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GUIDELINES FOR A CREDIT POLICY OF THE CZECH STATE FUND FOR THE ENVIRONMENT

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EXECUTIVE SUMMARY

The senior management of the Czech State Fund for the Environment (SFZP), in accordance with directives and decrees issued by the Minister of the Environment, has gradually developed elements of a thoughtful credit policy. This report offers additional guidelines to the existing policy for consideration and adoption by the SFZP.

A well-defined and properly communicated credit policy is a guide to SFZP management, its borrowers, and the general public on the environmental purposes of the SFZP's financial support, on the types of projects favored, and on acceptable levels and types of risk. An effective credit policy should be written, clear, specific, and flexible enough to allow for innovations and changing business conditions. Credit procedures detail how the policies are implemented.

Traditionally, the SFZP has been properly guided by the environmental merits of project applications. However, in the Fund's early years, many projects were provided financial support with little or no credit analysis. This lack of analysis, combined with few credit policies, can be a recipe for loan losses in the future. An overly aggressive and liberal lending policy could result in the collapse of the SFZP. Examples in the Czech commercial banking sector offer dramatic evidence of the costs of weak or nonexistent credit policies. That experience can be avoided at the SFZP.

Recent changes in SFZP cash flow heighten the importance of well-established credit policies and procedures. First, loan repayments are an increasingly significant source of funds, especially as revenues from fees decline. Second, the issuance of loan guarantees conserves SFZP funds but also carries risks. In both instances, it is imperative that SFZP strengthen its credit policies and procedures to meet its increased exposures.

The credit policy guidelines proposed in this report and the implementation of detailed credit procedures should help the SFZP improve its management of credit risk. The SFZP staff currently managing the existing credit portfolio is extremely small relative to the resources needed to implement these recommendations. The prospect of growth in loan and guarantee activity strongly suggests SFZP credit administration staff levels be expanded. In particular, a separate group of experts should be dedicated to problem loans. In addition to expanding its own credit organization, the SFZP should consider engaging the resources of qualified commercial banks, collateral appraisal experts, and similar support groups as it takes on an expanding role in financing environmental projects.

This report proposes a policy encompassing the following elements:

- Credit policy objectives
- The credit approval process
- Loan standards
- The credit administration function
- Management of problem loans
- Organization of the credit function
- Conflicts of interest
- Handling of policy exceptions
- Resource development and training needs

- Special issues of loan guarantees
- Method for policy revision and review

This report proposes several changes to current policy. The recommendations most at variance with current SFZP policies include limiting the amount of financing provided for an individual project, modifying the organizational structure of the SFZP credit administration functions, formalizing the loan and guarantee approval process, and adjusting the fee structure. Should the SFZP become more involved with the private sector, particularly small and medium-sized enterprises, the risks in this sector must be fully appreciated. Credit policy issues dealing with the risk of loans and guarantees to the private sector are covered in this report. However, the SFZP must recognize that such a shift will likely require larger loss reserves and greater caution with analysis, structuring, pricing, risk rating, monitoring, and problem work-outs.

GUIDELINES FOR A CREDIT POLICY
OF THE CZECH STATE FUND FOR THE ENVIRONMENT

A. Credit Policy Objectives

A1. Establishing Credit Policy

The SFZP should have an expanded set of written policies that guide the granting of loans and guarantees. Ultimately, the Minister of the Environment is responsible for the overall quality of the loan portfolio and thus should approve SFZP credit policies.

A2. Overall Objectives

Credit policies should have the following objectives:

- Encourage the expansion of funding to high-quality environmental projects in the Czech Republic through the application of sound lending practices.
- Encourage increased environmental lending by private sector institutions, and to this end, establish collaborative relationships with commercial banks and other market-based lenders.
- Seek to maintain adequate diversity and liquidity in the loan portfolio by managing the concentrations of risk.
- Through their publication and distribution, serve as an advertisement and instruction to prospective applicants on the SFZP's credit criteria.
- Provide a greater share of support in the form of loan guarantees. The intermediate goal is for loan guarantees to represent an increasingly greater percentage of all applications approved.
- Process applications in a timely manner.
- Disclose to the public the SFZP's policies and actions.

Credit policy deals with the credit administration process beginning with acquisition of an application and concluding with eventual repayment of all interest and principal. Process stages include the following:

- Receipt of application
- Analysis
- Credit risk rating
- Approval
- Documentation
- Disbursement of proceeds
- Monitoring portfolio risk
- Loan review
- Problem loan management
- Reserve management

B. The Credit Approval Process

Formal approval should be required for the following actions: Issuance of direct loans, extension of guarantees, collateral changes or substitution, amendment of repayment terms, or 6 other changes to the originally approved transaction. Current law places sole approval authority with the Minister of the Environment. As described below, some authority should be delegated to accelerate approvals and permit the minister to focus more attention on the larger transactions.

B1. Approval Hierarchy

All credit applications, regardless of source, should first be submitted to district offices for their preliminary recommendation to the SFZP headquarters office in Prague. The district office should review the application for its environmental benefit and adherence to SFZP criteria and should attach its own narrative in support of or against the application.

Upon receipt by the SFZP Administrative Department, the application should be reviewed against the general credit and technical criteria. The application should be submitted to the Analysis Department for its recommendation to a newly created SFZP Management Commission.

The SFZP Management Commission, consisting of the SFZP director, deputy directors, and heads of the analysis, control, and administrative departments should meet monthly to review pending applications. The commission should have authority to approve all applications up to a specified amount. All applications above that amount should be recommended by the SFZP Management Commission to the Fund Council for its review. Commission actions should be reported to the Fund Council and the Minister of the Environment within 30 days of its decision.

Applications should be presented to the Fund Council at its regularly scheduled meeting. The Fund Council should have the authority to approve applications for which aggregate financing does not exceed a specified level. The actions of the Fund Council should be reported to the SFZP commission and the Minister of the Environment within 30 days.

All applications for more than the limit allowed for Fund Council decision should be submitted to the minister every three months for approval. Each application, regardless of amount, must have a detailed written credit and technical analysis before presentation to the SFZP commission, Fund Council, or Minister. Each application recommended for approval should include a preliminary credit risk rating and statement of compliance with credit policy.

An approval hierarchy should govern the level of funding commitments, alteration of terms, deferral of payments (grace periods), and modification of collateral. The following chart offers a suggested format for the approval hierarchy.

	Management Commission	**Fund Council**	**Minister of the Environment**
Grant	up to X Kc	up to XX Kc	up to XXX Kc
Loan	Etc........		
Guarantees			
Grace period			
Accept collateral			
Modify collateral			
Modify interest rate			

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B2. The Total Relationship Concept

Credit risk should be assessed on the basis of all the credit facilities granted to the borrower and its affiliated parties and not on the single transaction being proposed. This includes commitments to guarantee as well as direct loans.

B3. The Credit Risk Analysis Memorandum

In addition to a detailed technical analysis memorandum, a companion memorandum on the credit risk analysis including a corresponding credit risk rating should be prepared, the elements of which are detailed in the credit procedure manual.

The analysis of the credit proposal should be in writing and be presented to the approval committee or individual in advance.

The actions of each committee or individual should be recorded by a secretary who is a member of the Control Department.

B4. Credit Risk Ratings

At the time of loan approval, the Analysis Department should assign an initial credit risk rating to the loan. There should be five classifications with "1" representing the strongest (most likely to repay) risk category and "5" the weakest (least likely to repay). Individual credit ratings should be confirmed annually by an internal loan review group. The forthcoming manual on credit procedures details the criteria for these risk rating classifications.

The SFZP will require periodic recalibration of the risk rating system through consultation with commercial lenders.

C. Loan Standards

All applications should be approved in accordance with the loan standards described in the following paragraphs.

C1. Eligible Borrowers

Municipalities and commercial enterprises located in the Czech Republic that propose a viable solution to an environmental problem in a manner consistent with the ministry's annual decree on eligibility criteria will be considered for financial support. Commercial enterprises must be of Czech registration but may have foreign ownership interests.

C2. Loan Size

To reduce credit concentrations with any one borrower, the SFZP should limit its funding to 50 million Kc for any single borrower. Existing exposures above this limit should be grandfathered but should not receive future consideration for loans, grants, or guarantees until the credit exposure is reduced below the 50 million Kc limit.

The cost to conduct a complete credit and technical analysis, combined with the ongoing administrative costs associated with approved applications, is considerable. Accordingly, only 8 applications in excess of 1 million Kc should be considered for direct loans. All amounts below that limit should be treated as grant applications. This should permit more time and attention to be focused on the analysis of larger applications.

C3. Loan Maturities

In general, a lender should match the term of a loan with the life of the assets being financed. Most environmental investments financed by the SFZP have lives substantially exceeding the term of the SFZP loans. Thus, borrowers are forced to make repayments over a compressed period. In general, the SFZP should extend its maturities, lengthening the maximum term from the current 10 years (including grace period) to 15 to 20 years. Such an extension should ease the pressure on borrowers, permitting them to finance a greater volume of environmental investments.

C4. Loan Repayment Schedules

The SFZP should expect all borrowers to pay interest and principal monthly as billed. There may be occasions, due to cash flow interruptions or project start-up delays, for considering deferral of payments. In cases where the original repayment schedule is modified or relief is granted, the new repayment schedule must be approved by the same authority that originally approved the loan.

Grace periods for payment of principal may be appropriate during the construction and start-up phases of the project. In no case should the grace period exceed two years. Where the project cash flow is inadequate to amortize the loan after two years, the SFZP may elect to provide more support in the form of a grant.

C5. Rescheduling

The SFZP is often asked to permit deferral and rescheduling of payments. Such requests should be granted only on an exceptional basis and only on payment of a fee. They should by no means be common. Generally, a rescheduling is a last resort short of placing a loan in default and foreclosing on collateral. The strict approach recommended here would represent a sharp departure from current SFZP practice.

C6. Interest Rates and Fees

The SFZP understands that interest rate subsidies may be disruptive to the commercial market and is interested in developing a pricing structure that more closely reflects current market conditions. Accordingly, interest rates should discriminate against different levels of credit risk and also recognize the time value of money.

The SFZP should charge a fee for the issuance of its guarantee. The fee should be paid annually. Failure to pay the fee when due should nullify the SFZP guarantee. The fee should be charged in accordance with the credit risk rating at the time the guarantee is issued. The fee range should be between 1 percent per annum of the amount of the guarantee for the best rated borrowers to 4 percent per annum for the weakest.

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There are occasions when the SFZP should restructure the repayment terms of loans. In processing those requests, the SFZP should receive a restructuring fee from borrowers of at least 1 percent of the outstanding loan amount to cover its administrative costs.

C7. Information Requirements

To evaluate the applicant's ability to repay a loan, the SFZP should require, at a minimum, the following information:

- Legal profile of the applicant, including a detailed listing of ownership and similar information on related entities
- An organization chart with biographies of executive managers
- A well-defined business plan including a feasibility study for the proposed project
- When possible, three years of the most current financial statements
- A listing of all current outstanding loans, segregated by lender, with repayment terms, collateral security, interest rate, and copies of any loan agreements
- Evidence of payments to all taxing authorities
- Cash flow projections to cover the life of the proposed loan
- Detailed cost estimates of any proposed construction and information on how loan proceeds should be used to pay those expenses
- Evidence of the borrower's cash contribution to the project
- Description and physical location of all assets that might be available as collateral

The information received from the applicant should be verified with independent sources. An on-site inspection of the business premises is also required.

C8. Applicant's Capital Contribution

The project applicant should contribute a minimum of 20 percent to the total project cost. This amount should be in the form of liquid funds, readily verifiable by the SFZP. These funds should be placed in the control of the SFZP. The applicant's contribution should be used for initial project expenses before any loan proceeds are disbursed.

SFZP policy should be to guarantee no more than 80 percent of the principal amount borrowed on any one project. The SFZP should guarantee only unpaid principal and should not guarantee unpaid interest. The direct lender should suffer material loss before the SFZP is required to make payments pursuant to its guarantee.

C9. Undesirable Conditions

The SFZP is not a conventional lender, such as a commercial bank, and does not have the staff to conduct in-depth analyses of applications. Accordingly, the SFZP should not approve applicants with any of the following characteristics:

- The management of the applicant has no prior experience in the business.
- The applicant has a history of bankruptcy or has defaulted on obligations with other lenders, tax authorities, or key suppliers.
- The character of the management is questionable.
- The operating history of the company is less than three years.
- The company has not had an operating profit in the last three years.

- The applicant has no evidence of sufficient cash flow to pay the proposed debt.
- The applicant is unable to provide a sound business plan.
- The application is supported solely by projections without any historical financial information.
- The quality, liquidity, and net realizable value of the collateral is doubtful.
- Loans are justified solely on the value of the collateral.
- Loans are made to applicants outside of the SFZP's effective area of operations that prevent an adequate amount of contact.
- Loans are made requiring a specialized expertise that the SFZP lacks
- The general industry conditions in which the borrower operates are in a serious state of decline.
- The applicant presents no strong evidence of ability to make the required capital contribution, or the contribution is not in the form of liquid assets.

C10. Collateral Standards

All applications should be rated according to the strength of the project cash flow. Sufficient collateral is not a substitute for other deficiencies in the borrower's financial condition. However, to give the SFZP other avenues for repayment in the event of an unforeseen shortfall in the borrower's cash flow, collateral should be pledged as additional security to the loan.

C10a. Collateral Coverage Ratios

All loans should have collateral coverage of at least 150 percent of the amount borrowed. The highest risk loans should have a minimum collateral coverage of 300 percent.

C10b. Desirable Collateral

The collateral should possess the following attributes:

- Is readily marketable and easily converted to cash
- Is easily identified and registered in the public records
- Can be maintained in a secure location and placed easily under the direct control and supervision of the SFZP or its designated agents
- Requires limited upkeep and maintenance to preserve its value

C10c. Undesirable Collateral

Collateral with the following undesirable characteristics should be avoided:

- Special-purpose, highly liquid assets
- Land and buildings with a special social significance. Churches, schools, prisons are difficult to liquidate because of the public disruption that might ensue
- Highly technical assets that might become rapidly obsolete
- Assets that are easily transportable and are not under the physical control of the SFZP; jewelry or currency are common examples
- Livestock or farm products that require extensive care

C10d. Valuation, Inspection, and Verification

Only collateral that has been inspected and verified as to current market value by an independent appraisal expert should be acceptable to the SFZP. The SFZP should also establish a worst-case liquidation value for the collateral before determining the collateral coverage ratio.

The borrower should provide evidence of rightful ownership of the collateral. Assets where there is doubt as to the clear title of ownership should be rejected as collateral.

Collateral values should be updated periodically by expert appraisers. Updates should occur no less than every five years on the best credits, every three years on medium credits, and annually on the worst credits.

Thorough analysis, careful selection, and prudent use of collateral are essential to reducing loan losses. Equally important is the administration of the loan after it has been approved. Documentation standards, loan disbursement controls, and monitoring and review of individual loans are all part of the process.

D. The Credit Administration Function

Credit administration is the activity following the approval of the application. This includes issuing the loan protocol statement (commitment letter), preparing loan documents, disbursing loan proceeds, and monitoring the loan over its life.

D1. Loan Protocol

The SFZP should propose the terms and conditions of all loans and guarantees to the borrower. Every new loan should have a written protocol that should include but not be limited to the following elements:

- Name and legal address of the borrower(s)
- Amount and purpose of the borrowing
- Repayment terms
- Interest rate and fees to be paid
- Description of collateral and guarantees required
- Special loan covenants

D2. Documentation Standards

All loan and guarantee documents should be prepared by the SFZP Control Department with assistance from outside legal counsel in special cases. They should reflect the terms, conditions, and pricing set forth in the protocol.

All documents should be signed in the original in the presence of SFZP representatives.

No loan proceeds should be disbursed until all required loan documents have been executed and authenticated.

All loan documents, after preparation by the Control Department, should be checked for completeness and accuracy by the Analysis Department or as specified in the approval process.

D3. Disbursement Standards

Essential to good credit administration is the control of loan disbursements. A good policy stipulates the following controls:

- The capital contribution to the project from the borrower, in the form of cash or near-cash instruments, should be deposited with the SFZP or a monitoring bank and should be paid out prior to disbursement of the loan proceeds.
- Loan proceeds should be disbursed only against an agreed-upon schedule. The schedule should be derived from a detailed cost estimate. This estimate should be verified and certified by representatives of the appropriate department.
- The SFZP should engage independent experts to certify that all work has been completed according to the project plans and specifications. There should also be an independent verification that construction invoices are valid and consistent with the project cost estimates.
- The SFZP should retain 10 percent on all invoices submitted for payment until the total project has been tested and is ready for full operation. Only at that time should the 10 percent retainage be released to the project general contractor.
- In the event of improper use of loan proceeds by the borrower, the SFZP reserves the right to demand immediate repayment of all monies advanced and should also cease to make future advances until all violations are corrected to SFZP's satisfaction.

D4. Loan Review

A comprehensive, independent, internal loan review is critical to monitoring the quality of SFZP's loan portfolio. The functions of loan review are as follows:

- Monitor loan portfolio concentrations and advise management of emerging trends that warrant special attention
- Provide an early warning system for deteriorating loans
- Monitor documentation compliance and provide an ongoing review of current documentation practices and procedures
- Monitor compliance with credit policies
- Monitor compliance with laws and regulations
- Provide input to SFZP management on appropriate loan loss provision allocations through the risk rating of reviewed loans

Loan review is separate from the credit approval process and therefore should not fall to individuals or units with loan origination objectives and responsibilities.

E. Management of Problem Loans

Any loan portfolio will have problem loans. It is therefore important to recognize signs of deterioration in the borrower's financial condition early and to take remedial action.

E1. Definition of Problem Loans

Any loan that is delinquent on principal or interest beyond 90 days from its original due date should be considered a problem loan.

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E2. Reporting of Problem Loans

All loans classified as problem loans should be reviewed monthly by the SFZP Management Commission. The reporting should be the responsibility of the problem loan unit within the Control Department. Each loan should be presented with a plan for corrective action. The plan should address the legal position of the SFZP, work-out strategies, and the best options for the sale of collateral.

A summary report of the problem loans reviewed by the SFZP Management Commission should be presented to the Fund Council and the Minister of the Environment at least quarterly.

E3. Problem Loan Management

The management of loans in default, or with a high probability of default, requires objectivity, increased supervision, specialized negotiation, problem solving, and legal and asset liquidation skills. Successful problem loan management relies on the following:

- Problem loan department staffed by a separate group of work-out experts.
- Early detection and warning. The SFZP credit philosophy should encourage and reinforce the earliest identification of a deteriorating loan.
- Problem analysis. Once the problem has been identified, SFZP management should apply its resources and experience to identify its cause.
- Remedial strategies and action plans should be formulated to maximize the recovery of principal and then interest of problem loans.
- Increased review. Loan review should schedule more frequent and thorough reviews of problem loans to monitor developments.
- Loan loss provision. The SFZP Management Commission and Fund Council should evaluate each problem loan to determine the appropriate level of loan loss provision to ensure adequate protection against future losses. This reserve is mandatory in the case of guarantees. Loan loss provision recommendations should be submitted to the minister for final action.

E4. Provision for Loan Losses

The loan loss provision applies primarily to the loans guaranteed by the SFZP. A proposed approach is the following reserve requirement for various risk categories:

Standard risk	0-5%
Watch	15-20%
Substandard	35%
Collection doubtful	50%
Probable loss	100%

F. Organization of the Credit Function

While the Minister of the Environment is responsible for overall quality of the loan portfolio, daily management of credit functions falls within SFZP jurisdiction. SFZP management, along with the Fund Council, has power only to recommend applications for approval or rejection by the minister.

The SFZP's current role is to receive applications, conduct technical and economic analysis, submit recommendations to the Fund Council and the Minister of the Environment, create loan and collateral documents, disburse loan proceeds, monitor the usage of the funds, collect loan payments, and conduct a broad portfolio administrative review. These duties are organized within independent units under the dual supervision of a financial director and a technical director who in turn report to the SFZP director. Due to the technical complexity of project applications, emphasis is mainly on evaluating a project's technical aspects with the economic and credit analysis often in a subordinate function.

The SFZP's current functional units include the following:

- External Relations—guides the application from inception through approval
- Technical Department—analyzes application for technical aspects
- Credit Policy Department—analyzes application for economic aspects
- Legal Department—prepares loan and collateral agreements
- Financial Operations and Analysis—disburses loan proceeds and collects payments
- Control Department—monitors project construction and verifies client compliance
- Automated Management Systems—provides management information systems

The policy guidelines below suggest a revised organizational structure focusing on how and from what source applications are obtained and analyzed, and how controls and administration are implemented.

F1. Application Acquisition

The solicitation and pre-screening of high-quality applications should occur at the district level. The SFZP should use its district offices to actively solicit applications and provide primary recommendations on quality projects. These applications should be selected against established technical and economic criteria. The SFZP should continue an ongoing educational process to inform district offices and prospective applicants of its current credit criteria.

The SFZP historically has received 10 applications for each one it approves. This record shows a failure of screening and is a recipe for applicant disappointment and anger. The SFZP, to reduce the number of unqualified applications, should publicize its selection process and priorities, advertising that it seeks only top-priority applicants from its district offices.

F2. Credit Analysis Function

Combining the technical economics and credit policy units into a single Analysis Department would focus resources on the overall analysis of the application and streamline the process at the same time.

Credit analysis is a support function of the credit approval process. Its primary objective is to analyze all the credit risk factors of a credit proposal and to make objective recommendations to the approving person or councils.

F3. Control Function

The integration of the legal and control units into a new Control Department would direct resources to ensuring client compliance with all agreements and also provide special emphasis to

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the management of non-performing loans. The Control Department would have responsibility for the collection of delinquent loans.

F4. Administrative Functions

External relations, financial operations, and MIS units, consolidated under an Administrative Department, would provide support to the analysis and control departments. Accounting, data processing, and billing would be in this department.

F5. Use of External Resources

The SFZP should also engage the resources of qualified commercial banks, collateral appraisal experts, architects and engineers for project inspections, collateral liquidation experts, and similar support groups to carry out various credit administration functions when SFZP staff is limited.

G. Conflicts of Interest Standards

The SFZP, as a public entity, is expected to adhere to the highest ethical standards. All transactions with applicants, outside advisors, and related financial institutions such as commercial banks, should be conducted at arm's length. Acceptance of gifts or similar inducements from applicants to influence loan application approval or the terms and conditions of those loans should be prohibited. Any relationship between the SFZP or its staff and any party connected with an applicant or any advisor or vendor to any applicant must be disclosed.

H. Exceptions Policy

Exceptions to policy should be few. The Minister of the Environment should establish the general guidelines for the authority to approve exceptions. All exceptions to policy prior to the disbursement of funds should require the consent of at least two officials selected from either the SFZP Management Commission, Fund Council, or the minister. All waivers of conditions and exceptions must be documented in writing. All approved policy exceptions should be reported through the SFZP Management Commission and Fund Council to the minister at the regularly scheduled credit meetings.

I. Training and Resource Development

The skills required to manage credit risk effectively are not easily obtained. SFZP policy is that all personnel engaged in the credit administration process participate in ongoing structured training programs. At least 40 hours of formal credit training are expected to be provided annually to each SFZP staff person.

Given the current limited SFZP staff resources dedicated to credit administration, commercial banking sector resources should be cultivated by SFZP. Extensive contracting for services, such as credit analysis and all other aspects of loan administration, should be encouraged. The banks should receive a fee for their services, which fees may be negotiated on a case-by-case basis depending on the complexity of the transaction.

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J. Special Issues with Loan Guarantees

Policies applicable to direct loans also apply to loans guaranteed by the SFZP. There are special policy issues relative to the SFZP guarantees, however. For example, a loan loss reserve is necessary for the loan guarantees but not for the direct loans.

J1. Duties of Participating Lenders

Lenders benefiting from SFZP guarantees are expected to perform the following functions, keeping the SFZP fully informed along the way:

- Conduct a complete credit analysis
- Prepare a detailed loan agreement, collateral analysis, and all loan documentation
- Manage the disbursement of loan proceeds
- Ensure proper use of loan proceeds
- Collect interest and principal
- Report deterioration in the borrower's financial condition or any irregularity
- Report any violation of loan agreement terms by the borrower
- Exert collection efforts to keep the borrower current
- Assemble and control collateral

The lenders must provide evidence to the SFZP of their qualifications as project lenders.

J2. Collateral to Guarantees

Collateral policies related to loans should apply to guarantee transactions as well.

J3. Issuance Fees

All borrowers should pay the SFZP an annual fee for the issuance of its guarantee.

J4. Loan Loss Reserve

A credit rating should be given to all loans supported by an SFZP guarantee. A loan loss reserve allocation should be derived from each individual credit rating. The SFZP should require the bank's risk rating, and it should reserve based on that rating.

K. Disclosure to the Public

The SFZP should take vigorous steps to make its purposes, policies, and actions known to the public. It should formally define information and actions that will be publicized on a regular basis. And it should formally adopt a plan of employing newspaper, government records, open meetings, and other means for publicizing this information.

L. Process for Policy Revision and Review

This policy should be reviewed annually by the SFZP Management Commission and Fund Council. All recommendations for additions, deletions, or amendment require the approval of the Minister of the Environment.