

## **Appendix G**

### **Syntheses from Webinars 1 – 4**

#### **Webinar Summaries**

Webinar 1 underscored the high environmental risks Chinese financial and construction firms are taking on in Latin America, sometimes unwittingly, because of inadequate due diligence and cultural barriers. Speakers said that Chinese companies consistently take on riskier projects than other banks and developers. Most of the effort on reducing impacts has come at the implementation stage as a response to demonstrations, rather than the planning/project selection stage when it could have the greatest positive impact. Experts indicate that if Chinese companies knew about the risks they are undertaking they would try to avoid them. The factors proposed as most important in reducing social conflict were: stakeholder consultation; high-quality EIAs; grievance mechanisms and strong oversight of subcontractors. Projects co-financed with banks bound by safeguard policies or Equator principles can serve to transfer good practices.

Webinar 2 found that corporate social responsibility in China is in its infancy, underfunded within companies and not reinforced adequately up and down the chain of command from headquarters in Beijing to operations on the ground in remote sites. This has led to sometimes violent protests, usually over social, not environmental issues. Language and cultural barriers have hindered better understanding of the issues likely to provoke turmoil. The CSR that has been implemented, especially in state-owned enterprises, focuses on Chinese government audiences with an eye to moving up corporate-government career ladders. For CSR to work, better due diligence and monitoring mechanisms will be needed within companies, and possibly direct involvement of Chinese headquarters. Chinese chambers of commerce in host countries could be useful partners in encouraging adoption of CSR by investors and developers there.

Webinar 3 explored pathways to influence hydropower projects. China is the biggest global developer of hydropower and still expanding. Of four pathways to influence hydropower projects, (1) host-government regulatory action and (2) host-government civil society intervention have been effective on some occasions, while (3) corporate sustainability standards and (4) bank safeguards have not. Chinese (and other) firms respond to reputational risk and financial risk, though the latter can be mitigated through insurance. Clear and timely assessments of the dam sites that pose the greatest environmental and social risks could help early planning and avoidance of projects there. The strengthened Ministry of Ecological Environment could have a great impact if it decided to push sustainable site choices and implementation.

Webinar 4 highlighted the profusion of voluntary guidelines emanating from Chinese government and industry associations. Article 21 of the Green Credit Guidelines was singled out as important because it calls for application of international best practices, not just compliance with host-country laws. Companies operating overseas are often unaware of guidelines, have no real incentive to follow them and are subject to no grievance and monitoring systems. Advocacy appears to be a successful ingredient to reduce potential environmental impacts. Experts suggest that strengthening overseas guidelines is best led by Chinese organizations and technical support most likely to be taken up when provided by institutions respected by, and that work well with, Chinese authorities. Emerging Chinese guidelines could leapfrog those of US/European institutions, but the path to their becoming mandatory is unclear.

## Webinar 1 Synthesis (20 February 2018) Finance for Energy and Transportation

### *Lessons to inform hypotheses in white paper:*

1. Chinese institutions will make up a greater share of total infrastructure finance in the Amazon in future, including financing of priority COSIPLAN projects.
2. The environmental and social outcomes of infrastructure finance is improved when four instruments are present, including (1) stakeholder consultation/FPIC, (2) high-quality EIAs, (3) active oversight of sub-contractors, *which presumably holds true for projects with Chinese institutional engagement*, and (4) grievance mechanisms.
3. Chinese institutions *consistently* “get stuck with” or take on the riskiest infrastructure projects, in terms of environmental and social risks.
4. Lack of understanding of local conditions and expectations has engendered waiting costs and produced reputational damage for Chinese institutions in the Amazon (e.g., Coca Codo Sinclair).
5. Chinese companies like Sinohydro will not apply China’s voluntary overseas investment guidelines unless they are investors/financiers of the project (e.g., Hidrovia Amazonica).
6. Better upstream planning can improve the environmental and social outcomes of infrastructure investment projects.
7. Financing institutions like the World Bank are moving toward sectoral standards to complement country standards for infrastructure investment projects.
8. Poor environmental and social outcomes result in real costs and damages to Chinese institutions.

### *Hypotheses by experts:*

1. If Chinese companies fully understood the environmental and social risks of projects, they would avoid those with large risks, and so actors interested in reducing these environmental and social risks should clearly bring them to the attention of Chinese companies early in the process.
2. For Chinese companies to avoid the riskiest projects, there must be alternative options available for investment and finance, in addition to good knowledge of the risks of bad projects.
3. Better upstream planning will reduce environmental degradation from Chinese financing and business investment in infrastructure projects in the Amazon.
4. Joint investment and finance between Western and Chinese institutions in the Amazon will use more stringent standards than investments by Chinese institutions alone.
5. Chinese financing institutions will follow the World Bank Group’s lead in moving toward sectoral standards to complement deferential approaches to country standards.
6. The most important elements for avoiding the worst environmental and social impacts of Chinese investment will be the same as has been documented for Western institutions: (1) stakeholder consultation/FPIC, (2) high-quality EIAs, and (3) active oversight of sub-contractors.

7. Instituting grievance mechanisms and prior consultation of stakeholders are the most important procedures to introduce to Chinese finance and investment institutions in order to reduce environmental and social risks.

***Questions for further investigation at Workshops & Interviews:***

1. Do FPICs lead to lower deforestation, or is this correlation between the two driven by another factor that could better inform Chinese finance & investment for better environmental outcomes?
2. How do sectoral guidelines and standards from non-Chinese institutions (e.g., World Bank) inform Chinese finance & investment? And what are the pathways for sector standards to inform Chinese investments across countries?
3. Can SEAs/upstream planning inform Chinese finance & investment as they are intended to for IDB and WB? If not, why not? If so, what are the mechanisms/process to make this work better?
4. Do Chinese financing institutions recognize the risks and damages of getting the riskiest projects? And, if so, does this influence their behavior?
5. How and when are China's voluntary overseas development guidelines taken up by Chinese institutions?
6. Is there a link between WB's new use of sector-based standards and Chinese companies taking up international standards for sectors like hydropower?

**Webinar 2 Synthesis (1 March 2018)**  
**China's Corporate Social Responsibility in Latin America: Lessons for the Amazon**

***Lessons to inform hypotheses in white paper:***

1. Corporate social responsibility (CSR) is in its infancy in Chinese companies and poorly linked to social and environmental outcomes of projects overall.
2. There is potential for CSR to be more broadly taken up by Chinese companies, but this would require more resources dedicated by companies to this work, more knowledgeable staff, and a change in the incentive structure for overseas managers.
3. Most CSR by Chinese companies that does exist, especially outside the oil/gas sector, is from projects or subsidiaries that are acquired and the CSR results are geared primarily for a Chinese government audience or for engagement with local government, rarely for the benefit of local communities and non-state stakeholders.
4. Lack of mainstreaming CSR in Chinese companies in Latin America has led to violent protests, riots, penalties, and other liabilities. Almost all of these liabilities have been generated from social (human rights, labor, health impacts) infringements, rather than environmental considerations.
5. China is not performing as poorly as thought in terms of CSR (assertion, see: Irwin & Gallagher 2013). Chinese firms consider their CSR results to include contribution to GDP, employment & transfer of technology, which represents a different cultural definition of corporate social responsibility than the Western one.
6. One of the key challenges to China's CSR in the Amazon is the language barrier and the "Cold War" mindset that reproduces mistrust between local stakeholders and Chinese managers/employees.
7. SASAC guidelines on CSR in 2016 are important, but they apply only to domestic sectors.

***Hypotheses by experts:***

1. CSR by Chinese companies will become more widespread (a) as they learn from Western companies in the sphere and (b) they become more profitable and embedded in the overseas sectors.
2. To foster broader uptake of CSR, interested parties should engage with Chinese company headquarters, which dictate global policies, set incentives for managers, and allocate resources.
3. Chinese companies are more likely to take up CSR if they see it as a risk-reduction strategy, rather than a question of image or "rights and responsibilities."
4. Building stronger due diligence mechanisms within companies and incorporating CSR considerations into these mechanisms would result in better environmental and social outcomes.
5. The best entry point for best practices should involve both social and environmental factors.
6. Chinese-Host Country Chambers of Commerce are a good entry point for encouraging uptake of CSR and use of standards.

***Questions for further investigation at Workshops & Interviews:***

1. Is CSR likely to significantly improve the environmental and social outcomes of Chinese finance and investment of infrastructure projects in the Amazon?
2. How do Chinese leaders and managers think about and understand CSR, within a different cultural and political context? If this is something to focus on, what does it mean in this context? Should we even use the term CSR in the investigation we're undertaking?
3. Is it important to engage headquarters to foster 'best-practice' CSR by Chinese companies in Latin America?
4. Are there any examples of Chinese firms engaging in the mitigation hierarchy for best-practice CSR to reduce environmental impacts and/or improve outcomes?
5. Is CSR more likely after acquisitions of companies overseas that already have problems and/or existing CSR programs?
6. Is it more effective to address CSR through the lens of risk management than through rights & responsibilities? And if so, what does this look like from the perspective of local stakeholders?
7. Are longer term projects/engagements by Chinese companies or individual managers more likely to take up CSR approaches in the Amazon?
8. Could local monitoring via local communities or organized groups be part of a due diligence and standards system that effectively improves environmental and social outcomes?
9. Is there potential in CSR project to build a relationship with a particular company to pilot best-practice?

**Webinar 3 Synthesis (15 March 2018)**  
**Models for Improved Performance of Overseas Chinese Hydropower**

***Lessons to inform hypotheses in white paper:***

1. The hydropower sector is dynamic, and many hydropower companies are diversifying across energy technologies (e.g., wind and solar). Demand has been volatile, affecting where projects are developed and under what standards.
2. China's role in hydropower development globally is large and growing. It is estimated that Chinese actors are engaged in 50% of all hydropower development.
3. Chinese engagement in the hydropower sector overseas is sometimes through construction or operation contracts, financing, and acquisition or investment in local companies.
4. There are limitations to the impacts of sustainable hydropower commitments without host-country regulations.
5. Of four proposed approaches to improving environmental outcomes for Chinese hydropower companies, only two have been demonstrated to be effective. There are documented cases where host-country regulations and civil society mobilization/protest stopped dam development; private sector tools & standards (e.g., Hydropower Protocol) have not been. We don't have a documented case where safeguards from financial institutions (i.e., joint development bank investments) had better environmental outcomes.
6. Early examples of engagement with Chinese hydropower companies in Latin America have focused on standards and practices rather than siting decisions. Now, siting is being addressed by mapping environmental risks with MEP.
7. There are two kinds of risk that Chinese institutions appear to respond to: investment risk and reputational risk. Of these, clear cases demonstrate behavior change in Chinese institutions due to reputational risk. We don't have case examples where investment risk has been the main driver of change.
8. Financial (investment) risk can be mitigated (insured). Reputational risk has been a driver of increasing importance for Chinese institutions.
9. Chinese Regulatory Banking Commission put out standards with China's Exim Bank, saying they should use international standards (i.e., IFC) or default to Chinese standards, but it's unclear how this has been applied in-country.
10. Barriers to implementation of private sector standards by Chinese companies include: poor management structures and convoluted bureaucracy in Chinese companies and weak regulatory enforcement or standards in host-countries.
11. Another barrier to improving hydropower sustainability is the lack of comparative indicators on social and ecological values of rivers. As a result, there's no consensus among experts as to the most sensitive or important sites to avoid.
12. In the Amazon, there's no common policy or legal framework and conceptual paradigm for "free-flowing rivers," which would provide a signal to Chinese institutions about risk and host-country demands.

***Hypotheses by experts:***

1. Education & training programs for Chinese companies are important to shift long-term practices and behavior change.

2. As it helped Western-style banks, a rapid environmental risk assessment tool could help inform Chinese overseas development financing and investment.
3. Starting as early as possible in the planning process (i.e., upstream, multi-sectoral planning) is important to inform environmental and social outcomes.
4. Investment risk is mitigated by insurance from Sinesure/SOEs/banks in China, so (a) it is important to engage directly with Chinese insurers to demonstrate this risk or (b) reputational risk should be the focus of interventions and justification for behavior change.
5. NGOs are not the most effective interlocutors with Chinese companies to encourage uptake of methods, technologies, and approaches that improve environmental outcomes. Instead (a) academia or (b) national governments or (c) Western-style finance institutions could more effectively play this role.
6. Civil society can play an effective role as a watchdog or protester of poor behavior by Chinese companies or investors that can result in better environmental outcomes.
7. A more robust MEP -- the new Ministry of Ecological Environment -- can (a) foster broad application of standards (e.g., IFC PS6) by Chinese overseas actors and (b) reduce Chinese investment/engagement in high-environmental-risk sites.

### *Questions*

1. Are there cases that show that investment risk is indeed a decision-driver?
2. Are there cases in Latin America where joint financing with Western-style banks have improved standards and performance with regard to environmental outcomes?
3. What are important elements or conditions to have in place for uptake of sectoral standards by Chinese firms or banks? Where has uptake been evidenced? And what are the pathways for sector standards to inform Chinese company or bank engagement across countries?

**Webinar 4 Synthesis (21 March 2018)**  
**Taking Stock of Chinese E&S Guidelines for Overseas Development**

*Lessons to inform hypotheses in white paper:*

1. Chinese regulators & banks do appear to look to the WB and western institutions as examples. They have developed many MOUs, including around safeguard development and risk assessment.
2. There are multiple kinds of guidance on overseas development from China -- 60 in total, which is more than most countries have -- and they include: finance bank guidelines, China Banking Regulations Commission guidance, PRC regulatory policies, and voluntary initiatives like Green Finance Committee. They concern a host of sectors and practices, including approval & support for overseas development, oil & mining, forestry, rubber, palm oil, CSR, banking & BRI. These are not integrated or harmonized.
3. To date, these various guidelines have rarely included enforcement mechanisms or monitoring, and as a result do not appear to equate to impacts on the ground at the project level. Experts recommend monitoring and inspection at the project level to encourage compliance, e.g. GiZ & CCCMC (mining chamber of commerce) technical assistance from developing mining sector guidelines to site visits and reporting as a successful case.
4. The widely adopted low-cost approach Chinese companies use to obtain overseas contracts reduces capacity for E&S guidelines & practices. This is signal strategy for gaining market share.
5. Local communities & civil society play a major role in holding investors accountable. NGOs are critical player.
6. The Green Credit Guidelines/Directive, Article 21, is an important lever for performance by banks because one of the tenets is to follow international best-practice, not just host-country laws, e.g. Ekumfi Coal Plant, Ghana case with the bilateral Chinese-Africa Development Fund.
7. The Green Credit Guidelines don't cover equity investment (e.g., from China Development Fund), which means that not all overseas investment is explicitly subject to these broad guidelines as a lever for improving environmental outcomes; however, FOE was able to use these guidelines to influence equity investment in Ghana.
8. FOE takeaways from its work in this sphere include: (1) For Chinese investors results from advocacy are not always immediately apparent, but sometime effective over time. (2) Chinese policies can be used to critique Chinese & non-Chinese stakeholders (e.g., local government & other project sponsors). (3) Chinese are known to defer to local government's decisions consistently without other intervention. (4) Early intervention is important; much easier to stop a project before construction. (5) There are no silver bullets here; need to use a bunch of complementary methods.

9. There is very little evidence of behavior change by companies or other Chinese institutions in overseas development after the creation of overseas guidelines for forestry & mining, because: (1) companies don't know they exist; (2) they have no grievance mechanisms, no enforcement, no monitoring; and (3) there is no incentive to follow them.
10. Advocacy for guidelines/standards can be spearheaded by Chinese organizations (e.g., the [Global Environmental Institute](#)).
11. Involvement in supply chain for US firms can subject Chinese companies to US laws standards and has triggered Chinese smelters to apply stricter practice guidelines, which have been tested by Greenpeace (i.e., Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains, 2015)
12. Experts consider these guidelines to be helpful because they: introduce new concepts, create a Chinese initiative, set high & detailed expectations, involve wide range of stakeholders, expose Chinese to international standards, foster funding, and are tool for community pressure.
13. Experts see a need to build capacity of Chinese entities to improve implementation of standards.
14. China is believed to develop bilateral MOUs and country lines of credit for the following reasons: strategic access to primary resources, geopolitical relationship building, diversification of foreign exchange holdings, and to get a foothold in new markets, particularly in priority sectors.

***Hypotheses by experts:***

1. Over time, Chinese banks will take up some part of the safeguards, due diligence, and grievance procedures of the World Bank Group (e.g., IFC performance standards). There are actions to take to accelerate and enhance this process.
2. Including enforcement mechanisms and monitoring in Chinese-issue guidelines would reduce environmental and social impacts at the project level. In particular, local monitoring, technical assistance, and inspection of projects would foster compliance.
3. Building capacity and enabling engagement by local communities & NGOs would improve outcomes by increasing transparency/awareness and holding investors -- and other actors -- accountable.
4. Advocating for more widespread and better quality application of Green Credit Guidelines' Article 21 would improve Chinese institutions' environmental performance in the Amazon, i.e., could replicate the success at Ekumfi Coal Plant.
5. The following strategies would improve application of Chinese sectoral guidelines for overseas development: (1) establishing Chinese & host-country awareness-raising campaigns of these guidelines; (2) instituting or piloting grievance mechanisms, enforcement actions, and/or local monitoring at the project level; and (3) creating reputational or other incentive to follow them.

6. Chinese promulgation of voluntary guidelines show awareness of what good practices are. That's the first step on the road to on-the-ground adoption of good practices.
7. More effort should be allocated to host-country government and NGOs than to Chinese institutions to improve environmental outcomes of infrastructure investment in the Amazon.
8. For successful application of environmental guidelines and standards overseas, it is important to include Chinese policy makers in the implementation process.
9. Emerging Chinese standards may supersede existing US/European and other national standards in overseas development finance.

***Questions:***

1. Is our reading of the opportunities skewed by a lack of cultural understanding of China to such an extent that our findings are highly likely to be wrong?
2. Would host government environmental-scientific missions to China be effective, especially in showing geographic information on risks?
3. What is the influence of the Chinese Academy of Science in policy development and implementation, and what is their purview?
4. What are the conditions in the "success cases" described in this webinar: (1) Green Development Guidelines/Article 21 application in the Ekumfi Coal Plant case, (2) the Greenpeace case regarding the Chinese Due Diligence for Responsible Mineral Supply Chains, and (3) the GIZ/CCCMC engagement on Guidelines for Social Responsibility in Outbound Mining Investments?