

OPIC Environmental Handbook (February 2004)

OPIC's Mission Statement

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 nonmarket to market economies. In accomplishing its mission, OPIC will promote positive U.S. effects and host country development effects. OPIC will assure that the projects it supports are consistent with sound environmental and worker rights standards. In conducting its programs, OPIC will also take into account guidance from the Administration and Congress on a country's observance of, and respect for, human rights. In accomplishing its mission, OPIC will operate on a self-sustaining basis.

Introduction: Statement of Purpose and Objectives

This Handbook is intended to provide information to OPIC's users, as well as the interested public, with respect to the general environmental guidelines, assessment and monitoring procedures that OPIC applies, in its discretion, to prospective and ongoing investment projects. The standards and procedures described in this Handbook generally reflect existing practice at OPIC as it has evolved since the enactment in 1985 of statutory environmental provisions applicable to OPIC. (The environmental provisions contained in OPIC's statute are reprinted in Appendix A.) (OPIC is also subject to [Executive Order 12114](#), "Environmental Effects Abroad of Major Federal Actions." Environmental Assessment Procedures for EO 12114 are included in [Appendix A](#).) Additionally, the Handbook reflects general policy initiatives announced by President Clinton at the United Nations Special Session on the Environment in June of 1997 as well as comments from OPIC's users and other members of the public, during the February 25 to June 24, 1998 comment period in response to OPIC's publication of the Handbook in the Federal Register. The provisions noted in this Handbook apply to all political risk insurance, project finance and OPIC-supported financial intermediaries unless otherwise noted.

Since 1985, OPIC has been required by statute to assess the environmental impacts of projects under consideration for political risk insurance and financing. OPIC's authorizing statute was also amended at that time to direct the Corporation to decline assistance to projects posing a "major or unreasonable hazard to the environment, health or safety" or resulting in the "significant degradation of a national park or similar protected area." OPIC was also directed to operate its programs consistent with the intent of sections 117, 118 and 119 of the Foreign Assistance Act relating to environmental impact assessment, tropical forests, biological diversity and endangered species. Then and since Congress has continued to express its intent that "great care...be paid to assuring the environmental soundness of U.S. Government supported foreign assistance projects." This is particularly important given OPIC's self-sustaining mandate. OPIC strongly supports these principles on their own merits.

Over the years OPIC has worked with counterpart organizations providing similar services to investors in the U.S., overseas and on a multilateral basis as environmental procedures were developed. Many of the OPIC standards and procedures described in this Handbook are also applied by organizations such as the International Finance Corporation ([IFC](#)) and the Multilateral Investment Guarantee Agency ([MIGA](#)), both affiliates of the [World Bank](#); the European Bank for Reconstruction and Development ([EBRD](#)); and the [U.S. Export-Import Bank](#). In OPIC's experience, the progressive harmonization of standards and procedures similar to those used by these and other similar organizations worldwide has facilitated co-financing and co-insurance arrangements and made it simpler for clients to address environmental requirements.

While the issuance of this Handbook as a final rather than a draft document is intended to provide OPIC users and the public with a consistent framework for interacting with OPIC on environmental matters, we recognize that the field of environmental assessment and

management is an evolving science. OPIC welcomes comments from business and public interest organizations seeking to enhance OPIC's ability to accomplish its diverse mandates.

Summary of OPIC Environmental Procedures

OPIC projects receive thorough yet efficient environmental review, following the process described below. Applicants should carefully review the entire Environmental Handbook, including all [Appendices](#); to ensure full understanding of OPIC's Environmental Procedures.

- (1) OPIC screens the application to determine whether its support of the project would violate any categorical prohibitions required by OPIC's statute or policy (See [Categorical Prohibitions](#)) to the extent possible at this early stage. If the project is ineligible, OPIC informs the applicant immediately so as to avoid any unnecessary effort or expense on the part of the applicant.
- (2) If the project is not categorically ineligible, OPIC continues to screen the application to determine the level of environmental sensitivity associated with the industry sector or site involved (See [Environmental Screening](#)) and to request the appropriate type of information from the applicant.
- (3) If the project is identified as a Category A project, an Environmental Impact Assessment (EIA) and/or Initial Environmental Audit (IEAU) is required. Category B projects are subject to internal OPIC assessment based on information supplied by the applicant that need not take the form of an EIA. Category C projects do not have material impacts on the environment and are not subject to environmental assessment (See [Environmental Assessment](#)).
- (4) OPIC requires that applicants for Category A projects submit the EIA and/or IEAU in a form that can be made public without compromising business confidential information. With the consent of the applicant, the country and industry sector involved in a Category A project (but not the name of the applicant), are listed on OPIC's [Internet Web Site](#) and the EIA and/or IEAU is made publicly available on request for a designated comment period of 60 days prior to any final OPIC commitment to a project. No application for a Category A project can be processed without this public disclosure and review process. By statute, since 1985, environmentally sensitive projects have also been subject to host government notification prior to final commitment (See [Public Consultation and Disclosure](#) and [Appendix H](#)).
- (5) Concurrent with this public notification process, OPIC conducts an internal assessment of the project based on the EIA and other available information, including any comments it receives from the public. Category B projects are also subject to an internal environmental assessment. Through this review process, OPIC environmental staff assess the impacts of the project and the standards and mitigative conditions applicable to OPIC support (See [Environmental Standards](#)).
- (6) These conditions are discussed with the applicant and included as representations, warranties and covenants in the loan agreement or political risk insurance contract (See [Conditionality](#)).
- (7) OPIC monitors project compliance with contractual conditions throughout the term of the OPIC loan agreement or insurance contract (See [Monitoring and Compliance](#)).

(8) Category A projects are also required to conduct at least one independent environmental audit during the first three years of OPIC support (See [Compliance Audits](#)).

Similar procedures, but with restrictions on public disclosure and consultation, apply to OPIC consideration and support of projects supported by an OPIC-guaranteed investment fund or other financial intermediaries (See [Investment Funds Policy](#)).

Environmental Screening

Environmental screening is the process of identifying, at the earliest stage possible, the potential adverse environmental impacts of a proposed project that could preclude OPIC support on categorical grounds. If a project is determined to be categorically prohibited, OPIC will promptly notify the investor that the application cannot be considered for environmental clearance and ultimate project approval. Examples of such projects include large dams that disrupt natural ecosystems, infrastructure and raw material extraction in primary tropical forests and other protected or ecologically fragile areas. (A complete list of Categorical Prohibitions is provided in [Appendix F](#)).

For projects that are not categorically ineligible for further consideration, OPIC continues its screening process to determine the level of effort and public disclosure required for the satisfaction of OPIC's environmental assessment requirements. OPIC's Environmental Unit assigns each project to one of the following categories:

Category A: The appropriate category for projects likely to have significant adverse environmental impacts that are sensitive (e.g., irreversible, affect sensitive ecosystems, involve involuntary resettlement, etc.), diverse, or unprecedented. [1] Such projects can be readily identified on the basis of industry sector or site sensitivity. They require a full-scale EIA or IEAU, as well as an EMMP or ENR. A fairly comprehensive list of industries and sites within this category is provided in [Appendix E](#).

Category B: The appropriate category for projects likely to have adverse environmental impacts that are less significant than those of Category A projects, meaning that few if any of the impacts are likely to be irreversible, that they are site-specific, and that mitigatory measures can be designed more readily than for Category A projects. [2] The EA normally consists of a limited environmental review, an environmental mitigation or action plan, an environmental audit or a hazard assessment and incorporating them into the project. Projects not included in Categories A, C, D or E (as defined below) can be expected to belong to Category B. Examples of such project categories include: agriculture, electrical distribution, electronics, food processing, light manufacturing, telecommunications (involving infrastructure such as new telephone lines with rights of way and towers, or that manufacture telecommunications equipment), textiles and tourism. Information required from the applicant typically includes the following: site description; processes involved; materials used and stored on site; air, liquid, and solid wastes generated in relation to applicable standards; and occupational health and safety measures. These information requirements are further described in the [World Bank Guidelines](#) for each particular sector.

Category C: The appropriate category for projects that are likely to have minimal or no adverse environmental impacts. Projects in this category that are normally exempt from all environmental assessment. [3] Examples of such projects include branch banking, computer software development and telecommunications (involving privatization of existing service or other projects involving no infrastructure).

Other projects screened into Category C include bid bonds, a specialized type of political risk insurance that OPIC provides to companies that are bidding on investment opportunities.

Category D: This category includes financial intermediaries (FIs) that make investments in or provide financing (loans, leases, etc.) to identifiable projects or enterprises (“subprojects”) engaged in activities within categories A and B. OPIC screens these subprojects to determine the type of environmental review required. Also taken into account is the nature and size of the FI’s involvement in the subproject. Expedited reviews are conducted for Category B subprojects involving less than \$5.0 million in investment, subject to further review if the FI proceeds with additional investments in the same subproject. (See [Investment Funds Policy](#)).

Category E: This category includes small-scale, stand-alone business ventures that have demonstrable environmentally beneficial impacts. [4] Such projects may seek to promote conservation of natural ecosystems or biological diversity and attempt to involve local indigenous peoples and non-governmental organizations (NGOs) in the management process. Ecotourism (as defined below) projects are an example of this category of project. Certain Category E projects may be subject to OPIC’s public consultation and disclosure processes, as described in [Public Consultation and Disclosure](#), due to site sensitivity.

Category F: Categorical Prohibitions: This category includes projects that OPIC will not support due to U.S. statutory restrictions and other a prior determinations that a project will have a “major or unreasonable” adverse impact on the environment, health or safety as set forth in OPIC’s authorizing statute. The categorical prohibitions listed in [Appendix E](#) are consistent with OPIC’s extensive experience in applying the environmental provisions of its statute and other policies to a very large number and broad range of projects since 1985. This policy is intended to save applicants time and money on projects that OPIC is unable to support. If a project is determined to be categorically prohibited, OPIC will promptly notify the investor. Examples of such projects include large dams that disrupt natural ecosystems, infrastructure or raw material extraction in primary tropical forests, national parks, Natural [World Heritage](#) Sites and other internationally protected areas.

Environmental Assessment (EA)

The primary purpose of OPIC's environmental review is to determine the eligibility of the project based on OPIC's statutory obligation to decline support for projects posing "unreasonable or major environmental, health or safety hazards." OPIC interprets "health or safety" to apply both to project employees and to the affected public living or working in the vicinity of the project.

In addition, OPIC is also required by statute to operate its programs in a manner consistent with Sections 117, 118 and 119 of the Foreign Assistance Act (FAA). These provisions pertain to environmental assessment, and the protection of tropical forests, biodiversity and endangered species, respectively

Grounds for Declining Assistance to Projects

In addition to the Categorical Prohibitions outlined above (See [Environmental Screening](#) and [Appendix E](#)) there are several other circumstances under which OPIC will decline support for a project on environmental grounds:

- The applicant fails to provide OPIC with an EIA and/or IEAU for a Category A project or with adequate information about a Category B project to conduct a review sufficient to determine project eligibility on environmental grounds.
- The project will, in OPIC's *a priori* or subsequent determination, result in impacts that violate the following statutory prohibitions:
 - significant degradation of a national park, similar protected area or tropical rainforest;
 - the destruction of or significant degradation in the habitat of an endangered species; and/or
 - other "unreasonable or major environmental, health or safety hazards."

Environmental assessment (EA) is the tool used by OPIC to make these determinations and is the process of evaluating the environmental and environmentally-related social impacts of a project and identifying ways to improve the project by preventing, minimizing, mitigating, remediating or compensating for adverse impacts as a condition of OPIC support. As defined by the World Bank Group, EA is the process of managing the environmental aspects of a policy, strategy, program or project, from the earliest stages of identifying potential actions to their completion and evaluation. [5] The process encompasses identification of potential adverse environmental impacts; assessment of these impacts and comparison with impacts of alternative approaches; design and implementation of measures and plans to avoid, minimize, mitigate, or compensate for adverse impacts; and design and implementation of associated management and monitoring measures. EA considers natural and social aspects in an integrated way.

By statute, OPIC is required to provide some degree of EA to every project considered for insurance or finance in determining whether to provide support for the project. This requirement extends to subprojects undertaken by OPIC-supported investment funds and on-lending facilities. (See the discussion of financial intermediaries, below.) OPIC cannot provide a final commitment to a project (i.e., issue an insurance contract, disburse a loan, or approve a Category A transaction by a financial intermediary) until its environmental assessment is complete and a determination is made by OPIC that the environmental, health and safety impacts of the project are acceptable.

Different types of EAs are conducted by the applicant depending on the nature of the project. The actual work may be conducted by the applicant/sponsor or by a third party, such as an environmental consultant. On the basis of its considerable experience reviewing such materials, OPIC can advise applicants regarding many aspects of EA preparation. OPIC can provide technical guidance to small businesses as well as first time applicants on the scope and resources available for preparing an assessment.

EAs and other environmental reports must be provided to OPIC as early as possible in the application process. This enables OPIC to identify environmental issues that may require additional attention before the EA can be considered complete. Collaboration between OPIC and other official and private lenders and insurers (which begins after OPIC receives consent from the applicant) in reviewing environmental information is in the interest of the applicant as it expedites the review process and avoids delays and needless duplication with the requirements of other lenders and insurers.

OPIC will make every effort to review the material thoroughly and efficiently taking public comment period requirements (see [Public Consultation and Disclosure](#)) for Category A projects into account. In circumstances where OPIC confronts a particularly full project pipeline, OPIC may contract for outside expertise to enable it to complete the review process in a timely manner. Any consultant hired to assist in the review would be required to sign a confidentiality agreement to protect business sensitive information.

In all cases, the cost of preparing the original EA is borne by the applicant, sponsor or foreign enterprise. When OPIC engages independent consultants to review all or part of the EA materials submitted by the investor, to undertake an original assessment of the project and/or to undertake a site visit as part of the environmental review process, it requires the applicant to reimburse the associated costs. Exceptions from these reimbursement requirements may be made for applicants that meet OPIC's categorical definition of small business. [\[6\]](#)

OPIC may require one or more of the following documents to satisfy a project's EA requirements:

Environmental Impact Assessment (EIA)

An EIA is a comprehensive assessment of the diverse impacts of a project on the natural and ecological impacts on the human environment. It includes a detailed description of pre-existing conditions (“baseline assessment”), all project activities having a potential environmental impact (from pre-construction through decommissioning and site reclamation), and the net impacts of the project, taking into account alternative mitigative measures. It also considers the relationship of the project to the natural and ecological impacts on the human environment in the affected area and the cumulative impacts of those activities. The content and format for an EIA will vary depending on industry sector, the site and other project-specific factors. (A generic format for an EIA is provided in [Appendix B](#)). If requested by the client, OPIC will provide guidance with regard to the content of the EIA.

Environmental Management and Monitoring Plan (EMMP)

An EMMP, sometimes called an Environmental Action Plan (EAP), is designed to specify in detail the actions- both technical and managerial- that the applicant or sponsor will undertake in order to mitigate anticipated adverse impacts of the project on the environment, health and safety. It also describes the technology and methodology used to monitor the actual impacts of the projects on the environment and the standards and procedures to be used for adjusting mitigative measures as necessary to maintain impacts within an acceptable range. (A generic format for an EMMP is suggested in [Appendix C](#)). While ISO 14000 Environmental Management Systems implementation is not a substitute for a project-specific EMMP, a project sponsor’s adherence to the ISO criteria can facilitate the process of developing an acceptable EMMP.

Major Hazard Assessment (MHA)

An MHA is a specialized form of EA designed to identify and assess the risks of catastrophic events resulting from the operation of an industrial facility. For projects requiring an MHA, OPIC requires completion of the MHA, preferably as part of the EIA process, but no later than the commencement of project operations. The categories of facilities subject to an MHA are described in Appendix B of the World Bank’s manual, “Techniques of Assessing Industrial Hazards, Technical Paper No. 55” (available from OPIC). [\[7\]](#) The content and format of an MHA are outlined in the IFC’s “Outline of a Project Specific Major Hazard Assessment” in IFC’s [Procedure for Environmental and Social Review of Projects, Guidance Note E](#).

Initial Environmental Audit (IEAU)

If the investment involves the acquisition of a pre-existing facility or a site on which industrial activity previously occurred, the project may also be subject to an IEAU. An IEAU is designed to identify pre-existing adverse environmental, health or safety conditions that could affect future impacts from the facility or site. (A generic format for an IEAU is suggested in [Appendix D](#).) ISO Environmental Auditing criteria are a useful adjunct to, although not a substitute for, performance-based auditing that is required to meet OPIC IEAU requirements.

Environmental Remediation Plan (ENR)

The project may involve the remediation of environmentally adverse conditions at a site. In this case the applicant will be required to provide OPIC with an ENR, similar in format to an EMMP, and designed to address the issues raised in the audit.

An EMMP, IEAU or ENR may be included as part of an EIA. Other documents prepared to satisfy the requirements of other lenders may be submitted to OPIC so long as the documentation addresses the substantive issues needed for OPIC to complete its review of the project.

Environmental Impact Statement (EIS)

By statute and [Executive Order](#) (EO) 12114 (See [Appendix A](#)), OPIC is required to prepare, and to take fully into account, an EIS for any project “significantly affecting the environment of the global commons outside the jurisdiction of any nation (e.g., the oceans or Antarctica).” Given the discrete nature of projects assisted by OPIC, it is considered unlikely that any single project assisted by OPIC would meet the test of “significant impact” on the global commons to warrant an EIS. However, the cumulative impacts of several large projects could conceivably have an impact on extraterritorial waters or the atmosphere sufficient to trigger the requirement.

As prescribed by [Executive Order](#) 12114, such an EIS should be concise and no longer than necessary to permit an informed consideration of the environmental effects of the proposed project and the reasonable alternatives. It should include the following sections: (1) purpose and need for the proposed project; (2) a sufficient description of the environment of the global commons affected by the proposed action; (3) an analysis, in comparative form, of the environmental consequences on the global commons of the proposed action; and (4) reasonable alternative means of structuring the project.

In lieu of preparing a new EIS, the Executive Order permits OPIC to rely on one of the following: a pre-existing EIS for the same project or a project involving similar environmental issues; a generic EIS covering a number of similar projects; or an EIS obtained by other agencies.

Public Consultation and Disclosure

The environmental assessment process has become an increasingly public and transparent process among environmental regulatory agencies in the United States and in some, although not all, foreign countries. Likewise, multilateral development agencies that provide assistance to governments and other public sector clients have also made their activities more transparent to the public in both donor and host countries.

OPIC recognizes the added value that interested and well-informed members of the public, particularly locally affected people in the host country, can bring to the environmental assessment process undertaken by its applicants as well as by OPIC itself. Host country as well as international non-governmental organizations (NGOs) often have access to information and perceptions about potential environmental impacts and resulting social, economic and cultural impacts that need to be carefully considered as early as possible in the assessment process. OPIC agrees with the IFC's observation that "calling attention to environmental and related social issues early in the process and by involving stakeholders in meaningful consultations, helps avoid costs and delays in project implementation and reduces the need for project conditionality to the extent that appropriate measures are incorporated into project design." The majority of OPIC's applicants for Category A projects already incorporate public disclosure and consultation in the EIA process. Accordingly, OPIC strongly encourages all applicants for political risk insurance and financing (including investment funds) to meaningfully engage public stakeholders in all phases of the EIA process. Technical assistance for this purpose is available in the form of a Good Practice Manual on "[Doing Better Business through Effective Public Consultation and Disclosure](#)."

Following receipt of an application, OPIC provides the public with a full opportunity to comment on all Category A projects before making a final commitment to such projects. A final commitment takes the form of a contract or loan agreement for an insurance or finance project, respectively. At the same time, OPIC strongly encourages all applicants, (including investment fund managers) particularly those contemplating Category A projects, to engage in meaningful consultation with all local stakeholders in the scoping, preparation and completion of EIAs and other environmental studies. This entails making environmental information available to locally affected people in a language, format and medium that they can understand and use to express their opinions. The IFC is preparing a Good Practice Manual to guide project sponsors in the public disclosure process, which will be accessible through OPIC's Web site as soon as it is available.

At the same time, certain aspects of the plans and proposals of private sector investors may contain sensitive business information. While OPIC is subject to the disclosure requirements of the [Freedom of Information Act](#) (FOIA), those requirements contain an exemption for business confidential information that is protected from disclosure under federal law. Detailed information about OPIC's policies and procedures with respect to public disclosure under the FOIA are available on OPIC's [FOIA page](#).

Because OPIC's goal is to provide the public with a level of comfort about its environmental process, applicants for OPIC assistance for Category A insurance and finance projects are required to submit Environmental Impact Assessments (EIA) or

Initial Environmental Audits (IEAU) (to be distinguished from the independent third-party compliance audit) in a form that can be shared with the public. In an effort to save copying time and expenses, whenever feasible OPIC encourages applicants to provide the EIA on a “read only” computer disc (in both Word and ASCII text).

Applicants must sign a waiver agreeing to public release of their EIA or IEAU. Because EIAs and IEAUs are the property of the applicant, OPIC cannot release these documents if the applicant does not consent. However, if an applicant does not agree to EIA or IEAU release, OPIC will be unable to proceed with further consideration of the application.

In submitting project-specific information to OPIC, including audits, management and remediation plans as well as monitoring reports, applicants must specify which information has been or will be made public in any format, including in the host country. Any additional information that is identified as a public document or that is unquestionably subject to disclosure under FOIA will be treated as such by OPIC in response to a specific request for such information. Business confidential information will be accorded confidential treatment to the full extent permitted by law.

World Wide Web Posting

The first step in OPIC’s public consultation and disclosure process is posting a notice of OPIC’s potential support for a Category A project on the World Wide Web. When OPIC’s Environmental Unit receives an environmental clearance request in connection with an insurance or finance application for a Category A project or subproject, OPIC will list the nature of the project and its location (but not the name of the applicant or sponsor, e.g. “Gas-Fired Power Plant, Turkey”) on the [OPIC and the Environment page](#) on OPIC’s World Wide Web site. No business confidential information will be disclosed. This list will be updated whenever new applications are received, and any comments submitted will be considered in OPIC’s processing of the application. Additional information about projects may be provided to OPIC at any time throughout the term of the project.

Comment Period

As a second step in the public consultation and disclosure process, OPIC will provide the public with a full opportunity to comment on all Category A projects before making a final commitment to such projects. OPIC will consider all public comments received and take them into account in its environmental assessment and decision-making process. OPIC will attempt to respond to detailed public comments in writing whenever possible. It should be emphasized that OPIC’s purpose in soliciting public comment on EIAs is to obtain information not otherwise available concerning potential public impacts of projects. In the interest of maximizing communication among all stakeholders, OPIC will share all comments received with applicants before final commitment. The requirement for public comment varies depending on the type of support an investor seeks.

Project Finance & Political Risk Insurance

Before making a final decision to support a Category A project with political risk insurance, OPIC will disclose the applicant’s EIA and/or IEAU to the public for a

comment period of 60 days. OPIC will indicate on its World Wide Web site and on a list server [\[8\]](#) when OPIC receives a publicly releasable copy of the EIA or IEAU, thus commencing the 60 day comment period. OPIC also encourages the sponsor to release the EIA or IEAU in the host country whenever feasible. A 60-day comment period is consistent with the comment periods applied by multilateral institutions that issue project finance and political risk insurance for private sector projects. OPIC's release of the EIA does not in any way constitute OPIC endorsement of the project. Accordingly, and in the interest of maximizing public input into its own assessment of the EIA, OPIC does not withhold EIAs from disclosure pending resolution of outstanding issues, so long as the EIA is reasonably complete in identifying and addressing critical issues. The completion of the 60-day comment period does not oblige OPIC to curtail its own internal environmental assessment if additional work is necessary, whether or not comments have been submitted.

Financial Intermediaries (FIs)

For FI investments undertaken by OPIC-guaranteed investment funds and on-lending institutions OPIC will post the nature of the investment and country where it is located on OPIC's Web Site and on a list server as soon as a request for approval of a Category A investment is received. FI investments are identified as such unless only one fund is active in a given country or the identity of the fund is self-evident by the nature of the project. OPIC recognizes that the competitive nature of investment fund portfolio activity may require more restrictive treatment of some FI EIAs and IEAUs than would be feasible under a mandatory public comment period. This means that some EIAs and IEAUs for Category A subprojects proposed by FIs will not be disclosed for public comment. Others may be disclosed should the document already be in the public domain or should the Fund Manager or on-lending institution determine that disclosure would not jeopardize business confidential information.

Host Country Notification

In addition to public consultation, when OPIC supports an environmentally sensitive Category A), project, OPIC, as required by statute, notifies appropriate host country government officials of all substantive guidelines that would apply to the project if it were undertaken by the World Bank (i.e. World Bank operational procedures and industry guidelines) and, where feasible, of substantive U.S. regulatory requirements that would apply to the project if it were undertaken in the United States (See [Appendix H](#)).

Annual OPIC Report

Beginning with the results of FY 1998, OPIC will report annually to Congress and the public regarding its implementation of and compliance with internal, national and international environmental policies, laws, treaties and agreements to which its programs are subject. No confidential business information will be disclosed in these reports.

Environmental Standards

In determining whether a project will pose an unreasonable or major environmental, health or safety hazard, or will result in significant degradation of national parks or similar protected areas, OPIC relies on guidelines and standards adopted by international organizations such as the World Bank. OPIC applies the most current World Bank Group guideline to every project to which such Guidelines are applicable. The most current World Bank Guidelines were issued in July 1998 in the World Bank Group [Pollution Prevention and Abatement Handbook](#). [9] A complete list of the most current World Bank Group guidelines is included in [Appendix G](#).

Where there are gaps in World Bank Guidelines on a given environmental or natural resource issue, OPIC incorporates relevant and applicable U.S. federal standards, [World Health Organization](#) standards, and standards set by other international authorities in its environmental assessment and decision-making process. Examples of such standards include (for those projects not otherwise prohibited, See [Appendix F](#)) sustainable forestry guidelines developed under the auspices of the [Forest Stewardship Council](#), Ecotourism Guidelines developed by [Conservation International](#) and the [International Ecotourism Society](#). For projects involving the construction and operation of large dams, OPIC applies screening and environmental assessment criteria that incorporates core values and strategic priorities identified in the November 16, 2000 Report of the [World Commission on Dams](#) (WCD).

Host Country Standards

In addition to the World Bank Guidelines referenced above, all projects must comply with host country environmental regulations. Therefore, whenever possible, applicants must provide OPIC with summaries or copies of applicable host country regulations as part of their EIS or EIA (for Category A projects) or as information provided in support of their application (for Category B projects). Government permits and certifications of compliance may be necessary in this regard, although this is not always sufficient to establish compliance.

Privatizations

For projects involving privatizations of previously existing facilities, OPIC applies screening and environmental assessment and management criteria that are commensurate with the continuing and incremental environmental impacts of the project. For example, a large infrastructure project having Category A impacts during its previous construction phase may not continue to have such impacts during its operational phase and could be screened into Category B if OPIC is asked to support the privatization of such a facility. However other privatization projects may continue to generate significant potential impacts and hazards during the operational phase and would continue to be treated as Category A projects in a privatization project.

For purposes of environmental assessment and management of privatization projects, OPIC uses World Bank Guidelines or other applicable standards, as described above, as a clearly defined objective to be attained within a reasonable period of time after the OPIC-supported investment is made. Any new facilities or activities undertaken by the privatized entity need to conform to applicable standards for greenfield projects. Pre-existing facilities that are below the World Bank or other applicable guidelines or standards for greenfield projects are required to upgrade to meet the standard within an agreed upon reasonable period of time, typically three years. For the privatization of thermal power plants OPIC will follow specific World Bank Guidelines for the rehabilitation of thermal power plants. The environmental assessment process (IEAU, EIA and/or other tools) is used to determine the feasibility of bringing the project into compliance with the applicable standard in a timely manner.

Investments in Large, Diversified Enterprises

When a company seeks OPIC insurance or financing for an investment in an existing large, diversified enterprise having environmental impacts beyond the normal scope of the EA process, OPIC requires the investor to narrow the scope of the company's proposed use of the proceeds of the OPIC-assisted investment to specific projects for which the environmental impacts can be readily assessed.

Bid Bonds

OPIC is sometimes asked to insure a company's posting of a bond in connection with a greenfield or privatization project for which it is bidding competitively. The bid bond process is typically a very short-term transaction, lasting no more than a few weeks or months, during which time the bidders do not typically have access to environmental information about the project or the site. It is only after the bid is awarded that such information becomes available. OPIC's commitment to a bid bond in no way commits OPIC to supporting the project should the bid be successful.

Given the absence of environmental information at the bid stage, OPIC treats bid bonds as Category C projects, unless information is available indicating that the project is subject to a categorical prohibition, in which case OPIC would decline support for the bid. (See [Appendix F](#)).

If the bid is unsuccessful, OPIC's involvement with the project ends with the termination of the bidding process. If a successful bidder seeks subsequent OPIC support in the form of insurance or financing for an investment in the project, OPIC treats the application as it would any other project.

OPIC's treatment of bid bonds is consistent with the [U.S. Export-Import Bank](#)'s policy with respect to short-term insurance against risks of failure to repay transactions whose term usually does not exceed 180 days.

Cumulative and Associated (Connected) Impact Assessment

In considering project applications, OPIC takes into account in its decision-making process the overall environmental effects of which its involvement is part. The agency will avoid support where OPIC involvement in a project results in cumulative or associated impacts that violate OPIC standards.

In the environmental assessment process, the term “cumulative impacts” includes projects or potential developments that are sufficiently defined at the time the EA is undertaken, when these would directly impact on the project area. [10] Cumulative impacts can result from individually minor but collectively significant actions taking place over a period of time. Assessing associated or connected impacts recognizes that certain other industrial processes are directly and indirectly linked with the project being assessed and their environmental impacts must be incorporated into the environmental assessment. [11]

Other Applicable Standards

In addition to the World Bank Group 1998 [Pollution Prevention and Abatement Handbook](#), the World Bank Group has issued operational policies on a variety of cross-cutting environmental issues, including Natural Habitats, Pest Management, Forestry, Projects on International Waterways, Involuntary Resettlement, Indigenous Peoples and Safeguarding Cultural Property (See [Appendix G](#)). OPIC uses these policies to the extent applicable to private sector investments.

Dam Standards

For projects involving the construction and operation of large dams, OPIC applies screening and environmental assessment criteria that incorporates core values and strategic priorities identified in the November 16, 2000 Report of the [World Commission on Dams](#) (WCD). Although there is a lack of consensus on the advisability of adopting all of the guidelines and recommendations contained within the WCD Report, 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.

OPIC will continue to apply the existing categorical prohibition on large dams contained within [Appendix F](#) of this environmental handbook. The following discussion gives further definition and context to the terms used in the Categorical prohibition with reference to applicable strategic priorities and guidelines contained in the WCD Report

OPIC does not support the construction of large dams that significantly and irreversibly cause any of the following impacts:

- A. Disrupt Natural Ecosystems. Disruption of natural ecosystems may result from barring passage of anadromous (migratory) fish; restricting the mobility of terrestrial species; modifying the timing and concentration of nutrient releases downstream; reducing or eliminating downstream flow; or reducing or permanently inundating critical or sensitive terrestrial habitat. Additional

guidance may be found in WCD Guideline 14 (Baseline Ecosystem Surveys) and Guideline 16 (Maintaining Productive Fisheries).

- B. Alter Natural Hydrology. Alteration of natural hydrology may result from the elimination or significant reduction in stream flow; significant alteration of diurnal or annual stream flow; modification of groundwater levels; or induced seismicity. Additional guidance may be found in WCD Guideline 4 (Strategic Impact Assessment) and WCD Guideline 12 (Operating Rules).
- C. Inundate Large Land Areas. A simplified cost benefit analysis is used to assess whether an unreasonably large land area is inundated for power generated. For irrigation dams, acreage inundated is compared to new acreage that could be irrigated as a result of the project. Additional guidance may be found in WCD Strategic Priority 2 (Comprehensive Options Assessment).
- D. Impact Biodiversity. Impacts on biodiversity may result from ecosystem and habitat impacts described in (A) above or elimination or reduction of habitat due to land take or increasing the potential for species exploitation due to improves access to the site. Additional guidance may be found in WCD Policy Principle 4.4 (Avoiding significant impacts on threatened and endangered species).
- E. Displace Inhabitants. Evaluation of this impact is based on a quantitative threshold (5000 person displacement). Additional guidance may be found in WCD Guideline 19 (Mitigation, Resettlement and Development Action Plan).
- F. Impact on Local Inhabitants' Livelihoods. Impacts on livelihoods may result from impairment or elimination of traditional hunting or fishing methods; elimination of scarce agricultural lands; elimination of access to drinking or irrigation water; or project-related increases in endemic diseases. Additional guidance may be found in WCD Strategic Priority 1 (Gaining Public Acceptance), Strategic Priority 2 (Comprehensive Options Assessment), Strategic Priority 4 (Sustaining Rivers and Livelihoods), Policy Principle 4.1 (Basin-wide understanding of ecosystem and livelihood issues), Policy Principle 4.2 (Precautionary Approach) and Policy Principle 4.5 (Release of Environmental Flows).

For dam projects determined to be categorically eligible for further consideration, OPIC continues the environmental assessment process. EIAs prepared for hydroelectric and irrigation projects should, at a minimum, address issues cited in the International Finance Corporation's Application of EA to Large Dam and Reservoir Projects ([IFC Procedure for Environmental and Social Review of Projects, Annex D](#)). OPIC's assessment also includes at least an evaluation of the following factors:

1. Hydrological and Limnological Impacts. Impacts on water resources due to impoundments include effects on stream flow; groundwater; surface water quality; potential for increased floods; and potential for alteration of sediment deposition patterns. Additional guidance may be found in WCD Strategic Priority 4 (Sustaining Rivers and Livelihoods).

2. Catchment Area Impacts. Impacts on terrestrial environments surrounding impoundments include induced seismic and geologic events, impacts on terrestrial wildlife and impacts on downstream aquatic life. Additional guidance may be found in WCD Strategic Priority 4 (Sustaining Rivers and Livelihoods).
3. Construction Impacts. Impacts resulting from land use requirements in excess of the dam/reservoir footprint include supportive power structures, worker housing, borrow areas, access roads, power transmission corridors and waste disposal units.
4. Air Quality and Global Climate Change Impacts. Impacts evaluated include decomposition of submerged biomass; vehicle and machinery emissions; and potential impacts associated with deforestation and elimination of potential carbon sinks. Additional guidance may be found in WCD Strategic Priority 2 (Comprehensive Options Assessment) and Guideline 8 (Greenhouse Gas Emissions).
5. Resettlement. Factors evaluated include public consultation and disclosure procedures; community development planning; livelihoods assessment; potential for income restoration; compensation; and dispute resolution mechanisms. Additional guidance may be found in WCD Guideline 18 (Impoverishment Risk Assessment) and Guideline 19 (Mitigation, Resettlement and Development Action Plan).
6. Safety. Factors include structural stability of the dam and the capacity of the spillway(s) to pass flood flows. In the case of high hazard potential dams the analysis must examine the capacity to pass the probable maximum flood and the adequacy of monitoring and warning devices and downstream warning and evacuation procedures. Additional guidance may be found in WCD Strategic Priority 2 (Comprehensive Options Assessment), Strategic Priority 3 (Addressing Existing Dams) and Guideline 11 (Economic Risk Assessment).
7. Project Acceptability. Factors include an evaluation of consultation and disclosure procedures; land acquisition process; stakeholder identification; and compliance with local laws and regulations. Additional guidance may be found in WCD Strategic Priority 1 (Gaining Public Acceptance), Strategic Priority 5 (Recognizing Entitlements and Sharing Benefits) and Guidelines 17 (Baseline Social Conditions), 19 (Mitigation, Resettlement and Development Action Plan) and 20 (Project Benefit-Sharing Mechanisms).

Forestry Standards/Certification

Commercial timber harvesting in critical forest areas or related critical natural habitats is categorically prohibited (See [Appendix F](#)).

Due to the difficulty of implementing consistent sustainability across a broad range of ecological conditions, all other OPIC-supported projects involving extraction from

natural forests, including all boreal/temperate forests and all secondary forests, must be and remain certified by an independent non-governmental organization. Such organizations must be accredited by an international accreditation body (such as the [Forest Stewardship Council](#)) that can hold the certifier accountable to a common set of principles and procedural protocols, including periodic review and re-accreditation. Accredited certifiers are required to adhere to an internationally agreed set of forest management performance standards which incorporate a comprehensive range of environmental and social criteria developed by a diverse group of interests, organizations and stakeholders. Any forest product labeling associated with a certified forest must be guaranteed by a separate certification that credibly connects the labeled product to its certified forest-of-origin.

Ecotourism Standards

Ecotourism is a means of enabling tourist dollars to flow into local communities in developing countries while simultaneously conserving ecosystems and wildlife through responsible travel that preserves cultures and natural environments.

Tourism in natural areas can generate significant adverse impacts beyond those normally associated with large-scale tourism in commercial areas. The World Bank Guideline on Tourism and Hotels is designed for tourism in a conventional setting and does not address the specialized impacts of tourism in natural ecosystems. OPIC-supported ecotourism projects seek to balance profitability with ecological sustainability and respect for indigenous cultures.

As proposed in guidelines issued by [Conservation International](#) and the [Ecotourism Society](#), all ecotourism projects should address the following issues: (1) A comprehensive plan to protect ecological integrity and enhance community participation. (2) Local community capacity building that provides necessary skills for ecotourism development, while ensuring that this development merges with traditional practices. (3) The primary revenue source of the project must be directly linked to the conservation effort. As a result, OPIC-supported ecotourism projects can be a profitable conservation and community development model.

Best Practices

OPIC does not attempt to prescribe to its potential users the choice of technologies or processes they must use to meet the applicable guidelines. However, standards of best practice developed by governments, industry and non-governmental organizations can be useful in providing guidance to OPIC and its users in assessing alternatives and their feasibility. For this purpose OPIC makes use of international best practice guidelines for sectors of particular importance to OPIC's environmental mandate. Consistent with this approach, OPIC takes into account an applicant's track record of material compliance with U.S. domestic and foreign environmental and occupational health and safety laws and regulations in its environmental assessment process. While evidence of material noncompliance is not in itself grounds for declining support, such information helps to

identify environmental and occupational health and safety issues that merit particular attention during the EA process, contract conditions and monitoring.

Climate Change and Renewable Energy

In 1992 the U.S. signed the [UN Framework Convention on Climate Change](#) (FCCC) and committed the U.S. to “stabilization of greenhouse gas concentrations at a level that would prevent dangerous anthropogenic interference with the climate system.” In December 1997, agreement was reached at Kyoto requiring mandatory limitations and reductions in greenhouse gases by developed countries. However, it is important to note that the U.S. Government recognizes that any effective international effort to reduce greenhouse gas emissions must include meaningful participation of developing countries. [\[12\]](#) OPIC seeks to support this policy via the following mechanisms:

Joint Implementation

To encourage U.S. companies, particularly small business, to participate in efforts to reduce global greenhouse gas emissions, OPIC will provide customized pricing for small business projects intended to reduce such emissions, in particular those projects certified by the U.S. Initiative for Joint Implementation—the sharing of technology and resources, particularly transfers from Developed to Developing nations, to limit and reduce GHG emissions. OPIC will continually strive to make its portfolio more climate friendly by proactively seeking renewable energy projects and by seeking to harmonize its approach to climate change issues with that of other U.S. Government entities.

Climate Change Reporting

In an effort to support the management of global greenhouse gas emissions, OPIC tracks and reports, on an aggregate basis, the annual greenhouse gas emissions from its power sector projects. OPIC will track and report, on an aggregate basis, the annual greenhouse gas emissions from other greenhouse gas emitting projects to the extent an appropriate framework is available. Aggregate tracking results will be available to the public and reported annually to Congress in OPIC’s Annual Environmental Report.

Conditionality

In many cases, determinations of eligibility rely on critical representations made by the client with respect to baseline environmental conditions, mitigative measures and net impacts of proposed projects. In addition to the EMMP or ENR submitted by the applicant, OPIC may require the application of additional mitigative measures in order to ensure that a project will not pose an unreasonable or major environmental, health or safety hazard. These critical representations and those undertakings agreed to by the applicant or sponsor may be included in OPIC project documentation as preconditions to contract execution, conditions of disbursement and/or ongoing covenants, depending on the type of agreement entered into between OPIC and the applicant. Where OPIC insures an institutional lender, contract conditions are incorporated into the loan documentation.

For investments in all projects in Category A activities, OPIC expects the project to comply with all contractual conditions and critical and material representations regardless of whether or not the OPIC-supported investor has a controlling interest in the foreign enterprise. For non-Category A activities, OPIC will accept a “best efforts” commitment on the part of the OPIC-insured investor where the investor lacks controlling interest or operational control.

Environmental conditions and covenants are developed in close consultation with the client to minimize the cost to the project and to ensure that they are consistent with the host country’s legal framework, objectively measurable and verifiable, and allow for sufficient flexibility to address issues if circumstances change. Upon approval and in response to public requests, OPIC documents its determination as to applicable substantive/technical standards and conditions in an EA Summary.

Monitoring and Compliance

OPIC's environmental assessment process is an ongoing one and continues through the full term of OPIC's relationship with the project sponsor.

Monitoring

OPIC reserves the right to monitor projects' compliance with environmental representations and undertakings throughout the term of its insurance or financing. Monitoring may take the form of self-reporting by the investor of summaries and, in specified cases, raw data obtained from monitoring a project's environmental performance (emissions, effluents or other waste discharges) as well as its environmental impacts (e.g., on ambient conditions and biological resources). OPIC requires investors to submit annual self-monitoring reports for Category A projects. These annual reports must provide OPIC with regular testing results for any emission standards, effluent standards, ambient air limitations or water quality limitations that were represented by the investor. Monitoring may also take the form of third party evaluation, including compliance information developed by host government authorities, co-lenders and independent auditors.

OPIC routinely conducts on-site monitoring of projects, using OPIC staff and/or consultants, for environmental and environmentally based social impacts as well as U.S. economic and host country development effects. OPIC endeavors to monitor all Category A projects on-site at least once during the first three years of project commitment, and more frequently depending on the environmental sensitivity of the project. Category B, D and E projects are also subject to monitoring on a random and selective basis.

Compliance Audits

OPIC requires project sponsors to conduct, and certify that they have conducted, third-party independent audits for all Category A projects. These audits are designed to take place after an OPIC supported project begins construction or is operational. The purpose of these audits is to evaluate a project's compliance with all environmental and social conditions (and underlying representations) that are reflected in OPIC's environmental or related social requirements with respect to the project and to validate the methodology used for all self-monitoring reports. At least one independent third-party audit [\[13\]](#) must be conducted generally within the first three years of all Category A projects and the sponsor must provide certification to OPIC that OPIC's contract conditions have been met. OPIC retains the right to review all compliance audits.

Category A projects will be required to conduct further certified independent audits if the investor fails to submit contractually required annual self-monitoring reports in a timely manner or if monitoring trips or other information indicates a need for further independent audits.

Business confidential information in these audits will be accorded confidential treatment to the full extent permitted by law.

Independent third-party compliance audits allow OPIC-supported projects to be evaluated in an objective and systematic manner based on defined criteria. Proper execution of an audit requires active cooperation of project owners and/or managers, good coordination of all interviews and sampling activities in order to reduce costs and a carefully documented inspection to support all findings and recommendations. [\[14\]](#)

Non-compliance, Remediation and Termination

Material misrepresentation or non-compliance with environmental undertakings may constitute an event of default under the terms of OPIC insurance contracts and loan agreements. Depending on the severity and reversibility of the environmental impact and the investor's responsibility and due diligence in attempting to prevent the default and in curing the problem, OPIC may treat the default as curable or incurable. In the case of a curable default, OPIC works with the investor to develop a feasible timetable for remediation. In the case of an incurable default, OPIC may require contract termination in the case of insurance, or acceleration of repayment or other available lenders' remedies, in the case of a loan. If an equity investment on the part of a financial intermediary (FI) is involved, divestiture by the FI may be required. Additionally, failure to meet contractually required reporting requirements can constitute a default. In all cases, OPIC seeks to work cooperatively with investors and lenders to arrive at an equitable resolution of the situation, taking into account the requirements of other lenders and insurers.

Investment Funds Policy

The investment funds are one type of OPIC-supported FI. OPIC provides financing to support a number of privately owned and managed direct investment funds that have the capability to provide equity capital to facilitate business formation and expansion. The investment funds are privately owned, privately managed, and make their own commercially based investment decisions. Typically, OPIC-supported investment funds invest in five to forty percent of the equity capital of each of their portfolio companies (although they may hold a majority position), and may hold equity interests in ten to twenty companies when fully invested. It has been OPIC's experience that the majority of Category A projects involve the expansion or acquisition of existing projects as opposed to 'greenfield' projects.

All Category A investment fund projects are subject to a full Environmental Impact Assessment or Audit and resulting terms and conditions unique to the project. Additionally, where a fund proposes to invest in a company rather than a specific project, the fund must narrow the scope of the company's proposed use of the proceeds of the fund's investment to specific projects that can readily be assessed.

All non-Category A portfolio investments involving a fund commitment greater than \$5 million require OPIC screening and assessment in accordance with the procedures noted in this Handbook.

Non-Sensitive Small Projects

It is recognized that there are circumstances (such as a bid tender) in which a fund may need to make a decision on an investment opportunity in a number of days. To respond to this situation OPIC has developed an expedited procedure for Non-Sensitive Small Projects. Under this policy, all non-Category A portfolio investments involving a fund commitment of \$5 million or less (a "Non-Sensitive Small Project" or "NSSP") can be invested in by the Fund prior to receiving formal environmental clearance subject to the following conditions:

- The fund must explicitly request that the proposal be reviewed under an expedited process.
- OPIC may ask follow-up questions for five business days following the date of initial submission of the subproject, in order to determine whether the proposed investment qualifies for expedited review.
- The fund must represent that it has taken commercially reasonable efforts to obtain and provide all relevant environmental information to OPIC and has no reason to believe that the project would pose an unreasonable or major environmental, health or safety hazard. Furthermore, the fund must represent that it will continue to obtain and disclose to OPIC any material supplemental environmental, health or safety information as received.

- Any follow-on investment in the project will be subject to OPIC review and clearance prior to the date of such further investment.
- At OPIC’s discretion, further review of an NSSP may occur within a reasonable time period following the date of investment. Possible outcomes of this review are:
 - i. *Class I-* The project is satisfactory and no further conditions are placed on the NSSP.
 - ii. *Class II-* The project poses certain non-critical environmental, health or safety issues. A remediation plan must be developed and implemented. No further fund investment in the project will be authorized prior to development of the remediation plan.
 - iii. *Class III-* The project poses unreasonable or major environmental, health or safety hazards. No further investments in the project are authorized and divestment must occur.

Finally, following OPIC review, investments may be authorized for non-Category A investments involving a fund commitment greater than \$5 million (and for follow-on investments in Class I and II NSSP projects) that do not initially meet World Bank Guidelines, under the following terms and conditions:

- A detailed and time-sensitive remediation plan is developed;
- The remediation plan is incorporated into the fund’s investment arrangements with the portfolio company in a manner that provides the fund with legally binding enforcement rights in the event of material non-compliance;
- At a minimum, the fund reports annually to OPIC regarding implementation of the remediation plan;

OPIC will require the fund to implement its enforcement rights or divest its position in the event of material non-compliance with the approved remediation plan. Divestment must take place as soon as possible, taking into account liquidity, market constraints and fiduciary responsibilities.

Appendix A: OPIC Statute (Environmental Provisions) and Executive Order 12114

(References are to the following sections of the United States Code)

21 USC 2191 (Congressional Statement of Purpose; Creation and Functions of Corporation)

The Corporation, in determining whether to provide insurance, financing or reinsurance for a project, shall especially—

(3) ensure that the project is consistent with the provisions of section 117, (as so redesignated by the Special Foreign Assistance Act of 1986), section 118, and section 119 of this Act relating to the environment and natural resources of, and tropical forests and endangered species in, developing countries, and consistent with the intent of regulations issued pursuant to sections 118 and 119 of this Act.

In carrying out its purpose, the Corporation, utilizing broad criteria, shall undertake—

(n) to refuse to ensure, reinsure, guarantee or finance any investment in connection with a project that the Corporation determines will pose a major or unreasonable environmental, health or safety hazard, or will result in the significant degradation of national parks or similar protected areas.

22 USC 2197 (General Provisions Relating to Insurance, Guaranty, Financing and Reinsurance Programs)

(m)(1) Before finally issuing insurance, reinsurance, guarantees, or financing under this title for any environmentally sensitive investment in connection with a project in a country, the Corporation shall notify appropriate government officials of that country of—

(A) all guidelines and other standards adopted by the International Bank for Reconstruction and Development and any other international organization relating to the public health and safety or the environment which are applicable to the project; and

(B) to the maximum extent practicable, any restriction under any law of the United States relating to public health or safety or the environment that would apply to the project if the project were undertaken in the United States.

The notification under the preceding sentence shall include a summary of the guidelines, standards and restrictions referred to in subparagraphs (A) and (B), and may include any environmental impact statement, assessment, review or study prepared with respect to the investment pursuant to section 239(g).

22 USC 2199 (General Provisions and Powers)

(g) The requirements of section 117(c) of this Act relating to environmental impact statements and environmental assessments shall apply to any investment which the

Corporation insures, reinsures, guarantees, or finances under this title in connection with a project in a country.

Adoption of Environmental Assessment Procedures Required by Executive Order 12114 (Federal Register / Vol. 44 No. 171 / Friday August 31, 1979 / Notice)

On January 4, 1979 the President issued Executive Order 12114 (44 FR 1957) entitled “Environmental Effects Aboard of Major Federal Actions”. The Executive Order requires federal agencies taking action encompassed by the Order, and not exempted from it, to effectuate procedures to implement the Order. The Overseas Private Investment Corporation (OPIC) is implementing the Executive Order by the adoption of the following procedures to take effect on September 4, 1979.

Section 1. Purpose:

As required by Executive Order 12114 issued January 4, 1979, which is incorporated herein by reference, the following procedures shall be used by OPIC to ensure that all significant environmental effects of its actions outside the United States are considered by OPIC in its review of proposed insurance and finance projects. These procedures shall supplement OPIC’s existing environmental procedures and guidelines required by the Foreign Assistance Act as amended (the “Act”), as set forth in OPIC Board of Directors and the “OPIC Environmental Handbook”.

Section 2. Definition:

- A. *Application.* The term “application” means a formal request to OPIC in the manner specified by OPIC for assistance under an OPIC program from an eligible private party interested in investing in a project in a foreign nation.
- B. *Environment.* The term “environment” means the natural and physical environment and excludes social, economic, and other environments.
- C. *Global Commons.* The term “global commons” means areas outside the exercise of any national jurisdiction.
- D. *Host Country.* The term “host country” means the foreign country in which a project for which OPIC assistance is sought is or will be located.
- E. *Major Action.* The term “major action” means a contractual commitment by OPIC to provide assistance under an OPIC program involving at least \$ 1 million of insured investment, loan guaranties or direct loans. If the applicant therefore has or will have sufficient control over the design and/or operation of the project to mitigate environmental concerns raised by OPIC.
- F. *OPIC Programs.* The term “OPIC programs” includes OPIC’s insurance, direct loan and loan guaranty programs as authorized by the Act.
- G. *Significant Effects.* With respect to effects on the environment outside the United States, a proposed action has a significant effect on the environment if it does significant harm to the environment even though on balance the action is believed to result in beneficial effects on the environment.

Section 3. Applicability of Procedures:

- A. *Scope.* Except as provided in Subsections B, C, and D below, these procedures shall apply with respect to OPIC's review of each new application for assistance under an OPIC program, whether for new projects or expansions of existing projects, if a favorable decision on such application will result in a major action by OPIC.
- B. *Exemptions.* If upon the initial review of an application the OPIC insurance or finance officer making such review determines that the project for which OPIC assistance is sought has no significant effects upon the environment outside the United States, these procedures shall not apply. If upon further review of the application, and prior to taking action, it is determined that the project may have a significant effect upon the environment, this exemption shall no longer apply. Also exempt from these procedures are actions falling within the categories listed in Section 2-5(ii) through (vii) of the Executive Order, as limited by Section 2-5(d). A concise administrative record will be prepared to document these determinations.
- C. *Categorical Exclusions.* These procedures shall not apply to the review of an application for any project falling within the scope of any category of projects that are determined to involve no significant effects on the environment. OPIC's Investment Committee shall have the authority to establish such categorical exclusions.
- D. *Special Exemptions.* These procedures shall not apply to the review of any application for which the General Counsel determines that an exemption is necessary as a result of emergency circumstances, situations involving exceptional foreign policy or national security sensitivity or other special circumstances (except as limited by Section 2-5(d) of the Executive Order). In utilizing any such special exemption, OPIC, through its designated Environmental Officer, shall consult as soon as feasible with the Department of State and the Council on Environmental Quality.

Section 4. Initial Determinations:

- A. With respect to any application for OPIC assistance falling within the scope of Section 3(A) above, the OPIC officer reviewing such application shall make the following determinations that shall be documented by a concise administrative record:
 - 1. Whether the proposed project is likely to have a significant effect on the environment of the global commons;
 - 2. Whether the proposed project is likely to have a significant effect on the environment of a foreign country other than the host country; and
 - 3. Whether the proposed project is likely to have a significant effect on the environment of a foreign country because it would provide to that country;

- a) a product, or physical project producing a principal product or an emission or effluent, which is prohibited or strictly regulated by Federal law in the United States because its toxic effects on the environment create a serious public health risk, such as asbestos, vinyl chloride, acrylonitrile, isocyanates, polychlorinated biphenyls, mercury, beryllium, arsenic, cadmium, and benzene; or
 - b) a physical project which in the United States is prohibited or strictly regulated by Federal law to protect the environment against radioactive substances.
- 4. Whether the proposed project is likely to have a significant effect on natural or ecological resources of global importance hereafter designated for protection by the President or in the case of such a resource protected by international agreement binding on the United States, by the Secretary of the State.
- B. The determination required in Subsection A above shall be based upon the information contained in the application, information reasonably available to OPIC and such additional information from the applicant as deemed necessary by the reviewing officer.
- C. In the event that the reviewing officer makes a positive determination with respect to any of the categories specified in Subsection A above (i.e. that a significant effect is likely to result), and such determination is not reversed upon review by a supervisory officer or by the Investment Committee, the finance or insurance department, as the case may be, in consultation with OPIC's Environmental Officer, shall take the following actions, as appropriate, prior to acting on the application:
 - 1. If the harmful effect is of the type described in Subsection A (1) above, an environmental impact statement shall be obtained in the manner specified in Section 5 below. Such an environmental impact statement shall consider only the effects described in Subsection A (1), regardless of whether the project would result in other kinds of environmental effects.
 - 2. If the harmful effect is of the type described in Subsection A (2), A (3) or A (4) above, an environmental study or an environmental review shall be prepared in the manner specified in Section 6 below.

Section 5. Environmental Impact Statement:

- A. If a department within OPIC is required by Section 4©(1) to cause the preparation of an environmental impact statement for a particular project, it shall do so in accordance with Subsection B below. If an environmental impact statement for the proposed project, a project involving similar environmental issues or a generic statement covering a host of similar projects already exists, no new environmental impact statement shall be required. When one or more other agencies are also involved in a particular project requiring an environmental impact statement

OPIC may rely upon an environmental impact statement obtained by one or more of the other agencies.

- B. Environmental impact statements shall be concise and no longer than necessary to permit an informed consideration of the environmental effects of the proposed project and the reasonable alternatives. The statement shall include a section on the consideration of the purpose of and need for the proposed project; a section that provides a succinct description of the environment of the global commons affected by the proposed action; and a section that analyzes, in comparative form, the environmental consequences on the global commons of the proposed action and of reasonable alternative means of structuring the project.

Section 6. Environmental Studies and Reviews:

- A. If a department is required under Section 4(c)(2) to produce an environmental study or review, it shall, in consultation with the Environmental Officer, determine whether an environmental study as described in Subsection B below which deals with the environmental aspects of the proposed project is available or will be undertaken elsewhere. If no relevant environmental study is or will be available, the OPIC department, in consultation with the Environmental Officer, shall undertake the preparation of an environmental review as described in Subsection C below with, as appropriate, the assistance of the applicant and of other federal agencies having jurisdiction by law or special expertise. If an environmental review for the proposed project or a project involving similar environmental issues or a generic review covering a class of similar projects already exists, no new environmental review shall be required hereunder. When one or more agencies are involved with OPIC on a particular project, a lead agency may be designated to prepare the environmental review.
- B. An environmental study shall consist of a bilateral or multilateral study by the United States and one or more foreign nations or by an international body or organization in which the United States is a member or participant.
- C. An environmental review shall consist of a concise analysis of important environmental issues relating to a proposed project, including identification of such issues and of the significant effects to the environment. The department involved in the preparation of an environmental review shall consider the following factors in deciding the scope, substance, and timing of review and the availability of the review to other agencies:
 - 1. The need to avoid infringement or the appearance of infringement on the sovereign responsibilities and internal affairs of another government;
 - 2. The availability of meaningful information on the environment of a foreign nation;
 - 3. The need to protect confidential business information and trade secrets of the applicant;
 - 4. The desirability of acting promptly upon applications under OPIC programs;

5. The desirability of the project in terms of its export promotion and developmental effects;
6. OPIC's ability to influence the design and/or implementation of the proposed project; and
7. The need to protect sensitive foreign affairs information and information received from another government with the understanding that it will be protected from disclosure.

Section 7. Decision:

The required environmental documents developed in accordance with these Procedures shall accompany the application through the review process to enable officers responsible for approving an application and, if necessary, the Board of Directors, to be informed and to take account of the environmental consideration covered by such documents.

Section 8. Availability:

Subject to the consideration of Section 6(c), environmental documents developed under these procedures shall be available to the Department of State, Council on Environmental Quality and other federal agencies and shall be included in the public information files for the pertinent applications. Foreign governments affected thereby may also be informed of such documents after coordinating with the Department of State regarding such communication with the foreign government.

Effective Date. These procedures became effective on September 4, 1979.

Dated: August 27, 1979

J. Bruce Llewellyn

President

Appendix B: Recommended Content and Format for Environmental Impact Assessment

CATEGORY A PROJECTS

- I. Executive Summary
 - A. Concise project description
 - B. Identification of project sponsors, operators and contractors
 - C. Baseline environmental conditions
 - D. Applicable environmental standards
 - E. Proposed mitigation measures
 - F. Net environmental impacts

- II. Policy, Legal and Administrative Framework
 - A. Applicable host country environmental and occupational safety and health laws and regulations
 - B. Relevant international agreements
 - C. Requirements of potential investors, lenders and insurers

- III. Baseline Conditions in Area Potentially Affected by Project (“Project Area”)
 - A. Designation of project area perimeters
 - B. Physical geography (climate, geology, topography)
 - C. Natural events history (earthquakes, floods, fires, storms, volcanic eruptions, etc.)
 - D. Biological environment
 1. Proximity to national parks and other protected areas
 2. Identification of unique or sensitive natural habitats of internationally or locally recognized rare, threatened or endangered species
 3. Renewable and non-renewable natural resources
 - E. Human environment
 1. Distribution of residential and occupational population in project area
 2. Description of previous, current and planned land use activities in or near project area
 3. Habitation or use of project area by indigenous peoples
 - F. Environmental quality of project area
 1. Ambient air conditions (including seasonal variations)
 - a) Sulfur dioxide

- b) Particulates
- c) Nitrogen oxides
- d) Carbon monoxides
- e) Airborne toxins
- 1. Water supply, quality and end use (human consumption, agriculture, plant and animal habitat)
 - a) Marine waters including estuaries
 - b) Surface waters (rivers, streams, lakes)
 - c) Groundwater
- 2. Noise levels
- 3. Soil conditions including contamination from previous or current activities
- G. Archeological, historical or cultural resources

IV. Potential (Unmitigated) Environmental, Health and Safety Impacts

- A. Sources and volumes of untreated airborne, liquid, and solid waste and potential impacts of unmitigated discharge on the environment
- B. Potential impacts on natural and biological resources
- C. Potential human impacts:
 - 1. Positive: employment, services, economic opportunities
 - 2. Negative: resettlement and economic displacement
- D. Potential occupational health and safety hazards
- E. Potential for major safety and health hazards beyond the workplace

V. Proposed Environmental Prevention and Mitigation Measures (including a thorough discussion of alternatives and justifications for measures selected)

- A. Waste minimization measures
- B. Waste treatment and disposal measures
- C. Natural resource management (e.g. sustainable management of biological resources and protection of endangered species and their habitats)
- D. Mitigation of human impacts: compensation, training, etc.
- E. Occupational safety and health measures
- F. Major hazard prevention and emergency response

VI. Projected Net Environmental Impacts (post-mitigation)

- A. Physical impacts (e.g. topography, ground and surface water supply, soil conservation)
- B. Biological impacts (flora, fauna and related habitat with particular attention to threatened and endangered species; natural resources, e.g. primary forests, coral reefs, mangroves, etc.)

- C. Net discharges of airborne, liquid and solid wastes and resulting ambient impacts as compared to applicable host country, World Bank and other relevant regulatory standards and guidelines
- D. Net exposures by workers to safety and health hazards
- E. Net potential for major hazards
- F. Consistency with applicable international agreements

VI. Appendices

- A. Permits issued and pending from environmental authorities
- B. Author information
 - 1. Names, affiliations and qualifications of project team
 - 2. Relationship of authors to project sponsors
- C. Record of meetings held as part of EIA, including public hearings and consultations with government and non-governmental
- D. Reference bibliography
- E. Technical data not included in text

Appendix C: Recommended Content and Format for Environmental Management and Monitoring Plan

- I. Applicable Regulatory Standards and Guidelines
 - A. Host country laws and regulations
 - B. Sponsor, investor, lender and insurance requirements
 - C. International agreements
- II. Environmental Management Measures
 - A. Potential impacts and corresponding preventive and mitigative measures
 - B. Equipment specifications for preventative and mitigative measures
 - C. Operational and maintenance procedures
- III. Organizational Responsibilities and Management Issues
 - A. Operations
 - B. Supervision
 - C. Internal enforcement
 - D. Monitoring
 - E. Remedial actions
- IV. Training Requirements
- V. Monitoring and reporting procedures
 - A. Parameters to be monitored
 - 1. Airborne emissions and corresponding ambient air impacts
 - 2. Liquid effluents and corresponding ambient impacts on receiving water
 - 3. Physical impacts
 - 4. Natural resource and biological impacts
 - 5. Human impacts
 - a) Standard of living of local inhabitants
 - b) Impact on local economy
 - c) Perceptions and attitudes of local inhabitants
 - 6. Workplace conditions
 - a) Accident frequency and severity
 - b) Worker exposures to hazardous substances
 - 7. Impacts on dedicated offsite infrastructure and facilities
 - B. Frequency of monitoring
 - C. Monitoring techniques and procedures
 - 1. Equipment and instrumentation
 - 2. Quality assurance/quality control (QA/QC) procedures
 - 3. Personnel and training requirements

D. Reporting procedures

1. Internal
2. External (e.g. to local authorities)

Appendix D: Recommended Content and Format for Initial Environmental Audit (IEAU)

- I. Executive Summary
 - A. Environmental, safety and health areas of concern
 - B. Recommended mitigation measures/enhancement opportunities: priorities
 - C. Implementation schedule
- II. Project Description
 - A. Location
 - B. Past operations history
 - C. Current operations
- III. Applicable regulations and guidelines
- IV. Audit procedure (protocol)
 - A. Historical research
 - B. Records review
 - C. Interviews
 - D. Site inspections
 - E. Sampling and analysis (quality assurance and control) procedures
- V. Review of environmental management
 - A. Environmental management structure
 - B. Emergency, security and safety plans
 - C. Company-community interaction program
 - D. Handling of complaints and media coverage
- VI. Environmental Impacts
 - A. Air emissions
 - B. Liquid effluents
 - C. Solid (non-hazardous) waste treatment
 - D. Hazardous materials and management
 - E. Noise and vibration
 - F. Groundwater and soil contamination
- VII. Occupational Safety and Health
 - A. Summary of accident reporting, recording and investigation
 - B. Health and safety management
 - C. Site safety procedures
 - D. Medical monitoring program

- E. Air quality
- F. Noise level exposure
- G. Chemical/material handling
- H. Temperature exposure
- I. Personal protective equipment
- J. Emergency response capability
- K. Fire protection
- L. Training programs
- VIII. Conclusions
- IX. Mitigation Recommendations
 - A. Identify appropriate measures
 - B. Priorities
 - C. Implementation schedule
- X. Environmental Enhancement Opportunities
 - A. Energy and energy conservation
 - B. Waste minimization
 - C. Cleaner technology initiatives
 - D. Training programs
- XI. Annexes
 - A. Names of those responsible for preparing audit
 - B. Written material references used
 - C. Records of consultations
 - D. Other data

Appendix E: Category A Projects Requiring Environmental Impact Assessment

Any projects supported by OPIC in this Category that subsequently change in nature from the description provided in application materials, and will thereby cause material impacts to the environment, shall be required to submit additional EA documents to OPIC that must be acceptable to OPIC in its sole discretion.

Industrial categories

- A. Large-scale industrial plants
- B. Industrial estates
- C. Crude oil refineries
- D. Large thermal power projects (200 megawatts or more)
- E. Major installations for initial smelting of cast iron and steel and production of non ferrous metals
- F. Chemicals
 - 1. Manufacture and transportation of pesticides
 - 2. Manufacture and transportation of hazardous or toxic chemicals or other materials
- G. All projects which pose potential serious occupational or health risks
- H. Transportation infrastructure
 - 1. Roadways
 - 2. Railroads
 - 3. Airports (runway length of 2,100 meters or more)
 - 4. Large port and harbor developments
 - 5. Inland waterways and ports that permit passage of vessels of over 1,350 tons
- I. Major oil and gas developments
- J. Oil and gas pipelines
- K. Disposal of toxic or dangerous wastes
 - 1. Incineration
 - 2. Chemical treatment
- L. Landfill
- M. Construction or significant expansion of dams and reservoirs not otherwise prohibited
- N. Pulp and paper manufacturing
- O. Mining
- P. Offshore hydrocarbon production
- Q. Major storage of petroleum, petrochemical and chemical products
- R. Forestry/large scale logging

- S. Large scale wastewater treatment
- T. Domestic solid waste processing facilities
- U. Large-scale tourism development
- V. Large-scale power transmission
- W. Large-scale reclamation
- X. Large-scale agriculture involving the intensification or development of previously undisturbed land
- Y. All projects with potentially major impacts on people or serious socioeconomic concerns
- Z. Projects, not categorically prohibited, but located in or sufficiently near sensitive locations of national or regional importance to have perceptible environmental impacts on:
 - 1. Wetlands
 - 2. Areas of archeological significance
 - 3. Areas prone to erosion and/or desertification
 - 4. Areas of importance to ethnic groups/indigenous peoples
 - 5. Primary temperate/boreal forests
 - 6. Coral reefs
 - 7. Mangrove swamps
 - 8. Nationally-designated seashore areas
 - 9. 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 F: Categorical Prohibitions

- I. Projects that involve conversion or degradation of critical forest areas or related critical natural habitats (see Glossary).
- II. Projects involving the construction of ‘large 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.
- III. Projects involving the commercial manufacturing of ozone-depleting substances (ODS) or the production or use of persistent organic pollutants (POPs) that are banned or scheduled to be phased out of production and use by international agreement during the life of the project.

A list of these substances and chemicals can be obtained from OPIC on request. The ODS list is defined by the Montreal Protocol as amended and US implementing regulations. The POPs prohibition refers to twelve products whose ban and phase out are currently subject to negotiation leading to a internationally legally binding agreement by the year 2000. OPIC’s prohibition is consistent with the position of the U.S. government in these negotiations with respect to the various categories of POPs, which include pesticides, industrial chemicals and unintentional by-products.
- IV. Projects that require resettlement of 5,000 or more persons.
- V. Projects in or impacting natural World Heritage Sites (Areas of significant ecological value that have been internationally recognized as necessary for strict protection by members of the World Heritage Convention).
- VI. Projects in or impacting areas on the United Nations List of National Parks and Protected Areas
- 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. Projects in IUCN Categories V (Protected Landscape/Seascape) and VI (Managed Resource Protected Area) must be consistent with IUCN management objectives.

Areas protected by the Ramsar Convention are considered within the appropriate IUCN Category to which they are assigned.

Appendix G: Industry Sector Guidelines

Where no sector specific guideline exists for a particular project then the World Bank *General Environmental Guidelines* and the IFC *Occupational Health & Safety Guideline* will be applied except for the following:

Mining and Milling – Underground (1995)

Mining and Milling – Open Pit (1995)

1998 World Bank Group: Pollution Prevention and Abatement Handbook

Aluminum Manufacturing
Base Metal and Iron Ore Mining
Breweries
Cement Manufacturing
Chlor-Alkali Plants
Coal Mining and Production
Coke Manufacturing
Copper Smelting
Dairy Industry
Dye and Pigment Manufacturing
Electronics Manufacturing
Electroplating
Foundries
Fruit and Vegetable Processing
General Environmental Guidelines
Glass Manufacturing
Industrial Estates
Iron and Steel Manufacturing
Lead and Zinc Smelting
Meat Processing and Rendering
Mini Steel Mills
Mixed Fertilizer Plants
Monitoring
Nickel Smelting and Refining
Nitrogenous Fertilizer Plants
Oil and Gas Development – Onshore
Pesticides Formulation
Pesticides Manufacturing
Petrochemicals Manufacturing
Petroleum Refining
Pharmaceutical Manufacturing
Phosphate Fertilizer Plants
Printing Industry
Pulp and Paper Mills
Sugar Manufacturing

Tanning and Leather Finishing
Textiles Industry
Thermal Power – Guidelines for New Plants (including Engine Driven Plants)
Thermal Power – Rehabilitation of Existing Plants
Vegetable Oil Processing
Wood Preserving Industry

IFC Environmental Health and Safety Guidelines, 1998

Airports
Ceramic Tile Manufacturing
Construction Materials Plants
Electric Power Transmission and Distribution
Fish Processing
Food and Beverage Processing
Forestry Operations (Logging)* (See Appendix F)
Gas Terminal Systems
Geothermal Power
Hazardous Materials Management (2001)
Health Care (2002)
Life and Fire Safety (2002)
Occupational Health and Safety (2003)
Office Buildings
Oil & Gas Development - Offshore
Pesticide Handling and Application
Plantations
Polychlorinated Biphenyls (PCBs)* (See Appendix F)
Port and Harbor Facilities
Rail Transit Systems
Roads and Highways
Telecommunications
Tourism and Hospitality Development (2001)
Waste Management Facilities
Wastewater Reuse
Wildland Management* (See Appendix F)
Wind Energy Conversion Systems
Wood Products Industries

* Subject to OPIC Categorical Prohibitions

IFC Operational Policies

- Environmental Assessment (Annexes and Guidance Notes)
- Natural Habitats *
- Pest Management
- Forestry *
- Safety of Dams
- International Waterways
- Involuntary Resettlement *
- Indigenous Peoples
- Cultural Property

Appendix H: Format for Host Government Notification Letter

[date]

Minister of State for Environment
Republic of _____

Dear Mr./Ms. Minister:

The Overseas Private Investment Corporation (OPIC) is proposing to issue financing and insurance for an investment in [name of host country] by a U.S. company. OPIC is an agency of the United States Government, with the mandate of facilitating economically productive and environmentally sound U.S. private investments in developing countries and emerging economies.

OPIC is required by U.S. law to notify appropriate host government authorities of investments under consideration for OPIC assistance, which have the potential to pose significant consequences for the environment. The project that is the subject of this notification involves an investment by [name of applicant] in the construction and operation of [concise description of project].

The potential environmental hazards associated with [industry sector] include [air, water, solid/hazardous waste, etc.].

Based on information provided to us by the investor, the project does not appear to pose significant hazards to the environment, public health, or safety resulting from the diverse impacts of [industry sector].

OPIC is also required to provide your government with information about standards and guidelines applicable to such investments that have been developed by international organizations or by federal environmental regulatory authorities of the United States. The relevant World Bank and U.S. Environmental Protection Agency (EPA) guidelines are attached for your information.

We understand, of course, that the project will be subject to the laws of [name of host country] with respect to the protection of the environment as well as occupational health and safety.

If you have any questions about OPIC's environmental assessment of this project, you may contact OPIC's Director of Environmental Affairs at the above address.

Sincerely yours,

[Name]

President and

Chief Executive Officer

Appendix I: Glossary

Critical forest areas [15] 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 [16] 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.

Environmental Assessment (EA) - Analytical tool used to anticipate potential impacts of particular activities on the natural environment and on humans dependent on that environment.

Initial Environmental Audit (IEAU) - Assessment of environmental and related human impacts of pre-existing or ongoing activities.

Environmental Impact Assessment (EIA) - Comprehensive analytical effort designed to anticipate 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.

Environmental Impact Statement (EIS) - Comprehensive analytical effort designed to anticipate environmental impacts of major federal actions affecting the global commons outside of the jurisdiction of any nation.

Environmental Management and Monitoring Plan (EMMP) - Systematic program designed to prevent, mitigate and monitor anticipated environmental and related human impacts of prospective and ongoing activities.

Environmental Remediation Plan (ENR) - Systematic program designed to reverse adverse environmental impacts of previous activities at a site.

European Bank for Reconstruction and Development (EBRD) – The [EBRD](#) is 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. Other members include the European Community and the United States.

Export-Import Bank of the United States (Exim) – [EXIM](#) is an independent U.S. government agency that helps finance the overseas sales of U.S. goods and services.

Financial Intermediary (FI) - Investment funds, bank or other financial institution that lends directly to projects or investment funds guaranteed or insured by OPIC that invest in projects (“subprojects”) subject to OPIC approval on policy grounds.

Foreign Assistance Act (FAA) - Foreign Assistance Act of the United States.

Forest [15] - 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 have 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 dependant 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.

International Finance Corporation (IFC) – The [IFC](#) is an affiliate of the World Bank group that makes loans to and investments in private sector projects in developing countries and emerging markets.

ISO 14000 - basic elements of an effective environmental management system as developed by the [Technical Committee of the International Organization for Standardization](#) (ISO) to provide organizations worldwide with a common approach to environmental management.

Major Hazard Assessment (MHA) - Analytical tool used for identifying, analyzing and controlling potential major hazards to human health and safety resulting from storage and processing of toxic and hazardous substances.

Natural forests [15]- 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.

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

Notes

1. World Bank Group [Safeguard Policies – Operational Policy 4.01](#).
2. Ibid.
3. Ibid.
4. Projects that seek to enhance environmentally particular aspects of a larger Category A or B project are not screened into category E.
5. World Bank Group [Safeguard Policies - Operational Policy 4.01](#). The term "environment" encompasses the natural environment (air, water and land); human ecology and health and safety; and sociocultural aspects (including involuntary resettlement and indigenous peoples); and transboundary and global environmental aspects.
6. OPIC's Small Business Definition (Effective June 16, 1998): All companies, both service and industrial, with annual sales of less than \$250 million (taking into account the consolidated sales of the parent company); and entities with no revenues *per se*, such as individual private investors or newly formed companies, with net worth or stockholders' equity of less than \$67 million.
7. Also see, "*Environmental Hazard and Risk Assessment*", Environmental Assessment Sourcebook Update, December 1997, The World Bank.
8. Interested members of the public can subscribe to OPIC's environmental list server by [clicking here](#) and providing their name, title, organization and e-mail address.
9. World Bank Group [Pollution Prevention and Abatement Handbook](#), July 1998
10. International Finance Corporation, [IFC Environmental and Social Policies and Procedures](#)" December 1998; Annex C World Bank OP 4.01
11. [World Bank Safeguard Policies: Operational Policy 4.01-Annex A](#): "*Project area of influence*: The area likely to be affected by the project, including all its ancillary aspects, such as power transmission corridors, pipelines, canals, tunnels, relocation and access roads, borrow and disposal areas, and construction camps, as well as unplanned developments induced by the project."
12. Speech of President Clinton on July 24, 1997; Byrd-Hagel Resolution on Climate Change.
13. The independent third-party audit is distinct from the IEAU conducted during the application process for existing projects. It is further distinguished because the IEAU

may be conducted by the sponsor, whereas the compliance audit is to be conducted by an independent third party.

14. See “[Environmental Auditing](#)”, Environmental Assessment Sourcebook Update, August 1995, The World Bank

15. [World Bank Operational Policy 4.04 \(Natural Habitats\) and Bank Procedure 4.04 - Annex A, adopted June 2001.](#)

16. Sources may include WWF Global 200, Birdlife International Endemic Bird Areas, Conservation International Hot Spots and WRI Frontier Forests. Sources identified by the World Bank include: (1) World Bank (1993). Ecologically sensitive sites in Africa. Volume III: South-central Africa and Indian Ocean. Compiled by the World Conservation Monitoring Centre for the World Bank, Washington, DC, USA; (2) Dinerstein, E., Olson, D.M., Graham, D.J., Webster, A.L., Primm, S.A., Bookbinder, M.P. and Ledec, G. 1995. A Conservation Assessment of the Terrestrial Ecoregions of Latin America and the Caribbean. The World Bank, Washington D.C; (3) MacKinnon, J. (Ed.) 1996. Review of Biodiversity Conservation in the Indo-Malayan Realm. Draft. Prepared by the Asian Bureau for Conservation in collaboration with the World Conservation Monitoring Centre. The World Bank, Washington D.C.