

Export Credits Guarantee Department

Business Principles Unit

Case Impact Analysis Process

May 2004

Export Credits Guarantee Department
Business Principles Unit - Case Impact Analysis Process

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Export Credits Guarantee Department

Business Principles Unit - Case Impact Analysis Process

1 ECGD's policy

- 1.1 In processing applications for ECGD support, it is ECGD's policy to ensure that:
- all cases supported by ECGD are compatible with its Statement of Business Principles; and
 - all decisions on ECGD support have taken into account Government policies on the environment, sustainable development, and human rights.
- 1.2 The aim of the Case Impact Analysis conducted by ECGD's Business Principles Unit is to ensure that all civil, non-aerospace, transactions supported by ECGD meet these policy objectives.

2 Methodology

- 2.1 This paper provides an outline of the Case Impact Analysis Process that is usually followed by the BPU¹ in relation to civil, non-aerospace, transactions. It is not a statement of what will be done in every case as the BPU will exercise its professional judgment on the basis of the actual circumstances of each individual case. Policies, practices and processes will evolve and be subject to change over time, and this description of the process will be amended accordingly.
- 2.2 The methodology used by ECGD for these purposes reflects the process described in the OECD "Recommendation on Common Approaches on Environment and Officially Supported Export Credits"².
- 2.3 ECGD analyses the environmental, social and human rights impacts of all civil, non-aerospace transactions for which applications for support are received. Where possible, the impacts of the goods and services being exported, and the project of which they form part, are both assessed.

¹ A full list of acronyms used in this paper is set out in the Schedule.

² See: <http://www.oecd.org/dataoecd/26/33/21684464.pdf>

- 2.4 Aerospace and defence cases are subject to separate screening arrangements. All new aircraft and aero engines supported by ECGD must meet EU, US and International Civil Aviation Organisation environmental and noise standards. Defence cases are subject to the export licensing procedure operated by the DTI, FCO, MOD and, where relevant, DFID. The procedure includes a review of applications against published criteria.³
- 2.5 The method used by ECGD to determine the acceptability of the impacts of a project is to compare them with the relevant international standards⁴. These international standards are usually those contained in the relevant directives, policies and guidelines of the World Bank Group, in particular the Safeguard Policies, the Pollution Prevention and Abatement Handbook and the IFC's equivalent environmental guidelines. Other standards, such as those of the major regional development banks (the Asian Development Bank, the African Development Bank, the Inter-American Development Bank and the European Bank for Reconstruction and Development) for projects in their areas of operation, the World Health Organisation and/or the European Union, may be appropriate alternatives or supplements. This approach is described in more detail below.
- 2.6 ECGD analyses project impacts using a methodology similar to that used by the World Bank Group. It is ECGD's policy that projects should comply in all material respects with the relevant safeguard policies, directives and environmental guidelines of the World Bank Group⁵.
- 2.7 Projects that comply with the relevant international standards will normally be considered acceptable on environmental and social grounds, although due consideration is given to the specific requirements of each project's actual site and location.
- 2.8 Projects that do not meet the relevant international standards will normally be considered unacceptable. ECGD's approach in these circumstances is to engage the exporter and/or the project developer in discussions with the objective of raising the project standards to an acceptable level.

³ The criteria for considering individual applications for licences for strategic goods were set out in a House of Commons Statement by the Secretary of State for Foreign and Commonwealth Affairs on 26 October 2000 (Hansard/Official Report, Columns 199W/203W).

⁴ In this paper, where appropriate, standards include guidelines, policies, directives and procedures. International standards are those of international bodies, such as the World Bank Group, Regional Development Banks, the EU and the UN.

⁵ OP 4.01 "Environmental Assessment" describes the procedures used by World Bank Group members for assessing the environmental impacts of projects for which they are considering finance. This Case Impact Analysis Process is ECGD's equivalent. ECGD does not therefore consider OP 4.01 to be directly applicable for its purposes. Annexes B and C of OP 4.01 nevertheless contain useful guidance regarding the contents of Environmental Impact Assessments and Environmental Action Plans.

- 2.9 Where the exporter or project developer has agreed to meet certain standards, this will usually be reflected by specific covenants being inserted in the financing arrangements, as the case allows. A system for monitoring and reporting on compliance with these covenants may also be required.
- 2.10 In processing applications for support, ECGD will also take account of applicable Government policies and initiatives on the environment, sustainable development, and human rights.

3 Responsibilities

- 3.1 The parties normally involved in the case impact analysis process, and their main responsibilities in this area, are:
- Case managers. Business Group case managers have overall responsibility for ensuring that cases comply with ECGD's Business Principles. Specific responsibilities include informing the BPU of new cases, ensuring Impact Questionnaires are completed (where required), liaising with exporters and co-ordinating Underwriting Committee submissions.
 - The Business Principles Unit. The BPU provides specialist advice on Business Principles and project impacts. The Unit will produce a written report of the case impacts along with any recommendations for covenants and monitoring. The BPU also informs other Government departments of any potentially sensitive cases (see below) and handles their responses. It is also the designated recipient of any comments from interested parties resulting from the prior disclosure of High potential impact cases.
 - The Underwriting Authority. The Underwriting Authority determines whether or not individual cases are to be supported, taking account of advice received, including the BPU's report and recommendations. The Underwriting Committee confirms which cases are potentially sensitive (see section 6) and which are prior disclosure cases (see section 7), and makes recommendations in respect of each such case to the Underwriting Authority.
 - Other Government departments. DEFRA, DFID, DTI (including UK Trade & Investment⁶), FCO and MOD are consulted on potentially sensitive cases. They are asked to provide input on the areas of Government policy for which they have responsibility. Underwriting decisions remain with the Underwriting Authority.

⁶ Formerly Trade Partners UK.

- 3.2 The Export Guarantees Advisory Council (EGAC) has responsibility for monitoring and reporting on ECGD's compliance with its Business Principles.

4 Impact questions in the application forms

- 4.1 Applicants must complete the impact questions contained within ECGD's standard application forms for all civil, non-aerospace cases. These request information on all the likely direct impacts of the goods and services being exported, the location of the project and a description of the current and future activities at this site. The latest versions are available on the ECGD website:
http://www.ecgd.gov.uk/home/ps_home/new_application_forms.htm.
- 4.2 Completed application forms are normally sent to the case manager who forwards a copy to the BPU. Upon receipt the BPU will conduct an initial review to identify potentially significant impacts and to determine responsibility for case assessments.

5 Case impact screening and categorisation by the BPU

- 5.1 Through completion of the Case Impact Screening form (see Annex A), the BPU assigns to each case a potential impact level of Low, Medium or High. This identifies the potential for the case to have serious or unacceptable environmental or social impacts. Most of the questions are self-explanatory. Guidance on some of the questions is given in paragraphs 5.3 to 5.13 below.
- 5.2 A summary of the definitions of the various potential impact levels, the consequences for the further assessment, monitoring and reporting of the case and examples of cases for each level of potential impact is contained at Annex B. It should be noted that the particular circumstances of a case may warrant a different categorisation.
- 5.3 Productive expenditure (Question 1). For HIPC and IDA-only countries, ECGD's policy is to support only productive expenditure, i.e. projects that assist the economic and social development of the country without contributing to an unsustainable debt burden. The case manager will refer an application for cover involving a productive expenditure market to DFID for its assessment of whether the project satisfies productive expenditure criteria.

- 5.4 HIPCs can be identified by reference to the World Bank's website at: www.worldbank.org/hipc/, whilst IDA-only countries are identified at: web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20054572~menuPK:115748~pagePK:83988~piPK:84004~theSitePK:73154,00.html. Both lists need to be consulted, as not all HIPCs are also IDA-only countries.
- 5.5 Compliance with UK standards (Question 2). The BPU commonly uses the fact that the goods/services could be sold in the UK without modification as a proxy for compliance with UK and EU standards.
- 5.6 Identification of projects (Questions 3, 4 & 5). ECGD customarily defines the "project" as the activities at the site at which the exported goods and services are to be used. When the exported goods are replacement components for an existing operation, the "project" comprises all the activities taking place within the site boundary of those existing operations. For expansions and greenfield projects, the "project" includes the current uses of the site as well as the new uses resulting from the implementation of the project, plus any associated infrastructure developments leading to the site.
- 5.7 Project location (Question 7). The proximity of the project to a sensitive receptor⁷ is an important factor in the determination of the potential impact level. Sensitive receptors include World Heritage sites (cultural and natural), protected areas, World Biosphere Reserves and wetlands of international importance (Ramsar sites), in addition to areas of high population density and areas of cultural importance. Details of these sites can be obtained from the websites identified on the Case Impact Screening form at Annex A. Any project built on or near one of these sites would have to justify its location and address the specific requirements of the site. On occasion it can be difficult to identify whether a project location is near to an identified site and, in such instances, ECGD is reliant on the exporter or buyer providing precise details.
- 5.8 Environmental impacts (Question 8). The environmental impact analysis of each case will vary depending on the nature, scale and location of the project. It normally includes consideration of:
- Water (consumption and discharges into)
 - Air quality and atmospheric emissions
 - Wildlife and habitats
 - Degradation of land

⁷ A receptor is a receiving body of a pollutant flow that is damaged or may be damaged by what it receives.

- Unsustainable consumption of natural resources
- Use of hazardous substances
- Waste generation and disposal
- Noise.

5.9 Consideration is given to impacts during the construction, operating and decommissioning phases and also during normal operation, abnormal operation (e.g. during start-up or maintenance) and under potential emergency conditions.

5.10 At the screening stage the BPU seeks to identify whether or not there are any potential environmental impacts that warrant further investigation. The existence of these would lead to a case being categorised as having Medium or High potential impacts.

5.11 Social impacts (Question 8). The approach to social and human rights impacts is similar to that used for environmental impact analysis. Impacts during the construction, operating and decommissioning phases are considered. The issues considered include:

- Involuntary resettlement
- Compulsory land acquisition
- Impact of imported workforces
- Job losses among local people
- Damage to sites of cultural, historic or scientific interest
- Impact on minority or vulnerable groups
- Child or bonded labour
- Use of armed security guards.

5.12 At the screening stage, the BPU seeks to identify whether or not there are any potential social impacts that warrant further investigation. The existence of these would lead to a case being categorised as having Medium or High potential impacts.

5.13 International conventions (Question 9). ECGD investigates whether support for overseas projects might breach any international obligations or policies of the UK government and consults other government departments, as appropriate.

- 5.14 News databases and the internet (Question 10). Further information about the projects and the companies involved may also be obtained from news databases and the internet, although the correctness or accuracy of information from such sources is not assumed. The websites of exporters, for instance, may include details of corporate environmental policies or information on the goods to be exported, and host government sites may include local environmental standards.
- 5.15 SERM rating / FTSE4good (Question 10). These are both independent assessments of the environmental and social performance of major companies that provide additional background information. SERM is an environmental consultancy that quantifies a company's environmental risk using the S&P ratings scale. The company has a searchable database on its website at www.serm.co.uk. FTSE4good, located at www2.ftse.com/ftse4good, is a subset of the main FTSE index and includes companies that are considered socially responsible. The present criteria for inclusion are based on three principles: working towards environmental sustainability, developing positive relationships with stakeholders, and upholding and supporting universal human rights.
- 5.16 World Bank Listing of Ineligible Firms (Question 10). All applicants must declare whether they or any of their directors or employees appear on any list of contractors or individuals debarred from tendering for or participating in any project funded by the World Bank or any other multilateral or bilateral aid agency, and whether they have at any time freely admitted or been found by a court to have engaged in any corrupt activity. The World Bank Listing of Ineligible Firms is found at: www.worldbank.org/html/opr/procure/debarr.html.
- 5.17 The BPU will inform the case manager if, as a result of its investigations, it has any reason to suspect any form of impropriety in relation to the case under consideration.
- 5.18 UN treaties and ILO conventions (Questions 11 & 12). The BPU will check which of the six core UN Human Rights treaties⁸ and eight International Labour Organisation fundamental conventions⁹ the host country has ratified in order to identify those with which the project should comply¹⁰. Relevant information is taken from the latest FCO Human Rights Annual Report and from the ILO website.

⁸ See Annex 5 of FCO Human Rights Annual Report 2003: www.fco.gov.uk/Files/kfile/Annexes_0.pdf

⁹ See: www.ilo.org/ilolex/english/newratframeE.htm

¹⁰ The European Convention on Human Rights will also be taken into account where this is applicable: www.echr.coe.int/Convention/webConvenENG.pdf .

- 5.19 Exporter / Buyer corporate policies. Corporate environmental and social policies are becoming increasingly common and are a guide as to how companies view these issues. A comprehensive corporate policy may indicate the manner in which the environmental and/or social aspects of a project will be managed. Important elements of an environmental policy statement include commitments to comply with relevant environmental legislation, to consider and minimise environmental impacts, to train staff and raise awareness, and to pursue a policy of continuous improvement.

6 Outcome of the case impact screening

- 6.1 The outcome of the screening process is for all cases to be categorised as having Low, Medium or High potential impacts. The category is determined largely by the answers to the questions in the Case Impact Screening form (Annex A). The BPU will in addition exercise its professional judgment.
- 6.2 Low potential impact cases. Cases relating to the export of goods or services, which comprise replacement goods / services at existing facilities and which comply with international standards, are normally categorised as having Low potential impacts and will not normally be scrutinised further.
- 6.3 Medium potential impact cases. Cases involving minor capacity expansions in potentially damaging business sectors, or greenfield projects or major expansions in other business sectors, are normally categorised as having Medium potential impacts. Following this categorisation the applicant is required to complete an Impact Questionnaire prior to further analysis.
- 6.4 High potential impact cases. Cases relating to greenfield projects or major expansions in potentially damaging business sectors, or cases which involve other issues / activities such as those identified at Annex B, are normally categorised as having High potential impacts. For such cases a formal environmental impact assessment, social impact assessment and/or a resettlement action plan is required. A completed Impact Questionnaire will not be required, as most of the responses will be contained within the formal EIA / SIA / RAP. Specific questions may be asked relating to issues that are not covered by the EIA / SIA / RAP.

7 Potentially sensitive cases

- 7.1 Potentially sensitive cases are those cases that give rise to UK governmental interests outside ECGD. Underwriting Committee must

confirm that a High potential impact case is to be treated as a potentially sensitive case.

- 7.2 Before making a decision on whether or not to issue cover for these cases, ECGD provides other Government departments with an opportunity to comment on the project. These departments include DEFRA, DFID, DTI (including UK Trade & Investment), FCO and MOD.

8 Prior disclosure cases

- 8.1 Where the Underwriting Committee confirms that a High potential impact case is to be treated as a prior disclosure case and ECGD obtains the relevant consents, ECGD publishes on its website a brief account of the project (project name, location, a brief description and the source of environmental information).
- 8.2 This prior disclosure will normally be made following a formal application for ECGD cover. Although there is no fixed disclosure period, ECGD will seek to publish information at least 60 days before any decision on cover is taken. In order to avoid jeopardising competitive positions, disclosure is subject to customer consent. ECGD will seek its customer's consent as soon as possible following the Underwriting Committee's confirmation that the case is to be treated as a prior disclosure case.
- 8.3 Interested parties may forward their comments to the BPU. Material comments will be taken into consideration.

9 Further analysis of Medium and High potential impact cases

- 9.1 The first stage of further analysis completed by the BPU is a stakeholder analysis. This is a technique for analysing project impacts that seeks to identify project stakeholders and to consider how they may be affected by the project.
- 9.2 ECGD's method of determining the acceptability of a project is to consider the specific circumstances of the project in the light of the relevant international standards or criteria or, in their absence, in the light of any relevant international guidelines. The most commonly used standards are those of the World Bank Group. Other standards that might be used as alternatives or supplements include those of the Regional Development

Banks, the World Health Organisation and other ECAs. Host country legal requirements will also be taken into consideration.

- 9.3 For Medium potential impact cases ECGD requires the completion of an Impact Questionnaire. This is available on ECGD's website (http://www.ecgd.gov.uk/iq_may_2004.doc) and contains detailed guidance notes.
- 9.4 To complete its impact analysis of High potential impact cases ECGD requires the information normally contained in a formal EIA, SIA and/or RAP. These are detailed assessments of all of the potential environmental and/or social impacts of the project. They are usually prepared by independent environmental or social consultants. The World Bank has guidelines on the expected contents of an EIA, included at Annex C, and the EU has published guidance on how to assess an EIA. The latter is available at <http://europa.eu.int/comm/environment/eia/eia-guidelines/g-review-full-text.pdf>.
- 9.5 The OECD's "Recommendation on Common Approaches on Environment and Officially Supported Export Credits" recommends that, for High potential impact projects, ECGD should "seek to make environmental impact information publicly available (e.g. EIAs, summary thereof) at least 30 calendar days before a final commitment to grant official support". ECGD expects project sponsors to ensure that this information is published at the appropriate stage in the development of the project.
- 9.6 **Environmental impacts.** World Bank and IFC sector guidelines detail matters for consideration in many different business sectors. They also give the environmental standards with which these institutions normally expect projects to comply. The respective guidelines can be found at <http://lnweb18.worldbank.org/ESSD/envext.nsf/51ByDocName/PollutionPreventionandAbatementHandbook> and <http://www.ifc.org/enviro/enviro/pollution/guidelines.htm>.
- 9.7 The World Bank Group's guidelines state that on occasion an environmental assessment may show that less strict site specific requirements would be acceptable. Exceptionally a deficiency in a given area may be justified through a site specific environmental impact assessment and a cost / benefit analysis relating to available alternative measures. Even in such circumstances ECGD's preference will usually be to encourage project developers to make improvements rather than justify deficiencies.

9.8 The World Bank Group has also produced a number of policies relating to specific environmental issues. These can be found on the Safeguard Policies section of the IFC website¹¹ and include:

- Natural Habitats (OP 4.04):
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_NatHabitats/\\$FILE/OP404_NaturalHabitats.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_NatHabitats/$FILE/OP404_NaturalHabitats.pdf)
- Forestry (OP 4.36):
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_Forestry/\\$FILE/OP436_Forestry.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_Forestry/$FILE/OP436_Forestry.pdf)
- Safety of Dams (OP 4.37):
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_SafetyOfDams/\\$FILE/OP437_SafetyOfDams.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_SafetyOfDams/$FILE/OP437_SafetyOfDams.pdf)

9.9 Cases that have been categorised as having High or Medium potential impacts due to the environmental issues involved are expected to comply in all material respects with the relevant World Bank Group standards. For both High and Medium potential impact projects found to be deficient on grounds relating to environmental issues the project developer has three options: (i) to improve the project by bringing it into line with international standards; (ii) to justify the deficiency through a site specific environmental impact assessment and a cost / benefit analysis relating to available alternative measures, or (iii) to recognise that the BPU is likely to find the project to be unacceptable.

9.10 **Social impacts.** The approach to social and human rights impacts is similar to that used for the environmental impact analysis, although fixed standards are not appropriate or available for many of these issues. The World Bank Group is the most commonly used source of information regarding the issues normally considered. Information relating to the various relevant Operational Policies (OPs), Operational Directives (ODs) and Bank Procedures (BPs) where available can be found on the Safeguard Policies section of the IFC website:

<http://www.ifc.org/ifcext/enviro.nsf/Content/Safeguardpolicies> .

- **Involuntary resettlement and compulsory land acquisition** (OP/BP 4.12 and OD 4.30):
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_Resettlement/\\$FILE/OD430_InvoluntaryResettlement.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_Resettlement/$FILE/OD430_InvoluntaryResettlement.pdf)
- **Impact of imported workforces**
- **Job losses among local people**
- **Damage to sites of cultural, historic or scientific interest** (OP 4.11)
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_CultProp/\\$FILE/OPN1103_CulturalProperty.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_CultProp/$FILE/OPN1103_CulturalProperty.pdf)

¹¹ <http://www.ifc.org/ifcext/enviro.nsf/Content/Safeguardpolicies>

- **Impact on minority or vulnerable groups** (OD 4.20):
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_IndigPeoples/\\$FILE/OD420_IndigenousPeoples.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_IndigPeoples/$FILE/OD420_IndigenousPeoples.pdf)
- **Child or bonded labour** (Policy statement):
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_ChildLabor/\\$FILE/ChildForcedLabor.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_ChildLabor/$FILE/ChildForcedLabor.pdf)
- **Occupational health and safety:**
[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_OHS/\\$FILE/OHSguideline.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/gui_OHS/$FILE/OHSguideline.pdf)
- **Use of armed security guards:** ECGD considers that the “Voluntary Principles on Security and Human Rights”¹² promoted by the Governments of the United States and the United Kingdom, together with other interested parties, provides good guidance when the use of armed security forces is being considered.

9.11 Cases that have been categorised as having High or Medium potential impacts due to the social issues involved are expected to comply in all material respects with the relevant international policies, whether of the World Bank Group or other. When a High or Medium potential impact project is found to be deficient on grounds relating to social issues the project developer has two options: (i) to improve the project by bringing it into line with relevant international standards, or (ii) to recognise that the BPU is likely to find the project to be unacceptable.

9.12 **Export insurance cases.** ECGD’s Export Insurance Policy (EXIP) provides exporters with insurance against the risk of non-payment under an export contract with an overseas buyer. Cover can be provided for export contracts involving cash or credit payment terms.

9.13 In accordance with normal credit insurance practice the overseas buyer will not be informed that an export insurance policy is being sought. Under these circumstances it may not be possible for the exporter to obtain sufficient information about the project from the overseas buyer. ECGD will attempt to obtain any necessary additional information by alternative means but recognises that the requirement to maintain confidentiality may limit its ability to do so. For cases where it does not have access to sufficient information for a full impact analysis, the BPU will make a judgement, based on the limited information to hand, as to whether a project is likely to meet the relevant international standards.

¹² <http://www.fco.gov.uk/Files/kfile/da85e5dbm-5fRights-5f13Dec.0.pdf>

10 Support for UK Government initiatives

10.1 In processing applications for support, ECGD takes account of applicable Government policies and initiatives on the environment, sustainable development, and human rights. Government policies and commitments in each of these areas are likely to evolve over time. By way of illustration, paragraphs 10.2 to 10.4 below refer to three such Government initiatives. The BPU is able to advise applicants of applicable Government policies and initiatives, on request.

10.2 Where applicable, ECGD will take account of the commitments made by the UK Government at the World Summit on Sustainable Development in Johannesburg in September 2002¹³. Those of most relevance to ECGD's operations, and therefore to projects seeking ECGD's support, include commitments towards:

- greater natural resource efficiency and a reduction in unsustainable consumption and production patterns ;
- increasing the generation of energy from renewable resources, a more efficient use of energy and increasing access to energy;
- significantly reducing the rate of loss of biodiversity on land by 2010 and a halt to biodiversity loss at sea;
- reducing poverty levels and improving access to energy, sanitation and clean water;
- promoting best practice in corporate responsibility and accountability, and a recognition of the importance of public participation in decision-making and access to environmental information.

10.3 The UK Government encourages all multinational companies to adopt the recommendations on responsible business conduct contained in the "OECD Guidelines for Multinational Enterprises"¹⁴. ECGD's internal procedures will check on the consistency of the operations of its customers (both in the UK and overseas) with these recommendations, and in particular those relating to the environment, employment, combating bribery and transparency.

10.4 The UK Government seeks to raise awareness of the "Extractive Industries Transparency Initiative"¹⁵ by all companies in the extractive industries sector. For cases in this sector where ECGD is in direct contact with project sponsors (normally Overseas Investment Insurance and Project Finance cases), ECGD will ensure that sponsors are aware of the Initiative and will

¹³ <http://www.sustainable-development.gov.uk/eac-wssd/commitments2.htm>

¹⁴ http://www.tradepartners.gov.uk/export_finance/oecd_guidelines/oecd.shtml

¹⁵ http://www.dfid.gov.uk/News/News/files/eiti_index.htm

encourage adherence, particularly in countries which have already or are about to sign up to the Initiative.

11 Monitoring and reporting

11.1 The nature, scale and location of the project, the likelihood of adverse impacts occurring, the environmental track record of the operating company, and the strength of host country enforcement bodies are amongst the factors taken into account when determining the need for, and extent of, monitoring and reporting.

11.2 Where appropriate, compliance standards and reporting regimes may be written into the finance arrangements of the case.

11.3 Issues taken into consideration when monitoring and reporting is proposed include:

- What standards should be used?
(Usually those of the World Bank Group)
- Is independent monitoring required?
(Usually self-monitoring and reporting is acceptable for most Medium potential impact cases, whilst the use of independent consultants is likely to be more appropriate for High potential impact cases and the more critical Medium potential impact cases)
- How often should it occur?
(In most cases every 3-6 months during construction, and annually during operation until ECGD's involvement with the project has ceased)
- Who should fund the monitoring and reporting?
(Usually the project sponsors or the project company)
- What steps should be taken if standards are not met?
(There are various mechanisms for enforcement including: the obligation to inform ECGD within an agreed period of any event that constitutes non-compliance; the presentation of an agreed corrective action plan (CAP) within an agreed period; a continuing obligation to report on the progress of a CAP, and the ability to call a default under the financing arrangements where a CAP is not implemented or does not bring the project back into compliance. Failure to achieve any of the actions within the agreed periods may also constitute a default under the financing arrangements.)

12 Recommendations

- 12.1 On completion of its assessment, the BPU produces a written report on the Business Principles aspects of the case for the Underwriting Authority.
- 12.2 The assessment report includes a reasoned recommendation on whether the case is compatible with ECGD's Business Principles. Where appropriate, it includes recommendations on monitoring and reporting. Where information is not available, or where the BPU is unable to make a recommendation, this is stated in the report.
- 12.3 The decision on whether or not to provide support is taken by the Underwriting Authority. For potentially sensitive cases and prior disclosure cases the decision is taken following receipt of a recommendation on the case from the Underwriting Committee.
- 12.4 The powers of the Underwriting Authority are, under the Export and Investment Guarantees Act 1991, exercisable only with the consent of the Treasury.

SCHEDULE

List of acronyms

BP	Bank Procedure (of the World Bank Group)
BPU	Business Principles Unit
CAP	Corrective action plan
DEFRA	Department of the Environment, Food and Rural Affairs
DFID	Department for International Development
DTI	Department of Trade and Industry
ECA	Export credit agency
ECGD	Export Credits Guarantee Department
EGAC	Export Guarantees Advisory Council
EIA	Environmental impact assessment
EU	European Union
FCO	Foreign and Commonwealth Office
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organisation
IUCN	International Union for the Conservation of Nature
MOD	Ministry of Defence
OD	Operational Directive (of the World Bank Group)
OECD	Organisation for Economic Cooperation and Development
OP	Operational Policy (of the World Bank Group)
RAP	Resettlement action plan
S&P	Standard & Poor's
SERM	Social & Environmental Risk Management Rating Agency
SIA	Social impact assessment
UK	United Kingdom of Great Britain and Northern Ireland
UN	United Nations

CASE:

BUYER COUNTRY:

DATE OF SCREENING:

	Aspect for consideration	Response ¹⁶	Influence on potential impact category
1.	Is the buyer country a HIPC or IDA-only country?	Yes / No	If yes - productive expenditure check required
2.	Do the goods/services being exported comply with UK standards? I.e. could the goods/services be sold in the UK without any modification?	Yes	Depends only on the project impacts
		No	Depends on the standards with which the goods/services comply and also the project impacts if there is an identifiable project
3.	Is there an identifiable project? I.e. can the current and future activities on the destination site be identified?	Yes	Depends on the impacts of both the goods/services and project.
		No	Depends only on the direct impact of the goods/services.
4.	Are the exported goods/services replacements of existing minor components?	Yes	Low if goods/services comply with UK or international standards
		No	Depends on impacts of both goods/services and the project.
5.	Is the project a greenfield project or a large expansion of an existing facility?	Yes	High potential impact if project in a potentially damaging business sector (See Q6)
		No	Low or Medium potential impact
6.	Is the project in one of the following potentially damaging business sectors:		If 'yes' to any of these then probably Medium or High potential impact
	mining and/or mineral extraction?	Yes / No	
	oil and/or gas field development?	Yes / No	
	oil refineries, pipelines and/or large tank farms/	Yes / No	
	petrochemicals, plastics and/or chemicals manufacturing/	Yes / No	
	forestry, wood industry, pulp and/or paper manufacturing?	Yes / No	
	dams (for irrigation, flood control or hydropower), large scale water reservoirs and irrigation?	Yes / No	
	nuclear power generation and/or fuel processing	Yes / No	
	thermal power plants and/or associated transmission systems?	Yes / No	
	large scale agriculture and/or aquaculture involving change of land use?	Yes / No	
	cement production?	Yes / No	
	manufacturing of glass and/or ceramic products?	Yes / No	
	production of iron & steel and/or manufacturing iron & steel products?	Yes / No	
	metal processing?	Yes / No	
	manufacture of rubber and/or plastic products?	Yes / No	
	spinning, weaving and/or finishing or natural and/or synthetic fibres?	Yes / No	
	food (meat, fish, fruit and/or vegetable) processing?	Yes / No	
	leather tanning?	Yes / No	
	asbestos processing?	Yes / No	
	major road, railway, airport, sea port and/or inland waterway development?	Yes / No	
	large scale tourism development?	Yes / No	

¹⁶ Circle actual response and/or comment as necessary.

7.	Is the project located close to:		If 'yes' to any of these then Medium or High potential impact
	a World Heritage cultural site? ¹⁷	Yes / No	
	a World Heritage natural site? ¹⁸	Yes / No	
	an IUCN protected area? ¹⁹	Yes / No (Category:)	
	a World Biosphere Reserve? ²⁰	Yes / No	
	a 'Ramsar' site? ²¹	Yes / No	
	another sensitive receptor?	Yes / No	
8.	Is there the potential for significant:		If 'yes' to any of these then Medium or High potential impact
	adverse environmental impacts?	Yes / No	
	adverse health & safety impacts?	Yes / No	
	adverse social impacts?	Yes / No	
9.	Do the exported goods/services and/or the project give rise to potential conflicts with any of the international conventions that the UK has signed?	Yes / No	If 'yes' to any of these then Medium or High potential impact
10.	Do checks of the exporter and buyer using any of the following give rise to concerns?		If 'yes' to any of these then probably Medium or High potential impact
	News databases/internet	Yes / No	
	SERM rating	Yes / No	
	FTSE4good	Yes / No	
	World Bank listing of ineligible firms	Yes / No	
11.	Which core UN Human Rights treaties has the host country ratified?²²		
	International Covenant on Economic, Social and Cultural Rights		Yes / No
	International Covenant on Civil and Political Rights		Yes / No
	International Convention on the Elimination of all forms of Racial Discrimination		Yes / No
	Convention on the Rights of the Child		Yes / No
	Convention on the Elimination of All Forms of Discrimination Against Women		Yes / No
12.	Which fundamental ILO conventions has the host country ratified?²³ (Circle those ratified)		
	Forced Labour: C29 C105	Discrimination: C100 C111	
	Freedom of association: C87 C98	Child Labour: C138 C182	

CONCLUSION: The case has Low / Medium / High²⁴ potential impacts.

NB. A High potential impact case will usually be a potentially sensitive case and/or a prior disclosure case. Such a case should be referred to Underwriting Committee for confirmation.

Screening performed by: **Date:**

Screening checked by: **Date:**

¹⁷ See website: whc.unesco.org/heritage.htm

¹⁸ See website: www.unep-wcmc.org/sites/wh/index.html

¹⁹ See website: www.unep-wcmc.org/protected_areas/data/un_97_list.html

²⁰ See website: www.unesco.org/mab/wnbr.htm

²¹ See website: www.ramsar.org/index_list.htm

²² See Annex 5 of FCO Human Rights Annual Report 2002 at www.fco.gov.uk/Files/kfile/Annexes.pdf

²³ See website: www.ilo.org/ilolex/english/newratframeE.htm

²⁴ Circle actual category and delete the others.

Category	Definition / consequences	Issues / activities	Examples The particular circumstances of a case may warrant a different categorisation.
<p style="text-align: center;">A</p> <p style="text-align: center;">High potential impact</p>	<p>Activities which due to their type, scale or location have the potential for major adverse impacts on the environment, the workforce, their immediate dependants or the community at large. These may not be readily predictable, and are usually irreversible, diverse or sensitive.</p> <p>Full formal assessment of SEA / EIA / SIA / RAP with specialist inputs.</p> <p>Monitoring and reporting by specialists will normally be required.</p>	<ul style="list-style-type: none"> • Major pollution of air, soil or water • Clearing of significant areas of natural vegetation • Impact on habitat important to endangered / protected species or fragile areas e.g. wetlands, small islands etc. • Bulk storage of inflammable, explosive or hazardous material • Use, handling or production of substances which are toxic or hazardous to health in significant quantities or at high exposure levels. • Processes that can give rise to high societal risks as well as significant risks to the workforce • Work that directly affects public safety • Significant numbers of people being moved from the project site (whether or not they have formal rights) • Involuntary resettlement • Substantial job losses planned or expected in the future • Large non-local labour force being brought into the project site (whether for a temporary construction period or longer) • Effects on cultural property or vulnerable groups • Use of forced or child labour • Uncontrolled use of armed security forces • Projects for which project specific legislation has replaced or supersedes normal host country legislation 	<p>Greenfield or major expansion projects in the following sectors:</p> <ul style="list-style-type: none"> • Mining and mineral processing • Oil and gas exploration and development • Oil refineries and large tank farms and pipelines • Integrated petrochemical, plastics and chemical manufacturing facilities • Potential sources of major pollution e.g. leather tanning, asbestos processing • Nuclear power plants & nuclear fuel processing • Thermal power plants (>140MW) & associated transmission systems/lines • Furnaces and other combustion installations with a heat output of >300 MW • Integrated iron and steel plants and other metal processing and production plants • Cement (clinker) production • Wood pulp production, paper and board mills; saw milling and manufacture of veneer, plywood and other wood based materials; • Large scale agriculture and forestry involving clearing of natural forest • Large dams, water extraction & treatment projects, flood management projects, major water transfer schemes and large-scale irrigation developments • Major road, railway or airport developments • Sea ports and inland waterways • Large scale tourism developments

Category	Definition / consequences	Issues / activities	Examples The particular circumstances of a case may warrant a different categorisation.
<p style="text-align: center;">B</p> <p>Medium potential impact</p>	<p>Activities which could cause adverse impacts on the environment, the workforce, their immediate dependants or the community at large, but these are unlikely to be as diverse or sensitive as those from High Risk activities and remedial measures can more easily be implemented.</p> <p>Full review of application forms and Impact Questionnaire by the BPU.</p> <p>Regular self-reporting by the Company would usually be adequate with monitoring by the relevant host country agencies.</p>	<p>Activities which could have some environmental impact, but do not have the potential for major pollution and are not sited in environmentally sensitive areas.</p> <p>Activities which could have some impact on workers and others, but which do not have the potential for a major incident and are not sited in areas where any uncontrolled activity on site could impinge on the local population.</p> <p>Some job losses but usually by natural wastage.</p>	<p>Minor expansion projects in the sectors listed above or projects in the following sectors:</p> <ul style="list-style-type: none"> • Manufacture of glass and ceramic products • Manufacture of structural iron and steel products • Manufacture of rubber and plastic products • Spinning, weaving and finishing of natural and synthetic fibres • Thermal power plants <140MW • Furnaces and other combustion installations with a heat output of <300 MW • Cement production (milling) • Fruit and vegetable processing • Small dams and micro-hydroelectric schemes
<p style="text-align: center;">C</p> <p>Low potential impact</p>	<p>Activities which are likely to have minimal or no adverse impacts.</p> <p>Initial screening of application forms by the BPU only.</p> <p>Reporting or monitoring is not normally required.</p>	<p>Workers' rights properly protected through national legislation and company policy</p> <p>No substantial movement of people into or out of the project site</p>	<ul style="list-style-type: none"> • Public transport vehicles • Telecommunications • Business services • Sales of minimal impact goods into stock • Replacement/refurbishment of existing equipment

ANNEX C

Content of an Environmental Assessment Report for a Category A Project

ECGD requires that Environmental Impact Assessments (EIAs) of projects conform to a recognised format and coverage. This is the contents list used by the International Finance Corporation (a member of the World Bank Group). EIAs that conform to other internationally recognised standards of good practice may also be acceptable.

Extract from IFC Operational Policy OP 4.01²⁵

1. An environmental assessment (EA) report for a Category A project focuses on the significant environmental issues of a project. The report's scope and level of detail should be commensurate with the project's potential impacts²⁶.
2. The EA report should include the following items (not necessarily in the order shown):
 - a) **Executive summary.** Concisely discusses significant findings and recommended actions.
 - b) **Policy, legal, and administrative framework.** Discusses the policy, legal, and administrative framework within which the EA is carried out. Explains the environmental requirements of any co-financiers. Identifies relevant international environmental agreements to which the country is a party.
 - c) **Project description.** Concisely describes the proposed project and its geographic, ecological, social, and temporal context, including any off-site investments that may be required (e.g., dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Indicates the need for any resettlement plan or indigenous peoples development plan²⁷ (see also subpara (h)(v) below). Normally includes a map showing the project site and the project's area of influence.
 - d) **Baseline data.** Assesses the dimensions of the study area and describes relevant physical, biological, and socioeconomic conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project location, design, operation, or mitigatory measures. The section indicates the accuracy, reliability, and sources of the data.
 - e) **Environmental impacts.** Predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for environmental enhancement. Identifies and estimates the extent and

²⁵

[http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_EnvAssessment/\\$FILE/OP401_EnvironmentalAssessment.pdf](http://ifcln1.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_EnvAssessment/$FILE/OP401_EnvironmentalAssessment.pdf)

²⁶ The EA report for a Category A project is normally an environmental impact assessment, with elements of other instruments included as appropriate.

²⁷ See OP 4.12 and OD 4.30, *Involuntary Resettlement*, and OP 4.10, *Indigenous Peoples*.

quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention.

- f) **Analysis of alternatives**²⁸. Systematically compares feasible alternatives to the proposed project site, technology, design, and operation—including, the “without project” situation—in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training, and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.
- g) **Environmental Action Plan (EAP)**. Covers mitigation measures, monitoring, and institutional strengthening; see outline in OP 4.01, Annex C.
- h) **Appendixes**
 - i) List of EA report preparers—individuals and organizations.
 - ii) References—written materials, both published and unpublished, used in study preparation.
 - iii) Record of interagency and consultation meetings, including consultations for obtaining the informed views of the affected people and local nongovernmental organizations (NGOs). The record specifies any means other than consultations (e.g., surveys) that were used to obtain the views of affected groups and local NGOs.
 - iv) Tables presenting the relevant data referred to or summarized in the main text.
 - v) List of associated reports (e.g., resettlement plan or indigenous peoples development plan).

²⁸ EIA is normally best suited to the analysis of alternatives within a given project concept (e.g., a geothermal power plant, or a project aimed at meeting local energy demand), including detailed site, technology, design, and operational alternatives. Where a project has broad environmental implications (e.g. a large reservoir), these should be addressed through a careful and comprehensive analysis of the project’s area of influence and the proper scoping of the EIA.

ANNEX D

CONTENTS OF A RESETTLEMENT ACTION PLAN

ECGD requires that Resettlement Action Plans (RAPs) of projects conform to a recognised format and coverage. This is the content page list used by the World Bank Group. RAPs which conform to other internationally recognised standards of good practice may also be acceptable.

Extract from World Bank Operational Policy 4.30 (June 1990) ²⁹

The content and level of detail of resettlement plans, which will vary with circumstances, especially the magnitude of resettlement, it should normally include a statement of objectives and policies, an executive summary, and detailed provision for the following:

- (a) organizational responsibilities;
- (b) community participation and integration with host populations;
- (c) socioeconomic survey;
- (d) legal framework;
- (e) alternative sites and selection;
- (f) valuation of and compensation for lost assets;
- (g) land tenure, acquisition, and transfer;
- (h) access to training, employment, and credit;
- (i) shelter, infrastructure, and social services;
- (j) environmental protection and management; and
- (k) implementation schedule, monitoring, and evaluation.

Cost estimates should be prepared for these activities, and they should be budgeted and scheduled in coordination with the physical works of the main investment project.

²⁹

[http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_Resettlement/\\$FILE/OD430_InvoluntaryResettlement.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pol_Resettlement/$FILE/OD430_InvoluntaryResettlement.pdf)