



# The New Great Walls

A GUIDE TO CHINA'S OVERSEAS DAM INDUSTRY

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### About International Rivers

International Rivers protects rivers and defends the rights of communities that depend on them. With offices in four continents, International Rivers works to stop destructive dams, improve decision-making processes in the water and energy sectors, and promote water and energy solutions for a just and sustainable world.

International Rivers' China Program works with its partners to communicate the experiences of the international movement for "people, water, and life" to new dam financiers and builders in China. In addition, International Rivers' China Program provides information about China's role in global dam building and supports groups in countries affected by Chinese dams.

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*Cover photo:* Bakun Dam, Malaysia. In 2011, after five decades of delays, the Sarawak government began operating the 2,400 MW Bakun Dam, a project that Transparency International labeled a "monument to corruption." The project was developed by the Malaysian government and Chinese state-owned dam builder Sinohydro with support from the China Export Import Bank. At 205 meters high, the Bakun Dam is one of Asia's largest dams and has submerged 70,000 hectares of forests. Photo courtesy of Bruno Manser Fund.

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## PERSPECTIVES ON CHINA'S GLOBAL ROLE

"...the Chinese model for stimulating rapid economic development has much to teach Africa."

**President Abdoulaye Wade of Senegal in the *Financial Times*, 23 January 2008.**

"Industrial and Commercial Bank of China (ICBC) is underwriting the destruction of our people. Their funding is a hideous gesture of the destruction Chinese funds can bring to Africa's poorest communities."

**Ikal Angelei, Founder of the Friends of Lake Turkana, an NGO working with local people living around the lake, quoted in the *South China Morning Post*, 2 June 2011.**

"When cooperating with relevant countries on water conservancy and hydropower projects at their request, paying high attention to local residents' welfare as well as possible environmental impact, China adopts strict environmental protection standards and requires that the Chinese enterprises abide by local laws and regulations...China will strengthen cooperation and exchanges with relevant countries in the field of environmental protection and play a positive role in facilitating sustainable development of local economy and society."

**China's Foreign Ministry Spokesperson Hong Lei's response to a foreign journalist's question that Chinese dam builders face opposition overseas due to lack of information transparency and indifference to local residents' desire of environmental protection, 21 April 2011.**

"We [Chinese overseas dam-building industry] should first take the initiative to change ourselves, and cut our feet to fit the shoe to connect to the existing international rules, fully integrate into the international environment..."

**Fan Jixiang, Chairman of China Power Construction Group in a speech to Chinese state-owned enterprises going out published on Sinohydro's website, 26 April 2012.**

"[Chinese enterprises should] openly and honestly conduct an exchange and even debate with international dissenting organizations."

**Sinohydro's Chief Executive Officer, Fan Jixiang writing in *Public Diplomacy Quarterly*, 22 April 2010.**

"The Chinese model is a fascinating and new model in terms of how aid is flowing into Africa and how infrastructure investment is being conducted and supported. So China is in a sense posing a challenge and making us think about aid architecture, this kind of governance-neutral approach to aid engagement and investment in Africa."

**Mthuli Ncube, Chief Economist and Vice President, African Development Bank, quoted in *The Standard*, 29 November 2010.**

"China is no enemy, but inflating the challenge from China could be just as dangerous as underestimating it."

**Steven Mufson and John Pomfret, former Post Beijing bureau chiefs, writing in *The Washington Post*, 28 February 2010.**



## Introduction

Chinese hydropower companies and banks are now the largest dam builders in the world. Chinese banks have stepped in to fill the gap left by traditional dam funders such as the World Bank. The Chinese government sees its hydropower companies' global ambitions as playing a “win-win” for China and the host countries.

This is the second edition of International Rivers' guide to the Chinese overseas dam-building industry. Since the first edition was published in 2008, China's dam industry has continued to consolidate its position as the global leader in dam construction particularly hydropower dams. Along the way, there have also been some positive developments. Sinohydro, a state-owned company and the world's largest dam-builder, has adopted an environmental policy with a view to addressing its international responsibilities. The Chinese government has also moved closer to adopting guidelines on the environmental impact of overseas investments. Despite this, many Chinese hydropower companies continue to pursue projects that have significant and devastating impacts for host communities and the environment. Although there has been progress, implementation of standards and safeguard policies is still relatively weak.

The purpose of this guide is to support groups looking to address the impacts of dams built by Chinese companies and financiers. The guide is intended for use by non-governmental organizations and individuals working with communities affected by Chinese overseas dam projects. It describes how Chinese companies and financiers and the Chinese government are involved in the development of dam building overseas and what can be done in response.

NAM OU, LAOS  
Sinohydro is developing seven dams along the Nam Ou, the largest tributary of the Mekong River. The project would impact thousands of people and inundate part of a National Biodiversity Conservation Area. The total value of the project is US\$2 billion and is being financed by loans from China Development Bank.

# Fast Facts

## WHAT IS CHINA'S ROLE IN DAM BUILDING?

Since 1999, the government of China has advanced policies that encourage domestic companies and banks to conduct business overseas. The Chinese state-owned Sinohydro Corporation is now the largest hydropower company in the world. Many Chinese companies involved in the construction of large hydropower projects such as the Three Gorges Dam are now taking the lead role in new hydropower projects around the world. The China Export-Import Bank (China Exim Bank) has become a major funder of large dams. Furthermore, the Chinese government has increased its lending to foreign governments, and hydropower projects are often part of bilateral trade and investment packages that the Chinese government provides.

## HOW MANY MORE DAMS ARE CHINESE COMPANIES AND FINANCIERS HELPING TO BUILD?

As of August 2012, we are aware of at least 308 dam projects (mostly for hydropower generation) in 70 different countries around the world in which Chinese companies or financiers are involved. This represents a 300% increase in the number of active hydropower projects over the past four years. Many of these projects are located in Southeast Asia, but new hotspots for Chinese dam building are Africa, Latin America and South Asia (in particular, Pakistan).

The number of dam projects continues to rise, despite several African hydropower projects with signed memorandums of understandings not going ahead. Just under half of Chinese overseas dams (proposed, under construction or operational) exist in Southeast Asia. Africa is the next major geographic concentra-

tion, with 85 Chinese overseas dams, representing 28% of all Chinese overseas dams in the world. The number of Chinese dam projects in Latin America has grown rapidly since 2008 and now accounts for 8% of all dams.

## WHAT ARE THE VARIOUS ROLES THAT CHINESE COMPANIES PLAY IN OVERSEAS DAM BUILDING?

- Chinese companies can act as contractors for a dam project. Contracting roles can range from responsibility for building the entire project (referred to as “EPC Contracts - Engineering, Procurement and Construction” and “turnkey contracts”) or for specific parts of hydropower construction such as civil works, hydraulic works or electric equipment supply.

- Chinese companies may also act as project developers. Usually this involves the company finding and arranging the financing (usually from Chinese banks), designing and building the dam, and usually operating the dam for a number of years before handing back ownership of the dam to the government. During the period of operation, the company will sell the power to the host country government for a profit to recoup the initial investment outlay.
- Chinese financiers can provide funding for Chinese overseas dam projects in a number of ways. A loan from a Chinese bank to the host country for a significant portion of the project is the most common form of financing. The loan terms can vary from concessional to commercial interest rates. Chinese financiers may also support projects by issuing export credits. In such cases, Chinese financiers may provide guarantees, insurance or direct financing for a Chinese company to fulfill an overseas dam contract. Overseas Chinese dam projects may also be supported by a bilateral loan from China, in which the project and other infrastructure projects are funded. Such loans usually require that Chinese companies carry out the project. Finally, Chinese companies may use existing credit lines issued to them from Chinese banks such as China Development Bank and China Exim Bank to develop overseas dam projects. In such cases, there may be no loan at all to the host country government.

#### WHAT ARE THE MAIN CONCERNS ABOUT THE OVERSEAS EXPANSION OF THE CHINESE DAM-BUILDING INDUSTRY?

- Few Chinese dam builders and financiers have adopted environmental policies in line with international standards. Chinese financiers have provided funding for projects previously rejected by other financing institutions due to non-compliance with social and environmental standards (examples include Merowe Dam in Sudan, Gibe III in Ethiopia, and Bakun Dam in Malaysia). The industry's reputation has been affected by the involvement of Chinese companies in destructive dam projects such as the Merowe Dam, the Gibe III Dam, and the Myitsone Dam in Burma.
- Chinese dam builders are relatively late to the game. Many low impact dam projects have already been built. As a result, they are forced to take projects in remote, politically unstable areas that have important ecological values. In addition, many of the countries that Chinese dam builders are active in have low environmental protection requirements, weak human rights protection and high level of corruption. In such contexts, it is difficult for Chinese companies to build projects that meet international standards because the requirements are so low.

## BOX 1: A New Role for Chinese Dam Builders in Dam Planning

In April 2011, Sinohydro and the government of Laos signed a Master Agreement for the development of seven hydropower dams on the Nam Ou in Laos. In Sinohydro's words, the Nam Ou was the "first time that a Chinese company can obtain the development rights towards the whole river basin." Sinohydro has been investigating and planning various formulations of a dam cascade for the Nam Ou since 2007. Under the terms of the deal, Sinohydro would build and own the dams for 25 years before handing them over to the government of Laos.

While Chinese dam builders have experience in developing entire river basins within China, they have had limited opportunities to do so overseas.

However, Sinohydro's Nam Ou hydropower cascade project may represent a new trend for Chinese overseas dam building. In May 2011, the government of Colombia hired HydroChina, a Chinese state-owned hydropower design firm to create the "Master Plan for the Exploitation of the Magdalena River." Under the two-year agreement, HydroChina will develop a plan for infrastructure development to control floods, improve freight transportation and promote the development of hydropower production "without adversely affecting the environment." At the time of writing, HydroChina had completed its initial survey and had even gone as far as to investigate the hydropower potential of all the tributaries of the Magdalena River.

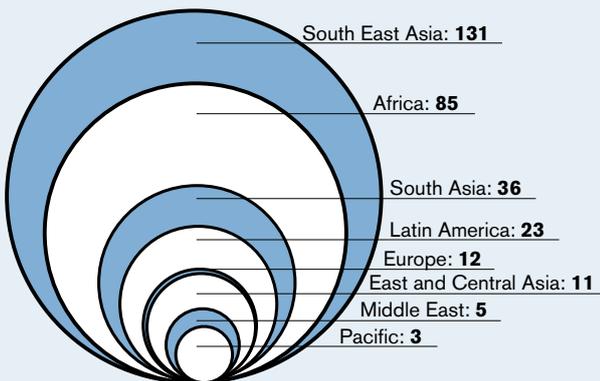
- While some Chinese companies have been active in the international market for over ten years, many are new to the international market. Chinese dam-building companies often lack experience in dealing with political and environmental risks overseas. They may also be confronted with challenges and responsibilities unfamiliar to them in China, such as resettlement, local opposition and stricter implementation of environmental protection laws. In China, local and provincial governments undertake resettlement of affected communities and deal with local opposition.

### CAN DAM-AFFECTED COMMUNITIES WORK WITH CHINESE INSTITUTIONS?

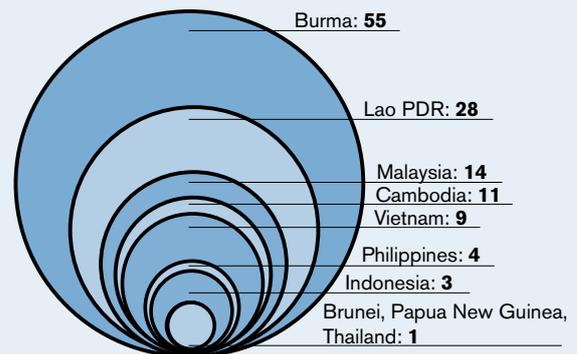
The Chinese government and most companies want to be responsible and respected international actors. They are interested in international experiences in implementing environmental and social standards but are not always receptive to direct criticisms raised by western institutions or organizations. Concerns voiced by southern NGOs and dam-affected communities, on the other hand, may be better received. At the same time, NGOs are new to China and the Chinese government has greatly limited citizen activism. This guide provides suggestions on how to best work with Chinese institutions to influence their dam projects overseas.

## Number of Dams by Regions

**GLOBAL: Number of Dams by Region**



**SOUTHEAST ASIA: Number of Dams by Country**





## Who's Who in China's Overseas Dam Industry

This section describes Chinese government institutions, dam builders, equipment suppliers, survey firms, and financial institutions and their role in building dams overseas.

### GOVERNMENT INSTITUTIONS

Many Chinese government institutions are involved in the project approval cycle for Chinese overseas dam projects. In line with China's exponential growth in foreign direct investment, the Chinese government has also moved to ensure that its institutions are better coordinated to support Chinese overseas investment. Since the first edition of the New Great Walls was published in 2008, the government approval process has been simplified and some of the monetary threshold requirements have risen so that smaller and medium sized projects can undergo less scrutiny.

The **State Council** is China's top government institution and is composed of the Premier, Vice-Premiers, State Councilors and Ministers. It is

involved in overseas dam projects in two ways. First, State Council leaders such as China's Premier may meet with leaders from foreign countries. These meetings may lead to promises of development assistance, such as financial assistance for a dam project. Second, the State Council is required to approve very large investments (greater than US\$200 million and requiring over \$50 million in foreign exchange) and large overseas projects that are supported by China Exim Bank loans greater than \$100 million. Many overseas dam projects are large enough to require State Council approval.

The State Council also supervises the National Development and Reform Commission (NDRC) and the Ministry of Commerce, the two government institutions responsible for approving, over-

Chinese dam builders. A meeting of Chinese hydropower company officials and engineers to discuss dam construction progress in Sichuan, China. *Photo: powerfoo.com*

seeing and monitoring smaller overseas dam projects (less than \$200 million). The State Administration on Foreign Exchange (SAFE) and the State-Owned Asset Supervision and Administration Commission (SASAC) also play important roles in managing China's overseas investment.

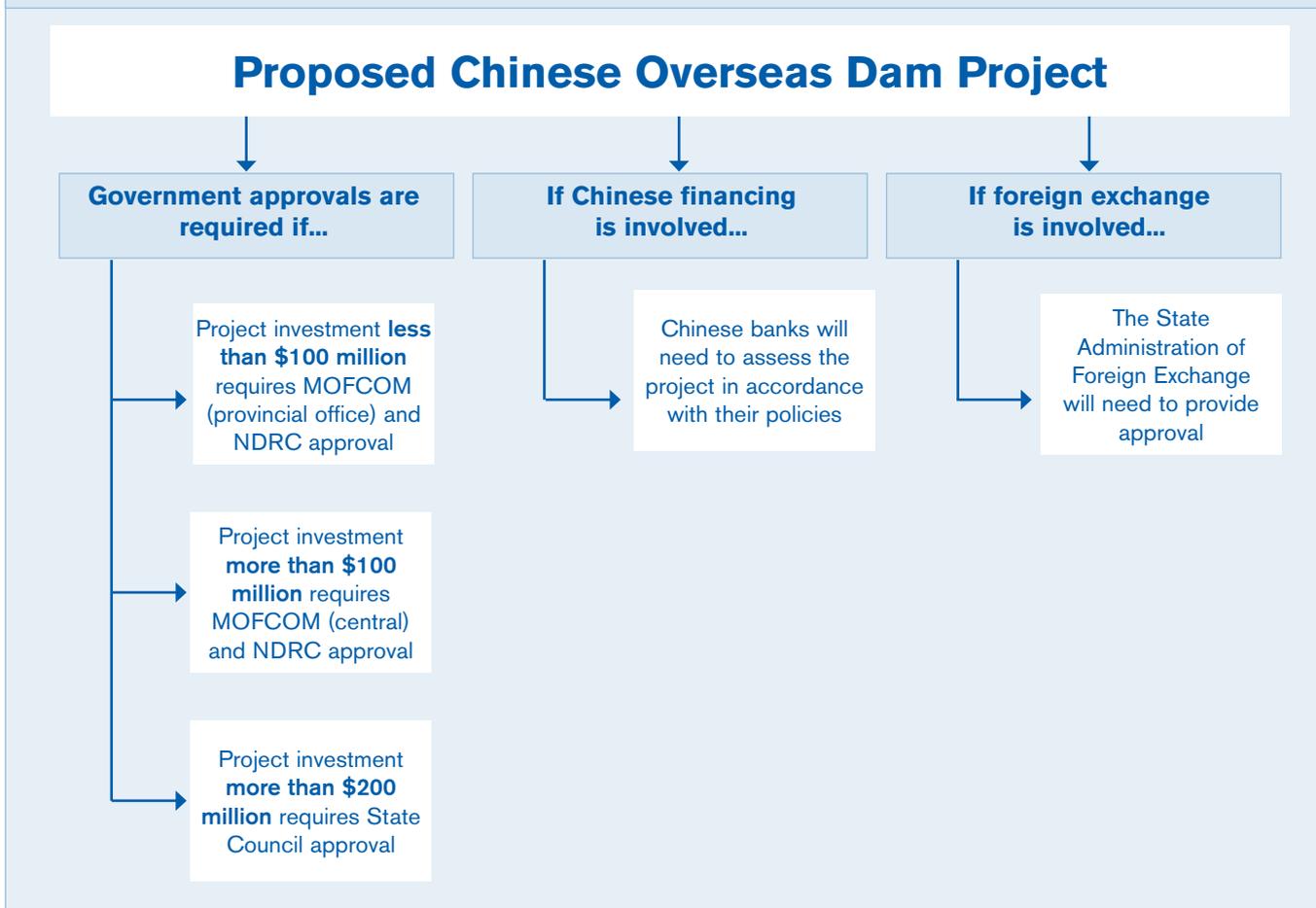
The **Ministry of Commerce (MOFCOM)** is now the primary government institution that approves, manages and monitors overseas investments initiated by central state-owned enterprises (SOEs). Investment projects over \$100 million in countries deemed by MOFCOM to have high safety risks, or countries without a diplomatic relationship with China must be approved by MOFCOM. Investment projects between \$10 million and \$100 million or initiated by local Chinese SOEs must be approved by the provincial-based MOFCOM departments.

MOFCOM has taken steps to strengthen the standards that must be followed by Chinese companies

investing overseas. In August 2006, MOFCOM issued recommendations urging Chinese companies to hire local workers, respect local customs, and adhere to international safety standards in their projects. Through its Department of Aid to Foreign Countries, MOFCOM manages the aid policy, annual plan and budget, which includes the disbursement of grants and zero interest loans. MOFCOM also approves and manages the entire execution of all Chinese aid projects. When planning aid projects and setting country budgets, MOFCOM will coordinate with the Ministries of Foreign Affairs and Finance, and China Exim Bank.

The **National Development and Reform Commission (NDRC)** is the planning arm of the Chinese government. NDRC creates regulations and standards for Chinese overseas investment and domestic Chinese industries, including China's energy sector. NDRC approves domestic projects requiring over \$30 million or with over \$10 million

## Who Does What in China's Investment Approval Process



in foreign exchange requirements. Provincial and municipal-based NDRC departments can approve overseas projects below this threshold. At the domestic policy level, NDRC is also responsible for hydro-power planning on China's major rivers, including major transboundary rivers.

The **Ministry of Finance (MOF)** works with MOFCOM to set the budget for China's overseas aid. Through its State Administration of Foreign Exchange office, MOF approves the amount of foreign exchange Chinese companies can use.

The **Ministry of Foreign Affairs (MOFA)** manages and provides advice on China's foreign relations. MOFA advises MOFCOM on aid matters, and researches overseas markets for Chinese goods and services. MOFA also oversees China's Foreign Embassies. Within China's Foreign Embassies, the implementation of Chinese dam projects is monitored through the Economic Counselor's Office,

which is staffed by a MOFCOM official. MOFA is also concerned with safeguarding China's reputation in foreign countries.

**Ministry of Environmental Protection (MEP):** In March 2008, China's State Environmental Protection Agency (SEPA) was elevated to ministerial status. The transformation of the agency into a ministry reflects the government's greater prioritization of environmental protection. While the MEP still has limited authority compared to other ministries, it is an important ally in efforts to improve China's environmental performance. SEPA developed several important environmental policies, including an Environmental Impact Assessment Law in 2003.

Overall, the MEP's ability and scope to regulate the environmental impacts of Chinese overseas dam building is limited. Compared to MOFCOM, NDRC and MOFA, the MEP has no role in the approval of overseas dam projects. The MEP's role



has been more limited to the development and promotion of standards and guidelines for the finance sector and operation of Chinese companies overseas. In January 2008, SEPA and the International Finance Corporation (IFC) agreed to introduce the Equator Principles in China. The Equator Principles are social and environmental voluntary guidelines for private banks; see page 26.

In conjunction with NDRC, MEP is responsible for evaluating environmental impact assessments of projects on China's major rivers, including transboundary rivers. In 2012, the MEP and MOFCOM were also considering draft guidelines for the environmental policies of Chinese foreign direct investors.

**State-owned Asset Supervision and Administration Commission (SASAC)** is a special commission of the State Council that oversees China's state-owned enterprises (SOEs). SASAC oversees the performance of many Chinese dam-building companies such as Sinohydro, China Three Gorges Corporation and Gezhouba. SASAC per-

forms yearly audits of SOEs and reprimands companies that have poor financial performance or that violate safety and environmental standards in China. SASAC also has the authority to appoint and fire top managers in SOEs. In December 2007, SASAC issued "Corporate Social Responsibility Guidelines for State Owned Enterprises" in an effort to introduce a corporate social responsibility reporting system. SASAC will require all central state-owned enterprises to publish a corporate social responsibility or sustainability report in 2012.

#### **HYDROPOWER CONSTRUCTION, EQUIPMENT SUPPLIERS AND SURVEY COMPANIES**

This section introduces the Chinese companies most involved in building dams overseas. Sinohydro, Three Gorges Project Corporation's subsidiary China International Water and Electric Corporation and Gezhouba have been active in the international hydropower construction market since the 1990s and have all made it clear that their intention is to rapidly develop their international business in the next five

## **BOX 2: Hydropower Contracts 101**

Chinese hydropower companies may be involved in overseas dam projects at many different levels and capacities. Responsibilities for environmental and social impacts may differ according to the type of contract. Here are a few basic explanations of the types of contracts in which we see Chinese hydropower companies regularly involved.

#### **EPC and Turnkey Contracts**

Under such arrangements, the contractor has the duty to design, procure and construct the project. The Turnkey or Engineering, Procurement and Construction (EPC) arrangement places the responsibility for the entire project in the hands of the contractor. The turnkey arrangement usually uses a fixed pricing method. Note that it is possible to use the turnkey model for only part of the project, usually called part-turnkey or semi-turnkey.

#### **BOT (Build Operate Transfer) Contracts**

This typically involves a host government or authority granting a concession to a Chinese dam builder to develop and operate a hydropower dam for a given period of time known as the concession period. The Chinese dam company is also responsible for obtaining financing, design and construction of the project. Usually a BOT contract will involve the company operating the dam for a period of time and thereafter turning the

dam over to the government. The project costs incurred by the company are usually paid for by the income received from the sale of electricity generated during the concession period. Chinese dam builders are pursuing this structure more and more, because these projects are more profitable in the long run.

#### **Construction Contracts**

Chinese dam-building companies may bid for construction contracts of hydropower projects. This may include civil works or electrical and mechanical engineering contracts. The project manager will allocate individual work packages to the contractor or supplier of their choosing. The project manager is responsible for coordinating project construction.

#### **Project Management Contracts**

While less common, a Chinese dam-building company may be hired to coordinate and manage the project. They are responsible for time, cost and quality control. They may engage a number of other contractors to do the actual construction work. The difference between the project management and turnkey model is that the management contractor generally assumes no responsibility for the work of the other contractors or for the performance of the design.

to ten years. In September 2011, the Chinese government consolidated its energy industry by grouping its electric equipment and construction companies into two major groups. Sinohydro and HydroChina are now part of the China Power Construction Group, and Gezhouba and China Power Engineering Consulting Group are now part of the China Energy Construction Group. Both Group companies are owned 100% by SASAC. According to China's NDRC, one of the benefits of this restructuring is that management of international operations will be significantly strengthened.

A second group of Chinese hydropower construction companies, distinguished from those above, is made up of the Chinese power generation companies Huadian, Huaneng, Datang, Guodian, and China Power Investment. In the past five years, these companies have focused on developing the hydropower potential of neighboring countries (Lao PDR, Burma and Cambodia) to meet the energy needs of southern China, Thailand and Vietnam. These companies have been very active in signing MOUs for large dam projects, arranging construction financing, and in

some cases, negotiating the sale of the electricity to be generated by the dams.

**Sinohydro**, also known as China National Water Resources and Hydropower Engineering Corporation (a direct translation of its Chinese name), is a state-owned enterprise and multinational corporation with more than 47 country offices. It is the world's largest hydropower company with more than 50% share of the international hydropower market, including about 70% of hydropower projects within China. In 2011, Sinohydro conducted an initial public offering of about 30% a subsidiary company known as Sinohydro Group on the Shanghai Stock Exchange. Funds raised were used to repay loans incurred in the construction of Kamchay Dam in Cambodia. Kamchay Dam was one of the first overseas hydropower projects that Sinohydro financed, planned, constructed and operated (Build, Own and Transfer model).

In 2011, Sinohydro adopted company-wide environmental and social standards. Its Sustainability Framework contains environmental, sustainability and safety policy documents that set out the over-

## BOX 3: Distinction Between Bilateral Aid and State Sponsored Investment

Chinese foreign aid is certainly a factor behind the global rise of Chinese dam builders. According to the Chinese government's *White Paper: Foreign Aid (2011)*, China provides 40% of its foreign aid in the form of grants. Often, concessional loans for large hydropower projects involve considerable use of Chinese goods and services (at least 50%). As the amount of Chinese aid increases, more overseas hydropower projects are likely to receive support and be built. In 2012, China announced that it had a new \$10 billion ledger of concessional and preferential credits to disburse.

The Chinese government has yet to adopt an official definition of bilateral aid, but it generally includes grants, zero-interest loans and concessional (fixed-rate, low-interest) loans. Grants and zero-interest loans are usually disbursed by MOFCOM, through China Exim Bank. However, the Chinese government's reluctance to disclose the terms of support for Chinese overseas dam projects has made it difficult to determine whether a Chinese overseas dam project is an aid and/

or a commercial project, and to estimate the total amount of Chinese aid for the Chinese overseas dam industry.

Chinese financial support for dams often includes a combination of aid and commercial financial instruments. For instance, the 400 MW Bui Dam in Ghana received two separate loans from China Exim Bank: (1) a commercial export buyer's credit of \$292 million with 12 years' maturity, a grace period of five years and an interest rate set at a margin of 1.075% over the prevailing Commercial Interest Reference Rates; and (2) a concessional loan of \$270 million with a fixed interest rate of 2%. The proceeds from 30,000 tons of Ghanaian cocoa exports per year to China are to be placed in an escrow account at China Exim Bank to secure the loan. Upon the operation of Bui Dam, 85% of the proceeds of electricity sales are to go into an escrow account. If the proceeds from the sale of electricity exceed the amount required to service the loan, the remainder of the profits will revert back to the Ghanaian government.

arching objectives, commitments and activities to be undertaken and a timeline for implementation. The standards adopted are consistent with international best practices as Sinohydro has adopted the World Bank's safeguard policies as a minimum standard (see Chapter 5 for an overview of Sinohydro's environment and social policy commitments).

**China Gezhouba Group Corporation (Gezhouba)** is a large state-owned engineering contracting company that builds large dams and other infrastructure projects overseas and at home. Gezhouba has increased its market share by its competitive tendering for dam projects. It is not uncommon to find Gezhouba completing work alongside Sinohydro on Chinese overseas dam sites because different parts of the project may be awarded to different companies. Although as a contractor Gezhouba has reduced responsibility compared with the project developer, it has continued to associate itself with destructive dam projects such as the Myitsone Dam in Burma and the Merowe Dam in Sudan. Gezhouba has signed onto the China International Contractors Association's guidelines on social responsibility, which contain broad and vague environmental and social commitments.

**China Three Gorges Project Corporation (CTGPC)** is a state-owned enterprise and was initially set up by the Chinese government to oversee the construction and operation of the Three Gorges Dam. In 2008, CTGPC acquired China International Water and Electric Corporation (CWE), a major Chinese overseas construction contractor, as a platform to develop its overseas business.

CTGPC specializes in building large dams and has significant financial reserves to develop overseas projects. In 2011, CTGPC wrote to the Prime Minister of Nepal expressing interest in investing in the controversial \$1.6 billion West Seti project after the previous developer lost their contractual rights. CTGPC has also committed to investing \$15 billion in hydropower development in Pakistan.

As of the end of 2011, CTGPC had agreed to examine opportunities to work with The Nature Conservancy on the environmental impacts of its overseas projects. CTGPC has a broad and general commitment to build power plants that will develop the local economy, protect the environment, and benefit dam-displaced communities, and it claims to be a responsible company.

## BOX 4: Merowe Dam in Sudan: Chinese Funding Key to Destructive Dam

With a capacity of 1,250 MW, the Merowe Dam in Sudan is one of the largest hydropower projects in Africa. The project has more than doubled Sudan's power generation capacity, and created a reservoir with a length of 174 kilometers and a surface area of 476 square kilometers. International and local civil society groups opposed the Merowe Dam because of the dam's social and environmental impacts.

EAWAG, the Swiss Federal Institute of Aquatic Science and Technology, carried out an independent review of the project Environmental Impact Assessment in 2006. They predicted that strongly fluctuating water levels and sedimentation would have serious negative impacts on aquatic ecology, water quality and public health.

To make way for the dam, more than 50,000 people were displaced. The people affected by the Merowe Dam strenuously resisted their displacement from the Nile Valley, and proposed to be resettled along the banks of the new reservoir. The government completely ignored their views and brutally oppressed any protests. Several people were killed and many more were injured in crack-downs by the security forces. The United Nations Rapporteur on Housing Rights expressed "deep concern" about the human rights violations connected to the project, and in 2007 asked the dam builders – including Sinohydro and China International Water and Electric Company – to halt construction. Thousands of people who refused to leave their homes were flushed out by the rising waters of the reservoir.

Affected communities were relocated from the fertile Nile Valley to arid desert locations. The project authorities promised to provide irrigation water to the resettlement sites, but the soil in these sites is poor and has not provided displaced farmers a realistic source of income.

In the late 1990s, a Sudanese delegation visited Europe and Canada in search of funding for the dam. But the social and environmental problems of the dam repelled traditional financiers. The Merowe Dam only went ahead because Chinese and Middle Eastern financial institutions agreed to finance it. China Exim Bank was the project's main funder and provided up to \$520 million in financing for the project.

**Huaneng, Datang Corporation, Guodian and China Power Investment** are all major state-owned power generation companies that are developing and investing in hydropower projects in neighboring Southeast Asian countries. The Chinese government's "going out" policy and low profit margins in China are the main reasons encouraging these companies to go abroad. Datang and China Power Investment Corporation have made the firmest corporate social responsibility commitments, compared to other Chinese dam-building companies - including signing on to the United Nations Global Compact - but these have not translated into improved practices overseas.

China Power Investment is the developer of the proposed seven-dam cascade on the upper Irrawaddy River in Burma, which includes the Myitsone Dam project. Despite growing national opposition to the Myitsone Dam, China Power Investment closed ranks and was initially reluctant to disclose any information on the dam's social and environmental impacts. Datang's Tarpein Dam in Kachin State in Burma was the focus of fierce fighting and opposition from the Kachin people in 2011 after the company was accused of failing to gain the consent of local Kachin communities on whose land the dam was constructed. Both Guodian and Huaneng are associated with controversial projects including the proposed Sambor Dam on the mainstream Mekong River in Cambodia.

**China Southern Power Grid (CSG)** builds and manages southern China's energy transmission infrastructure and has also become involved in several dam projects in Southeast Asia. In August 2011, CSG

announced that it had "quit" all of its dam projects in Cambodia because it was a socially responsible company. Projects had included Sambor Dam on the mainstream of the Mekong River and Stung Cheay Areng Dam in the Central Cardamon Protected Forest. CSG remains involved along with the Thai Electricity Authority (EGAT) and Sinohydro in developing a three-dam cascade on the Salween River in Burma.

Many other Chinese companies are involved in supplying equipment and infrastructure for dam projects overseas. These include China National Heavy Machinery Corporation, Dongfang Electric, and China Electric Power Technology Import and Export Corporation. In addition, Chinese dam survey institutes are also supporting overseas dam building by conducting feasibility studies. Changjiang Institute of Survey, Planning, Design and Research, which completed the environmental impact assessment and plans for the Upper Irrawaddy Hydropower Cascade in Burma, and HydroChina, which has been hired to create a Master Plan for the Exploitation of the Magdalena River in Colombia, are among the leading firms in such surveying work. For a full list of Chinese companies building dams overseas, see Appendix 1.

#### **BANKS AND FINANCIAL INSTITUTIONS**

Chinese export credit agencies, policy banks and commercial banks support China's overseas dam industry by offering financial support. Concessional loans form the majority of Chinese government aid to foreign countries. Unlike other multilateral development banks, Chinese banks do not impose policy conditions on their loans.

## **BOX 5: Financing Jargon**

**Export Credits** are provided by banks to finance the export of goods and services. Usually an official export credit agency in the creditor country provides guarantees, insurance, or direct financing. The financing element - as opposed to the guarantee/insurance element - can be extended to an exporter (supplier's credit), or through a commercial bank in the form of trade related credit provided either to the supplier, or to the importer (buyer's credit).

**Concessional loans** are extended on terms substantially more generous than loans with interest rates determined on the market rate. The generous repayment terms are achieved either through interest rates below those available on the market or by longer grace (non-repayment) periods, or a

combination of these. Concessional loans typically have longer grace periods.

**Initial Public Offering** refers to the first time a company sells shares of stock on a securities exchange. Money raised from the sale of stock is usually used by the company to pay down debt, pay back early private investors or for the company operations. China has two securities exchanges located in Shanghai and Shenzhen. Hong Kong also has a separate securities exchange, which is highly favored destination for Chinese companies seeking to "go public." The Hong Kong Stock Exchange has comparatively fewer restrictions on foreign share ownership compared to the mainland securities exchanges in Shanghai and Shenzhen.



Many Chinese overseas hydropower companies have developed their expertise in China with megadam projects such as the Three Gorges Dam. *Photo: Seth Rosenblatt © 2006*

Export credit agencies are institutions owned and backed by national governments that promote a country's exports. The Chinese government's official export credit agency, **China Export-Import Bank (China Exim Bank)**, a policy bank, funds the majority of China's overseas dams. It was founded in 1994 and is the world's largest export credit agency. Its services include export credits, loan guarantees, concessional loans and commercial loans. China Exim Bank's concessional and market-rate loans can be provided to governments for use in payment of services and goods provided by Chinese companies.

China Exim Bank has been linked to many dams, mainly in Africa and Southeast Asia. Its hydro-power projects include Merowe (Sudan), Kamchay (Cambodia), Imboulou (Democratic Republic of Congo), Soplandora and Coca Codo Sinclair (Ecuador), Bui (Ghana), Patuca III (Honduras), and West Seti (Nepal), as well as dams in Albania, Benin, Burma, Cameroon, Equatorial Guinea, Gabon, Laos, Malaysia, Philippines, Zambia, Zimbabwe, and elsewhere. In addition, between 2010 and 2012, China Exim Bank rapidly increased its lending activity in Latin America and has supported several large hydro-power projects.

China Exim Bank adopted an environmental policy in November 2004, which was released to the public in April 2007. In August 2008, China Exim Bank

released a more comprehensive "Guidance for the Environmental and Social Impact Assessment of Chinese Export and Import Bank's Loan Projects." In summary, the guidelines require an Environmental Impact Assessment (EIA) both prior and after a project is completed, and regular review of the implementation of the project (see Appendix 2 for an excerpt of these guidelines). Violations can result in China Exim Bank to suspend its lending.

**China Development Bank (CDB)** is also one of the three policy banks under the control of the State Council. It provides finance to strategic projects in line with government objectives. Unlike China Exim Bank, CDB provides funding for both domestic and overseas activities. Within China, CDB has been indispensable in bringing to fruition large-scale projects such as the South-North Water Transfer Project and the Three Gorges Dam. Since the creation of the 'going out' policy at the turn of the century, CDB has also played an important role in financing the overseas activities of Chinese SOEs, particularly aiding SOEs to acquire petroleum and other natural resources. Unlike China Exim Bank, China CDB does not offer concessional loans and its interest rates tend to be higher.

By the end of 2011, CDB reported investments in at least 90 countries and partnerships in 140 countries. In Africa, CDB provides loans directly to Chinese

companies, and also takes equity stake in Chinese projects on the continent through its China-Africa Development Fund (CAD Fund). According to CDB's Chief Economist, as of September 2011, CDB had provided \$7 billion in total financial support to more than 30 African countries.

CDB's involvement in Chinese overseas dam building is linked to its strategic focus on energy, natural resources and China's renewable energy sector. Its focus has resulted in support for several hydropower projects in Latin America and Central Asia, where loans repayments are made with the sale of resources or other products. In Ecuador for example, \$680 million of a \$2 billion credit line secured by petroleum sales to China will support four hydropower projects to be built by Chinese companies. CDB has also supported the global expansion of major Chinese dam builders through credit lines and loans. For example, Sinohydro's biggest project to date, the development of seven dams on the Nam Ou in Lao PDR, is supported by a \$2 billion loan from CDB.

CDB released a summary of its environmental policies in 2005, which brought its practices into compliance with China's Environmental Impact Assessment Law (for a summary of these policies, see Appendix 2). In 2010, CDB reported that it had developed an internal risk prevention framework that is based on the United Nations Global Compact's ten principles relating to human rights, the environment, labor, and corruption. CDB also established an "Equator Principles Working Panel" in an attempt to integrate Equator Principle practices into the CDB banking system in February 2008.

Both China Exim Bank and the CDB have arranged strategic lines of credit with China's major state-owned hydropower companies. These arrangements have enabled Chinese dam builders make themselves more competitive as they are able to tell host country governments that they can secure Chinese financing for their projects.

State-owned commercial banks involved with dam building include the **Industrial and Commercial Bank of China (ICBC)**, which provided \$500 million for the Chinese contract in the Gibe III Dam project in Ethiopia. The Bank of China has also provided financing for dams in Ecuador, Laos and South Sudan. Neither ICBC nor the Bank of China has made their environmental policies for overseas lending publicly available. Although Chinese commercial banks have been active in supporting the Chinese dam industry in "going out," China Exim Bank and CDB still provide the majority of financing.

Risk insurance for Chinese overseas hydropower projects is often arranged through the **China Export & Credit Insurance Corporation (Sinosure)**. Sinosure is a state-owned insurance firm that promotes China's international trade and foreign investment. Sinosure's only function is to provide export-credit insurance and underwriting services, and it is not able to provide loans. Sinosure provides Chinese dam-building companies with insurance for risks such as expropriation, sovereign breaches of contract, and war. Compared with international insurance agencies such as the World Bank Group's Multilateral Investment Guarantee Agency (MIGA), the environmental and social requirements imposed by Sinosure are significantly less comprehensive.

# Dams Built Around the World with Chinese Involvement

These maps provide examples of Chinese dam projects around the world. In some cases, Chinese companies are developing the projects with funding from Chinese banks, and in other situations, Chinese companies are merely one of several international contractors. To find out more about the role of the various Chinese institutions and the status of the projects listed below, please see our most up to date China Overseas Dams List at [internationalrivers.org/node/3611](http://internationalrivers.org/node/3611)



## Asia

### Burma

1. Chibwe Dam (2,000 MW)  
N'Mai Hkai River, China Power Investment Corporation
2. Hatgyi Dam (1,200 MW)  
Salween River, Sinohydro, China Southern Power Grid
3. Laiza Dam (1,560 MW)  
Mali River, China Power Investment Company
4. Myitsone Dam (6,000 MW)  
Mali and N'Mai rivers, China Power Investment Corporation, China Development Bank, Sinohydro, Gezhouba
5. Shweli I Dam (600 MW)  
Shweli River, Yunnan Joint Development Corporation (formed by Yunnan Power Grid Corporation, Yunnan Machinery Export Import Company and Yunnan Huaneng Lancang River Hydropower Company), China Power Investment Corporation, Sinohydro
6. Tarpein 2 Dam (168 MW)  
Tarpein River, China Datang Corporation, Sinohydro

7. Tasang Dam (7,100 MW)  
Salween River, Sinohydro, China Southern Power Grid

8. Yeywa Dam (790 MW)  
Dokhtawady River, China Power Investment Corporation, Sinohydro

### Cambodia

9. Kamchay Dam (193 MW)  
Kamchay River, China Exim Bank, Sinohydro
10. Sambor Dam (7,110 MW)  
Mekong River, China Guodian
11. Stung Tatay Dam (246 MW)  
Stung Tatay, China Exim Bank, China National Heavy Machinery Corporation, Gezhouba

### Kyrgyzstan

12. Suusamyр-Kokemeren Hydropower Cascade (1,350 MW)  
Suusamyр River, Sinohydro

### Lao PDR

13. Nam Khan 2 Dam (130 MW)  
Nam Khan, China Exim Bank, Sinohydro

14. Paklay Dam (1,320 MW)

Mekong River, China Exim Bank, Sinohydro, China National Electronics Import and Export Corporation

15. Nam Leuk Dam (60 MW)  
China International Electric and Water Corporation
16. Nam Ngum 5 Dam (120 MW)  
Ngum River, Bank of China, Sinohydro
17. Nam Ou 2 Dam (120 MW)  
Ou River, China Development Bank, Sinohydro
18. Nam Ou 5 Dam  
Ou River, China Development Bank, Sinohydro
19. Nam Ou 6 Dam  
Ou River, China Development Bank, Sinohydro

### Malaysia

20. Bakun Dam (2,400 MW)  
Balui River, China Exim Bank, Sinohydro Malaysia JV, Sinohydro, SMEC, Northwest Hydro Consulting Engineers, China Hydropower Engineering Consulting Group



**21. Murum Hydroelectric Project (944 MW)**

Rejang River, China Three Gorges Corporation Sinohydro

**Nepal**

**22. West Seti Dam (750 MW)**

West Seti River, China Exim Bank, Three Gorges Project Corporation

**Pakistan**

**23. Bunji Dam (7,100 MW)**

Indus River, Three Gorges Project Corporation, China International Water and Electric Corporation

**24. Kohala Hydropower Project (1,100 MW)**

Jhelum River, China International Water and Electric Corporation

**25. Neelum-Jhelum Dam (969 MW)**

Neelum River, China Exim, China International Water and Electric Corporation, Gezhouba, China National Machinery and Export Corporation

**Sri Lanka**

**26. Moragahakanda Reservoir Project (water storage dam)**

Sinohydro

**Vietnam**

**27. Song Bung 4 Dam (156 MW)**

Vu Gia on the Thu Bon river system, Sinohydro



**Pacific**

**Fiji**

**1. Nadarivatu Dam (44 MW)**

Ba River, Sinohydro

## Europe

### Macedonia

1. Hydropower cascade project  
Vardar River, China International Water and Electric Corporation, China Development Bank

### Ukraine

2. Kaniv Pump Storage Plant (1,000 MW)  
Dnieper River, Sinohydro



## Africa

### Benin (and Togo)

1. Adjarala Dam (147 MW)  
Mone River, China Exim Bank, Sinohydro

### Botswana

2. Dikgatlong Dam (water supply project)  
Shashe and Tati Rivers, Sinohydro

### Cameroon

3. Mekin Hydroelectric Project (12 MW)  
Dja and Mekin Rivers, China Exim Bank

### Congo, Democratic Republic of

4. Imboulou Dam (120 MW)  
Lefini River, China Exim Bank, Sinohydro, China National Machinery and Equipment Import and Export Corporation

### Mali

5. Felou Hydropower Project (59 MW)  
Senegal River, Sinohydro

### Gabon

6. Grand Poubara Power Station (160 MW)  
Ogooue River, China Exim Bank, Sinohydro

### Ghana

7. Bui Dam (400 MW)  
Black Volta River, China Exim Bank, Sinohydro

### Ethiopia

8. Gibe III Hydroelectricity Project (1,870 MW)  
Omo River, ICBC, Dongfang Electric Corporation

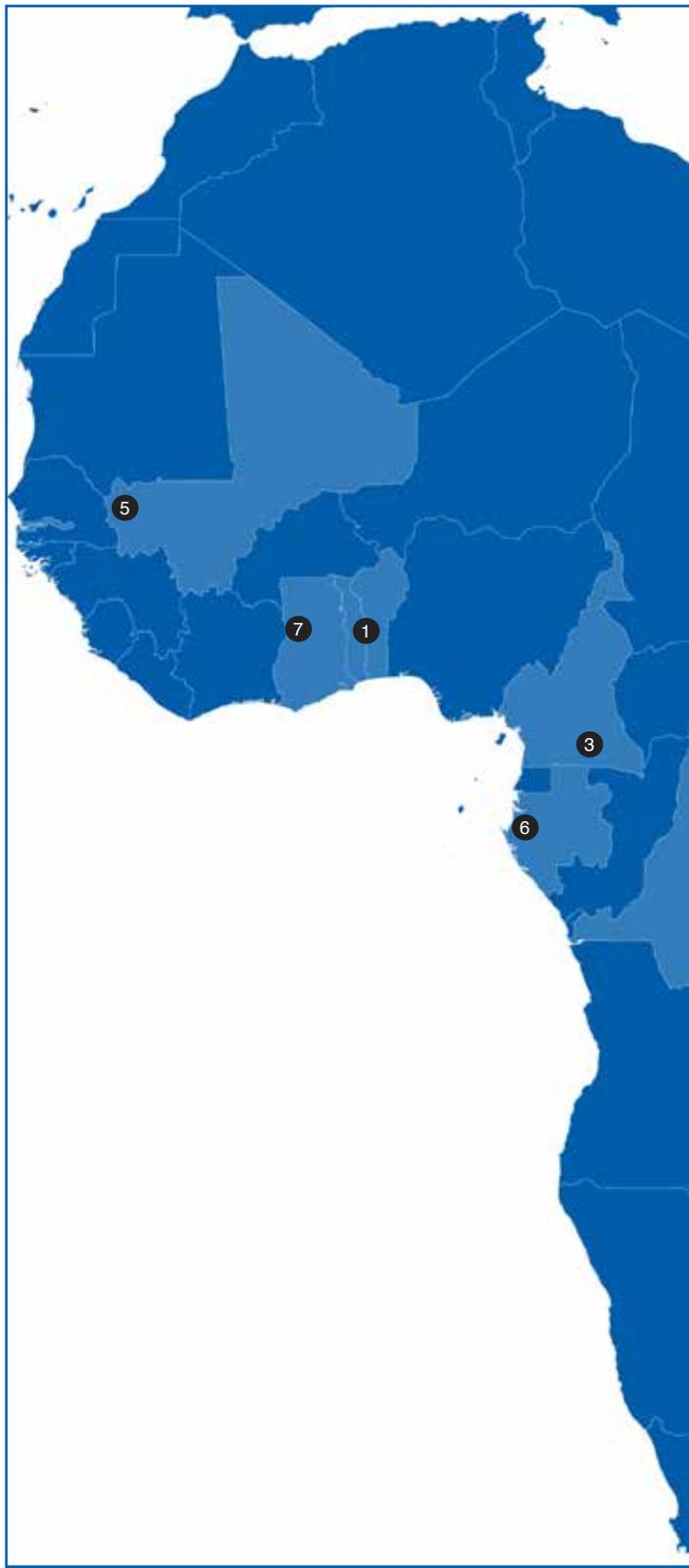
### Sudan

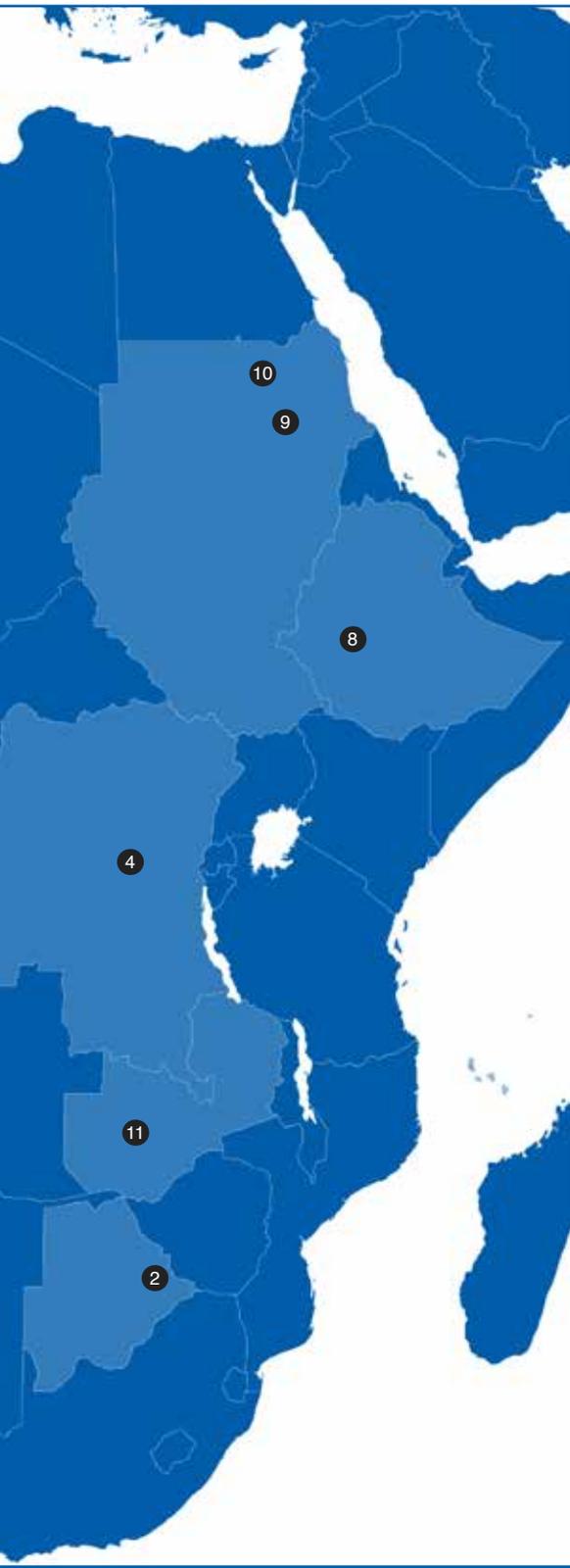
9. Merowe Dam (1,250 MW)  
Nile River, China Exim Bank, Sinohydro, China International Water and Electric Corporation

10. Kajbar Dam (300 MW)  
Nile River, Sinohydro

### Zambia

11. Itezhi-Tezhi Hydropower Project (120 MW)  
Kafue River, Sinohydro





## Latin America

### Guyana

1. Amaila Falls Hydroelectric Project (150 MW)  
Amaila River, China Development Bank, China Railway Engineering Corporation

### Colombia

2. Pescadero Ituango Hydropower Plant (2,400 MW)  
Cauca River, Sinohydro

### Costa Rica

3. Reventazon Project (305 MW)  
Reventazon River Basin, Sinohydro

### Ecuador

4. Soplandora (487 MW)  
Paute River, China Exim Bank, Gezhouba
5. Coca Codo Sinclair (1,500 MW)  
Coca River, China Exim Bank, Sinohydro
6. El Reventador Hydroelectric Project (520 MW)  
Quijos-Coca River, China Exim Bank, Sinohydro

### Honduras

7. Patuca I (unknown), II (unknown), III (100 MW)  
Patuca River, China Exim, Sinohydro



Nam Ou 2, Lao PDR. Construction of Sinohydro's Nam Ou 2 project will begin in September 2012. Up to 150 families will be resettled due to construction and flooding caused by the Nam Ou 2 project in Luang Prabang Province, Lao PDR. In italics: Photo: *International Rivers*

## Policies Guiding and Regulating Chinese Dam-building Companies

Chinese overseas dams should be built in accordance with the laws of host countries. The Chinese government has made it clear on a number of occasions that it expects Chinese companies to abide by and respect local laws. In addition to local laws, Chinese company standards and policies – as well as any Chinese government standards – may increase the standards by which Chinese dam projects are planned, developed and operated. Chinese financiers also apply their own standards when considering whether to approve a loan to support an overseas dam. In some cases, Chinese domestic law may be relevant. Several Chinese hydropower companies have committed to using Chinese domestic standards where host country laws and standards are weaker, such as in Burma, where until recently, there was no requirement to conduct Environmental Impact Assessments (EIAs), although Sinohydro and China Power Investment have conducted EIAs for their respective projects.

This section outlines Chinese policies on overseas dam building and environmental guidelines on Chinese overseas investments that might be applied to overseas dam projects, and the rules and regulations guiding domestic dam building. Excerpts from important laws and policies can be found in Appendix 2.

### LOCAL LAWS AND REGULATIONS

In every case, Chinese dam-building companies must abide by and respect local laws. The Chinese government expects Chinese companies, particularly state-owned, to be on their best behavior when operating overseas. China's Ministry of Foreign Affairs has made this expectation clear in

public statements. The Chinese government does not want China's reputation and soft power diminished by the unlawful activities of Chinese companies.

Local laws and regulations form the basic standards and practices expected of Chinese dam-building companies. In addition to the laws for environmental (including water, environmental impact assessment) and human rights protection (including housing, land acquisition, resettlement), laws and regulations in the areas of foreign investment, green finance, state planning, corruption, and government tender procedures may be a source of obligations and responsibilities of Chinese dam builders.

### CHINESE DAM-BUILDING COMPANY STANDARDS AND POLICIES

Generally Chinese dam companies have brief and general policies on environmental protection and social responsibility. Even if environmental and social responsibility policies have been adopted, implementation may be weak on the ground.

In 2011, Sinohydro, the biggest Chinese overseas hydropower company, adopted a Policy Framework for Sustainable Development. The policy framework is an overarching document that outlines Sinohydro's vision, commitments and timeline for implementation, and is supported by separate environmental, community relations, sustainable development and safety policies. The most relevant policies for dam-affected communities and civil society groups are the specific policies on the environment and community relations. The sustainable development policy primarily relates to reducing waste, energy and water use in Sinohydro operations, and the safety policy pertains to Chinese and host country worker safety.

Sinohydro has adopted the World Bank's safeguard policies as its minimum standard regarding resettlement and environmental issues. The International Financial Corporation's Performance Standards are also incorporated into Sinohydro's policy on community relations (describing its consultation, participation and access to information policies). However there is little detail on how Sinohydro will implement these international standards. The environmental policy sets a timeframe for the implementation of some commitments such as a grievance and complaints mechanism. There are no implementation targets for most of Sinohydro's environmental policy commitments. Sinohydro's commitments are summarized in Box 6 and a comprehensive summary can be found in Appendix 2.

Sinohydro has committed not to take on projects in national parks, World Heritage-listed sites, habitats of threatened species, and RAMSAR-listed wetlands. These are "no-go" zones for Sinohydro. Regarding

indigenous communities, Sinohydro has committed to operating in accordance with the United Nations Declaration on the Rights of Indigenous Peoples. Before commencing a project, Sinohydro should consult and cooperate in good faith with Indigenous Peoples to obtain their Free, Prior and Informed Consent.

Sinohydro has also committed to a constructive relationship with local communities, which enables two-way and open communication. If Sinohydro's environmental policy is implemented, a grievance and complaints mechanism should be established for communities impacted by Sinohydro projects. A high-quality EIA should be prepared for all relevant projects, and under Sinohydro's commitment to adopt the World Bank safeguard policies, local communities should have the opportunity to comment on the EIA.

It is unclear whether Sinohydro's policies only apply to projects in which it is a developer or if they restrict the types of projects that Sinohydro can undertake as a contractor. Other Chinese dam builders may however find these policies and commitments useful, as they regard Sinohydro as an industry leader.

Sinohydro has advised that it expects to make its policy commitments public by October 2012 via its website [www.sinohydro.com](http://www.sinohydro.com). After this date, International Rivers will publish resources on Sinohydro's environmental policy at [internationalrivers.org/node/7637](http://internationalrivers.org/node/7637).

China's **International Contractors Association**, an industry association of contracting and construction firms, adopted basic social and environmental principles in its "Guide on Social Responsibility for Chinese International Contractors." They include the requirement to conduct an EIA prior to project construction, protect rare and precious flora and fauna, develop community engagement plans and maximize job opportunities for the local community. Sinohydro, China International Water and Electric Corporation and China Gezhouba have adopted these principles but it is unclear whether they are being implemented.

### CHINESE GOVERNMENT GUIDELINES ON OVERSEAS DAM PROJECTS

Despite increased awareness by the Chinese government of the significant environmental and social impacts associated with Chinese overseas dam projects over the past five years, there are no laws or regulations that regulate overseas dams. Currently only broad requirements to respect local laws can be found in Chinese overseas foreign direct investment (OFDI) laws. In 2007, MOFCOM, MFA and SASAC jointly published the "Regulations on Further Regulating the Development of Contracting Foreign Projects." ("2007 Regulation") Under the Article 17 of the

## BOX 6: Sinohydro's Environmental Policy Commitments

*Sinohydro's policy commitments are relatively strong but the details on how these commitments will be implemented are vague. While the lack of detail will make it difficult for civil society groups and affected communities to know the depth and scope of the commitment, at the same time, the commitments can also provide new leverage points and opportunities to protect livelihoods and the environment. This is the first time a Chinese hydropower construction company has articulated its policy commitments at this level of detail.*

### Project Location

- Sinohydro has committed to not taking on projects in national parks, World Heritage-listed sites, habitats of threatened species and RAMSAR-listed wetlands.
- Sinohydro has committed to taking steps to protect biodiversity and avoid impacting the environment. If Sinohydro is responsible for the project design work and/or feasibility studies, it must make efforts to minimize harm to the environment. The final project location and design should be the option that avoids significant environmental impacts.

### Environmental Impact Assessments

- At a minimum, all Sinohydro projects should have an Environmental Impact Assessment (EIA) report.
- In accordance with Sinohydro's commitment to the adopt World Bank and International Finance Corporation's safeguard policies, communities should have access to all relevant information about the project and its impacts including EIA and Social Impact Assessment (SIA) reports.

### Public Consultation and Disclosure of Information About Project Impacts

- Sinohydro has committed to ensuring that there is an effective forum for two-way and open communication between the local community and the company. Sinohydro should address concerns and issues raised through this forum in a timely and adequate way. The purpose of such communication and consultation with community members and local civil society groups is to ensure that their views are fully considered in the planning of the project.

- Sinohydro has committed to maintaining a dialogue with local NGOs in areas where it operates. If Sinohydro is the dam operator, such dialogue should continue into the phase of dam operation. Community concerns about the impact of the dams – particularly those unanticipated and unforeseen – should be raised through this dialogue, as well as through the grievance mechanism.
- Sinohydro will ensure that affected communities have access to relevant information and documents including EIA and SIA reports about the project, which outline the project's risks and impacts on the local community.
- If Indigenous Peoples are affected, Sinohydro should consult and cooperate in good faith to obtain the community's Free Prior and Informed Consent. In doing so, Sinohydro should obtain the community's consent before commencing a project or respect their decision to deny consent, as well as consider their suggestions project's design and meet any conditions agreed before the project begins.

### Resettlement and Displacement

- Sinohydro should avoid causing displacement. However if displacement cannot be prevented, then displaced communities should have their livelihoods, including income and production levels, restored to their former living standards or above.
- If Sinohydro is responsible for resettlement (which so far has been rare), the company has committed to engaging displaced and affected communities in the development of a resettlement plan, including the opportunity to review a draft.

### Grievance and Complaints Mechanism

- Sinohydro has committed to establishing a grievance mechanism on all projects to enable issues and complaints to be raised, addressed and resolved. Sinohydro is also responsible for ensuring that the impacted communities are aware of the mechanism and how to use it.

### Cultural Heritage

- Sinohydro has committed to avoiding damage to cultural heritage sites.

- Sinohydro has committed to consulting with local communities to identify and find ways to best protect cultural heritage.

#### **Compliance with Local Laws and Regulations**

- Sinohydro should have acquired all necessary permits and approvals before construction begins.

#### **Emergency Incidents or Accidents**

- Sinohydro has committed to informing local communities about any significant incidents or accidents that

may impact them. Communities should be aware of and have input into the notification process should an accident or emergency situation occur.

International Rivers has developed an in-depth manual on how civil society and dam-affected communities can use Sinohydro's environmental policy to protect their rights and the environment. This manual can be downloaded at [internationalrivers.org/node/7637](http://internationalrivers.org/node/7637). A detailed summary of policy commitments can be found in Appendix 3.

2007 Regulation, companies should comply with local laws, respect local customs, protect the local environment, protect the interests of local workers, actively participate in local charity work and legally fulfill their social responsibilities. Similarly, the 2010 “Guidelines on Foreign Investment and Cooperation,” “Nine Principles of the State Council on Encouraging and Regulating China’s Outbound Investment” and the “Administrative Regulation on Contracting Foreign Projects” issued by the State Council on July 21, 2008, require that Chinese enterprises protect the ecological environment of investment recipient countries and comply with local laws and consider social responsibility when conducting their business affairs. However, these regulations and guidelines are principle-oriented and do not provide any further details of required implementation measures.

Generally governments do not regulate activities beyond borders, and the absence of regulations for Chinese companies operating overseas is consistent with this. However, increasing scrutiny of Chinese overseas investments has prompted the Chinese government to develop non-binding guidelines for Chinese companies operating overseas.

#### **DRAFT GUIDELINES FOR THE ENVIRONMENTAL CONDUCT OF CHINESE OFDI COMPANIES**

In 2010, “Draft Guidelines for the Environmental Conduct of Chinese OFDI Companies” (Guidelines) developed by the Chinese Academy for Environmental Planning and the MEP were released. If adopted by the MEP and MOFCOM, these guidelines would provide guidance to Chinese companies on what policies and practices are expected of them as minimum practices and policies by the Chinese government. The draft Guidelines as presented in the publication “Environmental Policies on Chinese Overseas Investment” have since been revised. As of July 2012, specific guidelines for the agriculture and mining

activities were developed and were the subject of discussion between the MEP and MOFCOM. While the final guidelines, once adopted, will not have legal status, they are likely to have influence over many of China’s state-owned hydropower companies.

#### **ENVIRONMENTAL AND SOCIAL POLICIES OF CHINA EXIM BANK AND CHINA DEVELOPMENT BANK**

Projects that are financed by China Exim Bank and China Development Bank (CDB) are subject to the respective environmental and social policies of these banks. While these policies adopt common social and environmental practices, China Exim and CDB have not adopted the international standards set by the World Bank or the International Finance Corporation.

China Exim Bank adopted its environmental policy in 2004, and it was publicly released in August 2007. The bank’s environmental policy requires that: an EIA be completed as a pre-condition for loan approval; projects are approved by the local environmental administration; local people’s rights to land and resources are respected; and public consultations have occurred for projects with serious negative impacts. China Exim Bank officials have reported that in practice, they prefer that the EIA is conducted or reviewed by a western consulting firm. The client’s failure to comply with China Exim Bank’s policy can result in cancellation of loans or demands for early repayment of loans. For example, the discovery of negative environmental impacts during project construction may lead China Exim Bank’s implementation unit to take immediate remedial or preventive measures. An unofficial translation of China Exim Bank’s policy can be found in Appendix 2.

CDB has adopted “Guidelines on Environmental Protection Project Development Review,” which forms a basic environmental policy for the bank.

As part of the process for reviewing a loan for an overseas dam project, CDB will review the environmental record of the company and the project's EIA report to ensure that environmental impact and protection costs have been incorporated into the project's costs. Once the project is approved and completed, CDB will also seek a report of environmental monitoring efforts including consultations with the local environment authority to see whether environmental protection requirements have been met. A summary of CDB's environmental policy standards can be found in Appendix 2.

### CHINESE DOMESTIC STANDARDS ON SUSTAINABLE FINANCE

In February 2012, the China Banking Regulatory Commission released the Green Credit Directive ("Directive"). This seven-chapter directive for the first time establishes guidance for Chinese policy banks, commercial banks, rural cooperative banks, and rural credit cooperatives regarding green credit policies and

management systems, capacity building, monitoring and supervision, and information disclosure. Policy highlights from the directive include:

- The effective management (identification, assessment, monitoring, control and mitigation) of both environmental and social risks, including resettlement issues.
- Greater transparency and disclosure of information, stating that banks shall "disclose information as required by laws and regulations and subject themselves to market and stakeholder supervision."

It is unclear whether these guidelines apply to overseas projects. The Directive does however require that banks ensure that project sponsors are compliant with local environmental, land, health, and safety laws and regulations in the host country. At a broader policy level banks are also directed to strengthen their environmental and social risk management practices by adopting international best practices or standards. The impact of



Jinsha River, China  
The Jinanqiao Dam on the Jinsha River was approved in 2012. The Ministry of Environmental Protection (MEP) ordered a suspension to the project in 2009 because construction work had started before EIAs were validated.  
*Photo: Seth Rosenblatt © 2006*

the Directive could be that more Chinese banks adopt and apply international standards such as those of the Equator Principles.

### CHINESE LAWS ON DOMESTIC DAM BUILDING

China's environmental laws and regulations on social and environmental protections and hydropower planning are promising, but poor implementation has undermined these standards. However, Chinese laws at home are relatively strict and are an important reference point for the behavior expected of Chinese dam builders abroad. Communities affected by Chinese overseas dams have made strong arguments that Chinese companies should not subject them to standards lower than are expected of them in China. Host country civil society groups and affected communities can find support for higher environmental protection from improving standards in Chinese domestic law. An outline of these standards is detailed below.

Although requirements for Environmental Impact Assessments (EIAs) have been in place in China since the 1970s, China's environmental laws have been strengthened in recent years. China's current EIA Law, approved in September 2003, requires developers of projects with significant environmental impacts to conduct an EIA prior to project construction. Since the EIA Law was first released, a series of administrative instruments have provided specific guidance on how an EIA should be conducted. For example, the State Council's 2011 decision, "Strengthening the Work of Key Environmental Protection," makes clear that EIAs should be conducted in an open and transparent manner.

In 2011, China's central planning agency, the National Development and Reform Committee (NDRC), issued the "Provisional Measures for River Hydropower Plans (RHPs) and Planning Environmental Impact Assessments (PEIAs)" (Provisional Measures) for dam building on China's major rivers, including on trans-boundary rivers. The Provisional Measures put in place the requirement of basin-wide plans for dam development and corresponding strategic environmental plans, known as River Hydropower Plans and Planning Environmental Impact Assessments. The measures enshrine the precautionary principle. For example, an EIA must be rejected if the extent or severity of the negative environmental impacts resulting from the project cannot be predicted. Furthermore, the measures set a limit on the amount of harm that hydropower project may cause. If the project will have a medium or large negative impact on the environment and available mitigation methods are insufficient, then the EIA must be rejected.

The MEP's 2012 "Notice on Further Strengthening Environmental Protection During Hydropower

Construction" requires that hydropower projects must first ensure that "the ecology is sufficiently protected and people are resettled" and that the principles of "ecological priority, overall planning, moderate development, and maintaining the baseline environmental conditions" be followed – in other words, that the environment is properly protected and people are adequately resettled.

Chinese law requires opportunities for public participation throughout the EIA process by setting out procedures for disclosing EIAs to the public (though in practice it is usually only a summary of an EIA); when to engage the public in the EIA process; who to include; methods that can be used to facilitate public participation (hearings, soliciting comments, public forums, expert forums); and how to address public comments and incorporate public input. The NDRC's 2011 Provisional Measures also require that hydropower project EIAs should not be accepted if public comments have not been adequately addressed. Under the measures, project proponents must respond to public comments and adapt the project accordingly, or explain why public comments are unreasonable and are being rejected.

Under Chinese law, government information must be disclosed in a timely and regular basis. Under the Regulations on the Freedom of Government Information, Chinese citizens can request information from government bodies that may include hydropower development plans, full EIAs and other relevant documents.

China has relatively strong laws governing resettlement. The most important of these is the 2006 "Rules of Land Compensation and People Resettlement in Medium and Large Hydraulic and Hydroelectric Projects." This law sets the following standards:

- Displaced people must be provided with a level of livelihood similar to or greater than that they enjoyed prior to dam displacement;
- Resettlement plans must include economic development plans, not just cash payments for land and resources lost;
- Resettlement plans should create jobs for displaced people; and
- If rural communities are to be displaced, resettlement plans must include a plan for reclaiming new farmland (to avoid over-crowding in resettlement areas).

In addition, people displaced by dams between 1949 and 2006 receive special social security payments of \$75 per year for a 20-year period. This retroactive reparation measure is comparable to a retirement pension for people displaced by dams in the past.

## INTERNATIONAL ENVIRONMENTAL STANDARDS AND GUIDELINES

The World Commission on Dams (WCD) published the most comprehensive recommendations on social and environmental standards in the dam sector in 2000. The WCD's final report puts forward a framework for planning water and energy projects and is intended to protect dam-affected people and the environment, whilst ensuring that the benefits from dams are equitably distributed.

The WCD framework covers key areas for improved dam planning, including: the need to fully assess all available options for meeting water and energy needs; addressing outstanding issues from existing dams before building new ones; free, prior and informed consent of indigenous peoples; gaining public support for key decisions; and the importance of healthy rivers. The WCD recommendations have been adapted to national contexts in various public dialogue processes and continue to influence the development of dam standards around the world. A summary of the WCD recommendations is included in Appendix 2. For detailed information on the WCD recommendations and priorities, refer to International Rivers' "Citizen's Guide to the World Commission on Dams."

The International Hydropower Association (IHA) is a membership organization for the hydropower industry. In November 2011, IHA published the **Hydropower Sustainable Assessment Protocol (HSAP)**, which enables dam builders to participate in a non-binding scoring system to assess the social, environmental and economic sustainability of dams at different stages of the project cycle. HSAP does not define any minimum standard. The Protocol encourages self-performance assessment. Assessments are currently underway and must be published for public comment. Sinohydro, China Three Gorges Project Corporation and Huaneng Lancang River Hydropower Company are all members of IHA and may use HSAP in future projects. HSAP can be reviewed at [hydrosustainability.org](http://hydrosustainability.org) and a full fact-sheet on HSAP is available at [internationalrivers.org/node/3399](http://internationalrivers.org/node/3399).

The **Equator Principles** are voluntary social and environmental guidelines developed by leading private banks and are based on IFC Performance Standards. Only one Chinese bank, Industrial Bank, has adopted the Equator Principles and conducted its first domestic transaction under the framework in 2009. Environmental organizations have criticized the principles for lacking any enforcement mechanisms. In 2012, the Equator Principles were reviewed and updated.

The Chinese government and businesses have shown interest in the United Nations Framework for Business and Human Rights, "**Protect, Respect and Remedy.**" The policy framework was first

proposed in 2008 by the United Nations Secretary General's Special Representative on Business and Human Rights, John Ruggie, for business and human rights challenges. The framework is based on three central pillars: (1) state duty to protect against human rights abuses by third parties, including business; (2) corporate responsibility to respect human rights; and (3) greater access by victims to effective judicial and non-judicial remedies. Under the framework, corporate responsibility to respect human rights means acting with due diligence to avoid infringing the rights of others. To achieve this, companies are encouraged to establish due diligence processes so that they can become aware of, prevent and address adverse human rights impacts. Key elements of corporate human rights due diligence include having company policies, assessment mechanisms of company activities' impacts on human rights, integration of human rights throughout the company, and tracking and reporting mechanisms. While the Chinese government has expressed interest in the framework, Chinese companies have yet to adopt it into their operations.

Hundreds of Chinese companies including Datang, China Power Investment, State Grid, and China Southern Power Grid have become signatories to the **United Nations Global Compact**. The Compact provides "a framework for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in areas of human rights, labor, the environment and anti-corruption," which includes the responsibility to respect human rights. The Compact has been criticized for its weak enforcement mechanisms because the commitments are voluntary and reporting measures are relatively weak. For more information, see [globalcompact.org](http://globalcompact.org).

Finally, many companies in China are certified under the International Organization for Standards 14001 series (ISO 14001-2004 Environmental Management Systems). This series does not specify environmental performance standards but indicates that certified companies have in place management systems to identify and control the environmental impacts of their activities, improve their environmental performance and have a systematic approach to setting their environmental objectives and targets. The requisite systematic approach could lead to the setting of an environmental policy, implementation plans and ongoing internal auditing. Sinohydro's 16 engineering and construction bureaus operating overseas all have ISO 14001-2004 certification.

## CHINA'S UNITED NATIONS COMMITMENTS AND INTERNATIONAL TREATY OBLIGATIONS

The Chinese government has signed on to a number of international treaties, participates in various international bodies, and recognizes several soft laws relevant to dam building. These obligations apply to activities

inside China, but they also represent a commitment to the international community. The Chinese government should ensure that its companies and financiers abide by China's treaty commitments when operating abroad.

Particularly relevant to Chinese overseas dam building are the United Nations Norms on the Responsibility of Transnational Corporations ("Norms"). Approved in 2003, the Norms state that transnational corporations are responsible for upholding human rights as set forth in the Universal Declaration of Human Rights. The Norms state that transnational corporations must protect human rights as set forth by national and international law, provide equal opportunity employment, ensure safe and healthy working environments, comply with the environmental laws of host countries, and implement sustainable development practices.

In September 2007, China voted in favor of the United Nations General Assembly Declaration on the Rights of Indigenous Peoples (UNDRIP), which "emphasizes the rights of indigenous peoples to maintain and strengthen their own institutions, cultures and traditions and to pursue their development in keeping with their own needs and aspirations." UNDRIP is particularly relevant for indigenous communities who are impacted by a dam project as it creates an obligation on the government to obtain from affected indigenous peoples their free, prior and informed consent before project approval is given. Further information can be accessed at [oxfam.org.au/explore/mining/information-for-communities/](http://oxfam.org.au/explore/mining/information-for-communities/).

A list of major environmental and human rights treaties to which China is a party is included in Appendix 4.

## BOX 7: The Clean Development Mechanism

The Clean Development Mechanism (CDM) is the Kyoto Protocol's main carbon offsetting program. It is intended to allow developed countries to meet their Kyoto Protocol emissions reduction targets by allowing them to purchase carbon credits – called offsets – from climate-friendly projects in developing countries. The majority of CDM projects are in China, Brazil, India and Mexico.

International Rivers has seen many hydropower developers abuse CDM rules. Many of the projects proposed and approved for CDM credits are "non-additional," meaning that they would have been built regardless of whether they received carbon credits. Experts have estimated that non-additional projects could make up as much as two-thirds of all CDM projects. In claiming credits for non-additional projects, developed countries are in essence using fictitious emission reductions. The result is a net emissions increase globally, the exact opposite of the intended outcome of the CDM.

Chinese dam builders have begun to claim CDM credits for their international projects as well. For example, Sinohydro has claimed CDM credits for Kamchay Hydropower Project in Cambodia, whose project costs are fully funded by the company and through a loan provided by China Exim Bank. There are also examples of projects applying for CDM status despite the fact that they are located in protected and sensitive areas and have resulted in significant levels of deforestation.

Project developers can be held accountable to certain international standards under the CDM. Under the European Union's (EU) Linking Directive, carbon credits (or CERs, Certified Emissions Reductions) purchased from large hydro projects (i.e. >20MW) can only be used in the EU Emissions Trading Scheme if the projects meet the standards set by the World Commission on Dams.

For further information, please see CDM Watch's activist guide at [cdm-watch.org/?page\\_id=845](http://cdm-watch.org/?page_id=845)



Belinga Dam, Gabon, The famed Kongou Falls in Gabon's Ivindo National Park are threatened by plans for the construction of a hydroelectric dam, even though viable alternatives outside the national park may be available. The Belinga Dam is one of two proposed dams that would generate power for the Belinga Iron Ore Project, which is located 500 kilometers east of Libreville, Gabon's coastal capital.

## Campaigns to Address the Impacts of Chinese Overseas Dams

Since the publication of “The New Great Walls – A Guide to China’s Overseas Dam Industry” in July 2008, affected communities and civil society organizations have mounted several campaigns to address the social and environmental impacts of Chinese overseas dams. These efforts include the nation-wide campaign in Burma to stop China Power Investment’s Myitsone Dam, the attempts by Kenyan groups to hold China’s ICBC Bank responsible for its role as the only international financier of the Gibe III Dam in Ethiopia, and International Rivers’ own efforts to pressure Sinohydro to develop an environmental policy. This section illustrates how grassroots and civil society organizations can constructively and effectively impact the development of Chinese overseas dam building.

### ENFORCING ENVIRONMENTAL POLICIES

The Belinga Hydropower Project is part of a \$3.5 billion iron ore mining project in Gabon, which includes access roads and a port facility. China Machinery Engineering Corporation (CMEC) won the tender to develop the large mine and build the associated infrastructure including roads and hydropower dams, with financing to be arranged from China Exim Bank. The hydropower

dam is strongly opposed because it was proposed at the Kongou Falls in Ivindo National Park. Environment Gabon, a coalition of local NGOs, was concerned that the Belinga Hydropower Project would result in a declassification of the protected status of the area and open up other protected areas to development. The groups were particularly concerned about the impacts of the dam and associated development on the surround-

ing environment, which is ecologically sensitive and the habitat of threatened wild chimpanzees.

In late 2008, the Gabonese environmental NGO Brainforest sent a letter to the President of China Exim Bank asking the bank to investigate allegations that CMEC was violating China Exim's environmental policy and local laws. Subsequently, China Exim Bank decided not to provide financing for the Belinga hydropower project until the EIAs could be verified. According to Marc Ona, the Director of Brainforest, the Chinese Ambassador to Gabon told him that civil society issues and environmental impacts had been a factor in China Exim Bank's decision to hold off on the financing for the Belinga Hydropower Project. This case study demonstrates the value of bringing inconsistencies between the project impacts and environmental policies to the attention of financiers, such as China Exim Bank.

In December 2011, the Gabonese government stripped the mining concession from CMEC due to concerns that CMEC did not have the expertise to develop the project. In early 2012, the Anglo-Australian mining firm BHP Billiton was negotiating with the Gabon government for the mining concession. It is unclear whether the hydropower plant is part of this package.

### HOLDING CHINA'S BIGGEST BANK TO ACCOUNT

Ethiopia's Gibe III Dam on the Omo River will impact 500,000 indigenous people and push Kenya's Lake Turkana – the world's largest desert lake – toward ecological collapse. The Lake Turkana communities have been steadfast in their opposition to the upstream dam, which is being built in Ethiopia. The Kenya-based organization Friends of Lake Turkana has instigated legal action and conducted international advocacy and awareness-raising activities. The destructive environmental and social impacts of Gibe III have been well documented. A campaign led by representatives of downstream communities in Kenya and their allies, has successfully fended off international financiers such as JP Morgan Chase, the African Development Bank, the European Investment Bank, and the World Bank from directly supporting Gibe III Dam.

In 2010, China's Industrial and Commercial Bank of China (ICBC) expressed an interest in financing part of the Gibe III Dam. ICBC offered financial support for the supply of turbines by the Chinese state-owned Dongfang Electric Machinery Company. A Kenyan NGO, Friends of Lake Turkana communicated their concern over China's role to the Chinese embassy in Nairobi. Chinese embassy officials were initially



Lake Turkana, Kenya, makes life possible in parched northern Kenya. The lake is home to the world's largest population of Nile crocodiles, healthy populations of hippos, and hundreds of bird and fish species. More than a quarter-million indigenous people have become masters of wresting sustenance from this harsh landscape. There is strong evidence that the Gibe III Dam, now under construction in Ethiopia, threatens the very characteristics for which Lake Turkana was chosen as a World Heritage Site. The dam will so change the watershed's hydrological regime that the Lake could end up a shrunken, ecologically unsustainable relic, no longer able to support its current diversity of life. *Photo courtesy of Christophe Cerisier.*

## BOX 8: Brainforest's letter to China Exim Bank on the social and environmental impacts of the Belinga Project, Gabon (excerpt)



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Mr. Li Ruogu  
President of China Exim Bank  
No.30, FuXingMenNei Street  
XiCheng District, Beijing 100031  
P.R.China  
Subject: Social and environmental impacts of the Belinga project - Gabon

20 October 2008

Dear President Li Ruogu:

Brainforest is an environmental NGO in Gabon. Our mission is to inform and assist stakeholders in the sustainable and equitable management of natural resources in Gabon. We are writing to express our serious concern about the Bélinga iron project, for which China Exim Bank is the sole financier. We are particularly concerned with construction that has already commenced and the potential impacts on indigenous and local communities.

*The Bélinga iron ore deposit in the north-east of Gabon was discovered in 1895 and stands as one of the last untapped iron ore deposits on earth, with an iron content of 64% and reserves estimated at one billion tons...Mining the Bélinga iron deposit will require the construction of mining facilities, power stations, railways and ports; a hydroelectric dam will provide the mine's power supply, two railway branch lines (320 km) linking Bélinga to Booué, and the Ntoun periphery to the future port of Santa Clara, north of Libreville.*

Source: Official site of the Gabonese Republic

Construction of the Bélinga project, operated by CMEC (China National Machinery and Equipment Import and Export Corporation) is already in the process of realisation, however we are concerned that the impact studies have not yet been made public.

Your guidelines for the evaluation of social and environmental impacts stipulate that any project financed by China Exim Bank requires in-depth studies of the impacts and measures put in place to reduce them:

**Article 6.** *Social impact refers to the systematic analysis and assessment of the impact on socio-economic, natural resources and social environment caused by project implementation, and proposes policies and measures to reduce that impact...*

We emphasize the importance of a detailed impact assessment, and that the study be made publicly available. We also insist on the importance of meeting with local populations effected by the action. The quality of the study should be proportional to the stakes of the project.

The impact assessment must meet three objectives:

- Helping the project owner, whether public or private, realize projects that respect the environment at each phase;
- Allow relevant project authorities to make informed decisions by supplying them with project information;
- Inform the public and facilitate its participation in decision-making. The project dossier, including impact studies, must be made available to the public so that their observations may be considered by decision makers. This is an approach that must be participatory and implemented from the design phase of the project.

Regarding the infrastructure work carried out by CMEC in the Ivindo National Park for the construction of the dam, we wonder if your policy and guidelines have been met, especially with respect to massive damage caused by deforestation during the creation of a 40 km road in the national park to the Kongou falls and the lack of information provided to local communities about that construction.

We draw your attention to the importance of Kongou falls for local populations. Indeed, these falls are the best fishing area on the Ivindo River for fishing communities of Makokou. Moreover, they have a spiritual and cultural importance for the Kota people of the Ivindo, as they host a protective genie, Assayoko. CMEC should take into account the impact on village communities, compensate them for their losses, or consider a solution to minimise these impacts.

In addition, we should underline that Kongou waterfalls have become the symbol of nature conservation in Gabon. Celebrated by the international media, they are the most spectacular waterfalls in Central Africa.

The mine itself could have serious environmental and social impacts as well. The fishing communities in the area have always depended on the Ivindo and Zadié rivers for their livelihoods. With the inception of the iron mine project, these rivers will be subjected to a high risk of pollution, which in turn places the local populations in danger.

Your guidelines on social and environmental impacts specify compliance with local and indigenous people's right to access resources: **Article 12**, *Offshore project assessments should abide by the following principles (...) Respect the local people's rights to land and resources.*

It is therefore essential to take into account the activities of river populations of the Ivindo to better understand the negative impact they may incur from the future iron mine.

In addition, local people express a strong need to be informed and consulted about the project and various infrastructures related thereto:

- Kongou Hydro-electric dam: will populations benefit from electricity? Will CMEC provide employment for local communities? What are the impacts on fisheries and other activities?
- Railway: What is the route of the railway? Is this the same route as that taken by the Foley Brothers agents in 1964? What communities will be affected?
- The iron mine: Will the inhabitants of the region receive priority for work? What are the impacts? What are the benefits to local people?

We believe it is essential to initiate a broad information awareness and dialogue campaign with people affected by the project throughout the province of the Ogooue-Ivindo in order to understand their expectations and concerns. To this effect, Gabonese law requires that CMEC and the administration implement an information campaign...

In addition, the law of the People's Republic of China stresses the importance and obligation to make environmental impact studies public, including details of the content. Chinese laws also require policy makers to examine and verify in detail comments and points of dispute made by the local population as a means of taking into account public opinion before any decision is made.

For this work of dialogue and awareness, we propose the support of Gabonese civil society who have experience and knowledge of local communities, provided that real intentions are expressed by all parties in regards to the development of alternatives and compensation for the people.

We would be happy to discuss with you, either by correspondence or meeting. We hope to assist the Belinga project achieve the best results for all stakeholders concerned.

We look forward to your reply.

Best regards, Marc Ona Essangui  
President of Brainforest

cc:

Mr. Zhang Xuesong, General Manager, International Business Department, China Exim Bank  
Mr. Xie Biao, President, CMEC  
Mr. Jean-Firmin Koumazock, President, COMIBEL (Belinga Mineral Company)  
S.E. Xue Jin Wei, Ambassador, Chinese Embassy, Gabon  
Minister of Mines, Oil, Hydrocarbon, Energy, Hydraulic Resources and New Energy Promotion, Gabon

Minister of Environment, Sustainable Development, and Nature Protection, Gabon  
Minister of Foreign Affairs, Cooperation, French Language, and Regional Integration  
Minister of Economy, Finances, Budget and Privatization  
Ambassador, Gabonese Embassy, China  
President, Senate, Gabon  
President, National Assembly, Gabon



Myitsone Dam Site, Burma. If completed, Myitsone Dam would flood the confluence of the Mali and N'Mai rivers, which combine to create the mighty Irrawaddy River. The confluence is a spiritual and sacred place for the local Kachin people and the nation. *Photo: International Rivers*

open to discussing the project. However, officials from the Chinese embassy told community members that China shared no responsibility as financier and contractor of the dam. The embassy officials argued that the project was a decision by the Ethiopian and Kenyan governments. Frustrated at Chinese officials' inaction, activists organized a protest outside the embassy. The protest was widely reported by national and international media.

In China a briefing for Chinese journalists on ICBC's involvement with the Gibe III Dam resulted in a major article published in China's First Financial Daily raising doubts and concerns about ICBC's corporate social responsibility commitments. The Foreign Correspondents Club of China also organized a briefing for foreign journalists with representatives of Friends of Lake Turkana, BankTrack and International Rivers. This briefing resulted in several articles in major international newspapers and a general response on the Chinese government's expectations of Chinese companies operating overseas from the Ministry of Foreign Affairs.

Despite civil society efforts to dissuade ICBC from getting involved in this destructive dam project, ICBC approved a \$500 million loan for the dam's electrical equipment and turbines in mid-2010. International Rivers wrote to ICBC's General Manager expressing disappointment that the loan had been approved. Concern grew about the impact of civil society activities on ICBC's reputation, particularly after ICBC's share prices fell. In June 2011, the Southern Morning Post reported that ICBC was now using the highest international standards for assessing potential

projects, following the controversy around its support for Gibe III Dam.

Although the campaign did not result in a halt to ICBC's loan for the Gibe III Dam, overall the campaign strengthened the awareness of environmental and social risks facing Chinese banks and companies on large overseas hydropower projects. International Rivers understands that in the future ICBC will undertake greater due diligence in assessing loans for overseas dam projects.

### **SUSPENSION OF THE MYITSONE DAM IN BURMA**

The decision of President of Burma, U Thein Sein, to suspend the 6,000MW Myitsone Dam Project on the Irrawaddy River for the duration of the tenure of his government is the first high profile Chinese overseas dam project to be suspended during construction.

The Myitsone Dam is one of eight dams proposed on the headwaters of the Irrawaddy River under a deal signed between the Burmese military government and state-owned China Power Investment Corporation (CPI) in December 2006. Under the terms of the contractual agreement, CPI would also operate the dams for 50 years, generating revenue from the sale of electricity.

Despite significant local and national opposition, construction of the Myitsone Dam began in December 2009. Since 2006, the Kachin Independence Army has issued several warnings to the dam builder CPI that the Kachin people would never accept the dam on a river widely regarded as sacred in Burma.

These warnings led to thousands of Burmese troops being deployed to the region. The Kachin conflict is complex and historical. One of the many factors that contributed to the collapse of the 1994 ceasefire agreement between government troops and the rebel Kachin forces was rising tensions and concerns about the impact of the Chinese hydropower projects in Kachin state. In June 2011, Tarpein Dam, developed by Datang Corporation, became the focus of fighting by rebel Kachin forces.

In addition to local ethnic opposition, civil society and NGO activists based in Rangoon (Yangon) were able to build almost unanimous national opposition to

the dam. The Myitsone Dam site is at the confluence of the Mali and N'Mai rivers, which has been a sacred cultural heritage site and immortalized in the national imagination. According to opinion polls organized by local media outlets, 90% of Burmese people oppose the dam. The strength of national opposition reflects the site's unique place in the Burmese psyche. By 2010, a national campaign to "Save the Irrawaddy" was launched involving art exhibitions, workshops and book publications.

Crucially in the lead up to the President's suspension decision, the Burmese government held a workshop on the environmental impacts of the Irrawaddy

## BOX 9: International Rivers Engages Sinohydro Corporation

Since 2006, International Rivers has informed Chinese audiences about the impacts of overseas dams, and encouraged Chinese dam builders and financiers to adopt international environmental standards. Given Sinohydro's prominent role in Chinese overseas dam building, it was a prime candidate for this approach. International Rivers knew that Sinohydro aspired to become a leading global actor and an ambassador for China's "soft power." In February 2009, we wrote to Sinohydro urging it to listen to the communities affected by its projects and recommending that it prepare a world-class environmental policy to address its overseas risks. International Rivers offered advice on how to go about doing this.

In July 2009, International Rivers' Policy Director Peter Bosshard and three Chinese NGO partners met a delegation from Sinohydro and China's hydropower think-tanks in Beijing for the first ever dialogue between a Chinese state-owned enterprise and an international advocacy organization. The Sinohydro representatives emphasized the company's commitment to protecting the environment, but noted that there were different views on how

best to do this. We argued that while there could be different opinions about the specifics, Sinohydro needed to follow leading international environmental standards if it wanted to become a leading global actor. The meeting marked the beginning of a process that was unprecedented for Chinese dam builders and global environmental activists.

In March 2010, Sinohydro agreed to prepare an environmental policy for all its overseas operations, and invited International Rivers to submit recommendations. During the following year, International Rivers, in consultation with our regional partners, prepared detailed recommendations and discussed draft policies with company officials in Beijing. We also used our newfound access to warn the company about the negative impacts of specific projects. And while we acknowledged Sinohydro's progress, we made it clear that we would publicly campaign against projects such as Pak Lay on the Mekong River, Gibe IV Dam in Ethiopia and the Kajbar Dam in Sudan if they went forward.

In January 2012, Sinohydro informed International Rivers

that it had formally adopted a Policy Framework for Sustainable Development and an Environmental Policy Statement. Among other provisions, the world's biggest hydropower company commits to fully comply with applicable laws on all levels, adopt all World Bank safeguard policies, respect "no go" zones including national parks and World Heritage sites, conduct an open dialogue with local communities and NGOs, and create complaint mechanisms for all of its projects.

As we know from the World Bank and many other institutions, environmental policies are only as good as their implementation on the ground. This will be the next great challenge for Sinohydro. The company has 21 subsidiaries, 130,000 employees, and many projects in the pipeline that do not comply with the commitments of the new environmental policy. International Rivers is under no illusion that the new commitments will resolve all conflicts over Sinohydro projects. International Rivers will work to ensure that the environmental policy brings real progress for affected communities and the environment.

hydropower dams on 17 September 2011. At this workshop, government ministers acknowledged for the first time key gaps in information about the Myitsone Dam's impacts. Doubts about the project's environmental impacts and seismicity risks prompted CPI to release the full EIA to the public. Burmese environmental NGOs also provided critical briefings to the President and his advisers on the gaps in CPI's analysis of the social and environmental impacts.

Two weeks later, President U Thein Sein wrote to the Parliament informing it of his decision to suspend the Myitsone project. He wrote:

“The first phase of the Ayeyawady Myitsone hydropower project was implemented with the investment from the People's Republic of China, we noted that there arise the following public concerns about the Myitsone project:

- (a) natural beauties of Myitsone, the gift of nature and a landmark not only for Kachin State but also for Myanmar may disappear;
- (b) possible loss of livelihood of national races and villages due to inundation at the upstream of the river;

(c) commercially-grown rubber and teak plantations which are heavily invested by private entrepreneurs may be destroyed;

(d) melting ice from snow-capped mountains at the far north triggered by climate change, torrential rains or severe earthquakes may destroy Myitsone Dam, claiming lives and property of the people in towns and villages downstream of the dam; and

(e) there may be a devastating effect on the Ayeyawady River.

As our government is elected by the people, it is to respect the people's will. We have the responsibility to address public concerns in all seriousness. So construction of Myitsone Dam will be suspended in the time of our government...”

At the time of the decision, approximately 10% of the dam had been completed. Since the decision, the Chinese dam developer, CPI has embarked on a public relations campaign to build support within Burma for Myitsone Dam. Efforts have included commissioning glossy flyers and short films, staging high profile visits to the resettlement villages and offering training for Burmese dam engineers in China. Construction on the remaining seven dams continues. As of July 2012, construction of the Myitsone Dam remains suspended.



## What You Can Do

Campaigns to stop dams or to reduce human and environmental impacts of dams make use of many different tactics. These tactics may include research, outreach to stakeholders, media work, a legal approach, policy advocacy, corporate campaigns, and peaceful protest. This section describes tactics that are specifically useful for addressing a dam built or financed by Chinese companies and financiers. The International Rivers publication “Dams, Rivers and Rights” provides more general information for dam-affected communities about dams and their impacts, and gives concrete ideas about how to challenge dams. It can be downloaded in several languages at [internationalrivers.org/node/4156](http://internationalrivers.org/node/4156).

Chinese companies are now amongst the biggest dam builders in the world. What can people and groups do to influence Chinese overseas dam projects? In some ways, dealing with Chinese companies, financiers and government departments presents particular challenges. Within China, environmental protection and public consultation are still new ideas and regulations in these areas suffer from poor implementation. Overseas, many Chinese companies are relatively inexperienced in engaging with local communities and sharing information.

The Chinese government and companies are also resistant to the imposition of perceived western standards on overseas investment projects. More generally, Chinese actors have a strong memory of the humiliations their country suffered under Western and Japanese colonizers. For these reasons, blunt pressure tactics aimed at improving Chinese overseas dam-building practices may not work.

However in other ways, China is no different from other countries that have sought export-led growth.

Patuca III Dam, Honduras. Local communities protest against the Patuca III Dam in Honduras. Patuca III is Sinohydro's first hydropower project in Honduras and is one of three dams planned for the Patuca River. Before Sinohydro, American and Taiwanese firms both abandoned plans to build Patuca III Dam due to the lack of funding and community opposition to the dam.  
*Photo: Survival International*



Stung Atay Dam, Cambodia. Chinese construction workers posing for a photo at the site of the Stung Atay Dam (120 MW) in Cambodia.

Chinese investors have an interest in strong long-term relationships in foreign countries. They are interested in long-term stability, including peace and political and environmental sustainability. The Chinese government is eager to ensure that Chinese companies do not tarnish the country’s reputation. Chinese companies want to be seen as modern, responsible, and international leading partners. Chinese civil society and media are also keen to hold companies and banks to account for their overseas activities.

### CONDUCT RESEARCH AND FACT-FINDING

Do your own research and find out who is developing, building, funding, and benefiting from the project. Chinese companies are usually engaged in a contractor’s capacity, but if they are developing a project, they will have more responsibility and can be a bigger target in your campaign. Determine compliance with your own laws, as well as Chinese policies and guidelines. Academic institutions or international civil society organizations such as International Rivers may be able to organize independent research of a dam project.

Dams built by Chinese companies may not adequately address social and environmental impacts. Conduct your own pre-dam studies of the baseline social and environmental conditions. Identifying what might be lost when a dam is built may strengthen arguments for stopping or modifying a destructive dam. Researching pre-dam conditions can also form a baseline for making compensation demands. Simple maps of existing community resources that may be lost when the dam comes can be useful. More expensive field studies of biological diversity and freshwater impacts can be arranged through academic institutions or organizations. Consider inviting Chinese experts and research institutes to conduct studies and publish reports and findings in China.

Get copies of dam studies and review them. As a

minimum standard of operation, Chinese companies should release summaries of environmental and social impact assessments of proposed dam projects. Laws of your country may place a higher standard on Chinese overseas dam projects. Contact Chinese companies’ local countries offices for copies of the impact assessments.

Document violations of local laws and standards (video and photographs) and gather testimonials. Chinese companies want to be seen as responsible partners and often the headquarters or senior executive of Chinese dam companies will not tolerate violations and operational problems. Documentation of violations can be used in local media work as well as to substantiate your concerns and claims to Chinese stakeholders.

### BUILDING ALLIANCES

Building alliances is one of the most important parts of a campaign strategy. A strong connection with the local affected communities is critical. Be aware that in some cases Chinese dam companies may prefer to be engaged in direct communication with affected communities than work through civil society organizations. Strong local spokespersons and support for community organizing is particularly critical in ensuring that grievances and concerns will be taken seriously by Chinese institutions. For more guidance on community organizing, see International Rivers “Dams, Rivers and Rights” guide at [internationalrivers.org/node/4156](http://internationalrivers.org/node/4156).

### CONTACT COMPANIES

Over the past few years there has been increased pressure on Chinese companies to engage with communities and civil society in regions where they work. Contacting company representatives directly through a letter or visit may be an important way to get your message across.

Before you contact a company, review the “Who’s Who” (Chapter 3) and “Policies” (Chapter 5) section of this guide to find out what social and environmental standards the company has adopted for its projects. Review local legal requirements and regulations, as well as Chinese standards. Find out what kinds of studies the company has done on the social and environmental impacts of the project. In your communications, make sure they understand your concerns as well as your awareness of relevant international, Chinese government and company standards. A sample letter to a Chinese company is included in Appendix 5

Chinese companies can be large and finding the right person with whom to voice your concerns can be challenging. While engineers or workers at the project site will have little authority in the dam

project, they may be a good source of information. Locally-employed staff of Chinese companies, such as translators or community relations officials, may also be willing to share information. It is sometimes more effective to contact companies through the country manager located in China or the project manager at the local project office. Keep in mind that Chinese companies and banks are not used to receiving letters. The lack of response does not necessarily mean your concerns have not been taken seriously. Letters written to Chinese companies may be better received if they are phrased in a constructive manner and your demands are clear and substantiated. Letters should also be translated into Chinese.

Contacting the companies is most suitable if your objectives are to minimize the social and environmental harm from the projects, such as improving resettlement plans seeking to minimize environmental impacts from dam construction and operation, or seeking to re-open community consultation processes.

### **FOLLOW THE MONEY**

Often finance is the weakest link in dam projects because dams are a high-risk investment. Funders often decide which projects go forward, and which standards dams have to meet. Problems with Chinese dam projects should be brought to the attention of the banks providing financing to them. If a Chinese bank is considering a loan to support an overseas dam project, provide information to it about the dam's impacts and your concerns. However, if dam construction has already started, it may not be effective to target dam funders. While China Exim Bank policy provides an option for loan suspension for cases involving environmental and social issues, we are unaware of any instances of this ever occurring. Chinese banks rarely withdraw their support once the project loan is granted. Instead, strategies targeting the local government or finding legal recourse to suspend a project may be a more effective means to stopping or suspending the project if that is your objective.

In addition to China's Green Finance policies, some Chinese banks have their own social and environmental standards and should be reminded to uphold these standards. For example, China Exim Bank, which funds the majority of Chinese overseas dam projects, has adopted environmental and social standards for its projects (see Appendix 2). Review the "Green Finance" section in Chapter 5, become familiar with these standards, and refer to them in letters and media statements. If relevant, consider writing to China Exim Bank's President outlining violations of the Bank's policy.

### **VISIT CHINA**

Visiting China can help to increase awareness and support within China for your campaign. Meeting

with environmental NGOs, media and academics in China can lead to useful campaign contacts, dissemination of your material in Chinese, and news stories. Chinese contacts may help you to follow-up with the company or make informal inquiries on your behalf to gather more information about the impact of your campaign. These meetings may also increase your understanding of how to work with Chinese actors and conduct advocacy within China. International Rivers and Chinese NGOs are available to assist you in identifying useful contacts.

### **SMART MESSAGING AND CULTURAL SENSITIVITY**

Developing a successful campaign message is challenging most of the time, but messaging for Chinese stakeholders and targets can be extremely difficult. Be cautious in your rhetoric. Chinese companies and the Chinese government are particularly sensitive to anti-Chinese sentiments. Chinese companies and embassy officials are unlikely to engage with organizations that are seen as anti-China. Think about using existing precedents in your messaging. The suspension of Burma's Myitsone Dam and human rights abuses associated with Sudan's Merowe Dam have become case studies that many Chinese dam builders want to avoid. Messages incorporating references to global responsibility, international reputation and accountability are also effective.

### **CORPORATE CAMPAIGNS**

Most Chinese dam-building companies are state-owned. But in recent years, the Chinese government has encouraged many state-owned companies to conduct partial public listings of its shares on the Chinese stock exchanges. Selling shares or going through an Initial Public Offering (IPO) opens opportunities for NGOs and concerned communities to raise concerns about the company. During an IPO, there is significant media attention on all aspects of company performance, as well as several opportunities for prospective shareholders and the public to ask questions to the senior executive. This is a good time to raise concerns about the companies' activities and risks to the companies' performance and compliance, including social and environmental risks. For an example of the types of activities in an IPO campaign, see International Rivers work during the Sinohydro IPO on page 42.

### **LOCAL ACTIVITIES**

As noted above, the first and main strategy of your campaign should be to target your government (the approval authority), dam financier and the dam developer. The response we often hear from Chinese dam-building companies and Chinese embassy officials when answering questions about the responsibility of Chinese dam companies, is that China is building a

hydropower project at the request of the host country government.

Other than the appropriate host government office, embassies are a direct and appropriate point of contact for groups concerned with Chinese dam projects overseas. The embassy staff will be concerned about any damage to China's reputation and be in a position to advise local Chinese companies of any political, social and environmental risks. Staff at the Chinese embassy will usually speak English as well your local language. The embassy's Economic Counselor supervises Chinese companies working overseas on dam projects. This is a good place to raise concerns about environmental impacts and the Chinese companies' handling of displacement issues, compensation and resettlement. While in our experience, local embassies are unlikely to provide an official response, your concerns are likely to be forwarded to officials in Beijing.

When contacting the Chinese embassy in your country, referencing local laws, standards and regulations that the Chinese company may have violated

in addition to Chinese laws, standards and guidelines may help strengthen your case. Tell the embassy that Chinese companies should observe and abide by your country's laws, and if host country laws are weaker, that Chinese companies should apply the same standards at home and abroad.

Petitions or sign on letters can be helpful in getting the Chinese embassy to recognize widespread concern about a dam project. Getting national and international groups to sign on will demonstrate that your issues have broad public appeal. A strong coalition of local groups is likely to be better received because Chinese companies and institutions may see international groups as trying to undermine China's image. Copies of letters can also be sent to host country governments, dam companies, funders, and relevant United Nations bodies.

Organize a peaceful demonstration. The Chinese embassy in the host country may be a target for demonstrations. The Chinese government is very sensitive to criticism and damage to its reputation. Embassy

## BOX 10: Partnering with Chinese NGOs



Zambezi River, Mozambique. These farmers would be displaced if the Mphanda Nkuwa Dam is built on the Zambezi River in Mozambique.

The Mphanda Nkuwa Dam (1,350 MW) is proposed for one of Africa's most dammed rivers, the Zambezi. Proponents hope Mphanda Nkuwa will help attract energy-intensive industries to Mozambique, but for the foreseeable future, much of its electricity will be exported to South Africa. Environmentalists have been opposed to the dam because it would undermine years of restoration work in the Zambezi delta, East Africa's richest wetland and a "Ramsar wetland of international

importance," which has been damaged by the mismanagement of the Cahora Bassa Dam, just over 70 kilometers upstream of Mphanda Nkuwa.

China Exim Bank expressed interest in financing the \$2.9 billion project and the associated transmission lines when it was first announced in April 2006. With assistance and advice from the Chinese environmental group Friends of Nature, Mozambique environmental NGOs lobbied China Exim Bank to with-

hold their support for the project. *Justiça Ambiental* travelled to Shanghai and Beijing in 2007 in the hope of dissuading Chinese promoters of the scheme from proceeding with financing for the project. In 2010, Friends of Nature members conducted a study tour to Mozambique to meet with local NGOs and to explore ways to further cooperate. Daniel Ribiero from *Justiça Ambiental* told Friends of Nature that Chinese NGOs can help raise awareness about the impacts of Chinese investments in Africa, help African NGOs find the right channels for dialogue, and assist African NGOs in understanding the relevant Chinese laws and regulations for their lobbying efforts.

As of July 2012, China Exim Bank's interest in the project appears to have stalled, with the remaining 80% of financing still required from private banks being arranged by Africa's Standard Bank. It was reported that China Exim Bank had

staff may be hesitant to meet with civil society organizations and the demonstration is unlikely to lead to an official response. Nevertheless, peaceful demonstrations voicing concern over Chinese projects will draw the attention of the Chinese government and the media.

If there are violations of local laws, you might consider bringing forward legal action that includes the Chinese company as a respondent. Pro bono lawyers specializing in environment and human rights law may be able to advise you on community rights under host country law.

### MEDIA WORK

Alerting domestic, international and Chinese media about problems with Chinese dam projects may help to put pressure on the Chinese companies involved. Over the past few years, Chinese media have showed increasing interest in covering Chinese overseas dam projects. In some cases they have been able to conduct country visits and field trips. While not all sto-

ries are published due to sensitivities and censorship, there have been several important pieces published on controversial Chinese overseas dam projects in major Chinese press. Contacting the media may be particularly important if companies, government bureaus and funders do not respond to your concerns. Also think about the timing of your media work. If applicable, Annual General Meetings of shareholders, IPOs, approval processes, and large bilateral meetings between China and the host country may be opportune times to reach out to media.

Prepare media briefings with detailed information about the project and its impacts, gather testimonials and eyewitness reports, and take photos and videos. In your communications with the media, particularly with Chinese media, refer to relevant policies and guidelines that should be followed. Prepare op-ed pieces for local newspapers articulating your concerns to raise awareness. Work with international groups such as International Rivers and Chinese NGOs to publicize your concerns.

not contacted Standard Bank to discuss its interest further.

*Increasing understanding between Chinese and Burmese stakeholders: The Global Environmental Institute's Integrated Policy Package Project Activities in Burma*

The Global Environmental Institute (GEI) is a Chinese environmental NGO working on research and policy issues associated with Chinese overseas investment. Since 2011, GEI has been building stronger connections and developing joint activities with Burmese groups in Burma, where China is a major investor. GEI has held several Sino-Burma environment and development focused seminars. These seminars have been well attended by Chinese and Burmese government officials, entrepreneurs, scholars and civil society representatives. They provide a unique forum for participants to discuss the challenges China and Burmese governments face in the fields of environment and development, and related governance experiences.

An outcome of these seminars was a proposal for a clearing house to facilitate exchange of information and data for Chinese investors seeking to do business in Burma to address the difficulty of obtaining information about social, environmental and political risks.

Closer connections between Chinese and local civil society groups also present the opportunity to bring together decision-makers and key government advisors in the same room for frank discussions on sensitive topics and projects. Following the suspension of construction of the Myitsone Dam, GEI convened a closed-door meeting between Chinese and Burmese government officials, academics and NGO representatives to discuss the controversial hydropower project.

*Joint field visits and fact-finding missions: Save the Rivers Coalition in Malaysia*

Chinese NGOs can help and assist host country NGOs to investigate and find out more information about Chinese overseas investments.

Chinese NGO researchers have been assisting the Save the Rivers Coalition of Sarawak, Malaysia, in getting more information about the Chinese investors and contractors of mega-dam projects in Sarawak. Chinese finance and dam-building projects have been a major factor in helping these decades-delayed projects come to fruition.

Other Chinese NGOs have conducted study visits to Lao PDR and Burma to investigate the impacts of large hydropower projects. The research reports were based on site visits, and meetings with local NGOs, community representatives, local media and Chinese companies. These reports have helped to increase awareness amongst Chinese NGOs of the impacts of Chinese overseas investments and make Chinese overseas investments an accessible topic for the Chinese media.

### MAJOR CHINESE MEDIA INCLUDE:

- *Xinhua* and *People's Daily* are both major state-run media outlets.
- *Caixin* and *Southern Weekend* are weekly magazines featuring in-depth investigative reporting.
- *chinadialogue* is a non-for profit organization that features articles on the environment and sustainability issues from around the world. *chinadialogue* is a bilingual news service.

### INTERNATIONAL APPEALS

Contact United Nations Human Rights or Environmental Protection Bodies, if there are human rights abuses at a dam site. You may wish to contact the UN Human Rights Council, another UN human rights body or a relevant UN appointed special rapporteur. For example, the UN Committee on Human Rights may dispatch a team of investigators to a dam site to investigate conditions. Chinese authorities and companies will be under great pressure to acknowledge any concerns raised by UN bodies. For information on how to engage with UN human rights bodies, such as sending a complaint of human rights abuses, see: [www2.ohchr.org/english/bodies/petitions](http://www2.ohchr.org/english/bodies/petitions).

If the dam will impact a cultural or natural site protected under the World Heritage Convention, you may wish to contact the World Heritage Committee. Each year, IUCN and ICOMOS prepare a state of conservation report for natural and cultural sites (respectively), which may recommend that particular sites be listed as heritage sites in danger by the World Heritage Committee. In the past, the threat of hydro-power dams on the outstanding universal values of a natural or cultural heritage site has been a reason for the international committee to place a spotlight on World Heritage sites. China is a member of the World Heritage Committee.

### WHAT TO DO AT EACH STAGE OF A DAM PROJECT

#### After a Memorandum of Understanding is signed, before final contract or agreement is signed:

- Research and present alternative options to the dam
- Conduct research and identify key actors
- Define campaign goals and objectives
- Strengthen ties with communities around the project site, and allies at the national level and abroad

- Collect information, generate reports and briefings
- Contact dam-building company, funders and Chinese embassy
- Visit China to build awareness and contacts

#### Project agreement signed:

- Obtain copies of relevant project documents, e.g. EIA, SIA
- Conduct media work
- Consider legal options
- Contact Chinese embassy, dam builder and funders
- Conduct peaceful demonstrations
- Consider outreach to Chinese media

#### During construction:

- Monitor, research and record dam impacts
- Conduct media work, invite and host field trips from national, international and Chinese media
- Contact Chinese dam builder and funders with grievances
- Contact UN bodies if human rights abuses or damage to World Heritage sites have occurred

#### During dam operation:

- Continue media work and outreach to UN bodies if violations continue
- Consider corporate campaigning to hold the Chinese dam builder and funders responsible for their impacts
- Legal redress?

### RESEARCH TOOLS AND CONTACTS

#### Academic Institutions

Center for Chinese Studies ([ccs.org.za](http://ccs.org.za)) at Stellenbosch University South Africa is the first research center dedicated to the study of China's role in Africa.

New Century Academy ([tncchina.org.cn](http://tncchina.org.cn)) is a Chinese government-affiliated think tank conducting research on Chinese companies overseas. Their website is in Chinese.

China Environment Forum of the Woodrow Wilson Institute ([www.wilsoncenter.org/program/china-environment-forum](http://www.wilsoncenter.org/program/china-environment-forum)) has been active in creating programs and publications to encourage dialogue among US and Chinese scholars, policymakers, businesses, and nongovernmental organizations on environmental and energy challenges in China.

### Civil Society Organizations

International Rivers' (internationalrivers.org/node/2312) China Program works with its partners to communicate the experiences of the international movement for people, water, and life to new dam financiers and builders in China. In addition, International Rivers' China Program provides information about China's role in global dam building and supports groups in countries affected by Chinese dams.

BankTrack (banktrack.org) is a global network of civil society organizations and individuals tracking the operations of the private financial sector (commercial banks, investors, insurance companies, pension funds) and its effect on people and the planet. Banktrack also releases a monthly China Sustainable Finance newsletter.

### Chinese NGOs

Contact International Rivers for information on which groups in China may be able to assist you.

### Blogs and News Sites

chinadialogue (chinadialogue.net) is a bilingual website devoted to promoting dialogue on the search for solutions to our shared environmental challenges.

Syntao (syntao.com) is a Beijing-based consultancy firm with a bilingual site that offers a wide collection of news and information on ethical investment in China and elsewhere.

The Real Story of China in Africa (chinaafricarealstory.com/) is the blog of renowned China watcher and academic Deborah Brautigam. She is also the author of "The Dragon's Gift: The Real Story of China in Africa."

World Story (worldstory.org/wswp/) and China Wire (china-wire.org/) collect Chinese and English media stories on Chinese overseas investment.

World Rivers Bulletin (guojiheliu.org) is the Chinese language newsletter of International Rivers' China program and frequently covers international campaigns and struggles on Chinese overseas dam projects.

### Business Engagement

Business for Human Rights (business-humanrights.org) may be able to assist you in writing to Chinese companies seeking responses to allegation of misconduct.

ASrIA (asria.org) is a Hong Kong based non-profit that promotes sustainable and responsible investment in the Asia Pacific. Its membership base is businesses.

China Overseas Contractors Association (chinca.org) is an industry association of which many Chinese dam builders are members. In the past the association has had a small social responsibility program.

A full list of contact details for major Chinese overseas dam builders can be found in Appendix 1.

## BOX 11: Corporate Campaigning – International Rivers Actions During Sinohydro's IPO

In recent years, the Chinese government has encouraged state-owned enterprises to issue public shares, and as a result, many Chinese dam-building companies have started to issue new shares. During an IPO, there is significant attention on the company's performance and business risk. International Rivers took a series of actions during the Initial Public Offering (IPO) of Sinohydro, which commenced in March 2009 and concluded in September 2012. International Rivers IPO campaign was not a simple protest, but represented an opportunity to continue our case for environmental policy reform and help inform a broader audience. The aim of the IPO campaign was to put pressure on Sinohydro to adopt an environmental policy that is consistent with international standards, and to become a responsible global actor.

In China, companies seeking approval to conduct an IPO must demonstrate to the Ministry of Environment Protection (MEP) that they have a good environmental record. As part of the approval process, the MEP invited public comment on Sinohydro's environmental record. International Rivers organized a sign-on letter noting civil society concerns about Sinohydro's overseas dam-building activities and a number of controversial projects the company was involved in. Civil society groups recommended Sinohydro should develop an environmental policy consistent with international standards.

Due to poor conditions of Chinese financial markets and a need for internal restructuring, Sinohydro's IPO was delayed until 2011 until Sinohydro's prospectus was finally approved in July 2011. Sinohydro's IPO was projected to be one of China's biggest IPOs in 2011. On

the announcement of the approval of Sinohydro's IPO, International Rivers wrote to Sinohydro's Chairman. We recommended that Sinohydro take advantage of the attention on the company during the IPO to adopt and implement an environmental policy and sustainable development framework, to bridge the gap between national and international standards and decrease business risks in its overseas operations. We argued that doing such activities would demonstrate to domestic and international stakeholders that Sinohydro is a responsible, international enterprise.

Once Sinohydro officially publicized their IPO prospectus, we analyzed the prospectus and found that it lacked detailed descriptions of the political, operational and reputational risks of Sinohydro's overseas projects. Such details are essential for investors to assess the risks of Sinohydro's overseas operations. Therefore, International Rivers decided to take action to raise the awareness of financial market stakeholders of the social and environmental risks involved in Chinese overseas dam-building.

Rather than merely criticizing the lack of details on environmental and social issues in Sinohydro's IPO prospectus, we decided to acknowledge Sinohydro's progress and sought to increase pressure from financial market stakeholders (equity analysts, advisors and financial media) for Sinohydro to adopt and fully implement the environmental policy.

International Rivers wrote to Sinohydro's underwriters, associated investment banks and the lawyers responsible for advising the IPO parties. In our letters, we stated that the prospectus did not ade-

quately disclose Sinohydro's overseas environmental and social risks. We encouraged them to advise Sinohydro to adopt an environmental policy of the highest international standard, fulfill its environmental and social responsibilities, as well as monitor the timely and quality implementation of Sinohydro's environmental policy.

Sinohydro's IPO promotional events also provided a forum to discuss the company's social and environmental risks. In fact, the public presentation events and online chat room were critical opportunities to have direct and public conversations with Sinohydro senior management. A Chinese NGO partner of International Rivers was able to attend the roadshow and inquired about the environmental issues in Sinohydro's overseas operations.

In the days leading up to the IPO, we contacted leading journalists in the Chinese financial media to share our analysis of Sinohydro's overseas risks. Chinese newspapers "*First Financial Daily*" and "*Chinese Energy Daily*" published stories based on our briefing on Sinohydro's operational risks, and the importance of adopting an environmental policy.

Overall our actions around Sinohydro's IPO made Sinohydro's management, IPO sponsors, potential investors, financial media, and markets more aware of the impact of environmental and social risks on Sinohydro's business operations. Media reports also increased the public pressure on Sinohydro to act. In December 2011, two months after the IPO, Sinohydro adopted an environmental policy for its international operations.

# Appendix 1:

## Contact Information

### GOVERNMENT OFFICES

State Council (国务院):  
9 Xihuangchenggen Beijie, Xicheng District, Beijing  
(北京西城区, 西皇城根北街9号)  
+86 10 63070913  
+86 10 66180114  
<http://english.gov.cn/links/statecouncil.htm>

Ministry of Water Resources (中国水利部):  
Baiguang Road 2 Tiao, #2, Beijing  
(北京市白广路2条2号)  
+86 10 63202114  
<http://www.mwr.gov.cn/english>  
[zwgk@mwr.gov.cn](mailto:zwgk@mwr.gov.cn)

National Development and Reform Commission (国家发展与改革委员会):  
38 S.Yuetan Street, Beijing 100824  
(北京市西城区月坛南街38号100824)  
<http://en.ndrc.gov.cn>  
[wss@ndrc.gov.cn](mailto:wss@ndrc.gov.cn)

Ministry of Environmental Protection (国家环保部):  
No.115 Xizhimennei Nanxiaojie, Beijing 100035  
(北京市西城区西直门南小街115号100035)  
+86 10 66556497/66556499  
<http://english.mep.gov.cn/>

State-owned Assets Supervision and Administration Commission (国务院国有资产监督管理委员会):  
No.2 Xuanwumen Xidajie, Beijing 100053  
(北京市宣武门大街26号100053)  
+86 10 63193616  
<http://www.sasac.gov.cn>

Ministry of Foreign Affairs (中国外交部):  
No. 2, Chaoyangmen Nandajie, Chaoyang District, Beijing 100701  
(北京市朝阳区朝阳门南大街2号100701)  
+86 10 65963300/65961114  
<http://www.fmprc.gov.cn/eng>

Ministry of Commerce (中国商务部):  
No.2 Dong Chang'an Avenue, Beijing 100731  
(北京市东长安街2号100731)  
+86 10 65121919  
<http://english.mofcom.gov.cn>

China Securities Regulatory Commission (中国证监会):  
Focus Place A-19, Jin Rong Street, Xicheng District, Beijing 100032  
(北京市西城区金融大街19号富凯大厦A座100032)  
+86 10 88060124  
<http://www.csrc.gov.cn>  
[hjlb@csrc.gov.cn](mailto:hjlb@csrc.gov.cn)

### BANKS

Export-Import Bank of China (中国进出口银行):  
No.77, Bei He Yan Street, Dongcheng District, Beijing 100090  
(北京东城区北河沿大街77号100090)  
+86 10 64090988  
<http://english.eximbank.gov.cn>

Bank of China (中国银行):  
1 Fuxingmennei Avenue, Beijing 100818  
(北京复兴门内大街1号100818)  
+86 01066596688  
Fax: +86 10 66016871  
<http://www.boc.cn>

Sinosure/China Export & Credit Insurance Corporation (中国出口信用保险公司):  
Fortune Times Building, No.11 Fenghuiyuan, Xi Cheng District, Beijing 100032  
(北京市西城区丰汇园11号丰汇时代大厦100032)  
+86 10 66582288  
<http://www.sinosure.com.cn/English>

China Development Bank (国家开发银行):  
29 Fuchengmenwai Street, Xicheng District, Beijing 100037  
(北京西城区阜成门外大街29号100037)  
+86 10 68306688  
<http://www.cdb.com.cn/english>

Industrial and Commercial Bank of China (中国工商银行):  
No.55 Fuxingmen Nei Street, Xicheng District, Beijing 100032  
(北京市西城区复兴门内大街55号100032)  
<http://www.icbc-ltd.com/indexen.jsp>

### COMPANIES

China Electric Power Technology Imp. & Exp. Corp.  
(中国电力技术进出口公司):  
No.5, Liupukang St., Xicheng District, Beijing 100011  
(北京西城区六铺炕街5号100011)  
+86 10 64015511  
<http://www.cetic.com.cn/English>

China Gezhouba (Group) Corporation (中国葛洲坝集团公司):  
12th F, Building B, Wantong New World Plaza, No 2 Fucheng Menwai Dajie, Xicheng District, Beijing 100037  
(北京西城区阜成门外大街2号, 万通新世界商成B座12层100037)  
+86 10 68066660  
<http://www.gzbgj.com/english/gcieda@cggc.cn>

China National Electric Equipment Corporation (中国电工设备总公司):  
1 Lianhuahe Hutong, Beijing 100055  
(北京市宣武区莲花河胡同1号100055)  
+86 10 63264477 /63269302  
<http://www.cneec.com.cn/English>  
[cneec@cneec.com.cn](mailto:cneec@cneec.com.cn)

China National Heavy Machinery Corporation (中国电工设备总公司):  
No. Jia 23, Fuxing Road, Gongzhufen, Beijing 100036  
(北京公主坟复兴路甲23号100036)  
+86 10 68211861/68296001  
<http://www.chmc2003.com>

China National Machinery & Equipment Import & Export Corporation (中国机械设备进出口总公司):  
178 Guang'anmenwai Street, Beijing 100055  
(北京广安门外大街178号100055)  
+86 10 63451188  
<http://www.cmec.com>  
[cmec@mail.cmec.com](mailto:cmec@mail.cmec.com)

China Power Investment Corporation (中国电力投资集团公司):  
Building 3, No. 28, Financial Street, Xicheng District, Beijing 100032  
(北京市西城区金融大街28号院3号楼100032)  
+86 10 66216666  
<http://eng.cpicorp.com.cn>

China Southern Power Grid Corporation (中国南方电网公司):  
6 Huasui Road, Zhujiang Xincheng, Tianhe District, Guangzhou, Guangdong Province 510623  
(广东省广州市天河区珠江新城, 花穗路6号510623)  
+86 20 38121080/38121082  
<http://eng.csg.cn>  
[international@csg.net.cn](mailto:international@csg.net.cn)

Sinohydro Corporation (中国水利水电建设集团公司):  
No 22. Che Gongzhuang West Road, Haidian District Beijing 100044  
(北京海淀区车公庄西路22号100044)  
<http://www.sinohydro.com>  
[infocenter@sinohydro.com](mailto:infocenter@sinohydro.com)

Yunnan Power Grid Corporation (云南电网公司):  
49 Tuodonglu, Kunming, Yunnan 650011  
(云南省昆明市拓东路49号650011)  
+86 871 3012222  
<http://www.yndw.com>

China Datang Corporation (中国大唐集团公司)  
No.1 Guangningbo Street, Xicheng District, Beijing, 100033  
(北京市西城区广宁伯街1号 100033)  
+86 (10) 6658 6666  
<http://www.china-cdt.com>

China Huaneng Group (中国华能集团公司)  
No 4, Fu Xing Men Nei St, Xicheng District, Beijing, 100031  
(北京市西城区复兴门内大街6号 100031)  
+ 86 (10) 6322 8800  
[xwzx@chnng.com.cn](mailto:xwzx@chnng.com.cn)  
<http://www.chng.com.cn>

China Guodian Corporation (中国国电集团公司)  
6-8 Fuchengmeng Bei Street, Xicheng District, Beijing, China, 100034  
(北京市西城区阜成门北大街6-8号 100034)  
+ 86 (10) 5868 2001  
<http://www.cgdc.com.cn/>  
[cgdc@cgdc.com.cn](mailto:cgdc@cgdc.com.cn)

State Grid Corporation of China (国家电网公司)  
No. 86, West Chang'an Street, Xicheng District, Beijing, 100031  
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# Appendix 2:

## Text of Relevant Laws, Regulations and Guidelines

### World Commission on Dams (2000) Key Recommendations

*Summary by International Rivers.*

- 1 Development needs and objectives should be clearly formulated through an open and participatory process, before various project options are identified.
- 2 A balanced and comprehensive assessment of all options should be conducted, giving social and environmental aspects the same significance as technical, economic and financial factors.
- 3 Before a decision is taken to build a new dam, outstanding social and environmental issues from existing dams should be addressed, and the benefits from existing projects should be maximized.
- 4 All stakeholders should have the opportunity for informed participation in decision-making processes related to large dams through stakeholder fora. Public acceptance of all key decisions should be demonstrated. Decisions affecting indigenous peoples should be taken with their free, prior and informed consent.
- 5 The project should provide entitlements to affected people to improve their livelihoods and ensure that they receive the priority share of project benefits (beyond compensation for their losses). Affected people include communities living downstream of dams and those affected by dam-related infrastructure such as transmission lines and irrigation canals.
- 6 Affected people should be able to negotiate mutually agreed and legally enforceable agreements to ensure the implementation of mitigation, resettlement and development entitlements.
- 7 The project should be selected based on a basin-wide assessment of the river ecosystem and an attempt to avoid significant impacts on threatened and endangered species.
- 8 The project should provide for the release of environmental flows to help maintain downstream ecosystems.
- 9 Mechanisms to ensure compliance with regulations and negotiated agreements should be developed and budgeted for, compliance mechanisms should be established, and compliance should be subject to independent review.
- 10 A dam should not be constructed on a shared river if other riparian States raise an objection that is upheld by an independent panel.

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### State Council's "Nine Principles on Encouraging and Standardizing Foreign Investment"

*Unofficial translation (October 25, 2007)*

- In order to seize economic globalization and regional cooperation opportunities, and encourage qualified enterprises to actively and steadily participate in international economic and technological cooperation, and to further enhance the level of opening up, the meeting stressed:
- 1 Insistence on mutual respect, equality, and mutual benefit, complementarity and win-win cooperation.
  - 2 Strengthening of policy guidance, coordinating and standardizing orderly and rational distribution, preventing disorderly competition, and safeguarding national interests.
  - 3 Improving the policy-making mechanism, the implementation of overseas investment enterprises, the autonomy of scientific studies and careful decision-making, and prevention of investment and operational risks.
  - 4 Strengthening supervision of state-owned assets overseas, and supervision of sound evaluation and examination systems, establishment of security risk assessment and project cost accounting systems, and preserving and increasing the value of assets.
  - 5 Complying with local laws and regulations, and adhering to fair, transparent public works project contracts, making a commitment to and fulfilling the necessary social responsibility to protect the legitimate rights and interests of local employees, paying attention to environmental resource protection, caring for and supporting the local community and people's livelihood.
  - 6 Increasing the level of offshore project building contracts, improving product quality and efficiency, and constantly enhancing overall competitiveness.
  - 7 Strengthening safety training, improving safe production responsibility systems, increasing protection of foreign funded enterprises, institutions and property safety.
  - 8 Accelerating personnel training, paying attention to the cultivation of operating in the international talents, and enhance their transnational operations management capabilities.
  - 9 Creating a friendly environment for public opinion, walking the road of peaceful development policy, and preserving our good image and a good corporate reputation.

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## Environmental Protection Policy of China Exim Bank

### 1. Environmental Management Policy

The core of the policy is to adopt preventive measures and enhance environmental management, in order to not produce and to produce less environmental pollution and destruction. The main measures include:

- (1) To include environmental protection into the national economic and social development plan and the annual plan. To deal with environmental pollution and ecological destruction amid economic development.
- (2) To strictly enact environmental impact assessment and the "three synchronized approach" for the construction projects, i.e. the design, construction and operation of the core project and pollution prevention facilities should be synchronized. Now, over 95% of construction projects comply with such requirements in China.
- (3) To improve the environmental legislation, law and regulations, so as to bring environmental management into a legal and regulatory framework.
- (4) To improve the environmental management institution. These institutions, which are formed at four levels of administrations, from central, provincial, municipal to county level, will implement environmental management according to law. State Council's departments and corporations can also building corresponding institutions to manage its own sector or corporations' environmental problems.

### 2. Environmental Economic Policy

It mainly includes capital investment and tax return or exemption policies:

- (1) Corporations to include the expenditure incurred due to pollution abatement into the fixed assets investment plan.
- (2) To give financial support to the national major pollution abatement and ecological protection projects; municipal government to spend the budget of municipal maintenance in the construction of environmental facilities; to levy the discharge treatment fee for pollution abatement.
- (3) Tax return or exemption policies

- Income Tax Incentives: those who make use of waste water, waste gas and waste residue as raw materials for production will have the partial or full tax return in five years;
- Exemption for adjustment tax on directing investment: those who build sewage treatment plants and comprehensive resources utilization projects, the fixed assets adjustment tax on directing investment is set at zero;
- Value-added tax exemption: those who use corollary waste, fly ash and other waste residue as raw materials for construction materials, and those who use waste liquid and waste residue to extract gold and platinum can have value-added tax exemption;
- Construction tax exemption: the pollution abatement project at sources, when applying for premium loan, can have construction tax exemption;
- Custom tax exemption: to impose fixed (lower) tax rate for the imported municipal and paper mill sewage treatment equipment;

- Consumption tax reduction: to impose a 30% reduction of consumption tax for the production and sale of low emission cars, including sedan vehicles, sport utility vehicles and coach cars;
- Tax return on specialized agricultural products: The specialized products due to the grain for green, restoration of forests and grassland policies will have 10 year specialized agricultural product tax exemption.

### 3. Environmental Technology Policy

Its purpose is to raise the energy and resources utilization efficiency, and reduce the pollutant's discharge. The main measures include:

- (1) When taking the technological improvement measures, the industries should adopt advanced technique and clean production technology so as to raise resources utilization and energy efficiency;
- (2) to impose a phase-out plan for the backward technology and equipment in corporations that waste energy, resources and pollute environment, according to the environmental law,
- (3) Corporations should use non-toxic, harmless or lowly toxic, lowly harm materials during production.

### 4. Environmental Industry Policy

During the strategic adjustment of economic structure, we should promote the improvement of environmental industry, raise the technological elements in the environmentally friendly products and implement measures to promote socialization of environmental industry, and make environmentally friendly products marketable and standardized.

### 5. International Cooperation on Environmental Protection

China has been paying high level of attention to international cooperation on environmental protection. When seriously playing our part in environmental protection, China actively takes part in international environmental affairs. China aims at promoting regional and global cooperation together with a new partnership, so as to speed up the progress to resolve environmental problems. China emphasizes the respect for national sovereignty amid international cooperation, and take the national interests of different countries and long-term interests of the world into consideration when handling environmental problems.

### 6. China Exim Bank's environmental protection policy

China Exim Bank is paying a high level of attention to our funded projects' environmental impacts. We enhance environmental monitoring and management before, during and after the project implementation.

#### (1) Before – Project Review

China Exim Bank considers projects' environmental impact assessment as one of the basic requirements and elements during the project review. We require the funded projects to conduct feasibility study of environmental impacts, and obtain endorsement or approval from the recipient country's environmental administration. Those projects that are harmful to environment or do not gain endorsement or approval from environmental administration will not be funded. This policy is enacted throughout over thousands of China Exim Bank's funded projects.

(2) During – Project Examination

China Bank conducts regular examination for project implementation, which includes the project's environmental impacts.

Once any unacceptable negative environmental impacts result during the project implementation, China Exim Bank will require the implementation unit to take immediate remedial or preventive measures. Otherwise, they will discontinue financial support.

(3) After – Post-project review

When the project is stopped or completed, China Exim Bank will conduct post-project review in project implementation and completion status, and its impacts. Environmental assessment is a necessity in the post-project review. According to the post-project review, China Exim Bank will revise the measures taken before and during the project implementation for similar projects. If necessary the related requirements and policies will be fully revised.

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**China Exim Bank Guidance for the Environmental and Social Impact Assessment of Loan Projects**

*Excerpt; unofficial translation; the full guidance can be found at [internationalrivers.org](http://internationalrivers.org), China Exim Bank (August 2008)*

Article 12, offshore project assessments should abide by the following principles:

- (1) Environmental impact assessment should be done during the pre-loan and loan-period review, and monitoring of environmental impacts should occur during post-loan management.
- (2) The host country's environmental policies and standards are the basis for evaluation. Offshore projects should abide by the requirements of host country laws and regulations, and should obtain corresponding environmental permits.

When the host country does not have a complete environmental protection mechanism or lacks environmental and social impact assessment policy and standards, Chinese standards or international practice should be referred to.

- (3) Respect for local peoples' rights to land and resources, and proper handling of resettlement problems.
- (4) For projects that have serious negative impacts on the local environment, open consultation with the public in accordance with the host country's requirements.

Article 13, China Exim Bank follows these procedures of environmental and social assessment for offshore projects:

- (1) The borrowers or project owners hand in the approval document and environmental and social impact assessment report issued by the authorities of the host country.
- (2) China Exim Bank reviews the loan application documents submitted by the borrower, and will hire independent experts when necessary.

- (3) China Exim Bank negotiates with the project owners or the borrowers to amend the construction project proposal, based on the environmental and social assessments.

Article 14, China Exim Bank, if necessary, requires the inclusion of environmental and social responsibility in the loan contract, in order to monitor and restrain the behavior of borrowers.

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**China Development Bank (Summary of Environmental Policy Commitments)**

*Compiled by Friends of the Earth (US) based on the CDB Bond Prospectus (2005) and the CDB Corporate Social Responsibility Reports of 2007, 2008 and 2009.*

**Pre-lending stage:**

Clients comply with all environmental laws of the People's Republic of China.

All loan applications require an environmental impact assessment (EIA).

For highly polluting and energy-intensive industries such as coal mining, oil and gas exploration and development, power generation and transmission, hydropower, etc., EIAs must be approved by relevant environmental authorities.

EIAs must be completed by an independent evaluator.

Environmental standards and costs can be written into loan contracts in order to commit clients to environmental promises.

**Post lending:**

In order for loan requirements to be considered fulfilled, clients must provide proof from a relevant environmental department that the project meets environmental protection requirements.

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**Excerpts from the Green Credit Guidelines**

*Source: China Banking Regulatory Commission, February 2012*

Chapter I. General Provisions

Article 3 Banking institutions shall promote green credit from a strategic height, increase the support to green, low-carbon and recycling economy, fend off environmental and social risks, and improve their own environmental and social performance, thus optimizing their credit structure, improving the quality of services, and facilitating the transformation of development mode.

Article 4 Banking institutions shall effectively identify, measure, monitor and control environmental and social risks associated with their credit activities, establish environmental and social risk management system, and improve relevant credit policies and process management.

The environmental and social risks mentioned herein refer to the hazards and risks on the environment and society that may be brought about by the construction, production and operating activities of banking institutions' clients and key

affiliated parties thereof, including environmental and social issues related to energy consumption, pollution, land, health, safety, resettlement of people, ecological protection, climate change, etc.

*Chapter III Policies and Capacity Building*

Article 11 Banking institutions shall develop client environmental and social risk assessment criteria, dynamically assess and classify client environmental and social risks, and consider the results as important basis for credit rating, access, management and exit. They shall adopt differentiated risks management measures concerning loan investigation, review and inspection, loan pricing, and economic capital allocation.

Banking institutions shall prepare a list of clients currently faced with major environmental and social risks, and require these clients to take risk mitigation actions, including developing and having in place major risk response plans, establishing sufficient, effective stakeholder communication mechanisms, and finding a third party to share such risks.

Article 14 Banking institutions shall strengthen green credit capacity building, establish and improve green credit labeling and statistics system, improve relevant credit management systems, enhance green credit training, develop and employ related professionals. Where necessary, they can hire an eligible, independent third party to assess environmental and social risks or acquire related professional services by means of outsourcing.

*Chapter IV Process Management*

Article 15 Banking institutions shall strengthen due diligence in credit granting. The scope of due diligence on environmental and social risks shall be defined according to the characteristics of the sector and region in which the client and its project is located, so as to ensure the due diligence is complete, thorough and detailed. Where necessary, the banking institutions can seek for support from an eligible, independent third party and competent authorities.

Article 17 Banking institutions shall strengthen credit approval management, and define reasonable level of credit granting authority and approval process according to the nature and severity of environmental and social risks faced by the clients. Credits may not be granted to clients whose environmental and social performance fails to meet compliance requirements.

Article 18 Banking institutions shall, by improving contract clauses, urge their clients to strengthen environmental and social risk management. As for clients involving major environmental and social risks, the contract shall provide for clauses that require them to submit environmental and social risk report, state and avow that they will strengthen environmental and social risk management, and promise that they are willing to be supervised by the lender; the contract shall also provide for clauses concerning the remedies banking institutions can resort to in the event of default on environmental and social risks made by the clients.

Article 21 Banking institutions shall strengthen the environmental and social risk management for overseas projects to which credit will be granted and make sure project sponsors abide by applicable laws and regulations on environmental protection, land, health, safety, etc. of the country or jurisdiction where the project is located. The banking institutions

shall make promise in public that appropriate international practices or international norms will be followed as far as such overseas projects are concerned, so as to ensure alignment with good international practices.

*Chapter 5 Internal Controls and Information Disclosure*

Article 24 Banking institutions shall make public their green credit strategies and policies, and fully disclose developments of their green credit business. As for credit involving major environmental and social risks, the banking institutions shall disclose relevant information according to laws and regulations, and be subjected to the oversight by the market and stakeholders. Where necessary, an eligible, independent third party can be hired to assess or audit the activities of banking institutions in performing their environmental and social responsibilities.

*Chapter 6 Monitoring and Examination*

Article 27 When organizing and conducting on-site examination, banking supervisory authorities shall take into full account the environmental and social risks faced by banking institutions, and make clear the scope and requirements of examination. As for regions or banking institutions involving prominent environmental and social risks, ad hoc examination shall be conducted and urge said institutions to improve in light of examination results.

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**Excerpts from the Provisional Measures for the Evaluation of River Hydropower Plans (RHP) and Plan Environmental Impact Statements (PEIS)**

*Source: National Development Reform Commission, 2011*

**Chapter I: General Provisions**

2) These measures are intended for use on hydropower projects planned for important rivers, including large rivers, Transboundary Rivers and rivers along provincial borders (including state borders). The National Development and Reform Commission, or NDRC, will decide which rivers fall into these categories.

3) Projects on important rivers and river segments are the fundamental basis for the hydropower development, and their plans should be carried out in comprehensive coordination with the principles of ecological protection, overall efficiency, harmony between man and nature and the promotion of sustainable economic and social development. The PEIS is an integral part of any hydropower project. It should predict and analyze all impacts that a project might have on the environment. It should propose countermeasures to prevent or reduce the environmental impacts of a project, and a PEIS should draw a clear conclusion.

...

7) The evaluation process should ensure objectivity, impartiality and scientific quality. The evaluation of its RHP and PEIS should be the main basis for approving or denying a plan.

## Chapter II: Evaluation of River Hydropower Plans (RHPs) and Plan Environmental Impact Statement (PEISs)

11) The review panel should ensure an objective, impartial, scientific, comprehensive review of the PEIS and produce recommendations which include the following aspects:

- a) basic quality assessment, data validity, reliability and representativeness
- b) utility and appropriateness of the evaluation methods used;
- c) reliability and appropriateness of environmental impact analysis;
- d) effectiveness and appropriateness of suggested prevention and mitigation measures;
- e) the extent to which project planning has taken public opinion into account, and the effectiveness of changes made in response to public criticism, if any such changes have been made;
- f) the scientific validity of PEIS conclusions;
- g) the project's social, economic and environmental sustainability; the proposed plan's feasibility and ways to optimize it; and alternatives to implementation of the proposed plan. Recommendations should be supported by at least by three-quarters of review panelists. Panel members who have different opinions shall truthfully record those (in the same document)

12) Given either of the following conditions, the review panel must reject a project's EIA:

a) Given present level of scientific knowledge and technology, it is impossible to predict the extent/severity of the negative environmental impacts resulting from the project.

b) Implementing the plan would have a medium or large negative impact on the environment, and available methods can neither prevent nor mitigate those impacts.

13) If, during review of the EIS, the panel identifies one of the following circumstances, the review team should recommend that it be returned for further amendments:

- a) the basic quality of the PEIS is low, or its data is invalid;
- b) the evaluation methods were inappropriate;
- c) the PEIS was shallow, inaccurate, underdeveloped or invalid for another reason;
- d) the suggested prevention and mitigation methods are seriously flawed;
- e) the PEIS conclusions are unclear, unreasonable or wrong;
- f) no attached materials describe the extent to which the project accommodates public opinion, or the reasons stated for not adapting the project to public opinion are distinctly unreasonable;
- g) the PEIS has another major obvious deficiency or gap.

## Chapter III: River Hydropower Plan Review

22) Under any of the following circumstances, an RHP shall not be approved:

a) RHP conclusions are incorrect or incomplete, cannot meet the basic requirements for comprehensive utilization of water resources;

b) data on the hydrology, geology, reservoir inundation, ecological environment and other basic information is not reliable, is unrepresentative or is inadequately scientific;

c) the cascade structure is unsafe, and no effective preventive measures are available;

d) the cascade design is not cost-effective, or other economic aspects of the project are lacking or mistaken;

e) the plan has no PEIS or its PEIS has not been evaluated properly;

f) RHP preparation procedures do not meet the requirements of hydropower planning.

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## Excerpt from The Guide on Social Responsibility for Chinese International Contractors

Source: China International Contractors Association, 2010

### 4.6 Environmental Protection

The environment is central to the survival and prosperity of human beings as well as a significant aspect of social responsibility. Enterprises should actively avoid or reduce a project's adverse impact on the environment, uphold green operations, build green projects, protect the ecological environment in which a project is located, and take effective measures to control greenhouse gas emissions.

#### 4.6.1 Environmental Management

EN1 Establish, implement, and improve environmental management systems, develop environmental management schemes for all contracting projects, and invite specialized institutions to conduct environmental management system certification/registration.

EN2 Conduct environmental impact assessments prior to the construction of projects, evaluate risks and impacts of project activities on the environment with respect to risk management and sustainable development, and take preventive measures to control such risks and impacts on the environment.

EN3 Carry out environmental risk management, establish a project environmental management organization or position, identify environmental protection goals and schemes, and regularly check environmental performances.

EN4 Establish environmental protection training mechanisms for contracting projects and raise awareness and capacity of environmental protection among employees through information dissemination, education, and training.

#### 4.6.4 Ecological Protection

EN13 Protect rare and precious fauna and flora species and their natural habitat, and reduce a project's impact on biological diversity.

EN14 During the implementation of a project, pay attention to the protection of ecological systems (wetland, wild animal passage, protection zones and farmland) and restore in a timely manner damages that have already occurred.

EN15 Encourage and organize employees of the enterprise and local inhabitants to conduct charity activities aiming at protecting and restoring ecological systems.

#### **4.7 Community Involvement and Development**

The community is an important external stakeholder for enterprises. Enterprises should value local traditions and culture, respect human rights, improve people's livelihoods, and participate in and support the construction of local community projects to achieve mutually beneficial development.

##### **4.7.1 Community Involvement and Communication**

SC1 Visit the communities where a project is located and evaluate the potential impacts of project activities on the community, learn the needs of the community, and identify development priorities.

SC2 Actively communicate project related information and learn and respond to the opinions and suggestions of stakeholders.

SC3 Develop community engagement plans and participate in community and public service and management activities.

SC4 Organize and support employees with professional advantages to engage in community volunteer activities.

##### **4.7.2 Employment and Training**

SC5 Offer maximum job opportunities to the community, taking into consideration the practical situation of the project.

SC6 Organize, participate in, and/or develop occupational skills training programs to improve the capacities of community inhabitants on the basis of the needs of the community.

SC7 Increase job opportunities for vulnerable groups within the community by collaborating with local institutions or organizations and developing special training programs.

##### **4.7.3 Community Development**

SC8 Pay tax in accordance with the law to guarantee community development.

SC9 Utilize project skills and support the development of public infrastructure in the community, including transportation, telecommunication, drinking water, and sanitation.

SC10 Help advance public services, management, and health care systems of the community to improve living conditions.

SC11 Taking into consideration community practicalities, explore local resources to help the community develop featured industries.

##### **4.7.4 Culture and Education**

SC12 Respect and protect the cultural traditions and heritage of the community, and provide support for community cultural activities and projects when necessary.

SC13 Support the development of community education, increase education opportunities for children and vulnerable groups, and reduce illiteracy in the community.

SC14 Help improve education facilities in the community and enhance education quality.

##### **4.7.5 Donation and Disaster Relief**

SC15 Support philanthropy initiatives and offer donations for community development and disaster prevention and relief.

SC16 Take advantage of project technology and facilities to engage in community disaster prevention and relief.

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# Appendix 3:

## Summary of Sinohydro's Environmental Policy Commitments

Sinohydro's policy commitments arise from its "Policy Framework for Sustainable Development," in which it has adopted the World Bank and International Finance Corporation's safeguard policies as a minimum standard.

Sinohydro has advised that it expects to make its policy commitments public by October 2012 via its website. After this date, International Rivers will publish resources on Sinohydro's environmental policy at [internationalrivers.org/node7637](http://internationalrivers.org/node7637).

	Commitment	Source
Legal Compliance	Sinohydro adopts the strictest standards where possible. (For example, in the case that Sinohydro's policy commitments are higher than host country laws, then Sinohydro's environmental policy will prevail.)	Sinohydro, Environmental Protection Policy Statement, pg 1
	Sinohydro has obtained all the relevant permits and approvals required by law.	Sinohydro, Policy Framework for Sustainable Development, pg 1
Environmental Impact Assessment	The project is the option that best minimizes the harm to the environment and biodiversity.	Sinohydro, Environmental Protection Policy Statement, pg 1
	Social and environmental impact assessments have been undertaken for the project.	Sinohydro, Environmental Protection Policy Statement, pg 1, 2
	Relevant information (e.g. Environmental and Social Impact Assessments) has been disclosed to affected communities on (i) purpose, nature and scope of the project (ii) duration of the proposed project activities (iii) any risks and potential impacts on such communities and relevant mitigation measures (v) the envisaged stakeholder engagement process, and (vi) grievance mechanism.	IFC Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts, pg 8
	Local communities and stakeholders should be consulted on the draft Environmental Impact Assessment (EIA).. Relevant EIA material should be provided in a timely manner prior to consultation and in a form and language that is understandable and accessible to the groups being consulted.	World Bank's Operational Policy on Environmental Assessment, paragraph 14-16
Protected Areas	The project does not occur in a national park, habitat of threatened species or protected wetlands, which are no-go zones for project development.	Sinohydro, Environmental Protection Policy Statement, pg 2
Resettlement	If the host country government's resettlement measures do not meet Sinohydro's policy standards, Sinohydro will prepare a supplemental resettlement plan that will address its policy commitments.	IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement, pg. 7
	Resettlement action plans (if applicable) should include livelihood options, resettlement site options, set out compensation and new community infrastructure.	Sinohydro, Environmental Protection Policy Statement, pg 2
	Displaced persons are assisted at a minimum in restoring their former living standards, income earning capacity and production levels.	World Bank's Operational Policy on Involuntary Resettlement, paragraph 2(b).
	Assets should be compensated at full replacement cost.	IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement, pg 3

	Commitment	Source
	Compensation standards are transparent and applied consistently to all persons affected by displacement.	IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement, pg 3
	Sinohydro has consulted with affected communities on the development of resettlement and livelihood restoration plans.	IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement, pg 3
Community Consultation	Sinohydro has conducted sufficient consultation with relevant stakeholders (local communities, NGOs) and considered all perspectives.	Sinohydro, Community Policy Statement, pg 1
	In projects with potentially significant adverse impacts, Sinohydro has conducted additional community consultation.	IFC Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts, pg 8
	If indigenous peoples are affected, Sinohydro or the project developer has obtained their free, prior and informed consent.	IFC Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts, pg 8
	Engaged and developed relationships with communities in a respectful manner.	Sinohydro, Community Policy Statement, pg 1
	Maintain open communication with communities affected by Sinohydro projects and ensure they are fully informed about the project including construction, implementation of environmental management plan and resettlement action plan.	Sinohydro, Environmental Protection Policy Statement, pg 2
Indigenous People	Sinohydro's actions are consistent with the United Nations Declaration on the Rights of Indigenous People (UNDRIP). Sinohydro has obtained free, prior and informed consent from affected indigenous peoples.	Sinohydro, Community Policy Statement, pg 1 UNDRIP, Article 10
	Grievance and complaints mechanism	Grievance and complaints that has been established is culturally appropriate and can be readily accessible.
	Sinohydro has made local communities aware of the grievance mechanism and how to use it.	Sinohydro, Environmental Protection Policy Statement, pg 2
	Community concerns raised through grievance mechanism are resolved promptly.	IFC Performance Standard 1 on Assessment and Management of Environmental and Social Risks and Impacts, pg 9
Natural and Cultural Heritage Protection	The project site does not occur within in a World Heritage-listed site. Sinohydro has identified UNESCO World Heritage sites as a "no go" zone.	Sinohydro, Environmental Protection Policy Statement, pg 2
	Sinohydro has consulted with local communities to identify cultural heritage and how best to protect them.	Sinohydro Community Policy, pg 1
	Sinohydro has made best efforts to ensure community access to cultural heritage sites during project construction, subject to overriding health, safety and security concerns.	IFC Performance Standard 8 on Cultural Heritage, pg 2
Site Rehabilitation	Rehabilitated and restored areas disturbed by project construction and activity as close as possible to its initial condition.	Sinohydro, Policy Framework for Sustainable Development, pg 2

# Appendix 4:

## Selected International Agreements to which China is a Party

The following Conventions, Declarations and Norms hold the Chinese government accountable to upholding certain standards within China. These documents also represent a commitment to broad principles that can and should be applied in overseas projects.

International Agreement	Key aspects of agreement relevant to overseas dams	Date signed and ratified by China or adopted at the United Nations
Universal Declaration of Human Rights	The Declaration defines basic human rights such as the right to employment, the right to property, and the right to equal protection before the law. Article 25 states, "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."	Adopted by United Nations General Assembly December 10, 1948
International Covenant on Economic, Social and Cultural Rights	The Covenant includes many human rights protections. For example, forced evictions, defined as "the permanent or temporary removal against their will of individuals, families and/or communities from the homes and/or land which they occupy, without the provision of, and access to, appropriate forms of legal or other protection," are a violation of the Covenant.	Signed by China October 27, 1997; ratified March 27, 2001
UN Declaration on the Rights of Indigenous People	This Declaration emphasizes the rights of indigenous peoples to maintain and strengthen their own institutions, cultures and traditions, and to pursue their development in keeping with their own needs and aspirations. For example, Article 10 provides that indigenous peoples shall not be relocated without their free, prior and informed consent and the provision of just and fair compensation.	Adopted by United Nations General Assembly September 2007, China voted in favor
Convention on the Rights of the Child	The Convention requires that states act in the best interest of children.	Signed by China August 29, 1990; ratified March 2, 1992
UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights	The Norms state that transnational corporations are responsible for upholding human rights contained in the Universal Declaration of Human Rights. They further state that transnational corporations must ensure protection of human rights as set forth by national and international law, equality of employment opportunity, safe and healthy working environments, compliance with environmental laws of host countries and international agreements, and compliance with the goal of sustainable development.	Not adopted by China. Adopted by United Nations Economic and Social Council August 26, 2003

International Agreement	Key aspects of agreement relevant to overseas dams	Date signed and ratified by China or adopted at the United Nations
Convention on Biological Diversity (CBD)	In signing the CBD, the Chinese government demonstrated its commitment to the philosophy of sustainable development. The CBD also states that the precautionary principle should be employed if and when there is a lack of scientific data on threats to biodiversity.	Signed by China June 11, 1992; ratified January 5, 1993
Ramsar Convention, Convention on Wetlands of International Importance especially as Waterfowl Habitat	Primarily intended in promoting wetland protection and conservation, the convention requires signatories to recognize the general principle that wetland should be conserved through far-sighted and coordinated international action. The convention also affords increased attention to impacts of Ramsar-listed wetlands.	Entered into force for China on July 31, 1992
Convention on Migratory Species (Bonn Convention)	The Convention seeks to increase international efforts to conserve migratory species. Once listed, State parties are obliged to protect listed species, conserve their habitats and address threats. It is a framework convention under which additional agreements may be created to protect specific migratory species. As of January 2011, there were 176 species listed for protection under Appendix I of the Convention.	China has the status of a MOU Signatory and therefore not bound to achieve the conservation objectives of the Convention.
Convention Concerning the Protection of the World Cultural and Natural Heritage	Article 6(c) requires that China not to take any deliberate measures that might damage directly or indirectly World Heritage sites.	China ratified the Convention on 12 December 1985.

# Appendix 5:

## Sample Letter to a Chinese Dam Building Company



[Date]

Mr Zhu Yongpeng  
President  
6-8 Fuchengmeng Bei Street,  
Xicheng District, Beijing, 100034  
People's Republic of China.

**Re: China Guodian's Overseas Project Risks**

Dear Mr Zhu,

International Rivers is an international civil society organization that works globally to protect rivers and to promote better solutions for meeting water, energy, and flood management needs. We write to express concern with the Stung Cheny Areng and Sambor Hydropower Projects that China Guodian may be pursuing in Cambodia. It may be prudent that Guodian addresses these concerns before it enters into contracts to develop these hydropower dams.

In recent years, Guodian has increasingly sought opportunities within the Greater Mekong Sub-region, especially investments in power generation projects and electricity trade. These overseas ventures create both major opportunities and challenges for Guodian. On the one hand, these investments diversify the company's revenue base, but at the same time these projects are accompanied by social and environmental impacts that may bring risks to the company's reputation. International hydropower projects are a new business area for Guodian. International institutions such as the World Bank and high-level expert bodies such as the World Commission on Dams have developed guidelines which help address the social and environmental impacts of hydropower projects.

The **World Commission on Dams (WCD)** was created in May 1998 by the World Bank and the International Union for the Conservation. The Commission's mandate was to review the development effectiveness of dams, and to develop standards and guidelines for future water and energy projects. The Commission consisted of twelve members from governments, industry, academia, and civil society, and carried out the most comprehensive evaluation of large dams ever done to date. To improve development outcomes of water and energy projects, the WCD in 2000 presented a new framework for decision-making based on recognizing the rights and assessing the risks of all interested parties. This framework puts forward 26 recommendations, which are grouped under the following seven strategic priorities: Gaining Public Acceptance; Comprehensive Options Assessment; Addressing Existing Dams; Sustaining Rivers and Livelihoods; Recognizing Entitlements and Sharing Benefits; Ensuring Compliance; and Sharing Rivers for Peace, Development and Security. Annex 2 contains a more detailed summary of the WCD framework.

The **International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability** also sets an international standard. Revised in 2011, the IFC policy describes

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best practices and standards on land acquisition and involuntary resettlement, environment and biodiversity protection, indigenous communities, environmental and social impact assessments

Below are our key concerns regarding power generation projects Guodian is currently pursuing:

***Sambor Hydropower Project, Cambodia:*** Located on the Mekong River mainstream, this project would hinder critical fish migrations, destroy fish habitats, and interrupt the river's hydrological, sediment and nutrient cycles. The project will threaten the food security of many riparian communities in Cambodia and Lao, and damage commercial fishing activities. The project also threatens a number of endangered species, including the Irrawaddy Dolphin. There has been significant opposition raised across Lower Mekong countries to hydro-power dams on the Mekong mainstream.

***Stung Cheny Areng Hydropower Project, Cambodia:*** The proposed project is located in a densely populated area. Its reservoir would flood nine villages and extend into the Central Cardamom Protected Forest. It would inundate the habitat of 31 endangered fauna species, including the world's most important breeding site for the endangered Siamese Crocodile.

We believe that the projects listed above do not comply with important policy documents of the People's Republic of China such as the State Council's "Nine Principles on Encouraging and Standardizing Foreign Investment", SASAC's "Guidelines on Fulfilling Social Responsibility by Central Enterprises", and the China Banking Regulatory Commission's Green Credit Policy.

We would be glad to discuss with you how Guodian's environmental policy could be strengthened and project-specific concerns addressed either through further correspondence or in a personal meeting.

We look forward to your response.

Sincerely,

International Rivers

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**THE NEW GREAT WALLS: A GUIDE TO CHINA'S OVERSEAS DAM INDUSTRY** was first published in July 2008. The second edition address recent policy developments and new Chinese dam building companies and financiers. In addition, the second edition benefits from increased understanding of the Chinese overseas dam industry and campaigning experience. *Below are photos of the some of the communities are currently threatened by Chinese overseas hydropower projects.*



● Rio Patuca, Honduras

● Nile River, Sudan

● Salween River, Thailand

● Nam Ou, Lao PDR