

The Following is the NGO Proposed Amendments to the Environmental and Social Policies of ECAs that is currently under negotiations by these institutions at the Export Credit Group of the Organization for Economic Cooperation (OECD) in Paris.

The proposed amendments are in track changes.

NGO AMMENDMENTS

**DRAFT RECOMMENDATION ON COMMON APPROACHES
ON ENVIRONMENT-SUSTAINABLE DEVELOPMENT AND
OFFICIALLY SUPPORTED EXPORT CREDITS, LOANS AND
INVESTMENT INSURANCE: REVISION 67BIS**

THE COUNCIL

Having regard to the Convention on the Organisation for Economic Co-operation and Development of 14th December 1960 and, in particular, to Article 5 b) thereof.

Having regard to the mandate from OECD Ministers given in 1999 to strengthen common approaches on environment and officially supported export credits by the end of 2001 and noting that this mandate was renewed in 2000 when OECD Ministers welcomed the progress towards common approaches.

Noting that OECD Ministers in 2001 have recognised that export credit policy can contribute positively to sustainable development and ~~should~~shall be coherent with its objectives.

Noting that the present Recommendation builds upon the 1998 Statement of Intent on Environment and the Action Statement, adopted by the OECD Working Party on Export Credits and Credit Guarantees (ECG) in February 2000, the ECG Work-Plan adopted in 2000, and complements the ECG Agreement on Environmental Information Exchange for Larger Projects adopted in 1999, the Draft Recommendation on Common Approaches on Environment and Officially Supported Export Credits: Revision 6 adopted unilaterally and voluntarily by most of the Members.

Recognising the commitments that Members have made to sustainable development in Johannesburg and particularly recalling principle 10 of the Rio Declaration on Environment and Development.

Recognising that while Members may have different means of delivering official support for export credits, loans and investment insurance through their export credit agencies (ECAs), the primary role of ECAs is to promote trade in a competitive environment, whereas multilateral development banks and development agencies focus primarily on development assistance. However, recalling the Doha Declaration, trade, the protection of the environment and the promotion of sustainable development can and must be mutually supportive.

Noting that project sponsors, exporters, financial institutions and ECAs have, individually or jointly, different roles, responsibilities and leverage with regard to projects benefiting from official support.

Recognising the sovereign right of buyers' countries to make decisions regarding projects within their jurisdictions.

Recognising the responsibility of Members to consider the positive and negative environmental—sustainable development impacts of projects, in particular in sensitive sectors or located in or near sensitive areas, in their decisions to offer official support ~~for export credits~~.

***Recognizing that not all foreign investment projects, however, contribute to economic growth, social welfare, good governance, or environmentally sustainable development in the host country and that the justification for public support for FDI hinges therefore on separating out those projects that provide a positive contribution from those that do not, or on transforming the latter into the former....

Recognising that outside any economic considerations, all ECA home governments and all countries recipient of ECA support have the obligation to respect, protect, fulfil and promote the universal rights enshrined in the human rights conventions they have signed and that doing so does not interfere with the sovereignty of the host government.

Recognising the added value that interested and well-informed members of the public, particularly locally affected people and non-governmental organisations in the host country can bring to the environmental, social, cultural and economic impact assessment and monitoring processes.

***Recognizing the commitment by ten leading private international banks in June 2003 to adhere to sustainable development principles, standards and policies equivalent to World Bank/IFC Standards and Safeguard Policies as a precondition of project finance (The “Equator Principles”);

Recognising the precautionary principle, that where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

On the proposal of the Working Party on Export Credit and Credit Guarantees:

RECOMMENDS that Members, when taking decisions on all officially supported export credits agency activities, apply the following common approaches for identifying and evaluating the human rights, developmental, and environmental impact of projects and project-related capital goods and services, (hereafter referred to as “projects”), which includes the impact on human rights, resettlement, indigenous or vulnerable groups and cultural heritage (for the purpose of this Recommendation hereafter referred to as “environmental sustainable development impacts”).

I. GENERAL PRINCIPLES

i) Scope

1. This Recommendation applies to all the activities of officially supported export credits agencies, for projects with a repayment term of two years or more.

ii) Objectives

2. The general objectives of this Recommendation are to:

- Promote coherence between policies regarding officially supported export credits, loans and investment insurance and policies for the protection of the environment, and human rights and cultural heritage, including relevant international agreements and conventions, thereby contributing towards promoting sustainable development.
- Develop common procedures and processes relating to the environmental and sustainable development review of projects benefiting from officially supported export credits, loans or investment insurance with a view to achieving equivalence among the measures taken by the Members and to reducing the potential for trade distortion.
- Promote good environmental practice vis-à-vis the protection of the environment and the respect of human rights and consistent processes for projects benefiting from officially supported export credits, loans and investment insurance, with a view to not increasing the unsustainable debt burden of host countries but instead achieving a high level of environmental protection, promoting human rights and optimum contributions to sustainable development and good governance.

3. Through the implementation of these objectives, Members seek to:

- Foster transparency, predictability, ~~and~~ responsibility and accountability in decision-making, with due regard to any relevant legal stipulation, the public interest, business confidentiality and other ~~competitive~~ concerns.
- Encourage the prevention and/or mitigation of the adverse environmental, social human rights and economic impacts of projects.
- Enhance financial risk assessment of projects by taking into account their sustainable development environmental aspects.

II. SCREENING AND CLASSIFICATION OF PROJECTS

4. Members ~~are expected to~~ are required to screen all applications of for officially supported export credits agencies covered by this Recommendation.

The screening ~~should~~ shall identify, in the following order, projects, which,

1. cannot be supported (e.g. support for unproductive expenditures in HIPC countries) as listed in Annex V;

2. promote sustainable development as listed in Annex VI and therefore that ~~should~~shall receive priority.
3. require detailed examination due to their potential adverse environmental and/or human impacts, and projects, which are in sensitive sectors or located in or near sensitive areas.

The parties involved in a project, such as exporters, financial institutions, project sponsors, etc., ~~should~~shall provide all information necessary to carry out the screening. The screening ~~should~~shall take place as early as possible in the risk assessment process and, where appropriate, ~~should~~shall also identify the overall project(s), if any, to which capital goods and/or services are related.

~~5. Taking due account of the project sensitivity (as described in paragraph 8), a Member may focus further screening and environmental review on projects in respect of which its share is above SDR 10 millions.~~

6. Further screening ~~shall~~ould:

- Identify potential sustainable development¹ environmental impacts that projects may have.
- Independently dDetermine whether sufficient information on the potential adverse ~~environmental~~ sustainable development impacts of the project has been provided; if not, further information should be requested.
- Independently dDetermine whether ~~an environmental review further examination~~ of the project is required and if so, the extent and depth of such examination review.
- Ensure that direct or indirect involvement in a transaction does not result in cumulative or associated impacts that violate national or international law or standards, in particular with regards to human rights and the environment.

7. The information to be supplied ~~shall~~ould include:

- Identification of the parties to the project, including background information related to corruption charges, and definition of their respective roles.
- A project description (e.g. sector, size, objective, type of project such as greenfield project or expansion of existing activities).
- Information on the location of the project, including data such as proximity to environmentally sensitive sites, population areas (including presence of ethnic minorities and other vulnerable groups) and cultural sites.

¹ Including but not limited to: impacts on the environment (local, regional and international); on human rights and general social conditions of the population affected; on the overall economic sustainability of the host country, including the impact on the sustainability of the debt burden.

- [Information on meetings with all stakeholders, including verification that freedom of expression in the affected area is adequate to allow dissenting opinions.](#)

All the above-mentioned information ~~shall~~ be provided on a basis that allows for public disclosure and shared as the need arises.

8. Members ~~shall~~ classify projects in accordance with the extent of the ~~environmental-sustainable development~~ review required:

- Category A: a project is classified as Category A if it has the potential to have significant adverse ~~environmental-sustainable development~~ impacts. These impacts may affect an area broader than the sites or facilities subject to physical works. Category A should, in principle, include projects in sensitive sectors or located in or near sensitive areas, [including in countries where human rights is an issue](#). An illustrative list of sensitive sectors and sensitive areas is set out in Annex I.
- Category B: a project is classified as Category B if its potential [sustainable development](#) ~~environmental~~ impacts are less adverse than those of Category A projects. Typically, these impacts are site-specific; few if any of them are irreversible; and mitigatory measures are more readily available.
- Category C: a project is classified as Category C if it is likely to have minimal or no adverse ~~environmental-sustainable development~~ impacts.

III. ~~SUSTAINABLE DEVELOPMENT ENVIRONMENTAL~~ REVIEW

9. When undertaking an ~~environmental-sustainable development~~ review, Members ~~shall~~ indicate to the appropriate parties to the project such as exporters, financial institutions and project sponsors the type of ~~environmental~~ information [related to sustainable development](#) they require in relation to the potential environmental, [social and economic](#) impacts of the project, including, where appropriate, the need for an Environmental Impact Assessment (EIA)². The information to be supplied ~~should~~ ~~shall~~ include, [but not limited to](#):

- Potential environmental impacts (e.g. generation of significant air emissions, effluents, waste or noise, significant use of natural resources, resettlement and land-use issues).
- The potential human rights impacts [\(e.g. loss of property/ territory, loss of land rights, relocation of people, repression of the freedom of opinion, violence used by state and paramilitary forces, insufficient means for judicial redress, etc...\)](#)

² Members supporting exports forming only a minor part of a project may take into account the ~~environmental-sustainable development~~ review carried out by another Member, an International Financial Institution e.g. the World Bank Group, a Regional Development Bank (in particular EBRD, AfDB, ADB and IADB) or a Member's Development Agency, in accordance with the requirements of this Recommendation.

- The productivity of project in question (projects deemed unproductive³ shall not be considered)
- Any agreements signed with the host government (e.g. for the supply of the power or other services, including security)
- The environmental standards, practices and processes that the parties to the project intend to apply.
- The conditions (including surveys conducted, presence of government officials etc.) and results of any public consultations on the project with relevant stakeholders.
- A study of alternatives to the project and their impacts, and the reasons why the proposed project was chosen.
- The mechanisms in place to ensure the protection of human rights and ILO Core Labour standards

10. When an EIA is required, it ~~should~~shall address the relevant issues referred to in the guidelines of International Financial Institutions (as referenced in footnote ~~21~~); one illustration of such guidelines is set out in Annex II.

11. An environmental review for a Category A project ~~should~~shall examine the project's potential negative and positive ~~environmental~~environmental—sustainable development impacts, including measures to prevent, minimise, mitigate, or compensate for adverse impacts and improve environmental and social performance. For all Category A projects ~~in or near sensitive areas and for large greenfield projects in sensitive sectors~~, Members ~~will~~would be expected to require an EIA. The project sponsor is responsible for preparing such an EIA.

12. The scope of a ~~n—environmental—sustainable development~~ review for a Category B project may vary from project to project. Like a Category-A review, it ~~should~~shall examine the project's potential negative and positive ~~environmental—sustainable development~~ impacts, including measures to prevent, minimise, mitigate, or compensate for adverse impacts and improve ~~environmental—sustainable development~~ performance.

13. Beyond screening and relevant disclosure of project information, no further action is required for a Category C project, ~~aside from disclosing the screening results and justification and, if the classification is challenged, reopening the case.~~

14. *******When undertaking a review of the information provided pursuant to paragraph 9, Members ~~should~~shall ensure that one common binding set of the highest existing procedures and standards are applied; such procedures and standards should, at a minimum, be no lower and less rigorous than the Standards and Safeguard Policies of the World Bank/IFC, as adopted, for example by leading private international banks in the “Equator Principles.”

In addition:

³ Defined in the OECD's Statement of Principles on Unproductive Expenditures in Heavily Indebted Poor Countries as “Transactions which are not consistent with their poverty reduction and debt sustainability and do not contribute to their economic development.”

~~applied, as Such standards and procedures should be appropriate according to the sector as exemplified to leading good international practice in specific sectors, as exemplified, for example, by the guidelines of the World Commission on Dams. In addition: Dams;~~

~~use, as reference points or benchmarks, examples of good practice as reflected in international standards⁴ or equivalent host country standards.~~

- ~~The common set shall be reviewed periodically to ensure that it remains up to date with the highest good practice in place.~~
- Such ~~standards and procedures examples should~~ **shall** be used not only with respect to new projects, but also to relevant modifications of, or additions to, existing projects with significant ~~environmental—sustainable development~~ impacts.

15. With a view to achieving consistency in the ~~benchmarking analysis~~ process, Members recognise that projects ~~should~~ **shall** be evaluated as follows:

- Projects ~~shall~~ **ould** comply with standards, ~~laws and procedures~~ of the host country;
- ~~Projects defined by the exclusion criteria listed in Annex V shall not be supported. Projects that a Member determines to be in compliance with international standards will not normally be further reviewed;~~
- ~~A Member providing officially supported export credits for goods and/or services forming only a minor part of a project may apply its national environmental standards;~~
- ~~No A-Member that shall~~ considers it appropriate to apply standards that are below international standards ~~and procedures for any reason should indicate the reasons for this in the reporting~~ (paragraph 21).
- ~~Projects should~~ **shall** comply with the requirement listed in Annex VIII.

IV. EVALUATION AND DECISION

16. Members ~~shall~~ **ould** evaluate the information resulting from screening and review, decide whether to request further information, decline or provide official support and, if support is to be provided, whether this should involve conditions, e.g. mitigation measures, covenants, monitoring requirements.

17. Members ~~should~~ **shall** ensure that procedures are in place to monitor, as appropriate, the implementation of projects, to ensure compliance with all conditions of their official support, ~~including but not limited to the agreed sustainable development standards and procedures as defined in this Recommendation, the OECD Guidelines for Multinational Enterprises as well as the mitigation measures developed during project preparation. Members shall ensure that their client companies demonstrate compliance through regular public reporting.~~

~~⁴Standards developed by the relevant International Financial Institutions, e.g. the World Bank Group, Regional Development Banks (in particular EBRD, AfDB, ADB and IADB) or other internationally recognised environmental standards, hereafter referred to as international standards.~~

17bis (18) Members ~~should adopt a full-fledged~~ shall adopt a full-fledged, independent and publicly accessible accountability and compliance mechanism. Its objectives ~~should~~ shall include:

- Ensuring procedures for administrative review;
- Ensuring that Members are appropriately implementing the ~~environmental, social, human rights, disclosure and corruption~~ policies and procedures ~~they have adopted and that specific and necessary actions are taken to remedy to the problems if not.~~
- ~~Constituting~~ Acting as an independent fact-finding organ to which local communities and other stakeholders can appeal in case of problems with an ECA-supported projects and providing them as appropriate with effective remedy;
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- Ensuring that activities supported by the ECA ~~abide by all human rights, social and environmental policies and, more generally, that the projects respects~~ they support respect the rights and the environment of the affected peoples;
- Demonstrating to the citizens and parliaments of the home country that their country's ECA is accountable.
- Addressing complaints about unjustified classification in the screening process.

V. EXCHANGE AND DISCLOSURE OF INFORMATION

18. Taking into account the competitive context in which they operate and constraints of business confidentiality, Members ~~are expected to~~ shall:

- Publish national ECA environmental, ~~social, human rights, disclosure and corruption~~ policy statements/principles and procedural requirements ~~guidance~~.
- When appropriate, exchange views with stakeholders, including affected communities; information required for this exchange shall be translated into the locally appropriate language, be readily accessible and timely. In preparing EIA reports for Category A projects, consultation with stakeholders, such as local residents, must take place after sufficient information has been disclosed to these stakeholders in a timely manner.
- Share information with a view to seeking, where appropriate, common positions on the environmental-sustainable development review of projects, and reply in a timely manner to requests from other Members and stakeholders in a co-financing or a competitive situation of the sustainable development ~~environmental~~ standards accepted by the Member ECG.

- Ensure that Encourage project sponsors to make environmental sustainable development impact information and their reviews, details of the projects including companies and supporting banks be made publicly available at least 120 working days prior to decision-making by the board of an ECA.
 - Make available to the public as early as possible and a least 120 day before decision-making-at least annually, subject to legal provisions on public disclosure in Members' countries, information on projects classified in Categories A, ~~and B~~ and C, including as appropriate, information that is relevant to informing people as to the project risks, listed in Annex II. Part of this information to the public shall include posting on the website of the ECA and via an email list.
 - ***Request modifications of confidentiality laws as needed so as to provide transparency of the above-mentioned documents, their project portfolio and the results of internal investigations, monitoring and independent 3rd party audit reports.
- ~~investigations.~~
- ***To strengthen its monitoring of workers' rights and environmental practices and enhance the credibility of its efforts in these areas among outside parties, provide on their web site and via an email list the results of the board decisions on projects as well as the rationale for these decisions, post information about controversial cases, internal and third party inspection results and remediation.

19. The ECG shall:

- Review the procedures of the Agreement for the Environmental Information Exchange for Larger Projects in the light of this Recommendation.
- Review the Statement of Principles on Unproductive Expenditures to include all ~~poor~~ low and middle-income countries.
- Exchange views on at least yearly regular—basis with appropriate stakeholders on the operation of this Recommendation.
- Share experiences under this Recommendation with Non-Member Economies.
- With due regard to business confidentiality, make this aggregated information publicly available annually based on Members' reporting in accordance with paragraph 21.

VI. REPORTING AND MONITORING OF THE RECOMMENDATION

20. Members ~~shall~~ are expected to:

- Monitor and evaluate, over time, the experience with this Recommendation at a national level, and share experiences with the other Members,

~~including about standards applied to those projects which were subject to the benchmarking process referred to in paragraphs 14 and 15.~~

- Continue to enhance and improve procedures at a national level to address the environmental-sustainable development impact of projects, and to encourage their ECAs to allocate appropriate resources for this purpose.

21. Members shall report to the ECG *ex post* on an annual basis:

- The list of pProjects classified in Category A, impacts and conditions applied, in accordance with Annex III.
- The list of pProjects classified in Category B, impacts and conditions applied, ~~that are above the threshold in paragraph 5~~, in accordance with Annex IV.
- The list of Projects classified in Category C.

22. The OECD Secretariat shall monitor the implementation of this Recommendation through compilation of annual reporting by the Members, and report annually to the ECG. This report shall be published on the website of the OECD.

23. The ECG shall review all elements of this Recommendation not later than the end of 2005~~3~~ in order to enhance it in the light of experience and report to Council.

ANNEX I

ILLUSTRATIVE LIST OF SENSITIVE SECTORS AND AREAS

The following illustrative list⁵, which is non-exhaustive, provides examples of sensitive sectors and areas.

“1. This list applies to ~~"greenfield" or major extension or transformation-conversion~~ all operations in the categories listed below.

1. Crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.
2. Thermal power stations and other combustion installations with a heat output of 300 megawatts or more and nuclear power stations and other nuclear reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. Installations solely designed for the production or enrichment of nuclear fuels, the reprocessing of irradiated nuclear fuels, or for the storage, disposal and processing of radioactive waste.
4. Major installations for the initial smelting of cast iron and steel and for the production of non-ferrous metals.
5. Installations for the extraction of asbestos and for the processing and transformation of asbestos and products containing asbestos: for asbestos-cement products, with an annual production of more than 20,000 tonnes finished product; for friction material, with an annual production of more than 50 tonnes finished product; and for other asbestos utilisation of more than 200 tonnes per year.
6. Integrated chemical installations including the manufacture and transportation of pesticides and hazardous/toxic materials.
7. Construction of motorways, express roads and lines for long-distance railway traffic and of airports with a basic runway length of 2,100 metres or more.
8. ~~Large diameter~~ Oil and gas pipelines.
9. Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tonnes.
10. Waste-disposal installations for the incineration, chemical treatment or landfill of toxic and dangerous wastes.

⁵ The source of paragraphs 1 and 2 is the EBRD Environmental Policy and Procedures (<http://www.ebrd.org/english/enviro/envpolicy/index.htm>).

11. Large dams and reservoirs, i.e. over a height of 15 m from its foundation as defined by the World Commission on Dams or dams are 5-15 m high that have a reservoir volume of more than 3 million cubic meters as defined by the International Commission on Large Dams.
12. Groundwater abstraction activities in cases where the annual volume of water to be abstracted amounts to 10 million cubic metres or more.
13. Pulp and paper manufacturing of 200 air-dried metric tonnes or more per day.
14. ~~Major m~~ining, on-site extraction and processing of metal ores or coal
15. Hydrocarbon production.
16. Major storage facilities for petroleum, petrochemical and chemical products.
17. ~~Large-scale L~~ogging
18. ~~Large-scale W~~aste-water treatment
19. Domestic solid waste-processing facilities.
20. ~~Large-scale T~~ourism development
21. ~~Large-scale P~~ower transmission-
22. ~~Large-scale R~~eclamation
23. ~~Large-scale A~~griculture/silviculture involving the intensification or development of previously undisturbed land
24. Tanneries.

2. [...]sensitive areas include National Parks and other conservation areas of national or regional importance, such as wetlands and areas of archaeological significance, areas prone to erosion and/or desertification, and areas of importance to ethnic groups.

ANNEX II

~~ILLUSTRATIVE ENVIRONMENTAL SUSTAINABLE~~ ~~DEVELOPMENT IMPACT IMPACT~~ ASSESSMENT REPORT⁶

An ~~EIA~~^{SDIA}'s scope and level of detail ~~should~~^{shall} be commensurate with the project's potential impacts. The ~~SDEIA~~ report ~~should~~^{shall} include the following items (not necessarily in the order shown):

– Executive Summary: concisely discusses significant findings and recommended actions.

– Social and cultural impact assessments

-- Job creation impacts and benefits

-- Host country national debt impact assessments.

-- Policy, legal and administrative framework: discusses the policy, legal, and administrative framework within which the EIA is carried out including host government, construction and off-take agreements.

– Project description: describes the proposed project and its geographic, ecological, social, and temporal context, including any offsite investments that may be required (e.g. dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Indicates the need for any resettlement or social development plan. Normally includes a map showing the project site and the project's area of influence.

– Baseline data: assesses the dimensions of the study area and describes relevant physical, biological, and socio-economic conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data ~~should~~^{shall} be relevant to decisions about project location, design, operation, or mitigatory measures; the section indicates accuracy, reliability and sources of the data.

– Environmental Impacts: predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for environmental enhancement. Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention.

– Analysis of alternatives: systematically compares feasible alternatives to the proposed project site, technology, design and operation-including the "without project" situation- in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values

⁶ This Annex is based on the World Bank Operational Manual – BP 4.01

where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.

– Environmental Management Plan: describes mitigation, monitoring and institutional measures to be taken during construction and operation to eliminate adverse impacts, offset them, or reduce them to acceptable levels.

– Consultation: Record of consultation meetings, including consultations for obtaining the informed views of the affected people, local non-governmental organisations and regulatory agencies.

ANNEX III

REPORTING FORM: CATEGORY A

Member :

Year :

ANNEX IV

REPORTING FORM: CATEGORY B

Member :

Year :

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ANNEX V

EXCLUSION CRITERIA

ECAs shall not support projects, which hinder their home countries commitments to sustainable development and good governance, including:

- Any project supporting the illegal exploitation of natural resources.
- Projects that involve the commercial manufacturing of ozone-depleting substances (ODS) or the production or use of persistent organic pollutants that are banned or scheduled to be phased out of production and use by international agreement;
- Any projects that involve the significant conversion or degradation of critical natural habitats, impact primary forests, National Parks and other protected areas and those protected by the Ramsar Convention;
- Projects that use forced or harmful child labour, with respect to no. 138 of the Minimum Age Convention, 1973;
- Projects that have not been won through open and transparent tender processes;
- Projects in which companies cannot demonstrate compliance with recommended international accounting practices;
- Projects in which the companies involved have been black listed for bribery or corruption;
- Projects in which the companies involved cannot demonstrate that they have a corporate compliance programme to deter and check bribery and corruption;
- Projects that increase the debt burden of developing countries to unsustainable levels as a results of export credits or claims on guarantees or insurance;
- Projects in which sponsors seek or have sought host government agreements, whereby they seek exemptions or modifications of the host country law;
- Projects that require forcible evictions;
- Projects in areas where the local affected people cannot be adequately consulted, particularly in conflict areas where they are not free to express their opinions on a project, or in areas where the people live in voluntary isolation;
- Projects that in areas where infringements of freedom of expression and other civil and political rights deny affected communities the possibility of raising concerns about the project or of participating in its planning and implementation;
- Projects that involve the financing or underwriting of military purpose investments;
- New or expansion of old or delayed nuclear projects starting with nuclear reactors, uranium mining, nuclear waste and transport as they do not constitute a source of sustainable energy;

- Any extractive or infrastructure project located in primary forests such as logging, mining, flooding, clearing, traversing with pipelines, transmission lines, roads in remaining primary forests;
- Any extractive or infrastructure project located in primary forests⁷ and other natural habitats⁸ (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications) such as logging, mining, flooding, clearing, traversing with pipelines, transmission lines, roads;
- Projects that eliminates cultural properties. Deviations may be justified where the loss of or damage to cultural property is justified by competent authorities to be unavoidable, minor or otherwise acceptable;
- Any projects involving the construction of large dams;
- -Projects that use sovereign counter-guarantees from host country governments.
- Projects in areas of endangered species, i.e. Protection Status CITES: Appendix I and II/ Population Status: Category 1 to 5.
- Projects that request the use of chemicals listed in the World Health Organization's Recommended Classification of Pesticides by Hazard and Guidelines to Classification (Geneva: WHO, 1994-95).

⁷ Guidelines for Protected Area Management Categories (Gland, Switzerland, and Cambridge, UK: IUCN, 1994), and the United Nations List of National Parks and Protected Areas (Gland, Switzerland, and Cambridge, UK: IUCN, 1994);

⁸ Guidelines for Protected Area Management Categories (Gland, Switzerland, and Cambridge, UK: IUCN, 1994), and the United Nations List of National Parks and Protected Areas (Gland, Switzerland, and Cambridge, UK: IUCN, 1994);

ANNEX VI

POSITIVE LIST FOR PROJECT SUPPORT

ECAs should~~shall~~ give priority support to projects that particularly benefit sustainable development such as:

- New renewable energy, energy efficiency and conservation projects
- Environmental technology
- Community forestry projects for other forest products than pulp
- Social and health projects
- Co-generation
- Sorting- treatment - valorisation-recycling of waste
- Elimination dangerous or polluting substances
- Projects of sustainable forest management including third party independently verifiable certification with equal participation of all stakeholders in the process of setting environmental and social criteria.⁹
- Projects where the project sponsor is a local cooperative.

⁹ See Suggested Standards for banks' forest investment policies, prepared by WWF, Friends of the Earth, etc.

ANNEX VIII

ENVIRONMENTAL AND SOCIAL CONSIDERATIONS REQUIRED OF SUPPORTED PROJECTS

In principle, appropriate environmental and social considerations are undertaken, according to the nature of the project, based on the following:

Underlying Principles

- Environmental impacts that may be caused by a project must be assessed and examined from the earliest planning stage possible. Alternative proposals or minimization measures to prevent or reduce such adverse impacts must be examined and incorporated into the project plan;
- Such examination must include analysis of environmental costs and benefits in as quantitative terms as possible, and be conducted in close harmony with economic, financial, institutional, social and technical analyses of the project;
- The findings of such examination of environmental and social considerations must include alternative proposals and mitigation measures and be recorded as separate documents or as parts of other documents. Environmental Impact Assessment (EIA) reports must be produced for projects relating to which there is a reasonable expectation of particularly large adverse impacts; and
- For projects that have particularly large potential adverse impacts or are highly contentious, a committee of experts may be formed to seek their opinions, in order to increase accountability.

Examination of Measures

- Multiple alternative proposals must be examined to prevent or minimize adverse impacts and to choose a better project option in terms of environmental and social considerations. In examination of measures, priority is to be given to the prevention of environmental impacts, and when this is not possible, minimization and reduction of impacts must be considered next. Compensation measures must be examined only when impacts cannot be prevented by any of the aforementioned measures; and
- Appropriate follow-up plans and systems, such as monitoring plans and environmental management plans, must be prepared; and costs and financial methods of budgeting to obtain funds for such costs must be determined. Plans for projects with particularly large potential adverse impacts must be accompanied by detailed environmental management plans.

Scope of Impacts to be Examined

- Environmental impacts to be investigated and examined include factors that impact human health and safety as well as the natural environment, such as air, water, soil, waste, accidents, water usage and ecosystems and organism; social concerns (e.g. involuntary resettlement, indigenous peoples, cultural heritage, landscape, gender,

children's rights and communicable diseases such as HIV/AIDS); and impacts that may lead to trans-boundary and global environmental problems; and

- In addition to the direct and immediate impacts of projects, derivative, secondary and cumulative impacts are also to be examined and investigated to a reasonable extent. It is also desirable that the impacts as could take effect at any time during the duration of the project be continuously considered throughout the life cycle of the project.

Compliance with Laws, Standards and Plans

- Projects must comply with laws, ordinances and standards relating to environmental and social considerations established by the governments that have jurisdiction over the project site (including both national and local governments). They are also to conform to environmental and social consideration policies and plans of the governments that have jurisdiction over the project site; and
- Projects must, in principle, be undertaken outside protected areas that are specifically designated by laws or ordinances of the government for the conservation of nature or cultural heritage (excluding projects whose primary objectives are to promote the protection or restoration of such designated areas). Projects are also not to impose significant adverse impacts on such designated areas.

Social Acceptability and Social Impacts

- Projects must be adequately coordinated so that the projects are accepted in a manner that is socially appropriate to the country and locality in which the project is planned. For projects with potentially large environmental impacts in particular, sufficient consultations with stakeholders, such as local residents, must be conducted via disclosure of information from an early stage when alternative proposals for the project plans may be examined. The outcomes of such consultations must be incorporated into the contents of the project plan; and
- Appropriate consideration must be given to vulnerable social groups, such as women, children, the elderly, the poor, and ethnic minorities, all of whom are susceptible to various environmental and social impacts and who may have little access, within society, to decision-making processes.

Involuntary Resettlement

- Involuntary resettlement and loss of means of livelihood are to be avoided where feasible, exploring all viable alternatives. When it is not feasible to avoid them even after such examination, effective measures to minimize impacts and compensate for losses must be agreed upon with the people to be affected;
- People to be resettled involuntarily and people whose means of livelihood will be hindered or lost must be sufficiently compensated and supported by the project proponents, etc. at an appropriate time. The project proponents, etc. must make efforts to enable such affected people to improve their standard of living, income opportunities and production levels, or at least to restore them to pre-project levels. Measures to achieve this purpose may include providing land and monetary compensation for losses

(to cover land and property losses), supporting the means for an alternative sustainable livelihood, and providing the expenses necessary for relocation and the re-establishment of a community at relocation sites; and

- Appropriate participation by affected people and communities must be promoted in planning, implementation and monitoring of involuntary resettlement plans and measures against loss of means of livelihood.

Indigenous Peoples

- When a project may have adverse impacts on indigenous peoples, all of their rights in relation to land and resources must be respected in accordance with the spirit of the relevant international declarations and treaties, and efforts must be made to obtain the consent of indigenous peoples after they have been fully informed.

Monitoring

- It is desirable that, after a project begins, the project proponents monitor (i) whether any situations that were unforeseeable before the project begins have arisen and (ii) the implementation situation and effectiveness of the mitigation measures prepared in advance, and that they then take appropriate measures based on the results of such monitoring;
- In cases where sufficient monitoring is deemed essential for the achievement of appropriate environmental and social considerations such as the projects for which mitigation measures ~~should~~shall be implemented while monitoring their effectiveness, project proponents must ensure that project plans include monitoring plans, and that such monitoring plans are feasible;
- It is desirable that project proponents make the results of monitoring processes available to project stakeholders; and
- When third parties point out, in concrete terms, that environmental and social considerations are not being fully undertaken, it is desirable that a forum for discussion and examination of countermeasures be established based on sufficient information disclosure and including the participation of stakeholders in the relevant project, and that an agreement be reached on procedures to be adopted with a view to resolving the problem.