)?		
Does the measure increase your company's image: not at all (1), somewhat (2), or a lot (3)?		
Other:		
Total Points		
Average Value (Total Points/Number of Questions)		

FORM 3: ENVIRONMENTAL ASPECTS		
Name of Option 1:		
Name of Option 2:		
Questions	Score for Option 1	Score for Option 2
Does this measure reduce your company's energy consumption: not at all (1),somewhat (2), a lot (3)?		
Does this measure reduce your company's materials consumption: not at all (1),somewhat (2), a lot (3)?		
Does this measure reduce your company's air emissions: not at all (1), somewhat (2), a lot (3)?		
Does this measure reduce your company's work-related accidents: not at all (1), somewhat (2), a lot (3)?		
Does this measure enhance the neighbourhood relationship of your company: not at all (1), somewhat (2), a lot (3)?		
Other:		
Total Points		
Average Value (Total Points/Number of Questions)		

Action planning to implement the chosen improvement option

This is the part where to write down concrete tasks for improvement options. Please fill out all the columns. (15 minutes)

“Description”: Please fill out a specific action for the improvement options. Then you should write down the tasks associated to this option and assign a person in the “Responsibilities” column.

“Target Setting”: This is to check and follow-up on the progress of the tasks. The “Indicator” column should contain an item that can be tracked quantitatively and used to assess whether you are reaching your target of improvement. The “Current Status” is the situation in your institution now, and the “Target” is the goal you want to achieve. It is important to set a “Deadline” to achieve these targets in order to follow up later.

FORM 5: ACTION PLANNING TABLE						
Focus Area: Energy						
Description			Target Setting			
Improvement Option	Task List	Responsibilities	Indicator	Current Status	Target	Timeline/Deadline

Comparing Targets and Results (only fyi. Not to be completed in the Workshop)

This part should be filled out after the deadline has passed. This is to compare the given target and the actual business results that were achieved.

FORM 6: RESULTS COMPARISON		
Improvement Option	Given Target	Actual business results and comments on the result

Feedback from the participants

Indonesia

This is an interesting procedure because we don't have it in our bank yet. However, we need an interaction material which we can use for communicating the project's objectives and mechanics to the bank's committee.

RP

I find the material very user-friendly.

Bhutan

This is something new for the bank. I have to do some quantitative measures to show my colleagues the importance of this project. The tool has to show some concrete results and therefore I have to do some computations to demonstrate the utility of insert the tool.

Malaysia

We should have another workshop where we can go and see that the system works at the firm level.

The productivity issue has to be integrated in the feasibility form on economic aspects. Will the system contribute to improving the working conditions and thereby improve productivity of employees?

Fiji

When we look at the tool and evaluate it, we always look at it from the profit objective's angle. But when we do more in-depth analysis, the issue is that the installation of the EGS can be linked to a lot more intangible benefits mentioned earlier in Workshop 2 such as ensuring a healthy working environment, compliance with regulations, etc.,



Ms. Burcu Tuncer with the Vietnamese participants



Participants Vishwa Reddy (Fiji) and Mangala Senaratna (Sri Lanka)

DAY 3: WORKSHOP ON ENVIRONMENTAL RATING SYSTEM (ERS) Wednesday, 22 March 2006

SESSION 1: Introduction to the Rationale Behind ERS

OBJECTIVES

- Understand the concept of environmental risks
- Identify and determine the options open to banks when faced with bad environmental risks

What are environmental risks?

- We are exposed to risk whenever we cannot predict a future outcome with certainty.
- We speak of an environmental risk whenever aspects linked to the natural environment result in future outcomes becoming more unpredictable.
- Environmental risk can be
 - induced by the debtor/company itself
 - induced by third parties
 - induced by natural phenomena
- Our client's environmental risk is our business risk.

What can banks do about bad environmental risks?

- Refuse to lend money
- Apply risk-adjusted pricing (= accept risk)
- Ask for collaterals, guarantees or similar (=reduce economic risk but not the environmental risk)
- Lending subject to terms and conditions (=reduce economic risk)

SESSION 2 & 3

Economic and Environmental Dimension of ERS

OBJECTIVES

- To understand the economic dimension of environmental rating system
- To discuss and explain the environmental dimension of ERS

PRE-CONFERENCE ASSIGNMENT / REPORT

The following instructions were given to the participants prior to their trip to the conference venue. These instructions were provided as follows:

We will shortly be meeting for our workshop in Hanoi/Vietnam. During the third day of the workshop we will look at how environmental aspects can be considered in bank lending decisions. It is important that we make sure that everything we discuss during our three day workshop is relevant for your every day work. We very much rely on your expertise!

It is for this reason that we ask you to research a few aspects before the workshop. These aspects concern the bank lending decisions your organisation is making today.

(1) Economic relevance

In a first step we must understand the economic relevance for your bank of the different sectors of the economy. During the workshop we will of course try to focus

on sectors that are relevant for you. For this purpose we would like to understand which sectors of the economy your bank is giving money to.

Enclosed you will find a generic list of all possible activities. We would like you to tell us how the loan portfolio of your bank is spread across these activities. This should not be based on the number of clients you have in each sector but on the percentage of money that is given to each sector/activity. One client with a loan of 100 € is therefore as important as five clients with 20 € each.

We are not asking for absolute amounts but for percentages. There are three columns. The first column describes the activities. There are 17 different activities (A-Q). Most of these activities are subdivided further (01-99). To facilitate your task we suggest you rate the main activities (A-Q) first (dark gray fields). The percentages you attribute to activities A-Q should add up to 100%. In a second step you can then be more specific and tell us the spread within each sector (light grey fields).

Explanatory notes regarding the different activities can be found here:

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=17&Lq=1>

We will ask you to hand in the enclosed form at the beginning of the workshop. We will use this information during the workshop but it will not be made public outside this workshop.

(2) Environmental relevance/issues

We will also talk about the environmental relevance of different sectors. To be prepared for this part of the workshop we would like you to find out

- (a) which sectors/activities are deemed to be environmentally relevant within your organisation when giving out loans and
- (b) how your organisation deals with these environmental issues.

You might for example want to enquire within your organisation, if specialised questions or criteria are used when loans are given to fund some activities. We are keen to find out (a) which activities these are and (b) what kind of questions/criteria are used.

Your contribution to the success of this workshop is very much appreciated!

WORKSHOP PROPER

The conference participants were given the following instrument to be used in the workshop exercise.

Economic importance

Name of your bank/organisation: _____

	Percentage of loan portfolio	Percentage within sector
A - Agriculture, hunting and forestry		
01 - Agriculture, hunting and related service activities		
02 - Forestry, logging and related service activities		

	Percentage of loan portfolio	Percentage within sector
B – Fishing		
05 - Fishing, aquaculture and service activities incidental to fishing		
C - Mining and quarrying		
10 - Mining of coal and lignite; extraction of peat		
11 - Extraction of crude petroleum and natural gas; service activities incidental to oil and gas extraction, excluding surveying		
12 - Mining of uranium and thorium ores		
13 - Mining of metal ores		
14 - Other mining and quarrying		
D – Manufacturing		
15 - Manufacture of food products and beverages		
16 - Manufacture of tobacco products		
17 - Manufacture of textiles		
18 - Manufacture of wearing apparel; dressing and dyeing of fur		
19 - Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear		
20 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials		
21 - Manufacture of paper and paper products		
22 - Publishing, printing and reproduction of recorded media		
23 - Manufacture of coke, refined petroleum products and nuclear fuel		
24 - Manufacture of chemicals and chemical products		
25 - Manufacture of rubber and plastics products		
26 - Manufacture of other non-metallic mineral products		
27 - Manufacture of basic metals		
28 - Manufacture of fabricated metal products, except machinery and equipment		
29 - Manufacture of machinery and equipment n.e.c. (<i>n.e.c. = not elsewhere classified</i>)		
30 - Manufacture of office, accounting and computing machinery		
31 - Manufacture of electrical machinery and apparatus n.e.c.		
32 - Manufacture of radio, television and communication equipment and apparatus		
33 - Manufacture of medical, precision and optical instruments, watches and clocks		
34 - Manufacture of motor vehicles, trailers and semi-trailers		
35 - Manufacture of other transport equipment		
36 - Manufacture of furniture; manufacturing n.e.c.		
37 – Recycling		
E - Electricity, gas and water supply		
40 - Electricity, gas, steam and hot water supply		
41 - Collection, purification and distribution of water		
F – Construction		
45 – Construction		

	Percentage of loan portfolio	Percentage within sector
G - Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods		
50 - Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel		
51 - Wholesale trade and commission trade, except of motor vehicles and motorcycles		
52 - Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods		
H - Hotels and restaurants		
55 - Hotels and restaurants		
I - Transport, storage and communications		
60 - Land transport; transport via pipelines		
61 - Water transport		
62 - Air transport		
63 - Supporting and auxiliary transport activities; activities of travel agencies		
64 - Post and telecommunications		
J - Financial intermediation		
65 - Financial intermediation, except insurance and pension funding		
66 - Insurance and pension funding, except compulsory social security		
67 - Activities auxiliary to financial intermediation		
K - Real estate, renting and business activities		
70 - Real estate activities		
71 - Renting of machinery and equipment without operator and of personal and household goods		
72 - Computer and related activities		
73 - Research and development		
74 - Other business activities		
L - Public administration and defence; compulsory social security		
75 - Public administration and defence; compulsory social security		
M – Education		
80 – Education		
N - Health and social work		
85 - Health and social work		
O - Other community, social and personal service activities		
90 - Sewage and refuse disposal, sanitation and similar activities		
91 - Activities of membership organizations n.e.c.		
92 - Recreational, cultural and sporting activities		
93 - Other service activities		

	Percentage of loan portfolio	Percentage within sector
P - Activities of private households as employers and undifferentiated production activities of private households		
95 - Activities of private households as employers of domestic staff		
96 - Undifferentiated goods-producing activities of private households for own use		
97 - Undifferentiated service-producing activities of private households for own use		
Q - Extraterritorial organizations and bodies		
99 - Extraterritorial organizations and bodies		

Total

100%

Source:

<http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=17&Lg=1>

The participants were given time to discuss and share their respective experiences in offices in analyzing their own economic and environmental dimensions of their development banks.
