OECD/WORLD BANK SURVEY: CONCERN OVER LIABILITY FOR ENVIRONMENTAL CONTAMINATION BLOCKS FOREIGN INVESTMENT IN CENTRAL AND EASTERN EUROPE

A recent survey of major North American and European corporations indicates that environmental problems are deterring Western companies from investing in Central and Eastern European industries. Liability for sites previously contaminated by hazardous substances is the top concern of survey respondents, but uncertainty about environmental requirements and the costs of environmental compliance were also major concerns.

Preliminary results of the survey, which was conducted for the World Bank and OECD, were released today (19th May) in Warsaw at a high-level conference on privatisation, foreign direct investment, and environmental liability in Central and Eastern Europe (CEE).

The conference, held at the Forum Hotel, Warsaw, from 19th to 21st May, brings ministers and other top-level officials from CEE governments together to discuss how to deal with the environmental concerns of investors. Conference participants are evaluating the various policies and legislation on environmental liability developed in the Netherlands, the United States, Germany and other OECD countries and considering what approaches might be useful for CEE countries. This conference in jointly sponsored by the European Bank for Reconstruction and Development (EBRD), the Organisation for Economic Co-operation and Development (OECD) and the World Bank, and co-hosted by Poland’s Ministry of Environment and Ministry of Privatisation.

The survey reveals several reasons for CEE governments to be worried. More 60 per cent of survey respondents ranked environmental issues at least as important as non-environmental impediments to investments. Among those respondents indicating that lower costs were their primary reason for considering CEE investment, the percentage rose to 72 per cent.
Prof. Dr. Stefan Kozlowski, Poland’s Minister of Environmental Protection, acknowledged that Poland has serious “hot spots” of contamination stemming from lax environmental enforcement in the past, but noted that the problem was not as widespread as some investors seemed to fear. He called on governments in Central and Eastern Europe to set the agenda for environmental cleanups and to provide investors with clear environmental standards and levels of enforcement.

Government officials addressing the conference agreed that CEE countries had to deal with the problem of past contamination. "Addressing the environmental concerns of private investors is of great importance if we want to attract investment and management expertise", according to Mr. Jerzy Strzelecki, Under Secretary of State for Poland’s Ministry of Privatisation. "This is an issue where the interests of officials working on privatisation and on environmental protection converge".

Privatisation officials recognised the need of investors to incorporate environmental risks into the terms of an investment deal, but said the lack of expertise and infrastructure for carrying out environmental audits and other assessment procedures made it difficult to meet investors’ demands in a timely manner. They noted that some investors were pressing for special concessions such as reductions in price and indemnifications, while others were willing to undertake cleanup if reimbursed from purchase funds.

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