

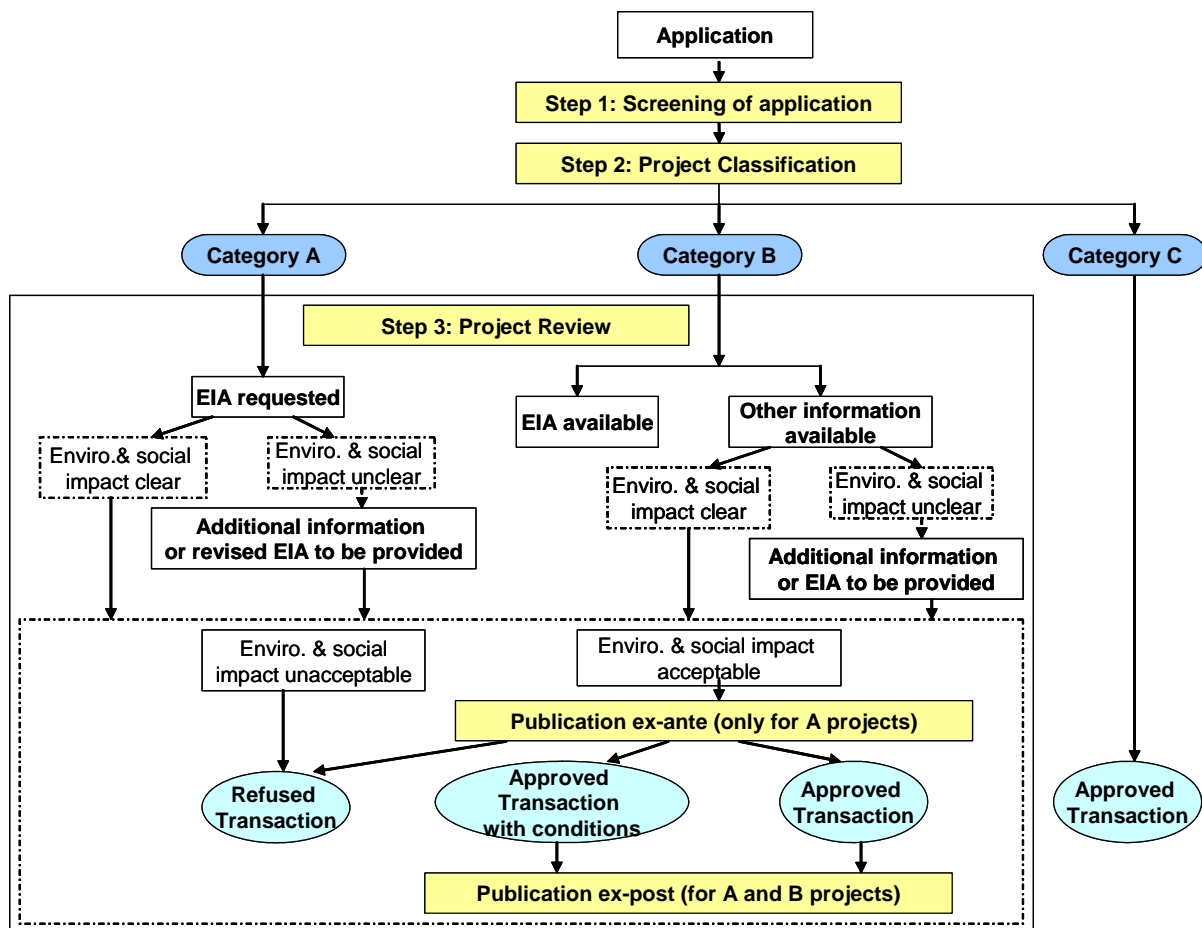
ONDD's Environmental and Social Policy

ONDD analyses the environmental, social and human rights impacts of all transactions for which applications for support are received.

The basis of the impact analysis is inspired by the OECD [“Recommendation on Common Approaches on Environment and Officially Supported Export Credits”](#). This Recommendation calls for environment-related requirements for export deals to qualify for export credit backing from the OECD governments' Export Credit Agencies (ECAs). It requires these agencies to review projects for their potential environmental impacts and to benchmark them against international standards, such as those of the World Bank Group.

According to the OECD Common Approaches, only projects, goods and services that are directly linked to export projects of which the credit period is 2 years or more than 2 years are governed by these environmental rules. ONDD has decided to extend these rules' area of application and applies them to transactions for cash and to investments.

ONDD's impact analysis is a multi-step process. The diagram below gives an overview of the different steps:



Step 1 : Screening of applications

The screening is performed on the basis of the exporter's answers to the questions on the [ONDD insurance application form](#). The exporter has to answer these questions for any application for cover.

ONDD can - on a case-by-case basis - ask the exporter to provide additional information relating to any project located in a sensitive sector or in or near a sensitive area.

On the basis of this first screening, ONDD provisionally classifies the project in category A, B or C, as laid down by the OECD.

Step 2: Project Classification

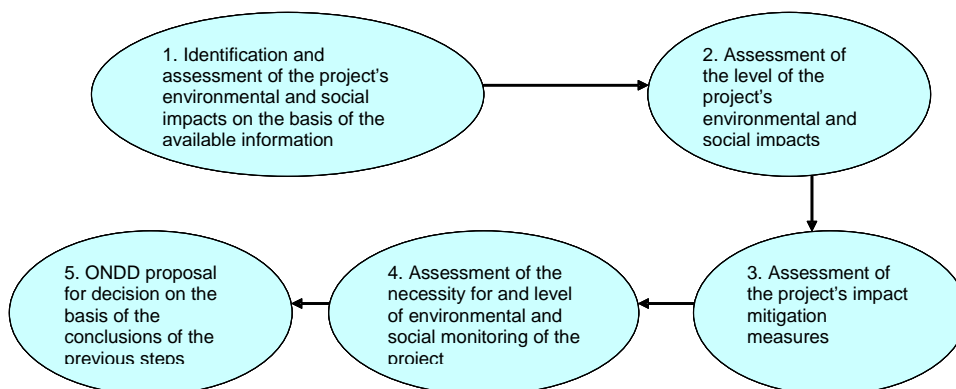
All applications submitted to ONDD are classified, irrespective of the amount of the transaction.

ONDD classifies projects according to the categories laid down in the OECD Common Approaches:

- **Category A:** a project is classified as category A if it has the potential to have significant adverse environmental impacts. Category A, in principle, includes projects in sensitive sectors or located in or near sensitive areas. The analysis of such projects requires an Environmental Impact Assessment (EIA). Whatever the result of the Environmental Impact Assessment, a project classified as category A remains classified as category A.
- **Category B:** a project is classified as category B if its potential environmental impacts are less adverse than those of category A projects. Typically, these impacts are site-specific, few if any of them are irreversible, and mitigation measures are more readily available. For projects classified in this category, all available information relating to the environmental aspects of the project is taken into account during the project analysis. In some cases, an EIA can prove necessary. The analysis of the available environmental information can lead to the reclassification of the project as category A or confirm that the environmental and social impacts are insignificant. In this case, the project remains classified as category B. A project is never reclassified from category B to category C.
- **Category C:** a project is classified as category C if it is likely to have minimal or no adverse environmental impacts.

Step 3: Project Review

The project review process can roughly be summarised in the following diagram:



The review takes the following questions into account:

Identification of environmental and social aspects	Impact assessment
<ul style="list-style-type: none"> • Is the project located in or near a sensitive area? • What activities may have environmental or social impacts? • What materials, sources of energy and other resources are used to carry out the project? • Do the potential impacts include: <ul style="list-style-type: none"> ○ Air emissions ○ Liquid effluents ○ Noise nuisance ○ Water pollution ○ Risks of soil contamination ○ Solid waste generation ○ Impacts on flora and fauna: is there a threat to endangered species, disruption of local biodiversity? • What activities could lead to accidents? • Is a displacement of population anticipated? 	<ul style="list-style-type: none"> • How severe are the impacts? Measurements taken before and during the execution of the works, comparison with the national and international standards. • How frequent and probable are the impacts? • How long will the impacts last and what geographical area will they cover? • Are the measures provided to mitigate impacts sufficient, adapted and formulated in clear instructions? • Are the measures provided to mitigate impacts part of an environmental management plan, which will be followed during the execution of the project? • In the event of displacement of population, what is the extent of it? Has the local population been consulted? Is compensation provided for? • What solutions are in place in the event of an accident? (e.g.: Oil spill prevention & response plan) • Are the technologies/techniques applied the most effective in limiting impacts ("environmentally friendly").

More specifically for category A projects

As these are projects with major impacts on the environment, they require the most in-depth investigation. For instance, this category usually includes dredging projects (construction of new infrastructure, land reclamation), dam projects, large-scale construction projects, power stations, oil and gas projects, industrial plants (metal and chemical).

For category A projects, an Environmental Impact Assessment report (EIA) is required. The task of drawing up an EIA principally falls to the project sponsor.

When ONDD has been provided with an EIA, it is published *ex ante* on the ONDD website in order to make the information publicly available at least 30 days before a final commitment to grant official support. (see "Disclosure of project information").

External reactions to the transactions that are published on the ONDD website are welcomed and taken into account by ONDD in its environmental and social impact assessment of projects. When suggestions are made or questions are asked, ONDD replies to them as quickly as possible, integrates them in its environmental review and communicates them to the exporter.

If the World Bank or another international financing institution (such as the EBRD or the EIB) is involved in the project, the EIA is usually reviewed by this institution. If several export credit agencies cooperate in a project, the EIA is reviewed by the agency which has the leadership of the project.

ONDD can ask an external consultant to help in the review process.

ONDD benchmarks projects against host country standards and either against the relevant aspects of all ten World Bank Safeguard Policies¹ or, where appropriate

- for private sector limited or non-recourse project finance cases, against the relevant aspects of all eight International Finance Corporation Performance Standards², or
- where such institutions are supporting the project, against the relevant aspects of the standards of the Regional Development Banks, or
- against any relevant internationally recognised standards, such as European Community standards, that are more stringent than those standards referenced above.

The person in charge of environmental and social issues within ONDD, possibly with the help of consultants, has to assess the quality of the EIA on the basis of the criteria set out in the OECD Common Approaches. The EIA should include the following main points:

- Executive summary: concisely discusses significant findings and recommended actions;
- Policy, legal and administrative framework: discusses the policy, legal, and administrative framework within which the EIA is carried out;
- Project description;
- Baseline data: assesses the dimensions of the study area and describes relevant physical, biological, and socio-economic conditions, including any changes anticipated before the project commences;
- 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;
- Analysis of alternatives: systematically compares feasible alternatives to the proposed project site, technology, design and operation - including the "without project" situation - in terms of their potential environmental impacts;
- Environmental Management Plan: describes mitigation, monitoring and institutional measures to be taken during construction and operation to eliminate adverse impacts, offset them, or reduce them to acceptable levels;
- Consultation: Record of consultation meetings, including consultations for obtaining the informed views of the affected people, local non-governmental organisations and regulatory agencies

Three situations may occur:

1. The available information, namely an EIA and any other relevant information, is complete, of good quality and enables the identification of and clear insight into the impacts of the proposed transaction.

The project review can lead to two types of results:

- a. acceptable impacts: the review process leads to the conclusion that the impacts of the proposed transaction may be considered as being sufficiently limited or adequately controlled by the mitigating or compensating measures described in the environmental management plan of the project. In that case, the project is considered as acceptable. ONDD's insurance is subject to the implementation of the measures described in the environmental management plan by the exporter. A positive proposal is made to the relevant decision-making body. ONDD may in certain cases ask the exporter to provide monitoring reports during the whole course of the project;

¹ These are the safeguard policies relating to: Environmental Assessment (OP 4.01); Natural Habitats (OP 4.04); Pest Management (OP 4.09); Indigenous Peoples (OP 4.10); Physical Cultural Resources (OP 4.11); Involuntary Resettlement (OP 4.12); Forests (OP 4.36); Safety of Dams (OP 4.37); International Waterways (OP 7.50); and Disputed Areas (OP 7.60.)

² The International Finance Corporation's Performance Standards are: Social and Environmental Assessment and Management System; Labor and Working Conditions; Pollution Prevention and Abatement; Community Health, Safety and Security; Land Acquisition and Involuntary Resettlement, Biodiversity Conservation and Sustainable Natural Resource Management; Indigenous Peoples; and Cultural Heritage.

- b. unacceptable impacts: the review process leads to the conclusion that the impacts of the proposed transaction may not be considered as sufficiently limited or adequately controlled by the mitigating or compensating measures. The project, as submitted to ONDD, is therefore deemed unacceptable. A negative proposal is made to the relevant decision-making body.
2. The EIA is incomplete and/or of poor quality and does not enable the identification of and a clear insight into the proposed transaction's impacts. In that case, ONDD will request either a revision of the EIA or the provision of additional information in order to come under the above point 1. The transaction is then put on hold (until it comes under point 1), or a conditional proposal (condition: revised EIA or additional information) is made to the decision-making body, or a negative proposal is made to the decision-making body.
3. The EIA is not available when the insurance application is submitted. In that case, ONDD conducts its review on the basis of the information available (partial project studies, project visits/meetings, information received from the embassy and the exporter). The transaction is then put on hold (until it comes under point 1), or a conditional proposal (condition: provision of a complete and good-quality EIA) is made to the decision-making body in order to come under point 1.

When a conditional proposal is made, this means that the decision is subject to the fulfilment of the condition(s), i.e. an advice or offer of cover may be issued but the insurance policy will only be issued after the condition(s) has/have been met.

More specifically for category B projects

As the impacts of category B projects are less severe than those of category A projects, the review process for these projects is somewhat different to that applied to category A projects. This category may for instance include maintenance dredging projects, restoration of infrastructure, the execution of works or the supply of capital goods in projects with a moderate risk of impact.

For certain projects in category B, an Environmental Impact Assessment (EIA) is available.

In any event, ONDD reserves the right to call upon an external consultant to assess the available information.

Two situations may occur:

1. The available information, namely an EIA and any other relevant information, is complete, of good quality and enables the identification of and clear insight into the impacts of the proposed transaction.

The project review can lead to three types of results:

- a. acceptable impacts: the review process leads to the conclusion that the impacts of the proposed transaction may be considered as being sufficiently limited or adequately controlled by the mitigating or compensating measures described in the environmental management plan of the project (this plan should be followed by the exporter). In that case, the project is considered acceptable. A positive proposal is made to the decision-making body. ONDD may in certain cases ask the exporter to provide monitoring reports during the whole course of the project. If the mitigation measures are not described in an environmental management plan, a conditional proposal (condition: implementation of specific mitigation measures) is made to the decision-making body.
- b. impacts requiring a reclassification of the project: the review process leads to the conclusion that the project should be reclassified in category A. In that case, an EIA is required and the environmental review becomes that of a category A project.

- c. unacceptable impacts: the review process leads to the conclusion that the environmental impacts of the proposed transaction may not be considered as being sufficiently limited or adequately controlled by the mitigating or compensating measures. The project is therefore deemed unacceptable. A negative proposal is made to the decision-making body.
2. The available information (EIA or any other relevant information) is incomplete and/or of poor quality and does not enable the identification of and a clear insight into the proposed transaction's impacts. In that case, ONDD will request either that additional information is provided or that an EIA is drawn up so that the transaction comes under the above point 1.

If the information remains insufficient, the transaction is put on hold (until it comes under point 1), or a conditional proposal (condition: provision of additional environmental information) is made to the decision-making body, or a negative proposal is made to the decision-making body.

When a conditional proposal is made, this means that the decision is subject to the fulfilment of the condition(s), i.e. an advice or offer of cover may be issued but the insurance policy will only be issued after the condition(s) has/have been met.

Projects in category C

These projects do not require a project review. A positive proposal is made to the decision-making body.

Project monitoring

When the EIA of a project shows that mitigation measures need to be introduced and when ONDD includes conditions in its insurance policy, monitoring of the project is required, at least on an annual basis. By monitoring projects, the actual compliance with obligations and commitments can be checked.

The monitoring task usually falls to the project sponsor or to independent consultants. In cases where project monitoring is required, ONDD asks the exporter to provide monitoring reports as often as possible.

Disclosure of information

Transactions under examination or publication ex ante

- For category A projects, ONDD requests an environmental impact assessment report and any other relevant environmental information (environmental management plan, resettlement plan for displaced persons, ...). ONDD makes publicly available on its website the EIA report or any other information available as early as possible in the review process and at least 30 calendar days before a final commitment to grant official support. In order to avoid jeopardising competitive positions, disclosure is subject to customer consent.
- In cases where project or environmental impact information has not, for exceptional reasons, been made public, ONDD shall explain the circumstances and report these to the OECD;
- The ethics section of the ONDD website lists transactions in category A. Are mentioned: the project name, the country involved, the publishing date, the deadline for sending comments (comments should be sent within 30 days) and, if possible, a hyperlink to an EIA.

Issued policies or publication ex post

- The ethics section of the ONDD website lists transactions in category A and B for which a policy has been issued. The exporter's name, the project description, the country of destination, the contracting party, the amount category, the environmental category and possibly a hyperlink to an EIA are included.
- In order to avoid jeopardising competitive positions, disclosure is subject to customer consent.
- The environmental information is published as soon as possible after the policy is issued.

ONDD's internal organisation

The Underwriting department and the person in charge of Environment are responsible for the implementation of the ONDD environmental and social policy.

The person in charge of Environment is more specifically responsible for monitoring ONDD's national and international environmental and social obligations, as well as monitoring all issues relating to sustainable development. This person regularly proposes changes to ONDD's environmental procedure and is responsible for relations with external entities (other credit insurers, OECD, NGOs, ONDD's supervisory authorities, ...).