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Mission statement

This document defines the environmental principles and standards applicable to operations financed by the Bank. The document complies with the provisions of Section 3, paragraph "e" of the Rules and Regulations for Financing Projects and Commercial Activities, which states: "The Bank shall not support any project which does not meet Environmental Requirements set forth in the Environmental Policies of the Bank." This document is supported by the Environmental Procedures set forth in the BSTDB Operations Manual.

The environmental mission of the Bank is to integrate environmental concerns into the assessment procedures of Bank financed operations and to be an effective intermediary and interlocutor for the provision of environmentally clean technologies in a cost-effective and economically feasible manner. The ultimate objective of the Bank is the promotion of sustainable development and the progression towards prosperity of member countries. To that end, the Bank adheres to a philosophy based on the following principles of the Washington Declaration on Environment and Sustainable Development of the World Federation of Development Financing Institutions:

- We regard sustainable development as a fundamental aspect of sound development bank management.
- We believe that sustainable development can best be achieved by helping our clients work within an appropriate framework of cost-efficient programs and economic development objectives.
- We will work towards integrating environmental considerations into our loan operations and asset management and other business decisions.
- We will assist our clients in complying with applicable environmental regulations and in the use of sound environmental practices for effective corporate management.
- We will share our knowledge with clients, as appropriate, so that they may strengthen their own capacity to reduce environmental risk and promote sustainable development.
- We will promote dialogues relating to environmental matters with relevant stakeholders and the public in general.

BSTDB is committed to the financial support of projects with strong regional cooperation and development impact, and to promote increased trade and investment flows among member countries. The Bank is determined to promote environmental soundness and sustainable development in all its operations.

The Bank will promote environmentally oriented operations in the region. The Bank will encourage prospective clients to undertake measures aimed at reducing energy intensity and promoting energy efficiency. The Bank will ensure that at a minimum

the projects financed by the Bank are environmentally neutral. That is that operations:

- (i) Do not add to existing pollution to the extent that maximum authorized concentration limits are exceeded; and
- (ii) Favor the use of cleaner technologies and of renewable resources, waste reduction, resource recovery and recycling. If for some reason operations financed by the Bank imply undesirable consequences for the environment or related health and safety conditions, these consequences need to be fully understood, clearly identified, adequately justified and mitigating or compensatory measures outlined.

The Bank will give special attention to preservation of natural conditions and pollution prevention of ground water, wetlands, coastal areas, natural parks and protected areas, forest resources, fisheries and wildlife, and in particular will seek to prevent any further pollution of the Black Sea. Many health problems, in particular respiratory and digestive ailments, are attributable to air and water pollution. Particular importance is attached to global issues like climate change, ozone layer depletion and biodiversity. The Bank will make all necessary efforts to ensure that in projects financed directly or indirectly through financial intermediaries, it will contribute to the implementation of multilateral environmental agreements, such as the Framework Convention on Climate Change, the Montreal Protocol and the Convention on Biological Diversity. International agreements, such as the Convention on Environmental Impact Assessment in a Transboundary Context, and national requirements will be respected.

General principles

The following are the general principles of this policy:

- The Bank's first principle is "Do not harm". Preventing potential environmental damage from Bank financed operations has the highest priority. This document establishes policies with a focus on capacity building within the Bank for environmental assessment to complement financial and economic analysis in the appraisal of operations.
- The second principle is "Strengthen environmental management". This principle will be implemented through cooperative work with clients, BSEC specialized bodies and co-financiers to build-up capacity and strengthen policies and strategies. The Bank, following other IFIs on the environmental impact of industrial, infrastructure and natural resource sector projects, will use internationally recognized "best practices" in operations. This also includes giving consideration to integration of environmental management in operations of the full range of air, water and land pollution effects due to industrial effluents, emissions and wastes.
- The third principle is "Address global environmental problems". The Bank will work with clients and interested stakeholders to promote and to become an

active participant in preservation of the biodiversity and to prevent Black Sea pollution, climate change and ozone layer depletion.

In its operations the Bank will pursue best practices in environmental management and will seek to work with partners who follow high environmental standards. When co-financing operations with other IFIs, the Bank may adopt for respective operations the environmental procedures and standards of the cofinanciers, if equal to or more developed than its own.

Environmental standards

BSTDB operations will require that, as a minimum, national environmental standards be met. In specific instances where standards are absent or considered insufficient to meet the principles of this policy, then internationally accepted environmental standards may be applied. These include standards commonly used by the World Bank Group, other international financial institutions and the European Union and International Conventions such as the Convention on the Protection of the Black Sea Against Pollution (21 Apr 1992). If these standards cannot be met by the time of Board approval, the Bank will propose that corrective measures, in the form of an Environmental Action Plan, be included in the operations documentation.

However, the Bank has to carefully assess on a case-by-case basis the adequacy and enforceability of national standards. In many BSTDB member countries environmental standards are overly stringent, with either emission or concentration levels almost impossible to control or to achieve. Lack of effective use of market principles, such as "polluter pays", inconsistent permitting procedures, uneven use of charges and even quasi-absolute lack of understanding of role and functioning of marketable pollution permits make enforcement of the existing stringent legislation impossible. Therefore, setting appropriate, economically realistic standards is important.

Technical cooperation

The Bank will seek to develop, in cooperation with national authorities, BSEC specialized bodies, World Bank, EBRD, EIB and other donors and interested stakeholders technical cooperation and assistance programs. Such programs will be designed to provide support to public and private sector partners of the Bank in such activities as conducting:

- (i) Environmental impact assessment;
- (ii) Environmental action plan;
- (iii) Environmental audit; and
- (iv) Monitoring capacity development.

Where technical assistance is required, it will not be used only to perform a specific task (i.e. environmental impact assessment), but also to become an effective vehicle for the transfer of know-how. Emphasis should be also placed in building a capable

private sector service industry, which would become capable of providing a wide range of activities, from civil engineering design to conducting environmental audits.

Public consultation

In cases of significant green-field operations, major expansion or transformation conversion operations, which have been classified as requiring an environmental impact assessment, the Bank will take necessary measures so that all affected parties will have a chance to state their opinion and express their views. Promoters/clients must ensure that national and BSTDB requirements for public consultation are met.

Disclosure of information

In line with the Bank's policy on disclosure of information, the Bank will include in its annual reports a section on the impact of Bank financed operations on the environment of its countries of operation and other details of environmentally sensitive operations and mitigation measures incorporated in them.

Environmental Analysis

The BSTDB will ensure that all projects comply with this policy through the use of several tools during the project cycle. The details of these tools are contained within the BSTDB Environmental Procedures of the Bank's Operations Manual, but the basic framework is the process of environmental analysis. Environmental analysis is carried out by the Environmental Specialist(s) independently, but as part of the project team. The result of the analysis is included in the overall project appraisal document as an attachment to the formal documents.

Environmental Analysis is a process that reviews the environmental aspects of a project to determine if it meets the requirements of this environmental policy. The process should review both the proposed operation, as well as the historical environmental performance of the client and their capability to comply with BSTDB environmental requirements. This Policy applies to both project finance and trade finance, and the Bank should ensure that financial intermediaries are required to apply this policy.

The Credit Committee may reject the financing of an operation not in compliance with this policy. In the case of approval, BSTDB may apply appropriate environmental covenants in the legal agreements.

The project sponsor or client will provide the Bank with the information necessary to complete the Environmental Analysis. This includes all environmental studies and investigations, monitoring plans and mitigation measures as described below. The information and studies required for each project depends on the type of project and will be determined according to the Environmental Procedures set out in the Bank's

Operations Manual. This will usually be provided at the expense of the project sponsor or client, but in exceptional cases, as determined by the Bank, assistance may be provided by the Bank for such studies in the form of financial and/or technical assistance.

The information requested by the Bank will be at least consistent with the information required under the host country environmental regulations. The Bank, however, requires that all studies are commissioned and carried out in accordance with Bank rules and procedures, and additional information may be needed to meet these requirements.

In general, the environmental studies required fall into one or more of the following categories:

- Environmental Impact Assessment, EIA (generally required for new projects or large expansions of existing facilities)
- Environmental Audit (generally required for existing facilities)
- Environmental Action Plan, EAP (required when environmental actions are required during the ongoing life of the project to ensure continued environmental compliance – often forms follow-up to EIA or auditing)
- Environmental Monitoring (required when specific potential impacts have been identified that need to be observed during the ongoing life of a project – often forms part of the EAP).

The details of the requirements for each of the above studies, typical scenarios for their selection and sample report formats are included in the BSTDB Environmental Procedures within the Bank's Operational Manual.

Environmental Impact Assessment (EIA)

Environmental Impact Assessments (EIA) are carried out to identify and evaluate the likely environmental impact of a proposed operation. EIA is required for operations with a high degree of complexity, those related to specific sectors (e.g. transportation, natural resources and energy, forestry, tourism) or related to a specific area (e.g. coastal zones, natural parks and protected areas). The output of an EIA may include recommendations, mitigation measures and monitoring plans that should be incorporated into an Environmental Action Plan to be implemented during the course of the project.

Partial Environmental Impact Assessment

A Partial Environmental Impact Assessment may be required for projects and operations where environmental impact is potentially significant but implications and consequences are readily identified, measured, assessed, easy to ameliorate, compensate and mitigate. A partial EIA may be used, for example, for a project that is a modification to an existing facility that has previously carried out an EIA. The scope of the Partial Environmental Impact Assessment (EIA) is more limited than

that of a full EIA, but covers the same elements. The partial EIA may be carried out by independent consultants, or by the Bank's environmental specialist(s).

Environmental Audit

Environmental auditing is a procedure used to review historical and present activities of a facility. It is used on operational facilities to identify and mitigate environmental liabilities resulting from issues such as past contamination, existing pollution generation or regulatory non-compliance. It is also a tool for establishing a baseline of environmental conditions. By completing the audit process, the facility can identify and mitigate environmental liabilities from current or past operations.

Auditing may be used for sites where an Environmental Impact Assessment (EIA) is not required; an audit may be used in conjunction with an EIA if the activities are particularly environmentally sensitive or significant. Audits should be carried out for all projects where the Bank considers there to be a potential for environmental liability. The audit should be completed before the completion of the Appraisal Stage of Project Evaluation, and any recommendations included in the Environmental Action Plan (EAP). If necessary, a Post-Evaluation Assessment may be required to verify compliance with the EAP, and the results included in the Project Completion Report. The Environmental Specialist, following the guidance provided in the Bank Environmental Procedures, will determine the conditions requiring an audit.

Project Evaluation And Assessment

Environmental performance will be evaluated throughout the entire BSTDB project cycle as a component of the overall project evaluation process. This component will be included in the mid-term, terminal and post-evaluations. In the case of environmentally sensitive operations, which require preparation of an EIA or environmental audit, the Bank may require the project sponsor or client to commission a Post-Evaluation Assessment at the conclusion of the project. Evaluation Assessment is a process similar to environmental auditing and is designed to evaluate and report on the implementation of the EAP, and to insure that all environmental conditions required by the Bank have been met and the results included in the Project Completion Report.

Institutional and organizational issues

The provisions of this Policy will be implemented by the Environmental Specialist(s) from the Operations Support Department of the Banking Division. The environmental Specialist is a member of the Project Team, but works independently.

Environmental issues are considered throughout the life of the project (from identification to completion). Environmental concerns have to be adequately dealt with and correspondingly required actions and measures have to be negotiated and agreed with the promoter/client, included in the legal agreements, implemented and monitored.