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Guidance Checklists: Preparation of Sustainable and Resilient Infrastructure Projects



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Global Infrastructure Basel Foundation (GIB) is a Swiss non-profit foundation working to promote sustainable and resilient infrastructure globally. GIB engages with a wide range of stakeholders to build links between infrastructure projects and sources of finance. GIB is the Standard Owner of SuRe® – The Standard for Sustainable and Resilient Infrastructure, a private, voluntary, third-party verified certification standard.

Global Infrastructure Basel Foundation
Elisabethenstrasse 22
4051 Basel
Switzerland
Tel: +41 61 205 10 59
Fax: +41 61 271 10 10
<http://www.gib-foundation.org>
e-mail: standard@gib-foundation.org

Introduction

*This guide will provide you
with the basic checklists
and guidance to help your
project towards
sustainability, resilience
and successful
implementation.*

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About this Document

This document was prepared by the Global Infrastructure Basel Foundation with support from the Swiss Agency for Development and Cooperation (SDC) and technical inputs from ICLEI (Local Governments for Sustainability). It comprises a set of guidance checklists to assist infrastructure projects to improve their sustainability and resilience; and to check that they have completed key tasks for successful project preparation, structuring, achieving bankability and seeking finance.

The checklists are intended as a rapid 'fly-over' to provide guidance for key steps in the process of improving the sustainability of a project and obtaining finance for the project. Each infrastructure project has its own unique complexities which must be carefully understood and managed by experienced professionals. These checklists will help to identify good practices that may have been overlooked in developing the project, however, they will not replace the need for experienced professionals.

These guidance checklists have been prepared based on a review of globally applicable literature learning material and normative standards by a group of infrastructure sustainability professionals.

Who should use this document?

The checklists are designed for project developers with projects anywhere between concept stage and financial close. The checklists are accompanied with guidance materials where project developers can seek additional clarity on any topics they are unfamiliar, meaning that little prior understanding of project preparation is required.

What checklists are included?

SUSTAINABILITY AND RESILIENCE

Derived from SuRe® - the Standard for Sustainable and Resilient Infrastructure, this checklist provides a comprehensive check across diverse environmental, societal and governance topics to identify areas of good practice that may be lacking in the project.

PROJECT PREPARATION

This checklist covers key topics that are required for preparing a successful project. This includes, defining project rationale, appraising options and establishing commercial viability, long-term affordability and deliverability of the project.

PROJECT STRUCTURING & IMPROVING BANKABILITY

This checklist covers key items regarding cashflow forecasting, financial modelling and rates of return. It also covers other key items such as the use of advisors, and indicators for solid project structuring.

FINANCE

This checklist briefly covers the steps typically occurring between initial identification of sources of finance to closing a financial deal, including preparing a business plan, presenting the project to financiers and undertaking due diligence procedures.

Where can I get More Information?

The final section of this document contains a list of additional resources where you can seek further information. Please do not hesitate to contact the Global Infrastructure Basel Foundation for more information, or visit our website at www.gib-foundation.org.

Improving Project Sustainability & Resilience

*Checklists to set your
project on-track to
achieving high levels of
sustainability and
resilience.*

2

Governance

Sustainability and Resilience Management

Yes No

- Has the relevant project entity committed to sustainability management, carried out an Environmental and Social Impact Assessment (ESIA) and does it maintain an Environmental and Social Management System (ESMS)
- Has the project conducted a lifecycle assessment which considers durability, resilience, future flexibility, ease of upgrading, expansion and recyclability throughout and beyond the project lifetime including decommissioning?
- Has the project planned to enhance resilience against shocks such as natural disasters, conflict, health epidemics and emergency migration?
- Has the project planned to enhance resilience against stresses such as water scarcity, sea level rise, heat waves, increasing population?
- When planning for future climate change impacts, have the IPCC (Intergovernmental Panel on Climate Change) climate change scenarios been considered in the project design?
- Have measures been taken to ensure the project's supply chains are sustainable?
- Has the project managed pre-existing liabilities and grievances such as pending legal disputes or land-ownership issues?

Guidance:

The ESMS should include all of the following aspects: (i) policy; (ii) identification of risks and impacts; (iii) management programs; (iv) organizational capacity and competency; (v) emergency preparedness and response; (vi) stakeholder engagement; and (vii) monitoring and review.

Other pre-existing liabilities include: Land disputes, relocation and/or protection of the existing utilities, services at the project location, existing pollution at the brownfield lands, waterlogging of the soil etc.

Stakeholder Engagement

Yes No

- Has the project identified an exhaustive list of relevant stakeholders and affected communities?
- Does the project developer engage in active consultation with stakeholders or affected communities AND publicly discloses the outcomes of stakeholder consultation?
- Has the project developer implemented an efficient, inclusive and transparent formal grievance mechanism, which complements judicial and administrative remedies?
- Can the project demonstrate that it has political buy-in from government leadership and opposition and all the required permits and licenses to operate?

Management and Oversight

Yes No

- Does the project have a clear organizational set up which includes separation of roles, transparent decision-making process, and sufficiently qualified in-house skills and resources needed to effectively carry out tasks?

- Is there a sustainability manager as part of the project team?
- Does the project developer assess employees' social and environmental sustainability skills, and provide training as needed?
- Does the project share sustainability knowledge generated throughout the project within and beyond the project team and contractors?
- Can the project clearly demonstrate that it complies with all relevant laws, including international laws regardless of whether they are integrated into national law
- Are mechanisms in place to follow compliance and to meet goals for construction and operational service levels of the project?
- Does the relevant project entity identify and manage environmental, social and economic risks using a formal process that is updated at least yearly?
- Does the project report on sustainability and resilience performance at least annually to senior management, using performance indicators and specific targets?
- Does the project developer make its social and environmental policies public?

Anti-corruption and Transparency

Yes No

- Does the project operate under a credible anticorruption program which complies with appropriate international standards and includes board-level commitment, training, risk assessment, control measures, on-going monitoring, review and reporting?
- Has the relevant project entity assessed the risks associated with its interactions with Politically Exposed Persons (PEPs)
- Have the ultimate beneficial owner(s) of enterprise(s) winning public tenders for the development of the project been publicly disclosed?
- Does the relevant project entity publicly disclose:
 - (a) All political and charitable contributions (and refrain from making political contributions during election campaigns),
 - (b) All payments made to governments on a country-by-country basis
 - (c) Its holdings of subsidiaries, affiliates, joint ventures and other related entities
 - (d) Community contributions in the country where the infrastructure is located.
 - (e) Information on applicable jurisdictions where taxes are being paid and where the company is exempt from paying taxes

Guidance:

A politically exposed person (PEP) is defined by the Financial Action Task Force (FATF) as an individual who is or has been entrusted with a prominent public function. Due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing (TF).

Resources:

Transparency International Business Principles for Countering Bribery
 Financial Action Task Force (FATF)

Society

Human Rights

Yes No

- Does the relevant project entity make commitment to protect human rights and do they make their past and present violations and/or are the details of their commitment available publicly?
- Have neither the project developer, nor any of its contractors/subcontractors have been found guilty of any human rights violation(s) in the country of operation within the past three years? Are there no pending court cases relating to alleged violations of human rights?
- Does the relevant project entity promote gender equality throughout the project, including that related to project staff, stakeholders, and end-users of the infrastructure?

Labor Rights and Working Conditions

Yes No

- Does the project use an employment policy is compliant with national or international law AND is communicated clearly to workers?
- Does the project respect workers' freedom of association and collective bargaining (regardless of national law)?
- Does the relevant project entity promote equal opportunities and non-discrimination?
- Does the project developer use an Occupational Health and Safety (OH&S) policy which includes at least all of the following: (I) hazard identification, (ii) control measures, (iii) training, (iv) monitoring and reporting, (v) hazard prevention and preparation AND this policy is strictly adhered to during the entire duration of the project, to all employees, contractors and subcontractors?
- Does the relevant project entity provide fair and non-discriminating employment terms and conditions including: fair working hours; rest days; mandated leave; grievance mechanisms; fair wage; free access for employees to their employment documents; non-discrimination based on gender, age, and/or origin; transparency in retrenchment / dismissal policy?

Customer Focus and Inclusiveness

Yes No

- Does the project provide accessibility* of services to all users without discrimination?
- Does the project react to complaints in order to maintain adequacy of infrastructure and improvement of services?

Community Impacts

- | | Yes | No |
|---|--------------------------|--------------------------|
| • Has an environmental and social risk and impact assessment has been used to identify affected communities and indigenous people AND actions have been taken to ensure Free Prior and Informed Consent (FPIC)? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the project managed or avoided resettlement a such a way that minimizes number of displaced people and ensures that displaced people are content with compensation arrangements? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the project minimized risks to public health and safety? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the project identify and protect cultural heritage? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the project plan for long-term impacts such as those caused by decommissioning | <input type="checkbox"/> | <input type="checkbox"/> |

Guidance:

FPIC implies that the consent is required from indigenous people whose land is going to be affected by the proposed project, and that proper negotiations are to be carried out with them and also they maintain the right to offer the consent to the project or not.

Cultural heritage refers to any tangible historical expression of a culture in the form of built environment like buildings, archaeological remains, monuments; and natural environment like special features of a land or coastline etc. which are preserved for generations.

Decommissioning refers to the dismantling or removing of the building, plant, equipment etc. after the operations of a project are shut down for the reasons like end of project life, relocation, upgradation, malfunctions and major repairs etc.

Socioeconomic Development

- | | Yes | No |
|--|--------------------------|--------------------------|
| • Are technical options and service levels adapted to the needs and capacities of poor customers | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has a poverty impact assessment been carried out? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are targeted measures in place to extend coverage of the infrastructure into unconnected poor areas, where possible? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the project support local skill and capacity development? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the project make a tangible contribution towards wider socioeconomic development? | <input type="checkbox"/> | <input type="checkbox"/> |

Environment

Climate

Yes No

- Has the project implemented measures to decrease its GHG measures to be aligned with commitments of the relevant country's Nationally Determined Contributions (NDC) to the Paris Accord?
- Does the project developer monitor GHG emissions according to a reputable methodology?
- Has there been a formal assessment of energy efficiency and actions have been taken to improve energy efficiency?
- Has the project developer taken measures to reduce embodied energy of the project?
- Does the project maximize its use of sustainably managed renewable energy?
- Has the project implemented disaster risk reduction and emergency preparedness measures
- Does the project avoid contributing to ozone depletion by monitoring onsite ozone depleting substances?

Guidance:

Greenhouse Gases (GHGs) like carbon dioxide, methane, ozone, fluorocarbons etc. absorb infra-red solar radiations and emit the heat in all directions which gets trapped in Earth's atmosphere and causes the greenhouse effect by heating up the Earth.

Energy efficiency is achieved when a same service is provided or same amount of work is performed by an equipment while using lesser energy. It does not imply limiting the usage of equipment to reduce the energy consumption.

Embodied energy refers to the total energy consumption of a project throughout the life cycle from cradle-to-grave, including the energy required to obtain all the resources required from their extraction, transport, manufacturing till the final decomposition after dismantling of the project.

Resources:

European Investment Bank Induced GHG Footprint Methodologies

http://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf

Montreal Protocol on Substances that Deplete the Ozone Layer (1989, universally ratified)

Biodiversity and Ecosystems

Yes No

- Does the project consider direct and indirect project-related impacts on biodiversity, natural habitats and the intactness of ecosystems, and find ways to avoid and mitigate adverse effects?
- Has forest restoration* and conservation been taken into account in the project design?
- Does the project minimize the risk of introducing invasive alien species

Guidance:

Conservation of the existing forests is preferable to compensating for it, as it helps in the conservation of endangered or rare species of plants and animals in the region.

The convention on Biological Diversity, 2009 defines Invasive alien species as plants, animals, pathogens and other organisms that are non-native to an ecosystem, and which may cause economic or environmental harm or adversely affect human health.

Environmental Protection

Yes No

- Does the project manage waste in an environmentally and socially safe manner?
- Does the project responsibly manage air, water and soil pollution during construction and operation?
- Does the project manage pests responsibly, avoiding use of pesticides listed on the Rotterdam Convention (2004) or the Stockholm Convention on Persistent Organic Pollutants (2004)?
- Does the project responsibly manage noise, vibration and light emissions during construction and operation?

Natural Resources

Yes No

- Does the project maximize resource efficiency throughout its life cycle?
- Does the project responsibly protect water sources in terms of quantity and quality?
- Does the project minimize impact on natural storm water flows?
- Has the project developer minimized transport distances required for materials supplied for the project?
- Has the project developer maximized the quantity of materials from recycled or reclaimed sources?
- does the project encourage by-product synergies by engaging with facilities nearby to identify opportunities?
- does the project limit the use or production of hazardous materials?
- Has the project conducted a Cumulative Impact Assessment (CIA) in cooperation with relevant stakeholders AND can demonstrate that all negative cumulative impacts have been eliminated or sufficiently mitigated?

Guidance:

Recommended maximum distances for sourcing materials are as follows: soils and aggregate (80 km), plants (400 km), other materials (800 km).

By-product synergies refer to the use of wastes or by-products generated by activities in one industry, as a resource or raw material in another industry, hence reducing the global waste and emissions.

Cumulative impacts are those that result from incremental changes caused by other past, present or reasonably foreseeable actions together with the project. e.g. combined effect of individual impacts like noise, dust and visual, from one development on a particular receptor (Source: <http://ec.europa.eu/environment/archives/eia/eia-studies-and-reports/pdf/guidel.pdf>)

Land Use and Landscape

- | | Yes | No |
|--|--------------------------|--------------------------|
| • Has the project developer completed a geotechnical study which demonstrates that the site is suitable for the project? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the relevant project entity managed the risks posed to the project due to its location, such as flooding, erosion and landslides | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the project site been selected to minimize use of greenfield land? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the project restore soil* to enable its pre-development ecological and hydrological functions to continue | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the project assess and minimize impacts on the surrounding landscape | <input type="checkbox"/> | <input type="checkbox"/> |

Guidance:

'Greenfield' refers to the undeveloped land preserved in its natural form or used for the purpose like agriculture and is expected to be unpolluted; 'grey-field' refers to the previously developed but economically underperforming, outdated land like old shopping malls which is often surrounded with a lot of dead asphalt land like parking lots; 'brownfield' lands are abandoned, polluted sites of previous industrial or commercial development and are highly likely to be contaminated with hazardous wastes.

Soil restoration includes reusing soil for functions comparable to their original function - topsoil used as topsoil, subsoil as subsoil, or subsoil amended to become functional topsoil.



Project Preparation

*Checklists to help
preparing projects to seek
finance.*

3

Project Preparation

Defining Project Rationale

Yes No

- Is there a documented Project Rationale, with clear scope and objectives, which establishes the need for the project within an overall strategic context?
- Are key risks, constraints and dependencies related to the project been documented?
- Does the Project Rationale detail positive and negative externalities created by the project?

Guidance:

The project rationale will be relied upon when seeking approvals and in early discussions with financiers. It should be clear, concise and factual.

Appraising Options

Yes No

- Has the project been selected based on an Options Appraisal, which has considered all relevant options for fulfilling the need for the project?
- Has the Options Appraisal included all relevant stakeholders, including local communities?
- Has the project been chosen after a multicriteria analysis of a short list of options, such as Social Cost Benefit Analysis (SCBA, Social Cost Effectiveness Analysis (SCEA) or Multi-Criteria Decision Analysis (MCDA)?
- Have all assumptions behind the Options Appraisal been clearly articulated?

Establishing Commercial Viability

Yes No

- Is the project demonstrated to be commercially viable for investors, contractors, government and affected population?
- Has the supplier market been tested to demonstrate it can service the project?
- Has adequate demand for the project services been demonstrated?

Guidance:

Refer to Chapter 4: Project Structuring and Bankability

Planning Long-Term Affordability

Yes No

- Have the lifecycle costs of the project, including ongoing maintenance costs, been quantified?
- Can the project demonstrate that it is affordable and cost effective over its entire lifetime, including allowance for unexpected occurrences and decommissioning?
- Has the project transparently documented the amounts of funding sought from public sources and other sources throughout the entire project lifecycle?

Guidance:

To ensure long-term affordability, a project will need to accurately assess project costs, revenues and identify sources of funding now and in the future. A sensitivity analysis will need to be performed over the lifecycle of the project using robust financial models with assumptions clearly stated and tested. Credit enhancement and risk mitigation products such as insurances may be required to support project financing, as well as interest rate and foreign currency hedging. Macroeconomic sustainability of the project should also be demonstrated, considering possible trends in demand.

Demonstrating Deliverability

Yes No

- | | | |
|---|--------------------------|--------------------------|
| • Is there a robust project management methodology in place which ensures timely and cost-effective delivery of project components? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Is there a clear governance structure in place, which ensures transparent decision making throughout the project? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the need for and cost of advisors been included in the project budget? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has adequate time been planned for planning approvals? | <input type="checkbox"/> | <input type="checkbox"/> |

Project Structuring & Bankability

*Checklists to assist
addressing project
structuring and bankability
requirements.*

4

Project Structuring & Bankability

Cashflow Forecasting

Yes No

- Does your project have a stable and predictable cash flow?
- Has the debt coverage ratio for your project been calculated?

Guidance:

Financiers, particularly debt providers, will use cashflows as a primary indicator of the project's ability to meet financial obligations. Attention must be paid to ensuring that the project has:

- Not relied on overly optimistic revenue and demand assumptions or poorly chosen 'baseline' scenarios;
- Understood project's financing needs at an early stage, including ratio of debt to equity; and loan's grace period during construction phase;
- Understood upon what terms the project may be refinanced and whether better conditions can be offered following the initial short term debt stage?

Rates of Return

Yes No

- Has the internal rate of return been calculated for this project?
- Have local/international financiers been consulted about their expectations for Rate of Return?

Guidance:

The rates of return required by financiers can vary enormously depending on the type of transaction, and the region in which the project is being implemented. In low risk contexts, rates of returns may be approximately 1-2% for tenures of 10 years or more. In high risk contexts, these rates can be significantly higher.

Financial modelling

Yes No

- Has a financial model been developed for the project, which includes a realistic valuation of the investment and characteristics of the sources of finance?
- Has the project developed a risk delegation matrix, clarifying which risks and liabilities are taken by which actors?

Guidance:

Financiers require a transparent financial model that enables them to interrogate assumptions and test alternate scenarios. Project developers often require the assistance of an external party to develop a realistic financial model.

Insurance, guarantees and political buy-in

Yes No

- Has political risk and risk from policy stability been assessed to determine if political risk insurance or financial guarantees are required?
- Has the project secured an 'offtake agreement' or equivalent?
- Has the project secured an 'service purchase agreement' or equivalent?
- Has the project obtained a letter of endorsement or equivalent from both the government and the opposition?

Using Advisors

Yes No

- Has the project considered the use of a technical advisor, a legal advisor, a market advisor and a financial advisor?
- Has the advisor been given incentive to achieve high results?

Project Structuring

Yes No

- Have different contracting options been reviewed and one chosen that offers best value for money?
- Has a comprehensive procurement strategy been developed?
- Is there a risk matrix which allocates risks to the parties that are best able to manage them?
- Is the risk allocation clearly stated in project contracts?
- Does the allocation of responsibilities and risks lead to a clear incentive for all parties to achieve best results for the project outcomes?

Guidance:

Different contract types may be suitable in various situations. Common choices are: Design Build (DB), Turnkey, Engineering Procurement and Construction (EPC), Design, Build Operate (DBO), Build Operate Transfer (BOT), and Build Own Operate Transfer (BOOT). The choice of contract modality should be made by considering questions such as: who will conduct the design; what is the size and complexity of the project; is there a chance of high unforeseen risks; who will carry out operation and maintenance; what incentive structure will ensure that parties will benefit from their own high performance? For example, a BOT or BOOT contract may be appropriate to provide the correct incentives to the construction contractors to achieve efficient tradeoffs of construction and operation costs. Likewise, a DB contract may be appropriate in to incentivize a contractor to reduce construction costs, whilst leaving operation of the asset to a public entity, such as a utility. To learn more about different contracting modalities and their application.

References:

To learn more about different contract types and their applicability, see:

<http://fidic.org/bookshop/about-bookshop/which-fidic-contract-should-i-use>

<http://www.mcmullan.net/eclj/BOT.html>

Obtaining Finance

*Checklists to assist project
through the financing
process.*

5

Obtaining Finance

Identifying Sources of Finance

Yes **No**

- Has the project assessed its eligibility and the pros and cons of seeking the following sources of finance?
 - Capital markets and investment banks;
 - Corporate funding;
 - Development Finance Institutions (DFIs);
 - Donor funding;
 - Family offices;
 - Foundations;
 - Institutional investors;
 - Patient and impact capital;
 - Sovereign wealth funds.

- Has the project assessed its eligibility to alternative sources of finance such as crowd funding, venture capital or stock markets?

Guidance:

The capital market is, for example, applicable to long-term investments. These are markets where funds are offered by investment banks, private equity or venture capital for example.

Donor funding may be applicable when projects have low and long-term return on investments but are resource intensive because the reporting requirements are high.

Development Finance Institutions may, for example, be development banks that are supported by governments. They can afford to invest also when the return on investment is lower. On the other hand, the transaction process can often be very long and the reporting concerning the transaction is also time consuming.

Corporate funding is provided by companies. The name of the company is associated to their participation, which can help to convince other investors. Corporate funders are generally only willing to co-invest in projects.

Alternative funding may include crowdfunding. This involves the raising of money for a project through an online platform reaching individuals. This can be applicable to projects that create an immediate and tangible impact on local communities.

After gaining the interest of financiers in the project, a Non Disclosure Agreement (NDA) will need to be signed. This is often considered the first milestone towards creating a deal, and enables project information to be safely shared with potential investors. The NDA is normally set through a legal advisor and may require a Non-Circumvent (NC) component if third parties, such as brokers, are to be involved.

References:

For more information, refer to:

<https://www.pwc.com/gx/en/capital-projects-infrastructure/publications/assets/pdfs/pwc-capital-markets-the-rise-of-non-bank-infrastructure-project-finance.pdf>

<https://www.ebrd.com/who-we-are/our-donors/donor-funding-instruments.html>

Presenting the Project and Business Plan

Yes **No**

- Has the project prepared an information memorandum (info memo)?
 - Is the info memo less than 3 pages long?
- Does the info memo contain:
- purpose, goals and features of the project;

| | | |
|---|--------------------------|--------------------------|
| — background and track record of the project developer; | <input type="checkbox"/> | <input type="checkbox"/> |
| — estimation of market size; | <input type="checkbox"/> | <input type="checkbox"/> |
| — products and/or services provided and unique features of technology or process; | <input type="checkbox"/> | <input type="checkbox"/> |
| — financial projections summary; | <input type="checkbox"/> | <input type="checkbox"/> |
| — details of future projects or phases; | <input type="checkbox"/> | <input type="checkbox"/> |
| — details of funding required of both debt and equity contributions; | <input type="checkbox"/> | <input type="checkbox"/> |
| — return on investment; | <input type="checkbox"/> | <input type="checkbox"/> |
| — summary of Environmental, | <input type="checkbox"/> | <input type="checkbox"/> |
| — Social and Governance (ESG) considerations; | <input type="checkbox"/> | <input type="checkbox"/> |
| — project team membership; | <input type="checkbox"/> | <input type="checkbox"/> |
| — timelines, risks and sensitivities. | <input type="checkbox"/> | <input type="checkbox"/> |

Preparing for Due Diligence

| | Yes | No |
|--|--------------------------|--------------------------|
| • Has the project familiarized itself with the due diligence requirements of the financiers being targeted and prepared accordingly? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Is all project information orderly, transparent and accessible? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the cost of due dilienge been included in the total project budget? | <input type="checkbox"/> | <input type="checkbox"/> |

Guidance:

Due diligence often comprises the following steps: Step 1 - Early Due Diligence; Step 2 - Red Flag Due Diligence; Step 3 - Full Due Diligence. Each of these steps increases in rigour and cost. Projects should understand the requirements of each stage from the beginning and prepare accordingly to save on time and resources required to meet requirements. Projects should aim to be as transparent as possible throughout the process.

Terms Sheet, Contracting, Shareholder Agreement and Financial Close

| | Yes | No |
|--|--------------------------|--------------------------|
| • Has the project signed a letter of intent (LOI) with financier(s)? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has the project signed a Terms Sheet with financier(s) which includes penalty clauses protecting the project in the event of a financier leaving the deal? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Does the project developer have an alternative financing option in the event of the financier pulling out of the deal? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Has shareholder agreement been reached regarding the financial deal? | <input type="checkbox"/> | <input type="checkbox"/> |
| • Are all parties ready to complete 'financial close'? | <input type="checkbox"/> | <input type="checkbox"/> |

Resources & Definitions

*Checklists to help
preparing projects to seek
finance.*

6

Definitions

| Term | Definition | Reference |
|---|---|---|
| Affected Communities | Local communities directly affected by the project. | According to IFC PS1, Par1, p. 1 |
| Basic Services (basic needs) | Basic services/needs refer to minimum space, supply of water, adequate sewage and garbage disposal systems, appropriate protection against heat, cold, damp, noise, fire and disease-carrying animals, adequate sanitary and washing facilities, ventilation, cooking and storage facilities and natural and artificial lighting, and in some cases basic medical services. | According to IFC PS 2, p. 3 |
| Biodiversity | The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems. | According to the Convention on Biological Diversity, in IFC PS 6 Par1, p. 1 |
| Biodiversity Offset | Biodiversity offsets are measurable conservation outcomes resulting from actions designed to compensate for significant residual adverse biodiversity impacts arising from project development and persisting after appropriate avoidance, minimisation and restoration measures have been taken. | According to IFC 6, p. 2 |
| Bribery | Term used to refer to the offering, promising, giving, accepting or soliciting of an undue advantage of any value (which could be financial or non-financial), directly or indirectly, and irrespective of location(s), in violation of applicable law, as an inducement or reward for a person acting or refraining from acting in relation to the performance of that person's duties. | According to ISO/DIS 37001:2015 |
| Brownfields & Brownfield Project | Generally speaking, brownfields are sites that have been developed in the past that may or may not be contaminated. Accordingly, brownfield projects are developed projects (operating or abandoned). | According to The World Bank Group 2016 |
| Contractor | An organisation or individual that signs a contract with the infrastructure project owner for the provision of a service, e.g. construction. | Inspired by Oxford Dictionaries Online |
| Critical Habitat | Critical habitats, also known as hotspots, are areas with high biodiversity value, including (i) habitats of significant importance to critically endangered and/or endangered species; (ii) habitats of significant importance to endemic and/or restricted-range species; (iii) habitats supporting globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes. | IFC PS6 (2012: 4) |
| Critical Cultural Heritage | Critical cultural heritage consists of one or both of the following types of cultural heritage: (i) the internationally recognised heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; or (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation. | IFC (2012) |
| Cultural Heritage | Cultural heritage refers to (i) tangible forms of cultural heritage, such as tangible moveable or immovable objects, property, sites, structures, or groups of structures, having archaeological (prehistoric), paleontological, historical, cultural, artistic, and religious values; (ii) unique natural features or tangible objects that embody cultural values, such as sacred groves, rocks, lakes, and waterfalls; and (iii) certain instances of intangible forms of culture that are proposed to be used for commercial purposes, such as cultural knowledge, innovations, and practices of communities embodying traditional lifestyles. | IFC PS8 (2012: 1) |
| Decommissioning | Decommissioning refers to the dismantling or removing of the building, plant, equipment etc. after the operations of a project are shut down for the reasons like end of project life, relocation, upgrade, malfunctions and major repairs etc. | |
| Ecosystem Services | The benefits that people, including businesses, derive from ecosystems. Ecosystem services are organised into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the non-material benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services. | IFC PS 6 (2012: 1) |
| Embodied Energy | The embodied energy of a material or product is the sum of energy that was used in the production of the material or product, including raw material extraction, transport manufacture and all the undertaken processes until the material or product is completed and ready. | Envision® (2012: 170) |
| Environmental and Social Management System (ESMS) | An Environmental and Social Management System (ESMS) is a dynamic and continuous process initiated and supported by management, and involves engagement between the project owner, its workers, local communities directly affected by the project (the Affected Communities) and, where appropriate, other stakeholders (i.e. those not directly affected by the project but who have an interest in it). Drawing on the elements of the established business management process of "plan, do, check, and act," the ESMS entails a methodological approach to managing environmental and social risks and impacts in a structured way on an on-going basis. A good ESMS appropriate to the nature and scale of the project | IFC PS 1 (2012: 1) |

| Term | Definition | Reference |
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| | promotes sound and sustainable environmental and social performance, and can lead to improved financial, social, and environmental outcomes. | |
| Free, Prior and Informed Consent (FPIC) | FPIC is understood as expanding the process of Informed Consultation and Participation (ICP) described in Performance Standard 1.3.2. and will be established through good faith negotiations between the project owner and the affected communities of indigenous peoples. The project owner will document: (i) the mutually accepted process between the project owner and Affected Communities of Indigenous Peoples, and (ii) evidence of agreement between the parties as the outcome of the negotiations. FPIC does not necessarily require unanimity and may be achieved even when individuals or groups within the community explicitly disagree. | IFC PS7 (2012) |
| Good International Industry Practice | The exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally. | IFC PS 1 (2012: 3) |
| Green Infrastructure | Green infrastructure is a cost-effective, resilient approach to managing wet weather impacts that provides many community benefits. While single-purpose gray stormwater infrastructure — conventional piped drainage and water treatment systems — is designed to move urban stormwater away from the built environment, green infrastructure reduces and treats stormwater at its source while delivering environmental, social, and economic benefits. Depending on local risks and needs, green infrastructure practices can support climate change resilience by helping to manage flooding, prepare for droughts, reduce urban heat island effect, lower building energy demand and protect coastal areas. | US EPA |
| Greenfields & Greenfield Project | Generally speaking, greenfields are sites that have not yet been developed. Accordingly, greenfield projects are new projects (to be built). | According to The World Bank Group 2016 |
| Habitat | A terrestrial, freshwater, or marine geographical unit or airway that supports assemblages of living organisms and their interactions with the non-living environment. Habitats are divided into 'modified', 'natural', and 'critical'. 'Critical' habitats are a subset of modified or natural habitats. | IFC PS6 (2012: 12) |
| Heat Island | An urban area that is significantly warmer than its surrounding rural areas due to materials that cause heat accumulation and lack of vegetation, which cools through evapotranspiration. While the heat island effect has not been proven to influence the earth's global temperatures, it can increase the need for air conditioning and other forms of cooling that require energy. | Envision® (2012: 172) |
| Industry Norms | Current industry regulatory standards for a particular activity. | Envision® (2012: 172) |
| Infrastructure | Infrastructure projects deliver the technical and physical structures (roads, bridges, water supplies and treatment works, dams, and more) required to support the community economy and contribute to the well-being of a community. Typically, they are long-lived, expected to last 30-70 years, depending on the type of structure and how it is maintained. In addition, their performance efficiency and effectiveness depends to a large degree on their fit and harmony with other elements of infrastructure, and their collective ability to adapt to change. | Envision® (2012: 172) |
| Involuntary Resettlement | Involuntary resettlement refers both to physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of project-related land acquisition and/or restrictions on land use. Resettlement is considered involuntary when affected persons or communities do not have the right to refuse land acquisition or restrictions on land use that result in physical or economic displacement. This occurs in cases of (i) lawful expropriation or temporary or permanent restrictions on land use and (ii) negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail. Unless properly managed, involuntary resettlement may result in long-term hardship and impoverishment for the Affected Communities and persons, as well as environmental damage and adverse socioeconomic impacts in areas to which they have been displaced. For these reasons, involuntary resettlement should be avoided. | IFC PS 5 (2012: 1) |
| Livelihood | The full range of means that individuals, families, and communities utilise to make a living, such as wage-based income, agriculture, fishing, foraging, other natural resource-based livelihoods, petty trade, and bartering. | IFC PS 5 (2012: 1) |
| Minorities | Minority groups based on national or ethnic, cultural, religious and linguistic identity. For the scope of this standard, minorities specifically include nomadic communities, Roma, and other national or regional minorities. | |
| Mitigation Hierarchy | The mitigation hierarchy provides an approach to prioritising actions. First, attempts should be made to anticipate and avoid negative impacts. If this is not possible then negative impacts must be minimised. If neither of these is possible, then compensation and/or offsets must be provided for risks and impacts to the environment, workers and/or affected communities. | IFC PS1 (2012: 1) |

| Term | Definition | Reference |
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| Natural Habitat | Natural habitats are areas composed of viable assemblages of plant and/or animal species of largely native origin, and/or where human activity has not essentially modified an area's primary ecological functions and species composition. | IFC PS6 (2012: 3) |
| Nature-Based Solutions | Nature-based solutions aim to help societies address a variety of environmental, social and economic challenges in sustainable ways. They use the features and complex system processes of nature, such as its ability to store carbon and regulate water flow, in order to achieve desired outcomes such as reduced disaster risk, improved human well-being and socially inclusive green growth. These nature-based solutions are ideally energy and resource-efficient and resilient to change, but to be successful they must be adapted to local conditions. | European Commission (2015: 5) |
| Pollution | Hazardous and non-hazardous chemical pollutants in the solid, liquid, or gaseous phases, including other components such as pests, pathogens, thermal discharge to water, GHG emissions, nuisance odours, noise, vibration, radiation, electromagnetic energy, and the creation of potential visual impacts including light. | IFC PS3 (2012: 1) |
| Primary Supplier | Primary suppliers are those suppliers who, on an on-going basis, provide the majority of living natural resources, goods, and materials essential for the core business processes of the project. | IFC PS6 (2012: 7) |
| Project | A defined set of activities, including those where specific physical elements, aspects, and facilities likely to generate risks and impacts, have yet to be identified. Where applicable, this could include aspects from the early developmental stages through the entire life cycle (design, construction, commissioning, operation, decommissioning, closure or, where applicable, post-closure) of a physical asset. In this context, a project is understood to be an infrastructure project. | IFC PS 1 (2012: 2) |
| Project Owner | The term 'project owner' is used throughout the Performance Standards broadly to refer to the party responsible for implementing and operating the project that is being financed, or the recipient of the financing, depending on the project structure and type of financing. | IFC page (2012: i) |
| Public Procurement | The action of a public authority, such as a government agency, to procure goods or services. | Inspired by Oxford Dictionaries Online |
| Public Space | A social space that is open and accessible to all, regardless of gender, race, ethnicity, age, or socioeconomic level, such as a common, town square, or public park. | Envision® (2012: 173) |
| Renewable Energy | Energy that comes from natural resources such as sunlight, wind, rain, tides, and geothermal heat, which are naturally replenished. | Envision® (2012: 173) |
| Resilience | Resilience describes the capacity of socio-ecological systems to function so that the people living and working in them – particularly the poor and vulnerable – survive and thrive no matter what stresses or shocks they encounter. | Inspired by ARUP's definition of resilience in cities |
| Retrenchment | Retrenchment can cover a wide range of dismissals that do not essentially relate to the conduct or capability of the worker. These include: (i) the closure of a plant, factory, mine, or other workplace, with the total or near-total loss of jobs; (ii) job losses arising from a reduction in staffing requirements due to efficiency gains or falling demand for the company's products or service; (iii) job losses arising from a downsizing in operations or restructuring of the workforce following, for example, privatisation. | IFC Good Practice Note - Managing Retrenchment (2005: 1) |
| Stormwater | Water that originates during precipitation events. Stormwater that does not soak into the ground becomes surface runoff. | Envision® (2012: 174) |
| Subcontractor | An individual or business that performs part or all of a contractor's obligations. | Inspired by Oxford Dictionaries Online |
| Supplier | An individual or business that provides goods or materials used by the infrastructure project. | |
| Sustainability | A set of environmental, economic and social conditions in which all of society has the capacity and opportunity to maintain and improve its quality of life indefinitely without degrading the quantity, quality or the availability of natural resources and ecosystems. | Envision® (2012: 174) |
| Wetland | An area of land whose soil is saturated with water, either permanently or seasonally. Wetlands are typically categorised by characteristic vegetation and provide a unique ecosystem for flora and fauna, which may not be found in other ecosystems. | Envision® (2012: 175) |

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