

## 1. INTRODUCTION

### OPIC Mission Statement

1.0 OPIC's mission is to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies, thereby complementing the development assistance objectives of the United States.

### Statement of Purpose and Scope

1.1 This Environmental and Social Policy Statement provides Applicants (e.g., investors, lenders or project sponsors) notice of the general environmental and social<sup>1</sup> requirements that OPIC applies, as appropriate, in evaluating prospective projects seeking OPIC support and monitoring on-going OPIC-supported projects. These environmental and social requirements apply, as appropriate, to all projects supported through OPIC insurance, direct loans, or investment guaranties, including support through Financial Intermediaries such as investment funds or financial institutions that make equity or loan investments.

### Source of Policy

1.2 This Policy Statement implements applicable environmental and social requirements and procedures contained in U.S. law. Additionally, this Policy Statement reflects specific policy commitments that have been made by OPIC with respect to environmental and social policies and procedures. Finally, this Policy Statement adopts, as a benchmark for the environmental and social review process, the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability and Industry Sector Guidelines.

1.3 The Performance Standards and Industry Sector Guidelines identify the reasonable responsibilities and obligations of private sector investors in projects in emerging markets. These standards and guidelines provide for a tailored approach to risk management which allows Applicants and OPIC to specify appropriate and relevant requirements that are proportional to potential project risks and impacts and adapted to the particular business of the Applicant. The Performance Standards and Industry Sector Guidelines are described in Appendix C and D.

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<sup>1</sup> Worker rights and human rights issues are addressed under separate OPIC policies based on statutory requirements found at Sections 231(a) and 239(i) [et al.] of the Foreign Assistance Act.

## **2. SCREENING AND CATEGORIZATION**

### **Screening**

2.0 OPIC screens applications to identify as early as possible the risk of adverse environmental and social impacts of a proposed project. The purpose of screening is to:

- Define the scope of the project. Project scope includes all facilities directly related to the project that are located within the site boundary and all Project Dependent Facilities and Infrastructure (See Glossary). Material raw material inputs sourced from ecologically sensitive areas may also be included in the scope.
- Identify project impacts that could preclude OPIC support because a project is a Categorically Prohibited Project (See Paragraph 2.1 and Appendix B).
- Identify the nature and magnitude of environmental and social risks and impacts (See Paragraphs 2.2 to 2.6).
- Categorize the project based on the potential risks defined in the screening process (See Paragraphs 2.7 to 2.10).
- Determine OPIC requirements for documentation, consultation, disclosure, notification, and third party audits.

### **Categorically Prohibited Projects**

2.1 OPIC will not support certain types of projects, as listed in Appendix B, Categorically Prohibited Projects.

### **Screening Risk Factors**

2.2 If a project is not a Categorically Prohibited Project (See Appendix B) OPIC identifies the project's risk of environmental and social impacts. Major factors reviewed in identifying potential risks at the screening stage include sector, project scale, project siting, social concerns, and the potential for cross border impacts. Risks are assessed at key stages in the project cycle including pre-construction, construction, operations, decommissioning and closure.

2.3 Projects considered high risk are those that discharge high levels of contaminants (including greenhouse gases) to the environment in the absence of adequate pollution controls as well as those projects that are considered high risk in the absence of sound environmental and social management. Examples of these categories of projects are provided in Appendix A.

2.4 Large-scale projects are generally considered to pose a higher risk because of the greater potential to impact significantly large geographic areas outside of the project boundary or a large number of people living in nearby communities. Although quantitative screening thresholds that define what is meant by "large-scale" are not available for all projects, several examples are provided in Appendix A.

2.5 Projects that could result in the diminishment of ecological or social values at a particular site are considered higher risk. Examples of ecological values include biodiversity and watershed or coastal protection. Examples of social values include site attributes important for ethnic or religious reasons or attributes of cultural or historic significance. Examples of ecologically or socially sensitive locations are provided in Appendix A.

2.6 In categorizing the project and evaluating potential impacts and risks for existing projects including privatizations, OPIC considers impacts of both existing operations and any impacts from planned expansions or modifications.

### **Category A Projects**

2.7 Category A projects are likely to have significant adverse environmental and/or social impacts that are irreversible, sensitive, diverse, or unprecedented. In the absence of adequate mitigation measures Category A projects are considered higher risk. Appendix A provides an illustrative list of sensitive sectors and project siting factors that may lead to a Category A categorization.

### **Category B Projects**

2.8 Category B projects are likely to have limited adverse environmental and/or social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. Category B projects are considered medium risk. For these reasons, the scope of OPIC's environmental and social assessment is narrower than that required for Category A projects. Examples of Category B projects include but are not limited to small to medium scale housing developments in urban areas, restaurants, and light manufacturing.

### **Category C Projects**

2.9 Category C projects are likely to have minimal adverse environmental or social impacts. Examples of Category C projects include but are not limited to financial services, telecommunications projects not involving new physical infrastructure, bid bonds and data processing.

### **Category D Projects**

2.10 Category D is reserved for projects implemented by Financial Intermediaries such as investment funds, financial institutions or other vehicles or entities that make investments in or provide financing to identifiable projects or enterprises ("Subprojects") engaged in activities within Categories A, B or C. OPIC further screens, reviews and provides prior written consent to each of these Subprojects on the basis of potential environmental and social risks at the time and in the manner described in the agreement with the financial intermediary. For additional information regarding OPIC supported Financial Intermediaries, See Paragraphs 3.23 to 3.28.

### **3. ENVIRONMENTAL AND SOCIAL REVIEW**

#### **Environmental and Social Management System**

3.0 OPIC undertakes a review of an Applicant's Environmental and Social Management System to determine whether the Management System meets the requirements of IFC Performance Standard 1 (See Appendix C) and whether environmental, health, safety and social aspects of a project are acceptable. The level of detail and complexity of the Environmental and Social Management System will depend on the level of impacts and risks posed by a project and the nature of an applicant's organization. Projects that have been screened as Category C (e.g., projects with minimal environmental or social impacts) are not required to establish an Environmental and Social Management System.

3.1 In the context of acceptable frameworks for Environmental and Social Management Systems the following processes are normally included:

- Identification and review of the environmental and social impacts and risks of the project (Environmental and Social Impact Assessment).
- Definition of the set of policies and objectives for environmental and social performance (Environmental and Social Action Plan).
- Establishment of Environmental and Social Management Systems to implement these policies and achieve these objectives.
- Monitoring performance against these policies and objectives.
- Reporting performance results.
- Periodic review of the system and outcomes.

3.2 OPIC views community engagement as an important element in an effective Environmental and Social Management System. Community engagement normally involves the disclosure of information, consultation with affected communities and the establishment of a grievance mechanism. For additional information on OPIC's community engagement requirements see Paragraphs 5.0 to 5.5.

3.3 The requirement to establish an Environmental and Social Management System extends to sub-projects undertaken by OPIC-supported Financial Intermediaries (see Paragraph 3.27).

#### **Environmental and Social Impact Assessment**

3.4 Environmental and social impact assessment is the process used to identify potential environmental and social impacts and risks associated with a project. The assessment process also identifies any mitigation or corrective measures that will enable the project to meet the applicable requirements in IFC's Performance Standards 2<sup>2</sup> through 8, any applicable local laws and regulations, and OPIC requirements. Applicants seeking OPIC support for Category A and B projects must conduct some form of environmental and social assessment. Depending on the type of project and the nature and magnitude of the risks and impacts the assessment may involve a full-scale Environmental and Social

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Impact Assessment (ESIA), a limited or focused environmental and social review or a straightforward application of environmental siting, pollution standards, design criteria or construction standards. The type of issues, risks and impacts to be assessed and the scope of community engagement can also vary considerably, depending on the nature of the project and its size, location and stage of development. The following general topics, when applicable, are examined during the environmental and social assessment review:

- Environmental issues including site description, existing land use, description of manufacturing or commercial process, materials used and stored on-site, land use impacts resulting from the project, impacts to any aquatic or terrestrial resources, air emissions including emissions of greenhouse gases, energy efficiency, water use, liquid effluents and solid wastes, pollution controls or other mitigation measures employed, occupational health and safety protections, and impact on the source of raw materials if derived from an ecologically sensitive area.
- Social issues including affected population, housing, income, employment, land use, visual impacts, noise and lighting impacts, as well as any fiscal, cultural, ethnic and religious impacts. Information should also be provided on impacts to Project Affected People including any economic or physical displacement, individuals and groups that may be particularly vulnerable and the potential for increased transmission of communicable diseases. Social impacts should be quantified to the extent feasible.

3.5 Greenfield Category A projects and significant expansions or modifications of existing projects require the submission of a full-scale ESIA. Pre-existing projects that have been screened as Category A require submission of a Baseline Audit. Additional guidance on the format and content requirements for ESIA's and Baseline Audits may be found in Guidance Note 1 – Social and Environmental Assessment and Management Systems at:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_1/\\$FILE/2007+Updated+Guidance+Note\\_1.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_1/$FILE/2007+Updated+Guidance+Note_1.pdf)

3.6 For Category B projects OPIC requires submission of sufficient information and documentation on which to base the review of the environmental and social management system. The level of detail required will vary depending on the type and size of project, but, at a minimum, Applicants should submit one or more documents or analyses that describe:

- The project and its environmental and social aspects.
- Maps or drawings of the project and area of influence.
- Compliance with the legal and regulatory framework of the host country and applicable international environmental, health and safety performance standards.
- Key potential impacts and risks, including identification of affected communities and estimated direct emissions of greenhouse gases.
- Planned mitigation and any residual risks.
- The process of community engagement.

3.7 For Category C projects OPIC requires submission of sufficient information necessary to confirm the absence of potential adverse environmental and social risks.

### **Environmental and Social Action Plan**

3.8 When specific mitigation measures or actions are required for a project to comply with host country laws and regulations and international environmental, health, safety and social performance standards, Applicants are required to prepare and implement an Environmental and Social Action Plan (ESAP). The level of detail required will depend on the nature and magnitude of the risks and impacts of the project and may range from a brief description to a series of specific plans. ESAPs are required for all Category A projects and Category B projects that are dependent on mitigation and monitoring measures to offset potential environmental and social impacts. Information that should be provided in the ESAP includes:

- Actions necessary to implement mitigation measures or corrective actions.
- A listing of the priorities for each action.
- Timeline for implementation for each action.
- Mechanism for external reporting to affected communities on implementation of the required actions.

3.9 Applicants are required to disclose their ESAPs to affected communities prior to project implementation. For Category A projects, OPIC also discloses final ESAPs on the OPIC web site (See Paragraph 5.11).

### **Environmental and Social Management System Review**

3.10 Applicants are required to establish, maintain and strengthen as necessary, Environmental and Social Management Systems required for effective project implementation, including any required ESAP. Management systems should have organizational structures with clearly defined roles, responsibilities and authorities, appropriate human and financial resources allocated for implementation and adequate training for employees and contractors. OPIC may require strengthening of management systems as a condition of OPIC support. Additional guidance on the establishment of Environmental and Social Management Systems may be found in Guidance Note 1 – Social and Environmental Assessment and Management Systems found at:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_1/\\$FILE/2007+Updated+Guidance+Note\\_1.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_1/$FILE/2007+Updated+Guidance+Note_1.pdf)

### **Tailored Reviews**

3.11 OPIC undertakes detailed, tailored environmental and social review (See Paragraphs 3.12 to 3.28) for: certain sectors and types of projects in response to OPIC policies and practices; new OPIC products or initiatives; and based on emerging trends in international best practices related to environmental and social safeguards.

### **Investments in Large, Diverse Enterprises**

3.12 Applicants seeking OPIC support for investments in large, diverse enterprises are required to define the scope of the intended use of proceeds from the investment in terms of specific projects for which the environmental and social impacts can be readily assessed.

### **Project Development Activities**

3.13 Project development activities including non-invasive, non-construction activities are often required in response to competitive bidding announcements or to raise capital. These activities include the posting of bid bonds and preparing environmental impact assessments, feasibility studies, and design documents. Projects involving these types of activities are screened as Category C provided:

- The projects do not involve invasive or construction activities;
- The project under development is not subject to a categorical prohibition (See Appendix B); and
- OPIC support for the development investment does not obligate OPIC to support future project implementation.

### **Construction and Operations of Dams**

3.14 For projects involving the construction and operation of dams that are not otherwise categorically prohibited (See Appendix B), OPIC applies screening and environmental and social assessment criteria that incorporate core values and strategic priorities identified in the 16 November 2000 Report of the World Commission on Dams (WCD) <http://www.unep.org/dams/documents/Default.asp?DocumentID=662>. OPIC has adopted and implemented those elements of the WCD policy that inform good public policy and that are within OPIC's capacity to implement. Specific factors that are considered in OPIC's screening and review of projects involving dams may be found at [http://www.opic.gov/sites/default/files/docs/dam\\_review\\_procedures.pdf](http://www.opic.gov/sites/default/files/docs/dam_review_procedures.pdf).

### **Forestry Projects**

3.15 OPIC will not support commercial forestry projects that involve the extraction of timber from critical forest areas or related critical natural habitats (See Categorically Prohibited Projects, Paragraph 2.1). All other projects involving extraction from natural forests, including all boreal, temperate, and plantation forests must be, and remain, certified by an independent non-governmental organization.

3.16 Certifiers must be accredited by an international accreditation body (such as the Forest Stewardship Council (<http://www.fsc.org/en>)) that can hold the certifier accountable to a common set of principles and procedural protocols, including periodic review and re-accreditation.

3.17 Any forest product labeling associated with a certified forest must be guaranteed by an independent certification that credibly connects the labeled product to its certified forest-of-origin.

3.18 Projects involving forest products that source raw materials from third parties must demonstrate that the raw materials are not being sourced from a critical forest area or related critical natural habitats and that the raw material extraction is conducted in compliance with host country law.

## Health Care

3.19 All projects providing patient care must obtain satisfactory accreditation based on a quality evaluation of the technical competence of the institution's resources and organization by an internationally recognized accreditation organization (such as Joint Commission International <http://www.jointcommissioninternational.org> , or in the case of a health care service provider for which accreditation standards are not available, certification or similar high quality rating by a third-party expert in the health care field satisfactory to OPIC. All projects must maintain this accreditation, certification or high quality rating throughout the term of OPIC support. The cost of this accreditation or certification is the responsibility of the Applicant.

3.20 OPIC may consider support for health care projects that include elements of traditional medicine where there is an established national policy that regulates traditional treatments; establishes the role of traditional medicine within the national health care system; and clarifies the relationship between traditional medicine and the official health service system. Additional guidance on this issue may be found at <http://www.who.int/medicines/areas/traditional/en/index.html>

3.21 All hospitals, medical centers, and other projects that purchase pharmaceuticals for the purpose of providing them, directly or indirectly, to patients shall restrict drug purchasing to pharmaceuticals registered for use in the host country and to drug suppliers that comply with the World Health Organization's Good Manufacturing Practices for both imported and locally produced goods.

[http://www.who.int/medicines/areas/quality\\_safety/quality\\_assurance/production/en/](http://www.who.int/medicines/areas/quality_safety/quality_assurance/production/en/)

3.22 Projects involving the manufacturing of pharmaceuticals and medical equipment are given close review by OPIC. Prior to supporting such projects OPIC must receive evidence that the safety and effectiveness of such products are certified by the U.S. Food and Drug Administration or an equivalent foreign public health authority. OPIC also requires evidence that the products have not been withdrawn from the U.S. market for reasons of safety or lack of effectiveness.

## Financial Intermediaries

3.23 Financial Intermediaries (FIs) are investment funds, banks or other financial institutions or other vehicles or entities that receive financing or guaranties from OPIC and provide debt or equity investment to identifiable projects or enterprises ("Subprojects"). OPIC review of Subprojects involves the same screening, assessment, disclosure, compliance and monitoring procedures as all other direct Applicants to OPIC. OPIC provides prior written consent to each of these Subprojects on the basis of potential environmental and social risks at the time and in the manner described in the agreement with the FI.

3.24 No FI may use any OPIC funds or any funds guaranteed by OPIC for the purpose of investing in or lending to an entity engaged in a Categorically Prohibited Project (See Appendix B). No FI may use any OPIC funds or any funds guaranteed by OPIC for the purpose of investing in or lending to any entity engaged in an activity likely to have significant adverse impact on the environment, human health, safety or impacted communities without OPIC's prior written consent.

3.25 An FI's proposed investment or lending strategy is taken into account in OPIC's assessment of the risk of adverse environmental and social impacts associated with the FI's Subprojects. Factors taken into consideration include the size and nature of the OPIC-supported investment, the use of proceeds of the investment, the term of the investment, and the targeted investment sectors.

3.26 Generally, prior written consent is needed for OPIC support of a Subproject. However, OPIC may consent in advance to certain types of Subprojects if OPIC has determined that all prospective Subprojects are likely to have minimal or no adverse environmental or social impacts. Additionally OPIC may consent in advance under certain OPIC Agreements that contain exclusion lists prohibiting investments in entities engaged in categorically prohibited activities or activities likely to have significant adverse impact on the environment.

3.27 FIs are required to maintain at all times an environmental and social management system, which consists of policies, procedures and resources adequate to implement the OPIC environmental, health, safety and social requirements at the Subproject level.

3.28 If a FI lending or investment strategy indicates the potential for significant environmental, health, safety or social impacts, OPIC may require additional mitigation to reduce risk and potential liabilities. Examples of additional mitigation include:

- Retention of an environmental and social coordinator to provide full time supervision and implementation of OPIC requirements with respect to environmental, health, safety and social concerns;
- Use of binding restrictions on the use of proceeds; and/or
- Periodic reporting on the environmental performance of Subprojects.

## **4. ENVIRONMENTAL AND SOCIAL STANDARDS**

### **Environmental and Social Standards**

4.0 During the environmental and social review process OPIC compares a project's predicted performance with internationally accepted standards and alternative approaches.

### **Applicable Guidelines and Standards**

4.1 In determining whether project risks and impacts are acceptable, OPIC applies the Performance Standards and Industry Sector Guidelines of the International Finance Corporation (See Appendix C and D). Where there are gaps in the IFC policies and guidelines on a given environmental health or safety issue, OPIC may incorporate standards issued by other international organizations relating to public health, safety and the environment such as the World Health Organization, the International Maritime Organization, the Food and Agriculture Organization and the International Civil Aviation Organization.

4.2 The Performance Standards, Industry Sector Guidelines and other internationally accepted prevention and control approaches are considered in developing project specific requirements. All Applicants seeking OPIC support are required to meet project specific requirements. The requirement to meet the project specific requirements extends to on-site contractors and sub-contractors of the project that work for a substantial duration of time on the project or are material to the primary operations of the project.

4.3 Where material compliance with these internationally accepted standards is not entirely applicable or appropriate, material deviations are analyzed within the environmental assessment process and alternative performance measures or mitigation may be considered, provided these alternative performance measures are protective of Project Affected People and the ambient environment. Such alternative approaches or performance standards are publically disclosed in Project Summaries posted on OPIC's web site (See Paragraph 5.8).

4.4 For the purpose of environmental and social review of existing projects (e.g., privatizations), the project specific requirements are required to be attained within a reasonable period of time following the OPIC support. If material compliance has not been demonstrated at the time of OPIC approval, Applicants are required to prepare and implement a corrective action or Remediation Plan demonstrating how compliance with the project specific requirements will be achieved within the specified time period. Remediation Plans for Category A projects are subject to public disclosure (See Paragraph 5.11) and third-party audits (See Paragraphs 7.4 to 7.6).

4.4 For those projects in which a Multilateral Development Bank (MDB) such as the European Bank for Reconstruction and Development, the African Development Bank, the Asian Development Bank or the Inter-American Development Bank is involved, OPIC may apply the policies, in whole or in part, of the respective MDB to the project to facilitate U.S. participation in these projects.

### **Selection of Standards**

4.5 In selecting project specific standards and guidelines, OPIC also takes into account host country legislation, local conditions, and alternative approaches to pollution prevention and abatement that may not be addressed explicitly in the standards and guidelines identified in Paragraph 4.1. In selecting applicable guidelines and standards, OPIC considers the hazards and risks inherent in each project and site-specific conditions including host country context and the assimilative capacity of the environment in which the project is located. All elements of all standards and guidelines may not apply to every project. Where there are gaps in the standards and guidelines identified in Paragraph 4.1, OPIC identifies relevant and applicable standards and guidelines contained within:

- U.S. Federal Standards.
- Industry Best Practices, including those developed by governments, industry technical groups, and non-governmental organizations.

4.6 Applicable standards and guidelines for Category A projects are identified in Initial and Detailed Project Summaries posted on OPIC's web site (See Paragraphs 5.8 and 5.9).

### **Host Country Standards**

4.7 Applicants seeking OPIC support must demonstrate compliance with host country environmental, health, safety and social requirements. Where host country requirements differ significantly from the international standards identified under Sections 5.1 and 5.2 of this policy, OPIC will assess the project against the more rigorous and protective standard.

### **Revision of Standards**

4.8 International organizations, the United States Government and industry groups periodically revise guidelines and standards to reflect technological advances and improved understanding of environmental, health, safety and social risks.

4.9 Complete applications that are received after the effective date of a new guideline or standard will be assessed against that new guideline or standard.

4.10 Complete applications that are received before the effective date of a new guideline or standard will be assessed against the guideline or standard in effect on the date of application provided OPIC commitment to provide support is achieved within one year of the effective date of the new guideline or standard.

## 5. PUBLIC CONSULTATION AND DISCLOSURE

### Community Engagement

5.0 OPIC recognizes the added value that interested and well-informed members of the public, particularly Project Affected People, can bring to projects undertaken by Applicants. Community engagement during all phases of project development helps avoid delays in project implementation to the extent that appropriate mitigation measures are incorporated into the project design at an early stage. On-going dialogue helps build and maintain a constructive relationship with Project Affected People. Community engagement should be inclusive, culturally appropriate and meet the needs of disadvantaged and vulnerable groups. The nature and frequency of community engagement should reflect the project's risks and adverse impacts on the affected communities.

### Public Consultation for Category A Projects

5.1 If a project is screened as Category A because the project is likely to result in significant adverse impacts on Project Affected People, OPIC requires that an Applicant consult formally with those affected communities. In these cases, OPIC requires that the documentation of the public consultation process which was undertaken during project planning be included in the ESIA or Baseline Audit documents.

5.2 Formal public consultation (See Paragraph 5.1) may utilize various methods depending on the objective of the consultation, the type of project and the cultural setting. At a minimum, consultation usually will involve early discussion of the project at the screening stage and later opportunities to review and comment on the Environmental and Social Impact Assessment findings.

5.3 Environmental and social information should be made available to Project Affected People in a language, format and medium that is accessible and allows for the free expression of opinions. For all Category A projects the Applicant is required to provide a local language translation of the executive summary of the ESIA and/or Baseline Audit document and make the summary available to Project Affected People in a format that is readily understandable and tailored to meet the information needs of Project Affected People. The translated summary should be distributed by means that take into account the ability of Project Affected People to receive, address and effectively comment on the content. OPIC also discloses this summary on its web site.

5.4 Costs associated with translation, dissemination of information and consultation are the responsibility of the Applicant.

5.5 Further guidance on conducting meaningful public consultation may be found in:

- "Stakeholder Engagement. A Good Practice Handbook for Companies Doing Business in Emerging Markets"  
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p\\_StakeholderEngagement\\_Full/\\$FILE/IFC\\_StakeholderEngagement.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_StakeholderEngagement_Full/$FILE/IFC_StakeholderEngagement.pdf)
- "Doing Better Business Through Effective Public Consultation and Disclosure"  
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p\\_pubconsult/\\$FILE/PublicConsultation.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_pubconsult/$FILE/PublicConsultation.pdf) and

- UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters  
<http://www.unece.org/env/pp/documents/cep43e.pdf> .

### **OPIC Category A Public Disclosure Process**

5.6 ESIA's and Baseline Audit documents required for Category A projects are made public without compromising confidential business information. These documents are made available on OPIC's web site for a designated comment period of not less than 60 days before OPIC makes a decision on whether to support a project. Public comment on the projects will be invited and will be considered by OPIC in advance of any decision on a project. No application for a Category A project may be approved without this public disclosure and opportunity for comment.

5.7 Documents submitted for public disclosure must be in English or accompanied by an English-language translation. The documents must adequately describe potential risks and proposed mitigation measures. Acceptance of a document for disclosure does not imply project approval.

5.8 At the same time the Applicant's document is released for public comment, OPIC posts on its web site an initial project summary. The summaries contain information such as the rationale for designating the project as Category A, environmental and social standards used in project assessment and the location for local access to environmental and social project information.

5.9 For all Category A projects OPIC also posts on its web site detailed project summaries for a period of not less than 40 days before Category A projects are presented for approval. These detailed project summaries document OPIC's findings from the environmental and social assessment process and contain the following environmental and social information:

- Description of the major environmental and social risks and impacts of the project;
- Key measures required to mitigate environmental and social risks;
- Description of any action required to achieve conformance with the environmental and social standards used in project assessment;
- Information related to any OPIC environmental and social site visits; and
- Description of the Applicant's consultation with Project Affected People.

5.10 Comments received on Category A projects, including any comments received during public hearings, as well as OPIC management's response to those comments, will be posted on OPIC's web site at least 7 days prior to presenting a project for approval.

5.11 An applicant's document submitted for disclosure often does not contain all of the final negotiated commitments made by an applicant to mitigate or remediate environmental and social risks and impacts. The final negotiated commitments are codified within the final ESAP or final Remediation Plan. OPIC requires implementation of the final ESAP or final Remediation Plan pursuant to contract conditions in the OPIC Agreement. The final ESAP or final Remediation Plan for Category A projects is

disclosed on OPIC's web site following OPIC acceptance, but not subject to a designated comment period.

5.12 OPIC requires Applicants to conduct and certify that they have conducted third-party audits for all Category A projects (See Section X). Certifications are obtained from third-party auditors that the audit has been conducted and that Category A projects are in compliance with all environmental and social conditions contained within the OPIC agreement (See Section 8.5). The auditor certification and a publically releasable summary of audit findings are disclosed on the OPIC web site but are not subject to a designated comment period.

5.13 OPIC is required by statute to notify host country governments of any environmentally sensitive investment considered for support prior to execution of the applicable OPIC agreement. This notification is required to identify guidelines and other standards of international organizations relating to public health, safety or the environment (See Section 5.1) that are applicable to the project and, to the maximum extent practicable, any restriction related to public health or safety that would apply to the project if it were undertaken in the United States. This requirement applies to all proposed investment support screened as Category A. All host country notifications are disclosed on OPIC's web site but are not subject to a designated comment period.

#### **Disclosure for Category B, C and D Projects**

5.14 OPIC also prepares and discloses project summaries which contain environmental and social information related to non-Category A projects. For additional information on the timing and content of these disclosures for Category B, C and D projects see OPIC's Transparency Policy <http://www.opic.gov/about/transparency> .

#### **Annual Environmental and Social Reporting**

5.15 OPIC annually reports to Congress and the public regarding its implementation of this Policy Statement. That report, which is contained within OPIC's Annual Policy Report, is disclosed on the OPIC web site.

## **6. CONDITIONS AND COMPLIANCE**

### **Conditions and Compliance**

6.0 OPIC's environmental and social review relies on material representations made by the Applicant with respect to baseline environmental and social conditions, technical design, operating performance, mitigation measures and net impacts of projects.

6.1 Material representations and those undertakings agreed to by the Applicant, may be included in applicable documentation as preconditions to contract execution, conditions of disbursement and/or covenants that remain in effect during the term of the OPIC contract. Mitigation commitments for Category A projects are documented in final Environmental and Social Action Plans, which are disclosed on OPIC's web site (See Paragraph 5.11).

6.2 OPIC requires compliance with all contractual conditions, covenants, and representations regardless of whether or not the Applicant has a controlling interest in the project.

### **Conditions and Covenants**

6.3 In addition to environmental and social performance criteria that typically are included in all OPIC agreements, OPIC agreements applicable to all Category A projects and some Category B projects, at OPIC's discretion, include the following requirements:

- Requirement to develop and implement an Environmental and Social Action Plan.
- At least one third-party audit is required for all Category A projects. The audit should be performed after the project has completed construction and is in the first three years of operations. In certain projects third-party audits may be required during the construction phase. Applicants may be required to obtain OPIC approval of the audit scope of work and the selection of third-party auditors.
- Requirement to prepare and submit to OPIC an annual environmental and social report summarizing the environmental and social performance of the project over the preceding year to demonstrate compliance with OPIC agreement conditions.
- Requirement for timely notification to OPIC of the occurrence of any accident that has resulted in a disability or loss of human life, or that has, or that could be, foreseen to have a material adverse impact on the environment or local communities.

### **Non-compliance**

6.4 For all projects, material misrepresentations or material non-compliance with contractual environmental and social provisions, including reporting requirements, may constitute an event of default under the terms of the applicable OPIC agreement. OPIC determines what is material and whether a default is curable or incurable. Factors OPIC considers in making such determinations include:

- Severity and reversibility of environmental, health, safety or social impact.
- Level of responsibility and due diligence in attempting to prevent or cure the default.

### **Remediation and Termination**

6.5 In the case of a curable default, remediation may be required by OPIC to cure the default. In the case of an incurable default, OPIC may exercise contractual remedies including insurance contract termination, acceleration of loan repayment, or divestiture by a financial intermediary.

### **Environmental and Social Remediation of Subprojects**

6.6 If OPIC requires the preparation of a Remediation Plan (See Paragraph 4.4) for a Subproject (See Paragraphs 3.23 to 3.28), Financial Intermediaries (FIs) are required to enter into a binding agreement with the applicable Subproject to adopt and to implement the required plan to the satisfaction of OPIC. OPIC will work with FIs to review and modify the plan as required. Following acceptance of the plan, the FI shall use all reasonable efforts, including the enforcement of related rights, to cause the Subproject to implement the plan as promptly as possible. Final Remediation Plans are disclosed on the OPIC web site (See Paragraph 5.11).

## **7. MONITORING**

### **Monitoring**

7.0 OPIC monitors project compliance with all environmental and social requirements (and underlying representations) that are reflected in conditions and covenants in OPIC agreements throughout the term of the contract. Monitoring may take the form of self-reporting by Applicants or on-site monitoring using OPIC staff or consultants. Monitoring also may take the form of third-party evaluations including compliance information developed by host country authorities, co-lenders, and independent auditors.

### **Annual Environmental and Social Reports**

7.1 Annual environmental and social reports are required for all Category A projects and some Category B projects. Annual environmental reports enable OPIC to monitor the performance of the project with respect to environmental, health, safety and social issues and, at a minimum, include summaries of the following:

- Results of environmental monitoring or sampling activity.
- Compliance with all conditions and covenants in OPIC agreements.
- Project-related accidents impacting the environment or Project Affected People or resulting in a disability or loss of life.
- Summary of training provided on environment, health, safety and community issues.
- Environmental and safety deficiencies identified by the local regulatory authorities or complaints received from Project Affected People as well as any remedial actions taken.
- Community engagement activities.
- Complaints or grievances received and actions taken to resolve the issues.

### **On-Site Monitoring**

7.2 OPIC conducts on-site monitoring of projects for environmental and social performance. Projects selected for monitoring in a given year are prioritized based on environmental and social risk. OPIC also randomly selects projects for on-site monitoring in order to insure that performance in all projects is adequate.

### **Third-Party Audits**

7.4 OPIC requires Applicants to conduct and certify that third-party audits for all Category A projects were completed. OPIC may require third-party audits of some Category B projects. The purpose of the audits is to evaluate a project's compliance with all environmental and social requirements (and underlying representations) that are reflected in conditions and covenants in OPIC agreements. In addition, the audits are intended to validate the methodology used in Annual Environmental and Social Reports required under OPIC agreements (See Paragraph 7.1).

7.5 At least one third-party audit is required for all Category A projects. The audit should be performed after the project has completed construction and is within the first three years of commencement of its operating phase. In certain projects third-party audits may be required during the construction phase. Applicants may be required to

obtain OPIC approval of the audit scope of work and the selection of third-party auditors. The Applicant is responsible for all costs associated with conducting the audit(s).

**Audit Documentation**

7.6 OPIC requires submission of certification from the third- party auditor that the audit has been conducted in accordance with the agreed scope of work and that the project is in compliance with all environmental and social conditions (and underlying representations) contained within the OPIC agreement. The auditor certification for Category A projects is disclosed on the OPIC web site. The third-party audit certifications for Category A projects must also include a summary of the audit findings for disclosure on OPIC’s web site. OPIC may review all audit documentation supporting the certifications.

## **8. CLIMATE CHANGE AND RENEWABLE ENERGY**

### **Climate Change and Renewable Energy**

8.0 Demonstrating its commitment to responsible and sustainable investment, OPIC has implemented a policy to increase support for clean energy related projects and reduce greenhouse gas emissions associated with OPIC-supported projects.

#### **Goal**

8.1 OPIC will work to reduce the direct greenhouse gas emissions associated with projects in OPIC's active portfolio by 30 percent over a ten year period (June 30, 2008 – September 30, 2018) and by 50 percent over a fifteen year period (June 30, 2008 – September 30, 2023). "Active portfolio" is defined as all insurance contracts in force and all guaranty and direct loans with an outstanding principal balance.

#### **Baseline Accounting**

8.2 The baseline that is used to assess progress toward the goal identified in Section 8.1 is the sum of direct emissions from projects with significant emissions of greenhouse gases to which OPIC provided a commitment between 1974 and 2008 and which were in OPIC's active portfolio on June 30, 2008. Projects with significant emissions of greenhouse gases are defined as those projects with direct emissions exceeding 100,000 tons of CO<sub>2eq</sub> per year (See Glossary). OPIC used a third party to verify the baseline accounting.

#### **Annual Transactional Emissions Cap**

8.3 In order to achieve the 30 and 50 percent reduction goals (Paragraph 8.1) OPIC has established an annual transactional cap for all new projects within a given year with significant, direct greenhouse gas emissions. For the purposes of allocation of the annual cap, new projects are defined as those projects that receive an OPIC commitment within a given year. Allocation of the annual transactional cap is at OPIC's discretion. With respect to projects that involve the construction of coal-fired power plants, OPIC will give strong preference to projects that capture and sequester 85 percent of greenhouse gas emissions.

8.4 Extension of financing and insurance term shall be treated as new commitments for the purpose of this policy. For years in which the annual emissions associated with OPIC committed projects are less than the annual cap for that year, the remaining capacity may be allocated to subsequent years.

8.5 Projects involving renewable energy or "clean energy technology" are assigned a greenhouse gas emission level of zero for the purpose of this policy. "Clean energy technology" is defined as an energy supply or end use technology which, compared to a similar technology already in widespread commercial use in a host country, will reduce emissions of greenhouse gases or decrease the intensity of energy usage. "Renewable energy" is defined as electricity supplied from renewable energy sources, such as wind and solar power, geothermal, hydropower and various forms of biomass, but does not include nuclear power.

### **Annual Reporting and Accounting**

8.6 OPIC tracks and annually reports direct and indirect greenhouse gas emissions associated with OPIC office operations in accordance with accounting and reporting methods of the Greenhouse Gas Protocol (<http://www.ghgprotocol.org>).

8.7 OPIC tracks and reports on an individual project basis the annual greenhouse gas emissions associated with projects within OPIC's active portfolio with direct emissions that exceed 100,000 tons CO<sub>2eq</sub> per year. To the extent possible, OPIC calculates greenhouse gas emissions using methodologies approved by the Climate Registry <http://www.theclimateregistry.org> and other internationally accepted GHG accounting protocols. For emissions from sources without Registry-approved methodologies, OPIC uses emission estimates provided by the U.S. Environmental Protection Agency.

8.8 OPIC reports on an annual basis the projected greenhouse gas emissions associated with each newly committed project with direct emissions that exceed 100,000 tons of CO<sub>2eq</sub> per year. OPIC also annually reports on investments in renewable energy and environmentally beneficial projects and services, including investments to improve energy efficiency. Annual greenhouse gas emission estimates are subject to third party verification.

### **Energy Efficiency Requirements**

8.9 Responsible energy use is fundamental to sustainable development. All Applicants seeking OPIC support are encouraged to periodically evaluate energy use for all major facilities and functions associated with projects for which they are seeking OPIC support. Applicants are further encouraged to explore opportunities to reduce energy requirements by utilizing best principles in siting and architectural design; efficient manufacturing and operating methods; devices and appliances in lighting and refrigeration; transport; load management; and equipment selection.

8.10 All Applicants should explore opportunities to employ renewable energy sources in project design. As a condition of OPIC support, projects in Energy Intensive Sectors must meet energy efficiency guidelines and benchmarks as established by international organizations, or develop and implement an energy management program to achieve these guidelines and benchmarks within a reasonable period of time. Energy management programs should be appropriate to the nature and scale of project operations. The program should document methods to reduce overall energy consumption patterns through reduction in energy losses and improvements in energy conversion efficiency.

8.11 In some projects, process modifications may be required to achieve guidelines and benchmarks. Industry specific resources on energy efficiency may be obtained from the Energy Star program [http://www.energystar.gov/index.cfm?c=industry.bus\\_industry\\_info\\_center](http://www.energystar.gov/index.cfm?c=industry.bus_industry_info_center).

## APPENDIX A

### Illustrative list of Category A Projects

Although decisions on categorization are made on a case-by-case basis, the following list is indicative of the types of projects that are screened by OPIC as Category A.

1. Large-scale industrial plants.
2. Large-scale industrial estates.
3. Crude oil refineries and installations for the gasification and liquefaction of 500 tons or more of coal or bituminous shale per day.
4. Major greenhouse gas emitting projects, defined as projects with direct greenhouse gas emissions of more than 100,000 tons of CO<sub>2eq</sub> per year.
5. Cement manufacturing with an annual production rate of greater than one million dry weight tons.
6. Installations designed for the production or enrichment of nuclear fuels; the reprocessing, storage or final disposal of irradiated nuclear fuels; or for the storage, disposal or processing of radioactive waste.
7. Integrated works for the initial smelting of cast-iron and steel; installations for the production of non-ferrous crude metals from ore, concentrates, or secondary raw materials by metallurgical, chemical or electrolytic processes.
8. 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 tons finished product; for friction material with an annual production of more than 50 tons finished product; and for other asbestos utilization of more than 200 tons per year.
9. Integrated chemical installations, i.e. those installations that manufacture, on an industrial scale, substances using chemical conversion processes in which several units are juxtaposed and are functionally linked to one another and which produce: basic organic chemicals; basic inorganic chemicals; phosphorous, nitrogen or potassium based fertilizers (simple or compound fertilizers); basic plant health products and biocides; basic pharmaceutical products using a chemical or biological process; explosives.
10. Projects that manufacture, store, transport or dispose hazardous or toxic materials.
11. All projects that pose potentially serious occupational or health risks.
12. Construction of motorways, express roads, lines for long-distance railway traffic, and airports with a basic runway length of 2,100 meters or more. Construction of

- new roads with four or more lanes or realignment and/or widening of an existing road so as to provide four or more lanes where such new road, or realigned and/or widened section of road, would be 10 km or more in a continuous length.
13. Pipelines, terminals, and associated facilities for the large-scale transport of gas, oil, and chemicals.
  14. Seaports and also inland waterways and ports for inland-waterway traffic that permit the passage of vessels of over 1,350 tons; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) that can take vessels of over 1,350 tons.
  15. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
  16. Construction or significant expansion of dams and reservoirs not otherwise prohibited.
  17. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more.
  18. Industrial plants for the (a) production of pulp from timber or similar fibrous materials; (b) production of paper and board with a production capacity exceeding 200 air-dried metric tons per day.
  19. Peat extraction.
  20. Quarries, mining, or processing of metal ores or coal.
  21. Major exploration and development of on-shore oil and gas reserves.
  22. Exploration and development of off-shore oil and gas reserves.
  23. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tons or more.
  24. Large-scale logging.
  25. Large-scale power transmission.
  26. Municipal wastewater treatment plants servicing more than 150,000 people.
  27. Municipal solid waste-processing and disposal facilities.
  28. Large-scale tourism and retail development.
  29. Large-scale land reclamation.
  30. Large-scale primary agriculture/plantations involving intensification or conversion of previously undisturbed land.

31. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
32. Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows.
33. All projects with potentially major impacts on people or which pose serious socio-economic risk including but not limited to physical and economic displacement, impacts on indigenous peoples and adverse impacts on cultural heritage.
34. Greenfield housing developments that contain more than 2,500 residential units.
35. Projects, not categorically prohibited, but located in or sufficiently near sensitive locations of national or regional importance which may have apparent environmental impacts on:
  - Wetlands;
  - Areas of archeological significance;
  - Areas prone to erosion and/or desertification;
  - Areas of importance to ethnic groups/indigenous peoples;
  - Primary temperate/boreal forests;
  - Coral reefs;
  - Mangrove swamps;
  - Nationally-designated seashore areas; and
  - Managed resource protected areas, protected landscape/seascape (IUCN categories V and VI) as defined by IUCN's Guidelines for Protected Area Management Categories. Additionally, these projects must meet IUCN's management objectives and follow the spirit of IUCN definitions.

## APPENDIX B

### Categorical Prohibitions

- I. Projects that involve conversion or degradation of critical forest areas or forest-related critical natural habitats (See Glossary).
- II. Projects involving the construction of dams that significantly and irreversibly:  
(a) disrupt natural ecosystems upstream or downstream of the dam; or (b) alter natural hydrology; or (c) inundate large land areas; or (d) impact biodiversity; or (e) displace large numbers of inhabitants (5,000 persons or more); or (f) impact local inhabitants' ability to earn a livelihood (See Section 6.4).
- III. Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans such as pharmaceuticals<sup>3</sup>, pesticides/herbicides<sup>4</sup>, ozone depleting substances<sup>5</sup>, polychlorinated biphenyls<sup>6</sup> and other hazardous substances<sup>7</sup>, wildlife or wildlife products regulated under the Convention on International Trade and Endangered Species of Wild Fauna and Flora<sup>8</sup> and trans-boundary trade in waste or waste products<sup>9</sup>.
- IV. Projects that require resettlement of 5,000 or more persons.
- V. Projects in or impacting natural World Heritage Sites [http://www.unep-wcmc.org/protected\\_areas/world\\_heritage/index.htm](http://www.unep-wcmc.org/protected_areas/world_heritage/index.htm) unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- VI. Projects in or impacting areas on the United Nations List of National Parks and Protected Areas [http://www.unep-wcmc.org/protected\\_areas/UN\\_list/index.htm](http://www.unep-wcmc.org/protected_areas/UN_list/index.htm) unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.
- VII. Extraction or infrastructure projects in or impacting: protected area Categories I, II, III, and IV (Strict Nature Reserve/Wilderness Areas and National Parks, Natural Monuments and Habitat/ Species Management Areas), as defined by the International Union for the Conservation of Nature

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<sup>3</sup> A list of pharmaceutical products subject to phase-outs or bans is available at <http://www.who.int>

<sup>4</sup> A list of pesticides and herbicides subject to phase-outs or bans is available at <http://www.pic.int>

<sup>5</sup> A list of the chemical compounds that react with and deplete stratospheric ozone together with target reduction and phase-out dates is available at <http://www.unep.org/ozone/montreal/>

<sup>6</sup> Polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

<sup>7</sup> A list of hazardous chemicals is available at <http://www.pic.int>

<sup>8</sup> A list is of CITES species is available at <http://www.cites.org>

<sup>9</sup> As defined by the Basel Convention; see <http://www.basel.int>

(IUCN). Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with IUCN management objectives [http://www.unep-wcmc.org/protected\\_areas/categories/eng/index.htm](http://www.unep-wcmc.org/protected_areas/categories/eng/index.htm) unless it can be demonstrated through an environmental assessment that the project (i) will not result in the degradation of the protected area and (ii) will produce positive environmental and social benefits.

- VIII. Production of or trade in radioactive materials<sup>10</sup>, including nuclear reactors and components thereof.
- IX. Production of, trade in or use of un-bonded asbestos fibers<sup>11</sup>.
- X. Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to biodiversity and habitats.

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<sup>10</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which OPIC considers the radioactive source to be trivial and adequately shielded.

<sup>11</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

## APPENDIX C

### Summary - International Finance Corporation Performance Standards on Social & Environmental Sustainability<sup>12</sup>

#### Performance Standard 1 – Social and Environmental Assessment and Management Systems

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_P S1/\\$FILE/PS\\_1\\_SocEnvAssessmentMgmt.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_P S1/$FILE/PS_1_SocEnvAssessmentMgmt.pdf)

#### Objectives –

- Identify and assess environmental and social impacts in the project's area of influence.
- Avoid, minimize, mitigate or compensate for adverse impacts.
- Ensure that affected communities are engaged on issues that may affect them.
- Promote improved environmental and social performance through effective management systems.

#### Major Requirements –

- Conduct an Environmental and Social Impact Assessment of the project, proportionate to the nature and scale of the proposed project's potential impacts and risk, including those issues identified in Performance Standards 2 through 8.
- Establish Environmental and Social Management Systems commensurate with the findings of the assessment process and in consultation with affected communities.
- Develop and implement Action Plans where specific mitigation is required for the project to comply with applicable laws, regulations and the requirements of these Performance Standards.
- Provide organizational capacity and training to enable the project to achieve environmental and social performance standards.
- Establish and maintain a process of community engagement, including a grievance mechanism, focusing on disclosure of information and consultation with local communities that may be affected by project risks and impacts.
- Establish procedures to monitor and measure the effectiveness of the environmental and social management program and report on program effectiveness to management and affected communities.

#### Guidance Note – Social and Environmental Assessment and Management Systems:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_1/\\$FILE/2007+Updated+Guidance+Note\\_1.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_1/$FILE/2007+Updated+Guidance+Note_1.pdf)

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<sup>12</sup> Applicants should carefully review the full text of the IFC Performance Standards, including all Guidance Notes, to ensure full understanding of the requirements.

Performance Standard 2 – Labor and Working Conditions<sup>13</sup>

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_PS2/\\$FILE/PS\\_2\\_LaborWorkingConditions.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_PS2/$FILE/PS_2_LaborWorkingConditions.pdf)

Objective –

- Promote safe working conditions and protect and promote the health of workers.

Major Requirement –

- Provide workers with a safe and healthy work environment.

Guidance Note – Labor and Working Conditions:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_2/\\$FILE/2007+Updated+Guidance+Note\\_2.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_2/$FILE/2007+Updated+Guidance+Note_2.pdf)

Performance Standard 3 – Pollution Prevention and Abatement

[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_PS3/\\$FILE/PS\\_3\\_PollutionPreventionAbatement.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_PS3/$FILE/PS_3_PollutionPreventionAbatement.pdf)

Objectives –

- Avoid or minimize adverse impacts on human health and environment by avoiding or minimizing pollution from project activities.
- Promote the reduction of emissions that contribute to climate change.

Major Requirements –

- Consider ambient conditions throughout the project life cycle and apply pollution prevention and control technologies that are best suited to avoid, minimize or reduce impacts on human health and the environment, consistent with good industry practice.
- Avoid, or where unavoidable, control the intensity or load of their release, including the prevention of accidental releases.
- Avoid or minimize the generation of hazardous and non-hazardous wastes to the extent practicable and where unavoidable, recover and reuse to the extent possible or treat, destroy or dispose in an environmentally sound manner.
- Avoid, or where unavoidable, minimize or control the release of hazardous materials. Avoid the manufacture, trade or use of chemical and hazardous materials subject to international bans.
- Prepare to respond to process upsets, accidents or emergency situations in a manner appropriate to the operational risks and potential negative consequences.
- Refer to the Industry Sector Guidelines when evaluating and selecting pollution prevention and control approaches.
- Address adverse project impacts on existing ambient conditions related to land use, proximity to ecologically sensitive or protected areas, the capacity of air and water to absorb incremental pollutants while remaining at acceptable levels and the potential for cumulative

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<sup>13</sup> Worker rights and human rights issues are addressed under separate OPIC policies based on Statutory requirements found at Sections 231(a) and 239(i) et al. of the Foreign Assistance Act. Only issues related to Occupational Health and Safety are addressed under this Environmental and Social Policy Statement.

impacts with uncertain consequences. Avoid or minimize the release of pollutants in already degraded areas.

- Reduce project related greenhouse gas emissions in a manner appropriate for the nature and scale of the project. Annually quantify emissions in accordance with internationally accepted methodologies. Note: OPIC-supported projects are subject to policies detailed in Section 8 of this Policy Statement.
- Formulate and implement an integrated pest management program and use chemical controls only as a last resort to prevent unacceptable levels of pest damage.

Guidance Note – Pollution Prevention and Abatement:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_3/\\$FILE/2007+Updated+Guidance+Note\\_3.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_3/$FILE/2007+Updated+Guidance+Note_3.pdf)

Performance Standard 4 – Community Health and Safety<sup>14</sup>

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_P4/\\$FILE/PS\\_4\\_CommHealthSafetySecurity.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_P4/$FILE/PS_4_CommHealthSafetySecurity.pdf)

Objective –

- Avoid or minimize the risks to and impacts on the health and safety of local communities during the project life cycle from both routine and non-routine circumstances.

Major Requirements –

- Evaluate risks and impacts to the health and safety of affected communities in the design throughout the project life cycle and establish preventative measures to address risks in a manner commensurate with the identified risks and impacts.
- Disclose Action Plans and other relevant information to the affected communities and relevant government agencies to enable them to understand potential risks and impacts.
- Design, construct, operate and decommission structural elements or components of the project in accordance with good international industry practice, giving special consideration to potential exposure to natural hazards, where the structural elements are accessible to the affected community or where failure could result in injury to the community. When structural elements are located in high risk locations or where failure could threaten the safety of communities, engage one or more qualified experts to review the design. Take measures to prevent the occurrence of accidents when moving equipment on public roads.
- Prevent or minimize the potential for community exposure to hazardous materials that may be released by the project. Exercise commercially reasonable efforts to control the safety of deliveries of raw materials, the transportation and disposal of wastes and avoid or control community exposure to pesticides.
- Avoid or minimize the exacerbation of impacts caused by natural hazards that could arise from land use changes due to the project. Minimize project related adverse impacts on soil, water or other natural resources used by affected communities.
- Prevent or minimize community exposure to water-borne, water-related, vector-borne or other communicable diseases that could result from project activities, including the influx of temporary or permanent project labor.
- Assist affected communities in preparing to respond to emergency situations. Document emergency procedures and responsibilities and disclose in the Action Plan or other relevant documents.

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<sup>14</sup> Impacts and risks associated with human rights issues related to security personnel are addressed under separate OPIC policies. Only issues related to community health and safety are addressed under this Environmental and Social Policy Statement.

Guidance Note – Community Health and Safety:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_4\\$FILE/2007+Updated+Guidance+Note\\_4.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_4$FILE/2007+Updated+Guidance+Note_4.pdf)

Performance Standard 5 – Land Acquisition and Involuntary Resettlement

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_P5\\$FILE/PS\\_5\\_LandAcqInvolResettlement.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_P5$FILE/PS_5_LandAcqInvolResettlement.pdf)

Objectives –

- Avoid or minimize involuntary resettlement whenever feasible by exploring alternative project designs.
- Mitigate adverse social and economic impacts by providing compensation for loss of assets at replacement cost and insuring that resettlement activities are implemented with appropriate disclosure of information, consultation and informed participation of those affected.
- Improve or at least restore livelihoods and living standards of displaced persons.
- Improve living conditions among displaced persons through provision of adequate housing with security of tenure at resettlement sites.

Major Requirements –

- Consider feasible alternative designs to avoid or at least minimize physical or economic displacement.
- Offer displaced persons and communities compensation for loss of assets at full replacement cost and assistance to improve or at least restore their living standards and livelihoods. Compensation standards must be transparent and consistent within the project. If land based, or where land is collectively owned, offer land-based compensation where feasible, and provide opportunities to displaced persons and communities to derive appropriate development benefits from the project.
- Following full disclosure, consult with and facilitate the informed participation of affected persons and communities in decision making processes related to resettlement. Continue consultation during implementation, monitoring and evaluation of compensation payment to insure outcomes consistent with the objectives of the Performance Standard.
- Establish a grievance mechanism to receive and address specific concerns about compensation and relocation raised by displaced persons or members of the host community. Establish a recourse mechanism to resolve disputes in an impartial manner.
- Where resettlement is unavoidable carry out a census with socio-economic baseline data to identify people that will be displaced, determine eligibility for compensation and assistance and to discourage the influx of people ineligible for those benefits. In the absence of local government procedures, establish a cut-off date for eligibility, and document and disseminate through the project area information regarding the cut-off date.
- Develop a resettlement action plan or framework for acquisition of land through the exercise of eminent domain or through negotiated settlements involving physical displacement that is based on the environmental and social assessment process regardless of the number of people affected.
- For negotiated settlements involving economic displacement, develop procedures to offer affected people and communities compensation and other assistance in accordance with the requirements of the performance standard.
- In the case of physical displacement, offer displaced persons choices among feasible resettlement options, including adequate housing or cash compensation prior to relocation

and provide relocation assistance suited to the needs of each group, with particular attention paid to vulnerable groups. New resettlement sites will offer improved living conditions.

- In the case of displaced persons having no recognizable legal right or claim to the land they occupy, offer them a choice of options for adequate housing with security of tenure enabling them to resettle legally without the risk of forced eviction. Provide these persons with compensation for occupied structures and other improvements to the land at full replacement cost, provided they occupy the land prior to the eligibility cut-off date.
- In the case of physical displacement of communities of indigenous people from their communally held or traditional lands, projects are required to meet the requirements of both Performance Standard 5 and 7.
- In the case of host government managed resettlement, collaborate with the responsible government agency to achieve outcomes consistent with the objectives of the Performance Standard.

Guidance Note – Land Acquisition and Involuntary Resettlement:

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_5/\\$FILE/2007+Updated+Guidance+Note\\_5.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_5/$FILE/2007+Updated+Guidance+Note_5.pdf)

#### Performance Standard 6 – Biodiversity Conservation and Sustainable Resource Management

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_PS6/\\$FILE/PS\\_6\\_BiodivConservation.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_PS6/$FILE/PS_6_BiodivConservation.pdf)

Objectives –

- Protect and conserve biodiversity.
- Promote the sustainable management and use of natural resources through the adoption of practices that integrate conservation needs and development priorities.

Major Requirements –

- Assess the significance of project impacts on all levels of biodiversity as an integral part of the environmental and social assessment process. Focus on the major threats to biodiversity including habitat destruction and invasive species. Retain qualified and experienced experts if the project impacts critical habitats or legally protected areas. – Note: OPIC categorically prohibits support for projects located in certain internationally recognized protected areas.
- In areas of modified habitat, minimize conversion or degradation of habitat and identify opportunities to enhance habitat and conserve biodiversity.
- In areas of natural habitat, do not degrade or convert the habitat unless there are no technically or financially feasible alternatives, or unless the overall benefits of the project outweigh the costs and the conversion or degradation is appropriately mitigated.
- In areas of natural habitat mitigation measures should be designed to achieve no net loss of biodiversity and may include post-project restoration of habitats, offsets for losses and/or compensation to direct users of biodiversity.
- In areas of critical habitat there may be no measurable adverse impacts on the ability of the critical habitat to support the established population of critically endangered or endangered species. There may be no net reduction in the population of those species and mitigation measures must be taken to address lesser impacts.
- Intentional introduction of new alien species is prohibited unless carried out in accordance with the existing regulatory framework or is subject to a risk assessment to determine the potential for invasive behavior. Deliberate introduction of alien species with a high risk of invasive behavior is prohibited. Diligence must be exercised to prevent accidental or unintended introduction. Note: OPIC is prohibited from supporting projects that involve the introduction of alien species into national parks or similar protected areas.

- Renewable natural resources should be managed in a sustainable manner. Where possible sustainable management should be demonstrated through independent certification. Note: OPIC requirements in this area are found in paragraphs 3.15 – 3.18 of this Policy Statement.
- Projects involved in natural forest harvesting or plantation development should not cause any conversion or degradation of critical habitat. Plantation projects should be located on un-forested land or land already converted. Sustainable forest management certification is required. Note: OPIC categorically prohibits support for projects that involve conversion or degradation of critical forest areas (See Appendix B).
- Projects involved in the production and harvesting of fish populations and other aquatic species must demonstrate that their activities are being undertaken in a sustainable manner through independent certification or through studies carried out in conjunction with the ESIA.

Guidance Note – Biodiversity Conservation and Sustainable Natural Resource Management  
[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_6/\\$FILE/2007+Updated+Guidance+Note\\_6.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_6/$FILE/2007+Updated+Guidance+Note_6.pdf)

Performance Standard 7 – Indigenous Peoples

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_P57/\\$FILE/PS\\_7\\_IndigenousPeoples.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_P57/$FILE/PS_7_IndigenousPeoples.pdf)

Objectives –

- Ensure that the process fosters full respect for the dignity, human rights, aspirations, cultures and natural resource based livelihoods of indigenous peoples.
- Avoid adverse impacts of projects on communities of indigenous peoples or when avoidance is not feasible, minimize, mitigate or compensate for such impacts, while providing opportunities for development benefits in a culturally appropriate manner.
- Establish and maintain an ongoing relationship with indigenous peoples affected by a project throughout the life of the project.
- Foster good faith negotiation based on informed participation with indigenous peoples when projects are located on traditional land under use by those peoples.
- Respect and preserve the culture, knowledge and practice of indigenous peoples.

Major Requirements –

- Identify, through the ESIA process, all communities of indigenous peoples who may be affected by the project within the project's area of influence as well as the nature and degree of the expected (though unavoidable) social, cultural and environmental impacts.
- If the impacts are unavoidable, minimize, mitigate, or compensate for identified impacts in a culturally appropriate manner. Develop a proposed action plan through informed participation and contained in a time-bound Indigenous Peoples Development Plan or a broader community development action plan with a separate component for indigenous people.
- Establish an on-going relationship with the affected communities of indigenous peoples from early design through the life of the project. In projects with adverse impacts on such peoples the consultation process is required to ensure their free, prior and informed consultation and facilitate their informed participation on matters directly affecting them, such as proposed mitigation measures, the sharing of development benefits and implementation issues. The process of engagement must be culturally appropriate and commensurate with the risks and potential impacts to the indigenous people. The consultation process should involve indigenous peoples' representative bodies, men and women of various age groups as culturally appropriate, and provide sufficient time for collective decision-making by the people. The consultation should facilitate peoples' expression of views, concerns and proposals in the language of their choice and without manipulation or coercion. The project's grievance mechanism should be culturally appropriate and accessible.

- Identify, through the process of free, prior informed consultation and informed participation by the affected communities, opportunities for culturally appropriate development benefits. Such opportunities should be commensurate with the degree of project impacts and aim to improve the standard of living and livelihoods in a culturally appropriate manner and to foster the long-term sustainability of the natural resources on which they depend. Development benefits should be documented in the Indigenous Peoples Development Plan or a broader community development and provided in a timely manner.
- Address any special requirements identified in the Performance Standard including impacts on traditional or customary lands under use, relocation of indigenous people from traditional or customary lands and impacts on cultural resources.

Guidance Note – Indigenous Peoples

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_7/\\$FILE/2007+Updated+Guidance+Note\\_7.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_7/$FILE/2007+Updated+Guidance+Note_7.pdf)

Performance Standard 8 – Cultural Heritage

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_PerformanceStandards2006\\_P8/\\$FILE/PS\\_8\\_CulturalHeritage.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_PerformanceStandards2006_P8/$FILE/PS_8_CulturalHeritage.pdf)

Objectives –

- Protect cultural heritage from the adverse impacts of project activities and support its preservation.
- Promote the equitable sharing of benefits from the use of cultural heritage in business activities.

Major Requirements –

- Comply with relevant national law on protection of cultural heritage, including national law implementing the obligations under the Convention Concerning the Protection of World Cultural and National Heritage and other relevant international laws. Protect and support cultural heritage by undertaking internationally recognized practices for the protection, field-based study and documentation. If a project involves the removal of cultural heritage or impacts on critical cultural heritage, retain qualified and experienced experts to assist in the assessment.
- Select sites and design to avoid significant damage to cultural heritage. When the proposed location is in areas where cultural heritage is expected to be found either during construction or operations implement chance find procedures. Chance finds should not be disturbed pending an assessment by a competent specialist.
- Consult with affected communities who use, or have used in living memory, the cultural heritage for long standing cultural purposes to identify cultural heritage of importance. Incorporate the views of the affected community into the decision making process. Consult with relevant national or local regulatory authorities that are entrusted with the protection of cultural heritage.
- No removal of cultural heritage is permitted unless there are no technically or financially feasible alternatives or the overall benefit of the project outweighs the loss of cultural property. Any removal must employ the best available technique.
- In the case of critical cultural heritage, such heritage shall not be significantly altered, damaged or removed. If a project may significantly damage such heritage and the damage or loss may endanger the cultural or economic survival of communities within the host country, consult with affected communities, conduct good faith negotiations and document the successful outcome of the negotiations. All other impacts on the cultural heritage must be mitigated with the informed participation of the affected communities.

- In the case of legally protected cultural heritage within a legally protected area or defined buffer zone comply with national or local heritage regulations, consult with local communities and key stakeholders and implement programs to promote and enhance the conservation aims of the protected area. Note: OPIC categorically prohibits support for projects located in certain internationally recognized protected areas.
- Where a project proposes to use cultural resources, knowledge innovations or practices of local communities for commercial purposes inform local communities of their rights under national law the nature of the commercial development and the possible consequences of the development. Commercialization cannot proceed unless the project enters into a good faith negotiation with the local community and documents their informed participation and the successful outcome of the negotiation. The successful negotiation must provide for fair and equitable sharing of the benefits of commercialization.

Guidance Note – Cultural Heritage

[http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol\\_GuidanceNote2007\\_8/\\$FILE/2007+Updated+Guidance+Note\\_8.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/pol_GuidanceNote2007_8/$FILE/2007+Updated+Guidance+Note_8.pdf)

## **APPENDIX D**

### **International Finance Corporation Environmental, Health and Safety (EHS) Guidelines**

<http://www.ifc.org/ifcext/sustainability.nsf/Content/EnvironmentalGuidelines>

#### **General EHS Guidelines**

#### **Industry Sector Guidelines**

##### **Forestry**

- Board and Particle-based Products
- Sawmilling and Wood-based Products
- Forest Harvesting Operations
- Pulp and Paper Mills

##### **Agribusiness/Food Production**

- Mammalian Livestock Production
- Poultry Production
- Plantation Crop Production
- Annual Crop Production
- Aquaculture
- Sugar Manufacturing
- Vegetable Oil Processing
- Dairy Processing
- Fish Processing
- Meat Processing
- Poultry Processing
- Breweries
- Food and Beverage Processing

##### **General Manufacturing**

- Cement and Lime Manufacturing
- Ceramic Tile and Sanitary Ware Manufacturing
- Glass Manufacturing

Construction Materials Extraction  
Textiles Manufacturing  
Tanning and Leather Finishing  
Semiconductors and Electronics Manufacturing  
Printing  
Foundries  
Integrated Steel Mills  
Base Metal Smelting and Refining  
Metal, Plastic, Rubber Products Manufacturing

**Oil and Gas**

Offshore Oil and Gas Development  
Onshore Oil and Gas Development  
Liquefied Natural Gas (LNG) Facilities

**Infrastructure**

Tourism and Hospitality Development  
Railways  
Ports, Harbors and Terminals  
Airports  
Airlines  
Shipping  
Gas Distribution Systems  
Toll Roads  
Telecommunications  
Crude Oil and Petroleum Product Terminals  
Retail Petroleum Networks  
Health Care Facilities  
Waste Management Facilities  
Water and Sanitation

**Chemicals**

Pharmaceuticals and Biotechnology Manufacturing  
Coal Processing  
Natural Gas Processing

Oleochemicals Manufacturing  
Nitrogenous Fertilizer Manufacturing  
Phosphate Fertilizer Manufacturing  
Pesticides Formulation, Manufacturing and Packaging  
Petroleum-based Polymer Manufacturing  
Petroleum Refining  
Large Volume Petroleum-based Organic Chemicals Manufacturing  
Large Volume Inorganic Compounds Manufacturing and Coal Tar Distillation

**Mining**

Mining

**Power**

Wind Energy  
Geothermal Power Generation  
Electric Power Transmission and Distribution  
Thermal Power

## APPENDIX E

### Glossary

**African Development Bank** – A regional multilateral development bank engaged in promoting the economic development and social progress of its regional member countries.

**Asian Development Bank** – A multilateral development bank that promotes economic and social progress in the Asia Pacific region.

**Baseline Audit** - An assessment of environmental and related social impacts of pre-existing or ongoing activities that is required for all Category A projects that involve the acquisition of pre-existing facilities or new construction on a site where prior industrial activities have occurred.

**Categorically Prohibited Project** – A Project of the type listed in Appendix B where potential adverse environmental or social impacts of the project preclude OPIC support.

**Clean Energy Technology** – The term “clean energy technology” means an energy supply or end-use technology that, compared to a similar technology already in widespread commercial use in a host country, will (A) reduce emissions of greenhouse gases; or (B) decrease the intensity of energy usage.

**CO<sub>2eq</sub>** – Carbon Dioxide Equivalents are a metric measure used to compare the emissions from various greenhouse gases based upon their global warming potential (GWP). The carbon dioxide equivalent for a gas is derived by multiplying the tonnes of the gas by the associated GWP. For example, the GWP for methane is 21 and for nitrous oxide 310. This means that the emissions of 1 million metric tonnes of methane and nitrous oxide respectively is equivalent to emissions of 21 and 310 million metric tonnes of carbon dioxide.

**Critical forest areas** - A type of natural forest that qualifies as critical natural habitat.

**Critical natural habitats** - (1) Existing internationally recognized protected areas, areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital to the viability of protected areas (as determined by the environmental assessment procedure). (2) Sites identified on supplementary lists by authoritative sources identified by OPIC. Such sites may include areas recognized by traditional local communities (e.g., sacred groves), areas with known high suitability for biodiversity conservation and sites that are critical for vulnerable, migratory or endangered species. Listings are based on systematic evaluations of such factors as species richness, the degree of endemism, rarity, and vulnerability of component species, representativeness and the integrity of ecosystem processes.

**Cultural Heritage** – Tangible forms of cultural heritage, such as tangible property or sites having archaeological (prehistoric), paleontological, historical, cultural, artistic and religious value, as well as unique environmental features that embody cultural values, such as sacred groves. Cultural heritage also include intangible forms of culture, such as cultural knowledge, innovations and practices of communities embodying traditional lifestyles.

**Direct Emissions** – Emissions from sources that are owned or controlled by a project, including stationary combustion emissions, mobile combustion emissions, process emissions and fugitive emissions.

**Economic Displacement** – Loss of assets or access to assets that leads to loss of income sources or means of livelihood.

**Energy Intensive Sectors** – Projects in the following sectors: aluminum, brewing, cement, mining, corn refining, forest products, glass, metal casting, motor vehicle manufacturing, oil and natural gas production, petroleum refining, pharmaceuticals, pulp and paper, steel and iron, thermal power.

**Environmental and Social Action Plan (ESAP)** – A systematic program designed to prevent, mitigate and monitor anticipated environmental and related human impacts of prospective and ongoing activities. Required on all Category A projects.

**Environmental and Social Impact Assessment (ESIA)** – A comprehensive analytical body of work designed to evaluate environmental impacts of major projects having the potential to have significant, diverse and irreversible impacts on the natural environment and on humans dependent on that environment. Required for all Category A projects involving new (greenfield) developments or significant expansion of existing facilities.

**Environmental and Social Management System** – Part of a project's overall management system that includes the organizational structure, responsibilities, practices and resources necessary for implementing the project-specific management program developed through the environmental and social assessment of the project.

**European Bank for Reconstruction and Development (EBRD)** - A multilateral development bank established in 1990 to assist in the economic, social and political development of Central and Eastern Europe and the New Independent States of the former Soviet Union whose members include the European Community and the United States.

**Financial Intermediary (FI)** – An investment fund, bank or other financial institution, or other entity or vehicle that receives financing, guarantees or insurance from OPIC and provides debt or equity financing guaranteed or insured by OPIC directly to identifiable projects or enterprises (“Subprojects”).

**Foreign Assistance Act (FAA)** – The Foreign Assistance Act of 1961, as amended.

**Forest** - An area of land not less than 1.0 hectare with a tree crown cover (or equivalent stocking level) of more than 10 percent that has trees with the potential to reach a minimum height of 2 meters at maturity *in situ*. A forest may consist of either closed forest formations, where trees of various stories and undergrowth cover a high

proportion of the ground, or open forest. Young natural stands and all plantations that have yet to reach a crown density of 10 percent or tree height of 2 meters are included under forest, as are areas normally forming part of the forest area that are temporarily unstocked as a result of human intervention such as harvesting or natural causes but that are expected to revert to forest. The definition includes forests dedicated to forest production, protection, multiple uses, or conservation, whether formally recognized or not. The definition excludes areas where other land uses not dependent on tree cover predominate, such as agriculture, grazing or settlements. In countries with low forest cover, the definition may be expanded to include areas covered by trees that fall below the 10 percent threshold for canopy density, but are considered forest under local conditions (See Section 2.1 and Appendix F).

**Greenhouse Gases** – the following six gases or class of gases: carbon dioxide (CO<sub>2</sub>), nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>), hydro fluorocarbons (HFCs), per fluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>).

**Industry Sector Guidelines** – Technical reference documents with general and industry specific performance levels and measures that are normally acceptable to OPIC.

**Inter-American Development Bank** – A regional multilateral development bank that makes loans to, and investments in, projects in the Latin American region.

**International Finance Corporation (IFC)** – An affiliate of the World Bank group that makes loans to, and investments in, private sector projects in developing countries and emerging markets.

**Host Country Notification** – A notification to government officials in the country where a Category A project is located that identifies international guidelines and standards and restrictions under U.S. law that would be applicable to the project.

**Natural forests** - Forest lands and associated waterways where the ecosystem's biological communities are formed largely by native plant and animal species and where human activity has not essentially modified the area's primary ecological functions.

**OPIC Agreement** – An OPIC loan agreement, guaranty agreement, project consent or insurance contract.

**Physical Displacement** – Relocation or loss of shelter.

**Project Affected People** – Individuals, groups or local communities that may be affected by the project, directly or indirectly. Emphasis should be placed on those who are directly and adversely affected, disadvantaged or vulnerable.

**Project Dependent Facilities and Infrastructure** – New or additional facilities or infrastructure that are essential for or required by a project.

**Remediation Plan** – A systematic program designed to reverse adverse environmental and social impacts of previous activities at a site.

**Renewable Energy** - Energy supplied from renewable energy sources, such as wind and solar power, geothermal, hydropower and various forms of biomass, but does not include nuclear power.

**Third-party Audit Certification** – A report from a third party auditor that certifies in writing that a project is operating in compliance with the representations, warranties and covenants contained within an OPIC Agreement.

**World Bank (WB)** - International Bank for Reconstruction and Development.