



Environmental Procedures



European Bank
for Reconstruction and Development

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for Reconstruction and Development



Recycled paper

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Foreword

Environmental degradation in the countries of central and eastern Europe has reached alarming proportions. Environmental improvements depend on major policy changes, direct restorative investments, and the integration of environmental concerns into new and existing operations. The Bank is directed by its founding Agreement and committed to 'promote in the full range of its activities, environmentally sound and sustainable development'.

The Environmental Procedures document embodies the desire of the Bank to ensure that environmental aspects are carefully taken into account in the selection, design, and implementation of every project in the Bank. The Environmental Procedures will ensure the soundness of our operations and help translate our environmental commitment into actions. The Procedures are an integral part of the Bank's broad and ambitious environmental agenda.

I would like to express my appreciation to the distinguished members of the Environmental Advisory Council of the Bank who reviewed the Procedures, and to the staff of the Infrastructure, Energy and Environment Department who designed them: Thierry Baudon, Gerry Muscat, Elizabeth Smith, Piotr Wilczyński and Tim Murphy.

A handwritten signature in dark ink, appearing to read 'J. Attali'.

Jacques Attali
President

The following members of the Environmental Advisory Council (ENVAC) commented and gave advice on the procedures and the policy it implements:

Dr Wojciech Beblo, Director of the Environment
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Mr Jacques-Yves Cousteau, Director,
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Professor Dr Boguslaw Fiedor, Professor of Economics,
Wroclaw

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Dr Vaclav Mezricky, Director of Environmental Law Institute,
Charles University, Prague

Mr Janos Vargha, President,
ISTER, Hungary

Mr Delcho Georgiev Vitchev, Executive Council,
ECOLASNOST, Bulgaria

Mr Jan-Olaf Willums, Executive Director,
International Environment Bureau, International Chamber of Commerce

Professor Dr E.U. von Weizsäcker, Director,
Institute for European Environmental Policy, Bonn

The following organizations offered comments and suggestions prior to Bank management review:

ECOTEC

Environmental Resources Limited

International Institute for Environment and Development

IUCN

OECD

Overseas Development Administration

Overseas Development Institute

WS Atkins Environment

World Wide Fund for Nature

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Preface

The European Bank has pledged in its Agreement to place environmental management at the forefront of its operations to promote sustainable economic development in central and eastern Europe. The Bank's environmental policy is set out in the document titled, *Environmental Management: The Bank's Policy Approach*. This document, *Environmental Procedures*, presents the procedures which the European Bank has adopted to implement this policy approach with respect to its operations.

These procedures guide Bank staff on how to exercise environmental due diligence to ensure that each project is environmentally sound, just as due diligence is performed to ensure that projects are financially, economically and legally sound. By taking environmental issues into account early in the life of a project, potential environmental problems should be avoided or minimised. The environmental procedures aim to:

- ensure that throughout the project approval process, those in positions of responsibility for approving projects are aware of the environmental implications of the project, and can take these into account when making decisions;
- avoid potential liabilities that could undermine the success of a project for its sponsors and the Bank;
- ensure that environmental costs are estimated along with other costs and liabilities; and
- identify opportunities for environmental enhancement associated with projects.

The review of environmental aspects of projects is conducted by many Bank staff members throughout the project's life. This document defines the responsibilities of the people and groups involved in implementing the environmental procedures. These people include the Team Leader, who has the responsibility for coordinating the environmental procedures for a project and overall project responsibility; the Bank's environmental specialists, who are responsible for working with project teams to carry out these procedures; and the groups involved in the project approval process, including the Operations Committee, the Executive Committee and the Board of Directors.

An emphasis has been placed on designing these procedures for the specific users; that is, for the Project Teams and the Environmental Staff. The procedures are presented as guidelines for these users and are therefore organised into the following sections:

– **Overview:**

An overview of the environmental procedures, outlining each step in the life of a project, the responsibilities of Bank staff, and the “paper trail” of documentation for the project file.

– **Team Leader Guidelines:**

A self-contained guide to environmental procedures for the Team Leader to follow, with a checklist to verify that actions have been taken as a project proceeds.

– **Environmental Staff Guidelines:**

A detailed set of guidelines for the Environmental Staff to use in carrying through the environmental procedures.

– **Annexes:**

Annexes containing *Environmental Management: The Bank's Policy Approach*, examples of environmental documentation for the project file and other ancillary information.

1. Overview of the Environmental Procedures

1.1 What are the Environmental Procedures?

The procedures described in this manual are the environmental procedures used to examine the Bank's proposed projects and programmes to ensure that they are environmentally sound. These procedures help identify any potential environmental impacts early in the life of a project, to avoid delays in approvals and to ensure that appropriate actions are taken. Annex 3 presents the different roles of the European Bank and their potential environmental implications.

1.2 Environmental Procedures and the Project Timeline

Environmental procedures need to be followed throughout the life of every Bank project. Environmental issues should be addressed early in the life of a project so that alternatives may be considered and mitigation measures may be incorporated into project design, prior to project approval. This will avoid the problems of long delays in project approval while environmental issues are examined, and will identify environmental concerns that may outweigh the benefits of a project. It will also identify opportunities for environmental enhancement of projects.

Environmental review procedures are shown in Figure 1-1 in relation to the timeline of a Bank project. These procedures are described below:

1. Request for Environmental Information

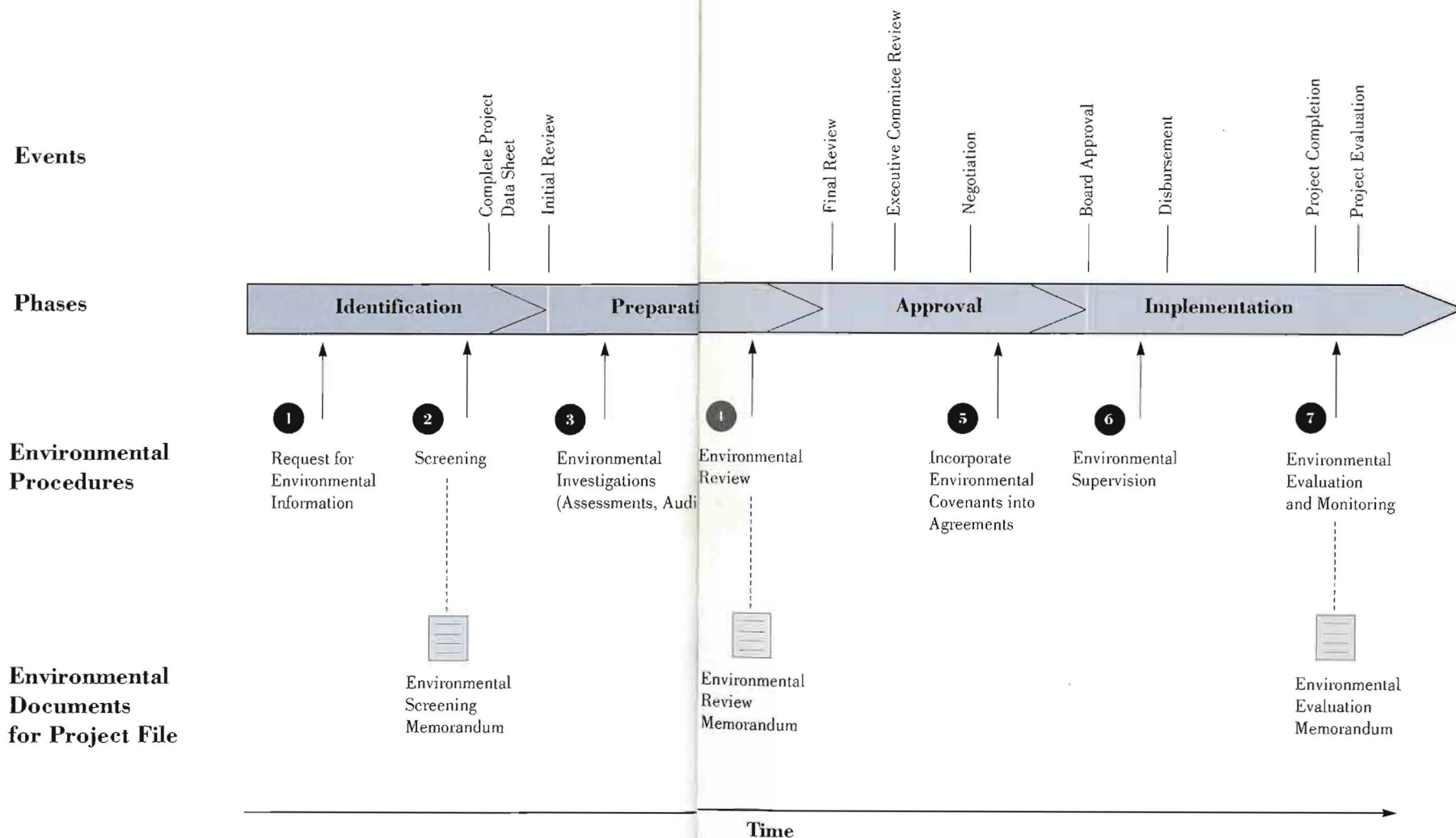
During project identification, Project Sponsors are requested to provide relevant information concerning the project, including environmental information. This information will enable the Environmental Staff to screen the project to determine the level of environmental investigation required. The preliminary environmental information requested for new projects is shown in the "Guide to Presenting Proposals" reproduced in Annex 2. It is the responsibility of the Team Leader to request this information.

2. Screening

Screening refers to the categorization of projects on the basis of their potential environmental impact. The screening category of a project indicates what form of environmental analysis will need to be undertaken.

Screening is carried out before Initial Review, when a project is in the exploratory stage. The Team Leader is responsible for contacting the Environmental Staff, who then screen the project to determine the environmental information required. It should take a short time to screen the project (10-20 minutes for most projects). The Environmental Staff prepares an Environmental Screening Memorandum (as illustrated in Annex 2), which is submitted by the Team Leader to the Operations Committee as part of the documentation for Initial Review. The Project Data Sheet is also updated with the environmental screening categories (an example is shown in Annex 2).

Figure 1- 1 Environmental Procedures and the Project Timeline



During screening, three questions will be asked of each project:

- Does the project need an environmental assessment?
- Does the project need an environmental audit?
- Can/should environmental benefits/enhancements be built into the project?

Based on the responses to these questions, the project will be given two codes, which are entered on the Project Data Sheet:

- A, B or C refers to whether the project requires a full Environmental Assessment (A), a partial environmental analysis (B) or no environmental assessment (C).
- 0 or 1 refers to whether the project does not need an audit (0) or does need an audit (1).

The criteria by which projects are screened and the types of information required are discussed in detail in the guidelines for the Environmental Staff (section 3).

3. *Environmental Investigations*

Environmental investigations are carried out by the Project Sponsor to generate the environmental information required by the Bank after screening. Environmental assessments and environmental audits are the main types of environmental investigation to be carried out on projects which have potential environmental implications. For these projects, and for those with no apparent environmental implications, the Bank examines how environmental improvements can be built into the design of the operation. Where the Bank invests via financial intermediaries, special environmental information needs to be provided. The Bank will look to those undertaking environmental assessments to take account of recent developments in economic evaluation of environmental impacts and to integrate the results of such evaluations within their overall conclusions on projects. Many projects will require both environmental assessments and audits; they address different concerns, and are in no way substitutes for each other. A full Environmental Assessment will be required where a project has potentially significant environmental effects which cannot be readily identified and quantified and for which remedial measures cannot easily be prescribed. Where these can be readily identified and prescribed, then a partial environmental analysis will be required.

The Project Sponsor has responsibility for carrying out satisfactory environmental investigations and providing the Bank with the information it requires. The Team Leader is responsible for specifying to the client the environmental information required, and for passing the information to the Environmental Staff for review. In cases where the Bank is asked for assistance in setting up an environmental investigation, the Environmental Staff will normally take on this task at the request of the Team Leader.

Types of environmental investigation, in particular audits and assessments and the special requirements for Financial Intermediary (FI) projects, are summarized in Section 2 and discussed in detail in Section 3.

4. *Project Environmental Review*

The Bank's environmental staff will carry out a review of every project before it is submitted to the Operations Committee for Final Review. The Team Leader is responsible for contacting the Environmental Staff to initiate the environmental review. This will include reviewing any environmental assessment or audit carried out on the project and the response of the Project Sponsor to the environmental assessment or audit (eg an action plan to address concerns raised in an assessment). The project environmental review will be documented in an Environmental Review Memorandum signed by the environmental specialist who reviewed the project (an example is shown in Annex 2). A summary of the environmental review, together with the full Environmental Screening and Review Memoranda, will be incorporated in the Investment Proposal submitted to the Operations Committee before Final Review. The Environmental Staff are responsible for preparing the Environmental Review Memorandum.

5. *Incorporation of Environmental Covenants into Agreement*

Environmental requirements of transactions which are identified as necessary during project preparation and environmental review will be incorporated into loan agreements as covenants. These agreements are prepared by the Office of the General Counsel, who may request assistance from the Environmental Staff in drafting environmental clauses. The agreements are the overall responsibility of the Team Leader.

6. *Environmental Supervision*

Environmental supervision is undertaken while a loan is being supervised by the Bank. It ensures that the Project Sponsor carries out the environmental measures specified in the Agreement and takes appropriate actions in cases of non-compliance. Supervision will include checking both on the monitoring carried out by the Project Sponsor and reviewing the progress of environmental mitigation or enhancement measures specified as part of the project design. The Team Leader is responsible for the environmental supervision of projects.

7. *Environmental Evaluation and Monitoring*

At project completion an environmental evaluation will be conducted by the Environmental Staff at the request of the Team Leader. This will evaluate the environmental aspects of the project and will result in the preparation of an Environmental Evaluation Memorandum (shown in Annex 2). The environmental evaluation will become part of the overall project completion report. In some cases, the environmental evaluation may result in environmental monitoring being carried out after project completion.

Table 1-1 shows these environmental procedures and their relation to the project approval process.

1.3 Environmental Procedures and Project Approval

As indicated in Figure 1-1, the Environmental Procedures are carried out throughout the life of a project. The environmental procedures will only be effective in ensuring environmentally sound projects, however, if they are supported by a review of environmental issues at key decision points in the project approval process.

Initial Review by the Operations Committee

An Environmental Screening Memorandum will be provided as part of the documentation for Initial Review and environmental issues will be summarized in the Initial Review Memorandum.

At Initial Review the Operations Committee discusses environmental issues associated with the project. The Director of the Public Infrastructure, Energy and Environment Department, who is a member of the Operations Committee, may recommend that the project be rejected on environmental grounds if there are major potential environmental concerns associated with the project which are not likely to be overcome during project preparation. Where appropriate, the Environmental Staff responsible for the environmental review of the project may be asked by the Team Leader to join the Initial Review Meeting to contribute information on specific environmental concerns.

Final Review by the Operations Committee

Environmental issues are specifically incorporated into the Investment Proposal submitted for Final Review, via the Executive Summary and the Project Evaluation Report.

The Executive Summary: The Executive Summary should outline the conclusions of the Environmental Review Memorandum and the way in which issues arising from the Memorandum will be handled.

The Project Evaluation Report: The Project Evaluation Report discusses the environmental issues associated with a project under the headings of THE COMPANY and THE TRANSACTION, and should also record the conclusions of Environmental Screening and Environmental Review Memoranda.

The Operations Committee will need to discuss the environmental issues addressed in the Investment Proposal. The Director of Public Infrastructure, Energy and Environment may recommend that a project not be allowed to proceed if the environmental issues have not been properly addressed by the Project Sponsor or if the potential impacts are too great. Environmental Staff may be asked to attend the Final Review Meeting in order to decide the environmental implications of the project.

Environmental issues will also be considered, if appropriate, by the Executive Committee.

Recourse in Cases of Disagreement

The principle has been established in the Bank's environmental policy document (*Environmental Management: The Bank's Policy Approach*, reproduced in Annex 1) that a project *can* be rejected on environmental grounds. In the event of a disagreement between the Environmental Staff and the Team Leader, as to the environmental implications of a project, there are three levels of recourse:

Level 1: The first recourse is to hold a meeting between the Environmental Staff member, the Senior Environmental Specialist and the Team Leader. External experts may be called to advise, if appropriate. The meeting aims to clarify the dispute and resolve it.

Level 2: The second recourse, if a dispute persists and the Team Leader pushes the issue forward to the Operations Committee at Initial or Final Review, is that the issues are raised at these Review meetings. For example, a Team Leader may decide to submit a project for Final Review even though the Environmental Review conducted by the Environmental Staff indicates that environmental information on a project is inadequate. It is important in such cases that the view of the Environmental Staff be recorded in the documentation presented to the Operations Committee, and that, in cases of dispute, the Operations Committee be aware of the dispute and of both points of view.

Level 3: If the Operations Committee fails to reach agreement and the Operations Committee member responsible for the environment (Director of the Public Infrastructure, Energy and Environment Department) is overruled by the other members of the Committee, then he or she may refer the matter to the Bank's President, who has the ultimate power of decision.

1.4 Procedures for Public Participation

The Bank's environmental policy document states that the Bank will ensure that Project Sponsors provide adequate information on the environmental impacts of projects to governments at all levels and the general public, especially potentially affected parties, and that the comments and opinions expressed by these parties will be taken into account in the project approval process.

Procedures for ensuring adequate opportunities for public participation on environmental issues are an integral part of the Bank's environmental requirements, and are described throughout the various sections of this manual. These procedures are outlined here and are presented in full, with guidance on ensuring public participation, in Annex 4.

Table 1-1: Environmental Procedures and their Relation to the Project Approval Process

Procedures	Task	Stage In Project Approval Process	Responsibility	Involvement	Documents requested	Documents in file	Key decisions/questions
1	Preliminary request for environmental information	Project identification	Team Leader	Team Leader, Project Sponsor	Preliminary information request form Environment information in "Guide to Preparing Proposals"	Existing information (e.g. environmental audit, policy statement)	– Is there enough information for screening?
2	Environmental screening	Project identification Preparation for Initial Review	Team Leader	Environmental Staff	– Project documents – Screening checklist – Environmental guidelines	– Updated Project Data Sheet – Environmental Screening Memorandum	– What are the project's environmental screening categories? – What information is required?
3	Environmental investigations (assessments, audits, other)	Between Initial and Final Review	Team Leader	– Team Leader – Environmental Staff – External expert, if appropriate – Project Sponsor	– Field data – Project documents	– Environmental assessment or audit report – Other reports, eg management action plan, environmental policy document	– What are the impacts? – How significant are the impacts? – What are proposed mitigation measures? – What are the recommendations? – Will the project meet the environmental standards? – What opportunities exist for environmental enhancement?

Procedures	Task	Stage in Project cycle	Responsibility for Initiation	Involvement	Documents requested	Documents in file	Key decisions/questions
4	Project environmental review	Before Final Review	Team Leader	Environmental Staff	– EA report – audit report – other report – other environmental information	– Environmental Review Memorandum – Sections of investment proposal	– Are environmental impacts acceptable? – Has the Project Sponsor taken adequate measures to combat problems identified during environmental investigations? – What are implications for project approval?
5	Incorporation of environmental covenants into Agreement	During preparation of legal documentation	Team Leader	– Environmental Staff – General Counsel		– Contract – Agreement	– Have environmental issues been incorporated into the agreement?
6	Environmental supervision	During project implementation	Team Leader	– Team Leader – Environmental Staff – General Counsel	Monitoring reports	Routine reports, as indicated in contracts	– Are environmental issues being dealt with as planned? – Should any remedial action be taken?
7	Environmental evaluation and monitoring	At project completion	Team Leader	– Team Leader – Environmental Staff	Monitoring reports	Environmental Evaluation Memorandum	– Did the project implementation match the planned schedule? – What lessons can be learned? – What further monitoring is necessary?

Notification Procedures

The Project Sponsor will have to follow the requirements for notification specified by the government in the country of operations. In addition, for all Category A projects, the Bank shall require the Project Sponsor to notify affected citizens and relevant governments and NGOs of the nature of a project as soon as the project has passed Initial Review. The format of notification will differ, depending on geographical, political and cultural differences, and on available media.

The Bank will also require the Project Sponsor to make publicly available any Environmental Assessment it has been required to carry out, in accordance with national legislation in the country concerned, such that there is sufficient time for public parties to comment on the EA and for those comments to be taken into account in the Final Review of the project.

Environmental Assessment

For all projects categorized as "A," requiring a full environmental assessment, the first step in preparing the environmental assessment will be for the Project Sponsor to ensure that adequate scoping is undertaken (See Section 3.3.1). Scoping will allow the public and other parties to raise issues which should be addressed in the environmental assessment and to discuss arrangements for further public participation.

Project Environmental Review

Environmental Assessments: Environmental assessment reports will be reviewed by Bank staff to establish the adequacy with which the issues and concerns of third parties have been explored and addressed. This will apply to all environmental assessment reports produced under Category A procedures and to partial environmental analyses produced under Category B procedures. There may well be instances where the Bank will have less extensive public participation requirements with respect to Category B projects.

Environmental Audits: Environmental audits will need to take account of public participation issues which have been raised by the public in connection with the project site (eg, local government records of complaints about noise from a factory) and also of issues which affect local people (eg, whether an emergency response plan has been developed for the site and shared with local fire, police and medical services). However, environmental audits are strictly the property of the Project Sponsor and are part of the Bank's project information. They will be reviewed for their adequacy by the Bank's Environmental Staff, but will not be made public by the Bank. The Bank may require a summary of the audit results and subsequent management action plan to be made public. The Bank may also require certain pieces of information to be made public, such as annual air quality monitoring results, in cases where the provision of this information is not already part of national regulations.

Other Environmental Information: Other environmental information associated with the project will sometimes be required to be made public. Such requirements will be determined on a case-by-case basis and no firm procedures will be set.

The Environmental Review Memorandum includes a section discussing the status of public participation on the project. This section will review whether public parties have been consulted appropriately and whether their views have been taken into account in the project preparation process.

Project Approval

Public participation issues may be raised in the Investment Proposal and will be discussed by the Operations and Executive Committee and, if necessary, by the Board.

Environmental Evaluation

At project completion, the Environmental Evaluation of a project will specifically review the public participation procedures adopted during implementation.

1.5 Summary of Documentation

Table 1-1 indicates the documents associated with each environmental procedure. This documentation should be kept in the Project File by the Team Leader, with copies also kept by the Environmental Staff.

Environmental Screening Memorandum

The Environmental Screening Memorandum identifies potential environmental issues associated with a proposed project and categorizes the project according to the types of environmental information required in the Project File.

Project Data Sheet

The Project Data Sheet records the categorizations determined during the screening process and identifies the Environmental Staff responsible for that particular project.

Assessment Report/Audit Report

These reports are the main types of environmental information which may be required from the Project Sponsor on a project.

Environmental Review Memorandum

The Environmental Review Memorandum identifies all environmental issues associated with a project, studies completed and mitigation measures agreed upon, as well as highlighting any outstanding environmental issues or concerns. It is prepared during project appraisal and forms part of the Investment Proposal submitted for Final Review.

Environmental Evaluation Memorandum

The Environmental Evaluation Memorandum reviews the environmental impact of a project at project completion and specifies any requirements for ongoing monitoring.

Miscellaneous Documentation

Other documentation may be required for the Project File, such as the Project Sponsor's corporate environmental policy, monitoring reports or responses to an assessment or audit report (management action plans). These documents will be identified by the Environmental Staff and will differ from project to project.

1.6 Summary of Responsibilities

The following organizations or individuals are responsible for the various sections of the environmental review process:

Project Sponsor

Project Sponsors are responsible for providing adequate environmental information (eg, an environmental assessment or audit) for the Bank to assess the environmental concerns associated with a project. The Bank will provide guidelines to the Project Sponsors and indicate the type of information and detail required. The Bank will monitor and review the objectivity of the environmental analysis undertaken by the borrower.

Team Leader

The Team Leader is responsible for all aspects of the management of a project. The Team Leader ensures that all the Environmental Procedures have been duly carried out at the appropriate time in the project cycle and will be asked about the environmental aspects of the project during Initial Review and Final Review.

Environmental Staff

The Environmental Staff are responsible for providing assistance to Team Leaders. Team Leaders may request input from them at any stage during the life of a project, but in particular at the following points:

- Screening: The Environmental Staff will screen all projects into the appropriate category to determine environmental information requirements and prepare an Environmental Screening Memorandum.
- Environmental Investigations: Environmental audits and assessments will be the responsibility of the Project Sponsors. However, in cases where the Bank provides assistance with the identification of consultants and the preparation of terms of reference for environmental studies, the Environmental Staff will need to manage this process, in close coordination with the Team Leader. The

Environmental Staff will review the reports generated by the Project Sponsor once they are supplied to the Bank.

- Environmental Review: The Environmental Staff has responsibility for reviewing projects before Final Review, at the request of the Team Leader. The Environmental Staff will prepare the Environmental Review Memorandum.
- Supervision, Monitoring and Evaluation: The Environmental Staff must review all environmental reports concerned with project supervision, completion and monitoring.

Office of the General Counsel

The Office of the General Counsel may be asked to advise on environmental screening and review, especially when liability issues arise. The Office of the General Counsel is responsible for incorporating environmental covenants into the Agreements of a project, which may involve assistance from the Environmental Staff. The Office of the General Counsel will also advise Team Leaders on action to take in cases where Project Sponsors fail to comply with the environmental conditions set in the Agreement.

Operations Committee

Environmental issues will be part of the documentation reviewed by the Operations Committee and outstanding concerns will be raised at the Initial and Final Review Meetings.

Executive Committee

The Executive Committee is the final review mechanism for projects before their submission to the Board of Directors. This review includes environmental issues and outstanding concerns.

Board of Directors

The Board of Directors will be asked to approve a project after reviewing the project documentation, which will include environmental issues and outstanding concerns. The rationale for any changes in environmental categorization should be made available to the Board.

2. Team Leader Guidelines

These Team Leader Guidelines are a self-contained version of the Environmental Procedures, focusing on the responsibilities of the Team Leader. The Team Leader can use this section to determine the environmental procedures that apply to a project. The procedures in this section are arranged chronologically, from initial request for environmental information to environmental evaluation and monitoring. At the end of Section 2, a checklist is provided with questions which can be checked off by Team Leaders as their projects progress through the project approval process.

Team Leaders are encouraged to read the other sections of this manual, in particular the Overview (Section 1). Team Leaders should contact the Senior Environmental Specialist in the Infrastructure, Energy and Environment Department, who will designate the Environmental Staff in charge of each particular project.

2.1 Request for Environmental Information

Description

During project identification, Project Sponsors are requested to provide relevant information on the environmental issues concerning the project. This information will help the Environmental Staff to screen the project and determine the level of environmental information required. Annex 1 shows the Preliminary Information Request Form, with the environmental sections highlighted.

Implications for Project Approval

Lack of information may delay the Initial Review date.

Team Leader Actions

- Team Leaders should make every effort during project identification to ensure that preliminary environmental information is provided by the Project Sponsor.
- Team Leaders should provide this information to the Environmental Staff prior to environmental screening.

2.2 Environmental Screening

Description

Screening is the categorization of projects on the basis of their potential for environmental impact. The screening category of a project indicates the form of environmental analysis that will need to be undertaken for the project. Projects should be screened prior to the Initial Review and after they have satisfied financial and other criteria. Screening is initiated by the Team Leader and carried out by the Environmental Staff.

During screening, three questions will be asked of each project:

1. Does the project need an environmental assessment?
2. Does the project need an environmental audit?
3. Can/should additional environmental benefits/enhancements be built into the project?

Based on the responses to these questions, the project will be given two codes, which will be entered on the Project Data Sheet.

- A, B, or C refer to whether the project requires a full Environmental Assessment (A), a partial environmental analysis (B), or no environmental assessment (C).
- 0 or 1 refer to whether the project does not require an audit (0) or does require an audit (1).

The following documentation is created during the screening process:

- Environmental Screening Memorandum (illustrated in Annex 2)
- Information for the Project Data Sheet (illustrated in Annex 2).

Implications for Project Approval

Screening must be carried out before Initial Review can take place.

Team Leader Actions

- Contact Environmental Staff prior to Initial Review, to initiate screening. Provide preliminary information on the project.
- Discuss project with Environment Staff assigned to it, who will screen the project into screening categories, determining the environmental information required for the project. The meeting should take around 10–20 minutes. The screening will be recorded in an Environmental Screening Memorandum prepared by the Environmental Staff (see Annex 2 for an example).
- Record screening categories and name of Environmental Staff assigned on Project Data Sheet.
- Attach Environmental Screening Memorandum to Initial Review documentation.

2.3 Environmental Investigations

Description

The type of environmental investigations required on a project to satisfy the information requirements are identified in screening. These investigations, which may include environmental assessments or environmental audits, are the responsibility of the Project Sponsor. The Bank may assist the Project Sponsor by identifying experts to carry them out. The Team Leader will liaise with the Project Sponsor to ensure that the environmental investigations are carried out, and therefore it is important that the Team Leader is aware of the nature of these investigations.

It is the Team Leader's responsibility to ensure that Project Sponsors provide adequate information on the environmental impacts of projects to governments at all levels and the general public, and that the comments and opinions expressed by these parties are taken into account in the project approval process. The Bank's procedures for ensuring public participation are presented in full in Annex 4.

Environmental investigations are therefore discussed briefly below, and in more detail in Section 3. In each case, the documentation relating to the environmental investigation should be stored in the Project File.

Projects Requiring Environmental Assessment

Environmental assessments are required for projects involving expansion or development on greenfield sites, and when projects have the potential to cause environmental impacts outside the area occupied by the project. They are often required by law in the country of operations. There are two main types of environmental assessment studies that can be carried out on a project, depending on the level of potential impacts:

- Full Environmental Assessment (sometimes abbreviated to EA): The EA is an intensive examination of the environmental impacts of a project. EAs are often major studies conducted by teams of multidisciplinary environmental specialists, requiring extensive field work. A full Environmental Assessment will be required where a project has potentially significant environmental effects which cannot be readily identified and quantified and for which remedial measures cannot easily be prescribed.
- Partial environmental analysis: The scope of a partial environmental analysis can vary considerably depending on the type of project. However, most will normally involve the specification of environmental guidelines or standards which should be met by a project. This should be possible without the need for a major study, although studies will be needed in certain cases.

Projects requiring an Environmental Audit

An environmental audit is typically conducted when property is involved with a transaction (bought, sold or leased) or when a site has ongoing operations. An audit consists of observations, interviews and reviews of records to determine if there is reason to suspect contamination or other environmental liability issues associated with a property. More detailed audits may be required prior to Final Review if particular environmental problems are identified. Detailed audits typically involve taking soil or groundwater samples to determine the type and parameters of contamination, or measuring air quality and noise levels within or outside a plant.

Projects with No Apparent Environmental Impact

Projects with no apparent environmental impacts are identified in the screening process as those which do not require an assessment or an audit. Financial Intermediary projects, which are a special subset of these projects, have special information requirements, outlined below.

Projects with no apparent environmental impact are normally of the following kinds:

- Education (except school construction)
- Health (except hospital construction)
- Nutrition
- Institutional development
- Technical assistance
- General service sector activities

The Bank's approach to these projects is to review them carefully and, where appropriate, to include positive environmental components to assure a beneficial environmental effect.

Financial Intermediary (FI) Projects

Financial Intermediary projects are not, typically, projects with a direct environmental impact and do not require an environmental assessment or audit. Financial institutions, however, lend money and become equity holders in companies that do have direct environmental impacts. It is essential that the Bank has assurances that financial intermediaries will perform due diligence investigations on the potential environmental concerns associated with each transaction in which they are involved, and that they require the ultimate borrowers to provide the FI with appropriate environmental information (eg, an audit or assessment).

In cases where the FI has no acceptable environmental procedures, the Bank will require the FI to develop such procedures that are consistent with those outlined in this document. In practice, this involves the following requirements of the FI:

- An adequate procedure for screening projects to determine the type of environmental information required.
- Adequate procedures for Environmental Review of environmental information identified as necessary in the screening process.
- Procedures for incorporating any environmental components into Agreements with borrowers.
- Procedures for monitoring and evaluation of projects.

In order to meet this challenge, the Bank may, at the request of the FI, provide assistance in identifying capable local consultants or other experts, and in institutional strengthening.

Implications for Project Approval

If environmental information is not requested early enough, the late submission of environmental information may delay Final Review.

Team Leader Actions

- Team Leaders should request environmental information from Project Sponsors as soon as Initial Review has cleared a project. This will often require contact with the Environmental Staff assigned to the project to clarify the details of how environmental information should be provided, in particular for projects needing environmental assessments.
- Team Leaders should pass all environmental information provided by the Project Sponsor to the Environmental Staff for review, as soon as it arrives at the Bank. In cases where this information is inadequate, Team Leaders should request further information.

2.4 Project Environmental Review*Description*

The Bank's Environmental Staff will carry out a review of projects before they are submitted for Final Review. This will include reviewing any environmental assessment or audit carried out on the project. A summary of the environmental review will be incorporated in the Investment Proposal.

Before the Operations Committee Final Review, the Environmental Staff will review all the environmental information associated with a project and prepare an Environmental Review Memorandum (see Annex 2).

The following information is considered when reviewing reports:

- Are national regulations met?
- Were the Terms of Reference followed?
- Are the items required by the Bank's Environmental Policy included?
- Does the report:
 - present the significant impacts?
 - clarify which impacts are unavoidable and which can be mitigated?
 - present proposed mitigation measures?
 - document requirements for monitoring and supervision of the project?
 - summarise recommended actions?
 - incorporate environmental enhancement measures?
- Are project alternatives described?

When reviewing a project, the Environmental Staff will, in addition, review the response of the Project Sponsor to the environmental investigations carried out, to ensure that it is intended to address all the issues adequately.

The Investment Proposal submitted for Final Review will need to incorporate the environmental review as follows:

The Executive Summary should outline the conclusions of the Environmental Review Memorandum and the way in which issues arising from the Memorandum will be handled.

The Project Evaluation Report should discuss environmental issues associated with a project under the headings of THE COMPANY and THE TRANSACTION and should also record the conclusions of the Environmental Screening and Review Memoranda.

The Operations Committee will need to discuss the environmental issues addressed in the Investment Proposal. The member of the Operations Committee responsible for the environment (the Director of Public Infrastructure, Energy and Environment) may recommend that a project not be allowed to proceed if the environmental issues have not been properly addressed by the Project Sponsor or if the potential impacts are too great. Environmental Staff may be asked to attend the Final Review Meeting in order to describe the environmental implications of the project.

Implications for Project Approval

Projects must have an environmental review carried out by the Environmental Staff before they can proceed to Final Review.

Team Leader Actions

- Team Leaders should arrange with the Environmental Staff an environmental review of the project as early as possible before Final Review.
- Team Leaders should incorporate the results of the environmental review into the Investment Proposal submitted to the Operations Committee.

2.5 Environmental Clauses in Agreements

Description

Environmental covenants arising from the environmental review of a project will be incorporated into loan Agreements. The Environmental Staff of the Bank will assist the Team Leader and the Office of the General Counsel in drafting clauses, as needed.

Implications for Project Approval

Agreements cannot be finalised until clauses relating to environment, where appropriate, have been included.

Team Leader Actions

The Team Leader should contact the Environmental Staff and the Office of the General Counsel to initiate preparation of environmental clauses in Agreements.

2.6 Environmental Supervision

Description

Environmental supervision is undertaken while a loan is being supervised by the Bank. It ensures that the Project Sponsor carries out the environmental measures specified in the Agreement and takes appropriate actions in cases of non-compliance. Supervision will include checking on both the monitoring carried out by the Project Sponsor and also on the progress of environmental mitigation or enhancement measures specified as part of the project design.

Implications for Project Approval

Environmental supervision is essential to ensure that a project is implemented properly. Poor supervision may result in an adverse evaluation report at project completion.

Team Leader Actions

Take action to supervise the project according to the environmental clauses in the Agreements.

2.7 Environmental Evaluation and Monitoring**Description**

At project completion, an environmental evaluation will be conducted to evaluate the environmental aspects of the project and will result in the preparation of an Environmental Evaluation Memorandum (shown in Annex 1). This memorandum will become part of the overall project completion report. In some cases, the environmental evaluation may result in environmental monitoring being carried out after project completion.

Implications for Project Approval

Environmental evaluation must be undertaken before a project can be considered complete.

Team Leader Actions

Contact Environmental Staff to initiate environmental evaluation.

Figure 2-1: Team Leader Checklist for Environmental Procedures

Project Identification	<ul style="list-style-type: none"> - Has preliminary environmental information been received ? - Have environmental information requirements been discussed with the Project Sponsor?
Initial Review	<ul style="list-style-type: none"> - Has environmental screening been carried out and do you have the Environmental Screening Memorandum? - Have the environmental categories on the Project Data Sheet been completed? - Have Environmental Staff been identified on the Project Data Sheet? - Is the environmental Screening Memorandum summarized in the Initial Review Memorandum?
Final Review	<ul style="list-style-type: none"> - Have the results of environmental investigations been reviewed by the Environmental Staff? - Is further action required (Management Action Plan, more information from Project Sponsor, etc)? - Is the Environmental Review Memorandum completed? - Has the Environmental Review Memorandum been incorporated in the Investment Proposal and summarized in the Executive Summary? - Have the appropriate steps for public participation been taken into account in the Investment Proposal?
Executive Committee Review	<ul style="list-style-type: none"> - Have all the environmental issues raised at Final Review been resolved?
Preparation of Agreements	<ul style="list-style-type: none"> - Have environmental concerns been incorporated into legal covenants in the Agreements?
Board Review	<ul style="list-style-type: none"> - Have any outstanding environmental concerns been resolved?
Project Implementation	<ul style="list-style-type: none"> - Is there a plan in the Project File that documents any environmental supervision and monitoring requirements and how they will be implemented?
Project Completion and Evaluation	<ul style="list-style-type: none"> - Have the Environmental Staff reviewed the project completion information and written an Environmental Evaluation Memorandum?

3. Environmental Staff Guidelines

This section sets out the European Bank's environmental procedures, as they are applied by the Environmental Staff. As shown in Section 1, although overall responsibility for carrying out environmental procedures on projects rests with the Team Leaders, the Environmental Staff will have a major operational role. For this reason, this section is comprehensive and detailed. These guidelines follow the sequence of environmental procedures as they interact with the progress of a project at different stages in the project approval process (see Figure 1-1).

3.1 Request for Environmental Information

Procedures for requesting environmental information early in the project identification stage have been designed to ensure that Team Leaders gather sufficient information to enable the Environmental Staff to undertake environmental screening and to define in detail the environmental information requirements after Initial Review.

The Guide to Presenting Proposals is given to potential project sponsors by Merchant and Development Banking to elicit a variety of financial and other project-related information. This form has been designed to include environmental and operations-related information. Initial requests for information on a proposed project should include a summary of key environmental issues associated with the project. **Team Leaders should make every effort during project identification to ensure that this information is provided as early as possible.**

The full preliminary information request form is shown in Annex 2. The information useful for environmental screening is highlighted.

3.2 Environmental Screening

Proposed projects have a wide variety of potential environmental impacts and will require different levels of environmental information to enable the Bank to assess their associated environmental concerns and liabilities. The Bank has Screening Procedures which identify the level of information needed on a project before the project can be approved. Additional information may be required at any stage of a project, should additional environmental concerns be identified.

Screening Procedures

The following procedures apply to all projects, regardless of type or anticipated environmental impact.

- Projects should be screened when a project is in the exploratory stage, after projects have satisfied financial and other criteria. Thus screening should occur shortly before Initial Review.

- To initiate screening, the Team Leader should contact the Senior Environmental Specialist in Infrastructure, Energy and Environment to arrange a meeting to screen the project. At the meeting the Team Leader will describe the project briefly, indicating what environmental information is already available on the project. The Environmental Specialist assigned to the project will screen the project into a screening category, determining the environmental information required for the project. The meeting should take around 10-20 minutes for most projects.
- The Environmental Specialist will prepare an Environmental Screening Memorandum containing a brief description of the project, the environmental screening category, the reason for screening into the chosen category, the environmental information required and the environmental issues which are apparent at this stage. A sample Environmental Screening Memorandum is presented in Annex 2. The Screening Memorandum will be submitted at the project's Initial Review.
- The Team Leader records the environmental screening category in the Project Data Sheet, which will be submitted at Initial Review (see Annex 2). The Team Leader should also record the name of the Environmental Staff assigned in the section of the Project Data Sheet titled "EBRD Team and Responsibilities".

Screening Categories

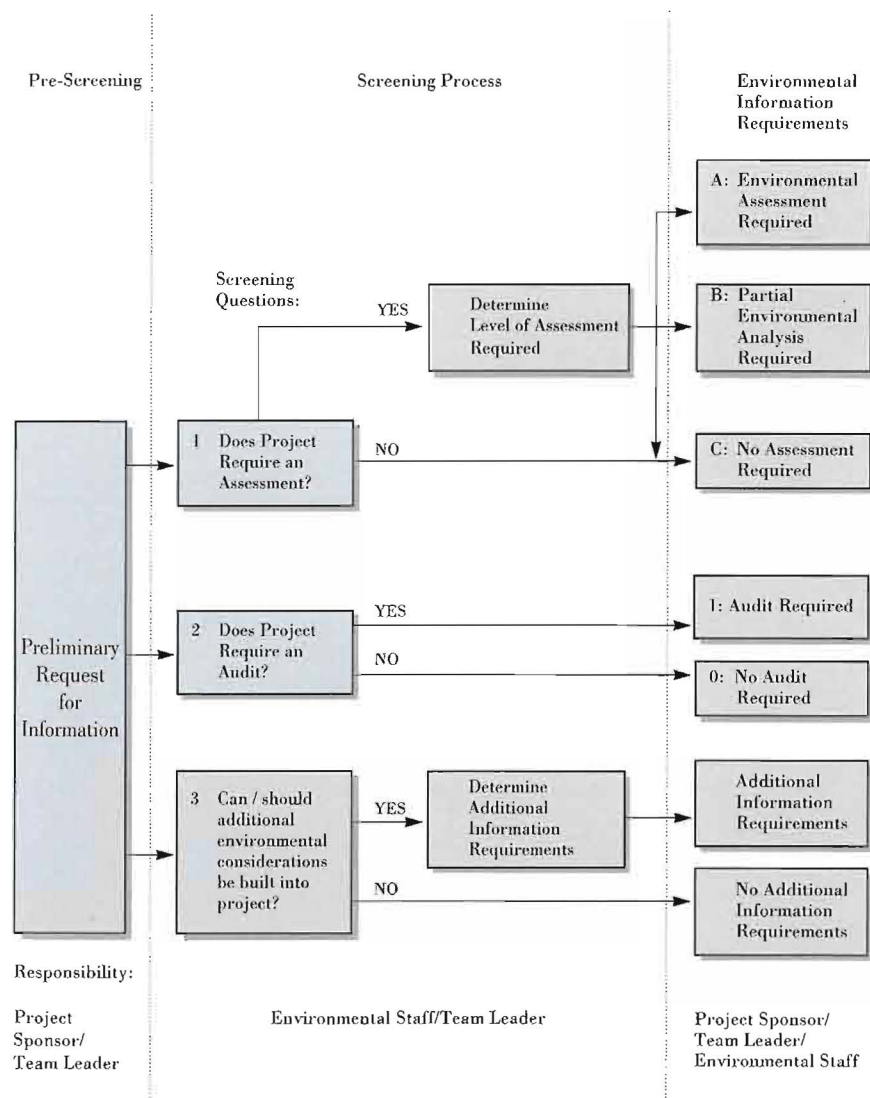
The paths which a project can take during the definition of its screening category are illustrated in Figure 3-1. This Figure shows the decision points and outcomes in the screening undertaken by the Environmental Staff. These decision points are set out below.

1. Does the project need an environmental assessment?

An environmental assessment may be needed for projects involving any of the following:

- development of a greenfield site;
- expansion of an existing facility onto undeveloped land;
- public infrastructure projects;
- projects which have the potential to cause environmental impacts outside the area occupied by the project; or
- whenever required by law.

Figure 3-1: Environmental Screening Procedure



For such projects, it is necessary to determine the type of environmental assessment they require, according to the following general rules. A project may be upgraded to a higher category, should significant environmental concerns be identified during the investigation, or downgraded to a lower category if concerns prove to be less serious than first anticipated.

The Lists A, B and C contained in Appendix 1 to the Bank's Environmental Policy (reproduced toward the end of Annex 1 of this document) are used to guide the decision into which category a project should be screened.

- Projects on List A will require a full Environmental Assessment (EA). These will be screened into Category A.
- Projects on List B will require a Partial Environmental Analysis (which may vary from a limited environmental assessment to stipulation of environmental guidelines). These will be screened into Category B.
- Projects on List C and projects with no identifiable environmental impact will not require an environmental assessment. These will be screened into Category C.
- Projects falling within lists contained in national legislation will be screened into the more stringent environmental assessment category out of the Bank lists and the Government lists.

2. *Does the project need an environmental audit?*

Projects will require an audit if they involve property transfer, lease of property or modifications to existing operations.

A category will be assigned to each project as follows:

"0" = No environmental audit required.

"1" = Environmental audit required.

3. *Can/should additional environmental considerations be built into a project?*

- Projects may also offer opportunities for incorporating environmental improvements which would enhance the project with little or no reduction in efficiency.
- Projects will need specialised environmental information if they involve investment in Financial Intermediaries (see Section 3.3.4).

No coding category is assigned to these responses.

Thus there will be two codes associated with each project:

- Assessments: A, B or C
- Audits: 0 or 1

These codes will be recorded on the Project Data Sheet.

The types of environmental information required on projects are discussed in detail in Section 3.3.

Screening and Initial Review

The Environmental Screening Memorandum, along with the updated Project Data Sheet, will be presented as part of the documentation for Initial Review. During Initial Review, the Operations Committee will review relevant environmental issues raised in screening and presented in the project documentation.

During the Initial Review Meeting, the Operations Committee will discuss the environmental issues associated with the project. The Operations Committee member responsible for the environment (the Director of Infrastructure, Energy and Environment) may, in certain circumstances, recommend that the project be rejected if potential environmental problems are deemed to make the project inappropriate for Bank assistance. Where appropriate, the Environmental Staff member who is working with the Team Leader on the project may be asked to join the Initial Review Meeting to describe the specific environmental concerns.

Documentation for the Project File

The Environmental Screening Memorandum is created during the screening process and it records the following information:

- Brief description of the project
- Environmental screening category
- Reason for screening into the chosen category
- Environmental issues apparent at screening
- Public participation requirements
- Other issues
- Further actions
- Date
- Signature of the Environmental Specialist and Team Leader.

The Project Data Sheet will record the following:

- Environmental screening categories
- The name of the member of the Environmental Specialist who will be the contact for the project (normally the person screening the project), listed in the section EBRD Team and Responsibility.

Examples of the Environmental Screening Memorandum and the Project Data Sheet are shown in Annex 2.

3.3 Environmental Investigations

3.3.1 Environmental Assessment

Projects which require some form of environmental assessment will be identified through the screening process and categorised A or B according to the level of assessment required. These projects will typically fall into the following categories:

- projects involving development at greenfield sites or expansion onto undeveloped land,
- public infrastructure projects,
- projects which have the potential to cause environmental impacts outside the area occupied by the project, or
- other projects for which there are national requirements for environmental assessment.

There are two main types of environmental assessment study that can be carried out on a project, depending on the significance of the potential impacts:

- **Full Environmental Assessment** (sometimes abbreviated to EA): The EA is an intensive examination of the potential environmental impacts of a project. EAs are often major studies conducted by teams of multidisciplinary environmental specialists, requiring extensive field work. These projects are categorised as A in screening.
- **Partial environmental analysis**: Partial environmental analysis can vary considerably depending on the type of project, but normally involves the specification of those environmental guidelines or standards which should be met by a project. This should be possible without undertaking any major study, although studies will be needed in certain cases. These projects are categorised as B in screening.

Scoping for Environmental Assessment

Scoping refers to the preparations which are made for setting up an EA. Although EA is the responsibility of the Project Sponsor, the Bank may assist the borrower and play a role in establishing the scope of the EA. The main purpose of scoping is to identify the key issues which need to be addressed by the EA to enable the critical decisions on a project to be taken by the Bank. Successful scoping of an EA makes the EA focused and efficient, and ensures that there is an appropriate level of public participation in the EA.

Scoping involves the following actions:

- identifying the environmental issues which are known at the start of the study,
- identifying the concerns of all interested parties affected by the project, including local communities, NGOs, government institutions, other donor agencies and interest groups,
- setting up meetings between interested parties, as appropriate, to raise issues and discuss arrangements for managing public involvement through the course of the EA, and
- preparing the Terms of Reference for the EA and selecting experts to undertake the EA. It is Bank policy to encourage the use of local expertise wherever possible.

Where appropriate, environmental assessments should include the analysis of environmental costs in economic terms.

The extent to which the Bank becomes involved in these actions will vary from project to project, depending on the complexity of the project, the assistance sought from the Bank on scoping by the Project Sponsor and the competence of the Project Sponsor to scope the EA adequately to ensure that the final EA will meet the Bank's requirements.

Managing an Environmental Assessment

Preparation of an EA is the responsibility of the Project Sponsor. The Project Sponsor sets Terms of Reference for the EA, selects the experts to carry out the EA and manages the experts. The Project Sponsor also determines the dates of submission of reports and makes sure the EA is on schedule by reviewing progress reports.

The Bank will need to review the final outputs of the EA. However, EA tends to be most effective when preliminary findings are reviewed as early as possible during the course of the EA. The Bank may wish therefore, to review and comment on progress reports or interim reports as they are prepared. The Bank may require involvement in key project meetings on the EA, such as scoping meetings, public participation meetings and presentations of EA findings.

Procedures for the Bank to review EAs are discussed in Section 3.4.

Partial Environmental Analysis

The Bank's Environmental Policy allows for alternatives to full Environmental Assessment for projects where the range of environmental issues is comparatively narrow and the issues can be successfully managed through less extensive analysis. They fall into category B in the screening process.

For these projects, the procedures are as follows:

- The Bank will assist the Project Sponsor to determine the nature of the partial environmental analysis required.
- The Bank will supervise the Project Sponsor's environmental analysis work. For projects in which specific studies are necessary, this will involve liaising with the project sponsor to ensure that the studies are conducted in a satisfactory way and reviewing the outputs of the study.

Partial environmental analysis may include any or all of the types of analysis shown in Table 3-1.

It is important that the Bank should take into account national environmental and land use policies and regulations when considering such projects. For example, if it is decided that specific environmental standards should be adopted for the project, and there is very limited enforcement of environmental controls in the country, then it may be necessary for the Bank to define mechanisms whereby the Project Sponsor demonstrates to the Bank, on a regular basis, that the environmental standards specified in the Bank's Agreement with the Project Sponsor are being adhered to during project implementation.

Table 3-1: Sample Types of Partial Environmental Analysis

<i>Partial Environmental Analysis</i>	<i>Example of Application</i>
Specific design criteria to safeguard the environment	Rural electrification, rural water and sanitation
Pollution control standards or effluent/emission limits	Small-scale industrial plants
"Best Practice" standards	Small scale irrigation
Reliance on local government permitting requirements covering siting, construction, operation, pollution discharge and waste disposal	Small-scale industrial plants
Preparation of environmental manuals, and institutional strengthening and training	Projects where the enforcement of existing regulations is weak
Application to individual projects of design criteria, guidelines and standards developed in regional or sectoral EAs	Projects which are part of wider programmes, eg a small-scale industrial plant on a large industrial estate

Regional and Sectoral Environmental Assessments

Regional and sectoral EAs may be undertaken for development plans, sector-wide programmes, or multiple projects rather than single projects.

Regional or sectoral EAs can reduce the time and effort required for project-specific EAs in the same region or sector by identifying issues, initiating baseline data collection and assembling existing data. In certain cases such EAs could eliminate the need for a project-specific EA altogether.

Regional Environmental Assessments

Regional EAs should be considered when a number of development activities are planned or proposed in a relatively localized geographical area. They serve a number of purposes, including:

- Identification of local thresholds based on the absorptive capacity of the local environment.
- Identification of cumulative impacts of different activities (eg, the combined effects on receiving water quality of the effluents of several municipal and industrial wastewater discharges) and of design or implementation schedule requirements to avoid or mitigate these impacts.
- Identification of environmental interactions or conflicting demands on resources among projects, where the impacts of one project may reduce the benefits of another, and of measures to avoid such conflicts.
- Formulation of criteria for environmentally sustainable development in a region.
- Identification of region-wide environmental enhancement opportunities.
- Identification of regional environmental data collection programmes to support development decisions and EA.
- Examination of policy alternatives and institutional elements needed for achieving sustainable development in the region.

It may be appropriate, for example, for the Bank to undertake an initial regional EA for the projects proposed under the Baltic Sea Environment Programme.

Sectoral Environmental Assessments

Sectoral EAs may be used to examine the cumulative impacts of multiple projects planned in the same sector. They may address several large Category A projects together (eg, power plants), or a number of small projects that may not require EAs individually. The purposes of sectoral EAs may therefore include:

- Review of the environmental impacts of sector investment alternatives, eg expansion of existing power generation facilities against construction of new facilities.
- Evaluation of the environmental effects of sector policy changes (eg, implementation of air quality standards).
- Assessment of sector requirements for environmental review, mitigation measures and monitoring programmes.
- Assessment of the capacity of institutions to implement environmental policies and actions, and the need for any institutional strengthening.

It may be appropriate, for example, for a sectoral EA to be undertaken of Bank projects to tackle air pollution in the “Sulphur Triangle.”

Documentation for the Project File

For projects requiring environmental assessment, the following documentation will, typically, be required in the project file.

- Environmental Screening Memorandum explaining the categorization of the project during screening.
- Scoping Report explaining the results of the scoping process.
- Terms of Reference and Contract with consultants or other experts if hired directly by the Bank.
- Copy of EA or outputs of partial environmental analysis.
- Copy of Project Sponsor's response to the EA report, including details of how the Sponsor will respond to recommendations made in the report.
- Summary of the EA or partial environmental analysis in the Investment Proposal.

3.3.2 Environmental Auditing

A general environmental audit is, typically, conducted when property is involved with a transaction (bought, sold, or leased) or when a site has ongoing operations. More specific audits may be required if particular environmental problems are identified during the general audit. In addition, ongoing monitoring and routine environmental audits may be a requirement of an Agreement.

The purpose of an environmental audit is to identify any environmental concerns which may be a potential liability, either to the sponsor or to the Bank.

A general environmental audit (sometimes called a “Phase I audit” or “Property Transfer audit”) comprises a tour of the site, survey of site characteristics, review of available records and interviews with appropriate personnel. Environmental audits measure observations against a set of criteria, usually an audit protocol. The Bank requires that audits are conducted by third parties, such as an environmental consultant, to maintain objectivity. General environmental audits normally involve one to two days on site and access to buildings and available records. At the end of an audit, an audit report is prepared containing findings, conclusions and recommendations.

The audit report will be reviewed by the Environmental Staff to determine any further information requirements. If environmental contamination or unacceptable emissions/discharges are suspected, a more detailed environmental investigation will need to be conducted prior to Final Review to determine the extent of the problem. This, typically, involves on-site investigations, including taking soil or groundwater samples to determine the type and parameters of contamination.

Projects Requiring Audits

Projects requiring audits are identified during the screening process (see Section 3.2). In some cases a recent environmental audit will have been completed for the Project Sponsor and will have been submitted to the Bank along with other preliminary information on the project. Upon reviewing the audit report, the Environmental Staff may be satisfied that no further information is necessary, or it may determine that more detailed information needs to be gathered and analysed.

The Project Sponsor should identify available environmental records and information during the Preliminary Request for information.

Managing an Environmental Audit

Under ordinary circumstances, the Bank will not be involved in managing audits. This will be the responsibility of the Project Sponsor. Upon request from the Project Sponsor, the Bank may assist with suggesting competent auditors and providing an audit protocol and a report format. In order to verify information, the Bank may choose to conduct its own environmental audit.

Once the need for an audit has been determined, the following steps must be taken by the Project Sponsor.

Pre-Audit Activities (responsibility of Project Sponsor)

Step 1 Schedule the audit.

- The audit should be conducted under normal conditions (ie, typical working hours and operations) if possible.

- The site operator should supply the name, telephone and fax numbers of the site contact and assist with travel advice and lodging recommendations.
- The site operator should identify any site safety issues and provide protective equipment or clothing (steel-toed boots, hard hats, etc) required when working on site. Information on the environmental legislation with which the facility must comply should also be provided.

Step 2 Define the parameters of the audit and select the audit team.

- Define the parameters of the audit (general environmental audit or a specific focus on a particular area) and write terms of reference.
- Contract a third-party auditor/consultant who is experienced in the type of industry and country of operations. (See Section 3.3.5)
- Determine availability of audit team and verify travel and accommodation arrangements.

Step 3 Brief the audit team on audit protocol.

- Define audit schedule and assign responsibilities to audit team members.
- Set timescale for audit, draft report and final report.
- Identify regulatory requirements of current facility.
- Set as priorities for auditors those parts of the audit protocol which are of most importance to the Bank.
- Determine resource needs.

Conducting the Audit (responsibility of third-party auditors)

Step 4 Review background information.

- Hold initial meetings, obtain description of operations, location and site maps and briefly describe purpose of site visit and documentation requirements.

Step 5 Inspect the site.

- Go through the site, noting information on site map.
- Take notes on areas of special concern to focus on during the interviews. Make follow-up tours of specific areas, as needed.

Step 6 Interview personnel and review records.

- Gather data, copies of permits, and review appropriate records.
- Confirm notes gathered during site tour.

Step 7 Evaluate audit findings and report findings to Project Sponsor.

- Discuss preliminary results with Project Sponsor.
- Meet with plant management to discuss report and verify information.

Post-Audit (responsibility of third-party auditors)

Step 8 Draft audit report and submit to facility to verify accuracy and to the Project Sponsor and Bank for comments.

Step 9 Incorporate comments from facility, Project Sponsor and Bank.

Step 10 Issue final report, including executive summary, to Project Sponsor.

Follow-up (responsibility of Project Sponsor)

Step 11 Develop and submit Management Action Plan that addresses the conclusions and recommendations of the audit report. Include time scales for implementing changes. The Environmental Staff and Team Leader will discuss those issues raised in the audit report that need a written plan. If contamination is found, a more detailed environmental investigation will be required prior to Final Review.

Step 12 Issue final report, including executive summary to Bank.

Step 13 At appropriate intervals (usually annually), produce progress reports relating to the Management Action Plan.

Documentation for the Project File

The Project File should have a copy of the following items associated with an environmental audit:

- Environmental Screening Memorandum showing an audit is required.
- Contract with consultants, if hired by the Bank.
- Copy of audit report, draft and final.
- Copy of Project Sponsor's response to the audit report, including Management Action Plan and time frames for implementation.
- Completed checklist of environmental information.

3.3.3 Projects with No Apparent Environmental Impact

Projects with no apparent environmental impacts will be designated as "C" and "O" projects in the environmental screening process, indicating that they do not require an assessment or an audit. Financial Intermediary projects, which are a special subset of these projects, have special information requirements as discussed in Section 3.3.4.

Projects with no apparent environmental impact are normally of the following kinds:

- Education (except school construction)
- Health (except hospital construction)
- Nutrition
- Institutional development
- Technical assistance
- General service sector activities

The Bank's approach to these projects is to review them carefully and, where appropriate, to include positive environmental components.

Procedures for Handling Projects with No Apparent Environmental Impacts

- Screening: At screening, the Environmental Staff should present in the Environmental Screening Memorandum an explanation of why the project is categorized as Category "C" and "O".

Where appropriate, the Environmental Staff may suggest building environmental considerations into a project to enhance the project with little or no decrease in efficiency. For example, the Environmental Staff might suggest to the Team Leader that an environmental component would enhance an education project. Guidance on incorporating environmental issues into technical assistance projects is given in Figure 3-2.

- Initial Review: At Initial Review, members of the Operations Committee may ask for clarification as to why a project has been categorized as not requiring an assessment or audit.
- Final Review: At Final Review, the Operations Committee should establish if there are any reasons why a project should have its categorization changed, such as where environmental issues have arisen since screening was done.
- Evaluation: The Project Evaluation Report should draw attention to any unforeseen environmental issues which have arisen during the implementation of the project. In such cases, the Environmental Evaluation Memorandum will describe the project's unforeseen environmental problems, determine if mitigation action may nevertheless be taken and investigate the reasons why environmental issues were not identified. The Bank will review its procedures to avoid future occurrences.

Documents for the Project File

- Environmental Screening Memorandum: This should present the reasons why a project was screened into the "C" and "O" categories and discuss any potential for incorporating positive environmental considerations, if appropriate.
- Environmental Review Memorandum: This should discuss any unforeseen environmental issues which have arisen since Initial Review.
- Environmental Evaluation Memorandum: This will review the project's environmental impact at project completion.

Figure 3-2: Incorporating Environmental Issues into Technical Assistance Projects

General technical assistance

Review the objectives and expected outputs of each project. Introduce environmental aspects, where possible and appropriate.

Technical assistance by type of target institution

Plant, industry or industrial association

Identify best environment management practices and regulatory compliance.

Government

Assist with environment policy development.

The public

Include education and training.

Types of Technical Assistance Projects

Training

Managers

Include environmental policy, best management practices.

Workers

Include environmental programmes, procedures, and worker health and safety issues.

Technical staff

Include environmental standards of practice, environmental controls, best management practices and regulatory compliance.

The public

Include education and awareness of environmental issues and concerns. Illustrate with case studies of industry initiatives in environmental enhancement and problem areas.

Figure 3-2, continued

Feasibility Studies**Policy Development and Planning***Policy*

Develop environmental policies on corporate commitment to the environment.

Programming

Integrate environmental components/projects into programmes, (eg, for energy conservation, pollution prevention, waste minimisation, recycling).

Planning

Incorporate environmental aspects into plans.

Institutional Development*Staff resource development*

Environmental awareness training.

Policy development

Consider opportunities for developing an environmental policy for the institution.

Management of information

Review environmental information requirements and need for access to environmental information centres.

Institutional structure

Consider need for high-level position for environmental staff in corporate structure, and need for an environmental manager focal point.

Technology Transfer*Institutional technology transfer*

Training on environmental issues.

Financial technology transfer

Training on incorporating environmental considerations into projects.

3.3.4 Financial Intermediary Projects

Financial Intermediary projects (FI projects) are projects where the Bank invests in financial institutions (often ventures between western and newly privatised central and eastern European banks) which on-lend to borrowers. FI investment is used by the Bank as a means of indirectly financing small and medium-scale operations which are too small for the Bank to fund directly.

FI projects are defined in the screening process as a special case. While they do not need a specific assessment or audit, there are special information requirements.

The European Bank's Environmental Management policy statement states:

When the Bank channels its assistance through a corporate or financial intermediary, standards and procedures will need to be applied for each major sub-project. For this reason, the Bank will assess the overall environmental performance and capabilities of the sponsoring organization to carry out the environmental review of projects. ...The Bank will require that environmental quality levels similar to its own be applied in cases of associated lending.

Financial intermediary projects are not, typically, projects with a direct environmental impact. Financial institutions, however, lend money and become equity holders in companies that do have direct environmental impacts. It is vital that the Bank has assurances that Financial Intermediaries perform due diligence investigations on the potential environmental concerns associated with each transaction, and that they require the ultimate borrowers to provide the FI with appropriate environmental information (eg an audit or assessment).

Procedures for Incorporating Environmental Aspects into FI Projects

Environmental aspects of Financial Intermediary projects should be considered and communicated to Project Sponsors early in the life of a project. Different types of environmental information may be required for incorporation in the Project File. The following procedures should be followed to ensure that the environmental aspects of projects will be considered by FIs.

1. The Team Leader should establish the types of projects that the FI intends to fund and discuss how it will handle potential environmental concerns. The history of the FI with regard to environmental responsibility should be ascertained. The likely environmental responsibility of the ultimate borrowers should be established.
2. A copy of the FI's environmental policy and procedures should be obtained, if available.
3. The Environmental Staff should evaluate the adequacy of the FI's policy and procedures and compare them with the Bank's policy and procedures.

4. If no environmental policies and procedures have been developed by the FI, or if the FI's procedures fail to meet the Bank's requirements as outlined in this document, then the Bank will require the FI to adopt procedures which are acceptable. These procedures will be consistent with the Bank's own procedures.
5. The Team Leader should meet with Environmental Staff and representatives of the Office of the General Counsel to discuss the assurances from the FI, the implications for the Bank, and the wording of the Agreements to incorporate environmental considerations.
6. The Team Leader should finalize the wording of Agreements with the Office of the General Counsel and send the Environmental Staff the clauses that have been inserted to deal with environmental issues.

Guidance for FI Lending Projects

Implications for the Bank

Environmental impacts of FI projects have the potential to impact on the Bank in several ways, depending on the type of transaction (lending, equity shares), the level of regulations in a country and the environmental record of the FI.

If the Bank's role is that of a lender, then the FI's lending procedures should be screened to ensure that the FI will take the same precautions as the Bank when assessing the environmental impacts of a project it may finance. Where the Bank is a lender, it retains the right to withdraw from any sub-project where there are inadequate assurances on environmental considerations. Therefore the Bank has a strong environmental leverage in these cases.

When the Bank becomes an equity holder in an FI, it becomes, in principle, more liable for environmental damage than when acting as a lender. Assurances that the FI is environmentally responsible must be looked at carefully and every precaution must be taken to protect the Bank from becoming involved in environmentally-damaging projects.

When the Bank becomes an equity holder in an FI, it does not necessarily have the power to veto any project and so it has less leverage than when it is a lender.

Guidance for Designing Agreements

As indicated above, in cases where the FI has no acceptable environmental procedures, the Bank will require the FI to develop procedures that are consistent with those outlined in this document.

In practice, this involves:

- Requiring that the FI develop an adequate Screening Procedure so that it can screen projects to determine the type of environmental information required.

Thus, if the sub-projects are likely to require an environmental assessment or audit, the same information will be required as would be required by the Bank for a similar project.

- Requiring that the FI has adequate procedures for Environmental Review of environmental information identified in the screening process.
- Requiring that the findings of this Environmental Review are taken into account in the project approval.
- Requiring the FI to have procedures for incorporating any environmental components into Agreements with borrowers.
- Requiring that the FI monitors and evaluates projects from an environmental perspective.

Guidance for Appraising Institutional Capacity

Figure 3-3 is a checklist that gives guidance for Team Leaders and the Environmental Staff in assessing the capacity of FIs to meet their environmental responsibilities.

How the Bank can assist FIs in meeting their Environmental Requirements

The aim of FI investment by the Bank is to promote the financing of small and medium-scale operations which would otherwise be too small for direct Bank financing. In meeting this aim, the Bank is aware of the need to avoid placing strict procedural requirements on FIs. In particular, if the cost of meeting the Bank's environmental requirements were a significant percentage of the size of the loan sought, the project will not proceed. This needs to be balanced with the need to maintain the Bank's high environmental standards throughout its activities.

The Bank may, at the request of the FI, provide assistance of the following kinds:

- Identifying capable local consultants
- Institutional strengthening.

Documentation for Project File

Environmental documentation for the Project File for FI projects will consist of an Environmental Screening Memorandum, a Final Review Memorandum, and the environmental clauses in the Agreements. The Bank may require to see a copy of the FI's Environmental Review of a project prior to the FI entering into a transaction.

Figure 3-3: Environmental Aspects of Financial Intermediary Projects*

The following factors should be taken into account in appraising the capacity of Financial Intermediaries to meet the Bank's environmental requirements.

- the status of national requirements for environmental review;
- the status of national environmental legislation and regulations and the record of compliance;
- the status of national, regional or local regulations and procedures relevant to the project (eg, facilities siting, pollutant discharge limits, performance standards, construction and operating permits and licenses, building and planning codes, erosion controls, monitoring programmes, etc.);
- the existence of government agencies with responsibilities for environmental assessment preparation and/or review and for administration of environmental regulations or functions;
- the existing capabilities of the FI to screen sub-projects, develop terms of reference for assessments, review assessments and monitor implementation of assessment recommendations;
- the advisability of developing such capacity for the FI (in terms of its primary mission, resources to attract and retain qualified staff, workload for the unit, degree of interest in having such capacity and existence of alternatives such as qualified consulting firms and agencies of local government);
- the capacity of ultimate borrowers to conduct assessments or other studies;
- the availability elsewhere in the country of expertise in environmental review, (eg, consulting firms, non-governmental organisations, academic and research institutions, government agencies);
- the record of Bank experience with environmental issues in projects in same country or sector; and
- the project sector and likely sub-project characteristics (ie, higher risk categories will require more environmental capability).

*Adapted from the World Bank EA Sourcebook, Vol 1, © 1991. Used by permission.

3.3.5 Guidance for Managing Consultants

The Bank may give assistance to Project Sponsors, on request, in selecting and managing environmental consultants in the preparation of EAs, limited environmental analyses or environmental audits.

Selecting Consultants

The Bank has a policy of encouraging the use of local consultants as far as possible on the execution of environmental studies, either as sole consultants or in collaboration with international consultants. This policy aims to build up the capacity and experience of local consultants, and may become an important technology transfer element in the project.

The Bank can provide assistance to Project Sponsors in identifying local or international consultants. The Environmental Staff has established a computerized database which enables searching on geographical areas of expertise, experience of environmental assessment and technical expertise by category useful for environmental assessment (eg, in air, water, waste, ecology). For example, for an EA of a coal-fired power station in the CSFR, the database could be interrogated to produce a list of consultants with EA skills, experience in the CSFR and specific experience in air quality analysis.

An EA is usually a major study for which Terms of Reference need to be prepared and, if appropriate, sent to a number of short-listed consultants. The short-listed consultants should be invited to submit detailed financial and technical proposals which should be evaluated. The Bank can assist Project Sponsors in the evaluation of proposals if requested.

In the case of environmental audits, Terms of Reference for the audit should be sent to several of the most qualified consultants and proposals for undertaking the audit should be requested within a specific time frame. If requested, the Environmental Staff of the Bank can help draft Terms of Reference, and provide auditing protocol and the Bank's standard format guideline for the audit report.

Managing Consultants

The Bank will not normally play a role in managing consultants: this will be the responsibility of the Project Sponsor. However, the Bank may wish to receive interim reports before the full EA is completed, and on reviewing these reports the Bank may require the Project Sponsor to take actions in managing the consultants to address particular issues the Bank feels are not covered adequately.

When the Bank receives an assessment or audit report, the report should be reviewed as soon as possible by the Environmental Staff and questions or comments should be promptly returned to the Project Sponsor. Upon receiving the Bank's comments on the report, the Project Sponsor should review the report's

Figure 3–3: Environmental Aspects of Financial Intermediary Projects*

The following factors should be taken into account in appraising the capacity of Financial Intermediaries to meet the Bank's environmental requirements.

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- the status of national, regional or local regulations and procedures relevant to the project (eg, facilities siting, pollutant discharge limits, performance standards, construction and operating permits and licenses, building and planning codes, erosion controls, monitoring programmes, etc.);
- the existence of government agencies with responsibilities for environmental assessment preparation and/or review and for administration of environmental regulations or functions;
- the existing capabilities of the FI to screen sub-projects, develop terms of reference for assessments, review assessments and monitor implementation of assessment recommendations;
- the advisability of developing such capacity for the FI (in terms of its primary mission, resources to attract and retain qualified staff, workload for the unit, degree of interest in having such capacity and existence of alternatives such as qualified consulting firms and agencies of local government);
- the capacity of ultimate borrowers to conduct assessments or other studies;
- the availability elsewhere in the country of expertise in environmental review, (eg, consulting firms, non-governmental organisations, academic and research institutions, government agencies);
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When the Bank receives an assessment or audit report, the report should be reviewed as soon as possible by the Environmental Staff and questions or comments should be promptly returned to the Project Sponsor. Upon receiving the Bank's comments on the report, the Project Sponsor should review the report's

recommendations. In the case of an environmental audit, this will normally mean drafting a Management Action Plan to address the concerns and issues raised in the report.

The Bank may hire consultants directly for conducting EAs or audits, for example, on regional or sectoral Bank projects.

3.4 Project Environmental Review

Environmental information gathered for a project must be reviewed at several stages in the project approval process. Specific documents (environmental assessment reports, environmental audit reports) must be reviewed as part of project preparation before the project is submitted for approval. In addition, before Final Review, a review of the environmental status of the project must be carried out and documented in an Environmental Review Memorandum.

Environmental Review of Projects During Project Preparation

Review of Environmental Assessment and Audits

The Project Sponsor should review the EA or audit to ensure that the consultants who prepared the EA followed the Terms of Reference and met both Bank and country requirements. The Environmental Staff of the Bank will conduct its own review of the environmental reports to ensure their adequacy. The following information is considered when reviewing reports:

- Are national/regional/local regulations met?
- Were the Terms of Reference followed?
- Are the items required by the Bank's Environmental Policy included?
- Are project alternatives described?
- Does the report:
 - present the significant impacts?
 - clarify which impacts are unavoidable and which can be mitigated?
 - identify opportunities for environmental enhancement?
 - document requirements for monitoring and supervision of the project?
 - summarize recommended actions?
- Are project alternatives described?

Before the Final Review Meeting, the Environmental Staff will review all the environmental information associated with a project and prepare an Environmental Review Memorandum. This review may be carried out with the assistance of the Office of the General Counsel, particularly where there may be issues of potential environmental liability. The Environmental Review Memorandum must be signed by the Environmental Staff assigned to the project.

The Environmental Review Memorandum will focus on the following issues:

- Is the environmental information satisfactory?
- What are the outstanding environmental issues (eg, recommendations which should be addressed)?
- How will the outstanding issues be addressed?
- Are there any environmental covenants which need to be built into the Agreement?

Final Review

At the Final Review stage, the project is reviewed to decide if it should proceed to Executive Committee and Board Review. Environmental issues are specifically incorporated into the Investment Proposal submitted for Final Review. The environmental sections of the Investment Proposal are as follows:

The Executive Summary

The Executive Summary should discuss the impact on the environment, the conclusions from the Environmental Review Memorandum and the way in which issues arising from the Memorandum will be handled.

The Project Evaluation Report

The Project Evaluation Report should discuss environmental issues associated with a project under the headings of THE COMPANY and THE TRANSACTION and should also record the conclusions of the Environmental Review and Environmental Screening Memoranda.

The Operations Committee will discuss the environmental issues addressed in the Investment Proposal. The member of the Operations Committee responsible for the environment (the Director of Infrastructure, Energy and Environment) may recommend that a project should not be allowed to proceed if the environmental issues are not properly addressed or if the potential impacts are too great. Environmental Staff may be asked to attend the Final Review Meeting in order to decide the environmental implications of the project.

Executive Committee Review

- The Investment Proposal will be revised to take account of any environmental issues raised at the Final Review.
- The Executive Committee will review the project for its environmental implications.

Review by the Board of Directors

- The Investment Proposal must be revised to take account of the issues raised at the Final Review and Executive Committee Review.
- The Board of Directors will review the project for its environmental implications.

3.5 Incorporating Environmental Aspects into Agreements

The Team Leader, Environmental Staff and the Office of the General Counsel will determine appropriate clauses to put into Agreements to ensure that environmental requirements are met throughout the term of the transaction.

3.6 Environmental Supervision

Environmental supervision will constitute part of overall project supervision during the period of the transaction. Environmental supervision is carried out to assure the Bank that the Project Sponsor is executing the project in compliance both with the Agreement made with the Bank and with any relevant national environmental procedures.

Clauses in Agreements between the Bank and a Project Sponsor will normally specify a requirement for the Project Sponsor to carry out environmental monitoring during project execution where projects have potential environmental impacts. This may include requirements for providing regular monitoring reports to the Bank. The Bank may also conduct its own monitoring or appoint third parties to review whether a project is meeting its requirements.

For most projects that require environmental assessments, monitoring may be required by the Bank throughout the execution of the project and after project completion, to ensure that environmental mitigation measures and environmental management plans specified for the project are being followed.

When an initial environmental audit has been conducted, a management action plan will typically have been generated to address the concerns raised in the audit. This could well involve a requirement that the Project Sponsor submit an annual update on progress made on the management action plan and a supplementary environmental audit report every two to three years.

In cases of non-compliance, it is the Team Leader's responsibility, in consultation with the Environmental Staff, to recommend appropriate remedial action. Initially the Project Sponsor will be requested to take corrective action within a set time frame. If the Project Sponsor fails to satisfy the Bank that it is taking appropriate action, the Team Leader will consult with the Environmental Staff and the Office of the General Counsel to implement penalties. These penalties may include freezing disbursements, and notifying the proper authorities, financial agencies and co-financiers who may also apply penalties.

Environmental supervision is the responsibility of the Team Leader, who may request assistance from the Environmental Staff to review monitoring reports, to initiate an independent review for the Bank or to recommend actions in cases of non-compliance.

3.7 Environmental Evaluation and Monitoring**Environmental Evaluation**

At the completion of a project, the Bank will review all environmental information and draft an Environmental Evaluation Memorandum that summarizes and evaluates the impacts of the project on the environment. The Bank may require supplementary information from the Project Sponsor. It will often be too early to evaluate the environmental impacts of a project during its operation at the time of project completion. The environmental evaluation will focus on how environmental matters have been addressed, discuss any problems which have occurred and specify further monitoring requirements after project completion. It will also highlight experience which may assist the Bank in enhancing other projects in the future.

The Environmental Evaluation Memorandum will become part of the Project File (an example is presented in Annex 2).

Environmental Monitoring after Project Completion

In some cases, such as large-scale regional development projects, the Bank may require environmental monitoring to be conducted on a routine basis after the completion of the project. This requirement would be built into the Agreements of the project, and the rationale set out in the environmental documentation in the Project File. Such monitoring will be useful to the Bank in establishing if its environmental review process was successful in predicting and mitigating environmental problems, and will help the Bank to improve its procedures in the future.

Documentation for the Project File

- Ongoing monitoring reports, supplementary audits or information required in the Agreements.
- Environmental Evaluation Memorandum at the end of the project.
- Any information requirements for monitoring after the completion of the project.

GLOSSARY

Environmental Assessment (EA): the intensive examination of the environmental impacts of projects which are likely to have diverse and significant environmental impacts. EAs are completed for projects in Category A and partial environmental analyses are completed for projects in Category B of the screening process.

Environmental Audit: an environmental study conducted to determine environmental concerns and potential liabilities associated with a property transfer or ongoing operations. They may be undertaken in addition to an Environmental Assessment for the same project (eg, when purchasing an ongoing operation and financing an expansion in the same project).

Environmental Review: the process by which the environmental investigations (EA, environmental audit) are reviewed. This includes the review of the environmental assessment or audit that has been undertaken, and the decision as to which recommendations from the environmental assessment should be incorporated in the project design (eg, it may be decided that mitigation technology is used in the project to bring emissions down to an acceptable level, or an environmental management plan may be drawn up and introduced into the negotiation process).

Environmental Screening: the process of deciding what level of environmental investigation is required for a project.

Financial Intermediary (FI) project: An FI project is a project in which the Bank acts as an investor in a financial intermediary which in turn invests in projects. The Bank uses FI projects as a means of financing small and medium-scale projects which would otherwise be too small for direct financing by the bank. The Bank can become either an equity holder in the FI, or a lender to the FI. The Bank may also provide technical assistance to the FI.

Scoping: an exercise involving the preliminary identification of the environmental issues surrounding a project that requires an assessment. Scoping should take place soon after the project has passed the Initial Review. Scoping identifies the potential impacts which are to be addressed in detail by the assessment. Scoping will usually initiate the public consultation/public participation process.

List of Abbreviations

APELL	Awareness and Preparedness for Emergencies at the Local Level
BOD	Biological Oxygen Demand
BOT	Build-Own-Transfer
CSFR	Czech and Slovak Federal Republics
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
EC	European Community
FI	Financial Intermediary
NGO	Non-governmental Organization
SME	Small and Medium Scale Enterprise
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme

Annex 1

Environmental Management: The Bank's Policy Approach

CONTENTS

A. The Bank's Environmental Mandate

B. Policy Priorities

- (i) Advisory Assistance on Environmental Policy Formulation,
Economic Instruments and Market-Based Techniques
- (ii) Promotion of Business Activities in Environmental Protection and
Restoration
- (iii) Initiation of Regional and National Environmental Programmes and
Education
- (iv) Operational Procedures for the Environmental Review of Projects
- (v) Public Participation and Reporting

C. Organization and Staffing

Environmental Management: The Bank's Policy Approach

A The Bank's Environmental Mandate

1. The Bank is directed by its Agreement to 'promote in the full range of its activities environmentally sound and sustainable development'. This is the first time that an international financial institution has been given a clear and proactive operational mandate in its founding Charter on environmental protection and restoration. It is so largely because environmental deterioration in the countries of central and eastern Europe has reached such alarming proportions that economic growth and the maintenance of the social fabric depend upon restoring the environment. Even the most basic conditions of production - access to such fundamental resources as uncontaminated water, land and air - can no longer be taken for granted. Major environmental policy improvements, direct restorative investments and integration of environmental concerns into new investments are prerequisites for the successful transition to a market-oriented economy. The Bank will therefore place environmental issues at the forefront of its efforts to promote sustainable economic growth at the regional and national level.
2. The solution of the environmental problems, however, will require more than environmentally specific programmes. The Bank considers that most of the environmental problems may be traced to inappropriate and distortionary economic policies in the countries of operations. These economic policies were as destructive ecologically as they were economically and, therefore, a prerequisite for the success of environmental improvements is the linkage: with a framework of structural changes which are initiated and implemented by the countries themselves. Appropriate structural policies, combined with sound investments in a market-based system, would simultaneously lead to improvements in both economic efficiency and environmental conditions. The Bank will play its part in support of policy reforms.

B Policy Priorities

3. In order to play a leadership role in the environmental recovery of central and eastern Europe, the Bank will pursue the following policy priorities:
 - assistance to the countries of operations in environmental policy formulation, including the development of effective legal and regulatory instruments, the adoption of appropriate emissions and effluents standards and the creation of the institutional and human resources capacity to monitor and enforce them;

- promoting the use of a variety of economic instruments to address the underlying cause of environmental degradation and the adoption of market-based techniques in environmental management programmes;
- encouraging the development of an environmental goods and services industry in the countries of operations, of commercially viable investments in environmental technologies and pollution prevention and control, and by funding environmental infrastructure projects;
- initiation of, or support for, special studies and programmes to address regional and national environmental problems and to promote environmental education within the population and institutions of the countries of operations;
- adoption of adequate environmental assessment, management planning, audit and monitoring procedures throughout its activities; and
- promoting the adoption and implementation of procedures for provision of information to, and consultation with, all levels of government and the general public – especially potentially affected parties – concerning environmental matters.

Advisory Assistance on Environmental Policy Formulation, Economic Instruments and Market-Based Techniques

4. The Bank's first environmental responsibility is to improve the environmental situation in the development and restructuring of economic activities in central and eastern Europe. This will require the establishment of environmental policy instruments and institutions in the countries of operations to adjust these to the demands of a modern market economy. The lack of adequate legal, regulatory and economic instruments and of enforceable technical standards, combined with a limited institutional capacity to design, implement or to monitor them, calls for technical assistance from the Bank to country and local authorities to establish such policy instruments and institutions. Programmes to promote environmental education and awareness will be an important element of the Bank's assistance.
5. The Bank plans to promote the adoption of a sound environmental policy taking as its basis the principles of the European Community delineated in Article 130 of the Treaty of Rome, as amended by the Single European Act in 1987. The transnational nature of environmental issues, combined with expected regional integration, call for a coherent set of environmental principles, standards and monitoring systems throughout the Continent. However, the Bank recognizes the need, on occasions, for the use of more stringent environmental standards in areas which suffer from high levels of pollution or are ecologically fragile.

6. These principles include:

- preventative action to avoid environmental degradation;
- development and implementation of effective national policies, environmental standards and monitoring systems;
- promotion of the efficient use of natural resources (eg, energy, water, raw materials, etc);
- adoption of the polluter-pays principle wherever possible;
- establishment of primary responsibility for environmental damage;
- due regard for economic efficiency and cost-effectiveness;
- recognition that legal instruments should be readily applicable and enforceable; and
- involvement of local and national authorities, technical experts, non-governmental organisations, affected populations and the general public in environmental matters.

The Bank will collaborate closely with the newly created European Environmental Agency and other relevant international organisations, such as the World Bank, in helping to establish a proper environmental policy framework in the countries of operations. Operationally, however, the Bank recognizes that the countries of operations will only be able to reach high levels of environmental quality progressively.

Promotion of Business Activities in Environmental Protection and Restoration

7. As stated above, a key priority for the Bank is to assist the countries of operations in adopting environmental policy instruments to govern effectively the behaviour of economic agents. By advising on the environmental standards in the countries of operations and helping to ensure that these standards are operationally effective, the Bank will hope to create a market and steady demand for environmental goods and services. The Bank will be able to encourage this development further by promoting direct investments and joint ventures which target commercially-viable environmental enterprises and by financing environmental infrastructure projects, including those with a strong potential for private sector participation.

8. The development of a strong environmental business sector, especially in pollution control technologies and in technical and managerial consulting services, will be crucial for the effective implementation of the new environmental regulations and standards. The Bank will encourage, where applicable, the use of local firms and expertise in the design and implementation of the environment projects and studies. It will also support projects to strengthen the human resource base for environmental management in the public and private sectors.

Initiation of Regional and National Environmental Programmes and Education

9. Environmental problems in the region are frequently transnational and cross-media in nature and include such issues as central European air pollution; management of the Danube River Basin and pollution control in the Baltic Sea drainage basin. Individual countries will find it impossible to design cost-effective environmental measures to deal with such large-scale problems of airborne and waterborne pollution. A common approach is called for by all countries of operations (and in some instances other countries of northern and western Europe). Regional studies, transboundary environmental impact assessment and multi-country analytical work will be necessary prior to the adoption of broad ranging pollution abatement programmes. The Bank intends to play an active role in such regional programmes and to use them as an instrument of European environmental integration.

Nationally, the Bank will, either individually or jointly with other bodies, initiate or participate in special studies on the state of the environment in the countries of operations and propose programmes of improvement. Similarly, the Bank will also, as appropriate, integrate the environmental aspects in other country reviews.

The Bank fully acknowledges the need for education and training in the field of environment in the countries of operations. The Bank will play a part in support of environmental training in various parts of the educational system. Important target groups include decision makers in industry and local and country administration.

The Bank will pursue an active training policy also with regard to its own staff, in order to enhance environmental awareness and understanding in the activities of the Bank.

Operational Procedures for the Environmental Review of Projects

10. Environmental concerns will be integrated into all parts in the project preparation and approval process through the adoption of systematic Environmental Procedures.

These will include:

- Preliminary request for environmental information for projects
- Environmental screening
- Environmental investigations
- Environmental review
- Incorporation of environmental covenants into agreements
- Environmental supervision of projects
- Environmental evaluation and monitoring of projects.

11. These activities will be integrated into the relevant stages of the project preparation and approval process to ensure that the best possible environmental standards are met in the Bank's projects. Evaluation of completed projects will provide information on "lessons learned" which can be incorporated into the design of future projects. Throughout the process, it will always be the responsibility of the Project's Sponsors to submit, as determined by the Bank, relevant information, records of public reviews and technical studies (such as environmental assessment reports or environmental audit reports). The information needs and time required to complete the various stages of the environmental review process will vary from project to project, depending on the complexity of the project, the severity of potential environmental impacts and the responsiveness of the project's sponsors.

12. *Environmental Screening:* Before projects are submitted for Initial Review by the Operations Committee, they will be screened into appropriate environmental categories by the Environmental Staff of the Bank in agreement with the Team Leader. The environmental categories will determine the nature and depth of environmental information needed and the appropriate environmental guidelines against which the project will be reviewed. It will be the responsibility of the Team Leader to obtain sufficient information from the Project Sponsors both for the environmental categorization to be made and for the actual environmental review. Proper screening will be crucial so that the Project Sponsors may meet the Bank's environmental standards without unduly delaying the progress of the project. Projects will be screened to determine if they require an environmental assessment, an environmental audit and/or some other environmental information.

Environmental Assessment: Projects may need an environmental assessment if they fall within any of the following categories:

- development of a greenfield site;
- expansion of an existing facility onto undeveloped land;
- public infrastructure projects;
- projects with the potential to cause environmental impacts outside the area occupied by the project; or
- whenever required by law.

The types of project which, typically, would attract an A, B or C environmental assessment categorization are indicated in Appendix 1 of this policy. Projects such as those on List A have the potential to cause diverse and significant impacts and will require a full Environmental Assessment (EA). Projects such as those on List B are projects in which potentially significant impacts can be readily identified and remedial measures prescribed without the need for a full environmental assessment. Such projects will require a Partial Environmental Analysis, and will be screened into Category B. Projects with no apparent potential environmental impact (education, training etc) will not normally require an environmental assessment, and will be categorized in Category C; examples of such projects are shown on List C.

Environmental Audit: Projects require an environmental audit in cases where there is property transfer, property lease, or modifications to existing operations. Projects will be categorized "1" if they need an environmental audit, and "0" if they do not. Environmental audits are not an alternative to environmental assessment, and in some cases both audits and assessments will be required.

Other Environmental Information: Projects may require information other than environmental assessments and audits. In particular, Financial Intermediary projects will have special information requirements as discussed in paragraph 22. There may also be opportunities for incorporating environmental measures which would enhance the project without reducing efficiency.

The screening category for each project will be recorded on the project data sheet for the project, and the screening will be documented in an Environmental Screening Memorandum. The Environmental Screening Memorandum will be submitted as part of the project documentation for Initial Review.

13. *Initial Review:* Environmental issues associated with projects will be taken into consideration during the Initial Review of projects by the Operations Committee.
14. *Submission of Environmental Information:* Before Final Review, the Project Sponsors will prepare and submit to the Team Leader environmental information deemed necessary during screening and Initial Review. This information will be the property of the Project Sponsor but the Bank will require the Project Sponsor to release Environmental Assessments to the appropriate interested parties (eg, through any relevant environmental assessment procedures in the countries of operations).

In cases of projects requiring a full Environmental Assessment, the Bank will expect this information to forecast the potential environmental effects of the project so that they can be taken into account in the project design. This will help ensure that the project will be environmentally sound and sustainable and that careful consideration is given to appropriate technologies. As with economic, financial and technical analysis, the environmental assessment is an essential part of project preparation. Responsibility for preparing the assessment will rest with the Project Sponsors although the Bank will define the environmental standards which the project must meet and will provide guidance to the Project Sponsors, if requested. The environmental assessment will record any review of the project by local authorities and discuss issues raised by interested parties. The document will show with which national and international laws and agreements the project must comply if the project is to proceed. The project documentation should include a summary of the public participation process and explain how key environmental issues identified in this process have been addressed in the project design.

In certain circumstances, due to the complex nature of potential environmental and related social impacts of a proposed project, the Bank will establish an independent panel of technical experts to review the project and/or assist in its implementation.

15. *Environmental Review:* When sufficient information has been received, an Environmental Review will be undertaken by the Environmental Staff of the Bank. The Environmental Review will discuss the environmental information submitted to the Bank and will determine if the project is in compliance with the appropriate guidelines; it will also describe mitigation and monitoring requirements as well as any other obligations of the Project Sponsor regarding environmental issues. A close integration with national environmental regulations will be sought in this context.

The Environmental Specialist responsible for reviewing the project will prepare an Environmental Review Memorandum documenting the environmental review. This Memorandum will be included in the documentation submitted as part of the Investment Proposal for Final Review. The Environmental Review Memorandum, which must be signed by the Environmental Specialist who prepared it and by the Team Leader, will make any appropriate recommendations on environmental issues to be considered during the Final Review of the project.

16. *Final Review:* At Final Review, the Operations Committee will discuss any environmental issues arising from the Environmental Review. The Bank clearly establishes the principle that a project can be rejected on environmental grounds, when there are major environmental problems, or when a Project Sponsor fails to handle environmental issues in a satisfactory way. In cases when the members of the Operations Committee cannot form a consensus, ultimately the President has final recourse.

17. *Environmental Covenants:* The Bank will incorporate any environmental covenants agreed during the project review and approval process into Agreements with Project Sponsors before disbursement.
18. *Environmental Supervision:* During project execution and administration, monitoring to ensure compliance with the appropriate Bank standards will primarily occur through periodic reports submitted by the Project's Sponsors and through Bank supervision, or through the Project Sponsor's obligations under national environmental procedures. In cases of non-compliance, it is the Team Leader's responsibility, in consultation with the Environmental Staff, to recommend appropriate remedial action. If the Bank, through its own monitoring system, decides that the Project Sponsors are not complying with agreed environmental standards and performance, a system of penalties will be imposed if corrective action is not implemented. These may include freezing of disbursements and notification to proper authorities and other financial agencies and co-financiers who may also apply appropriate penalties.
19. *Environmental Evaluation at Project Completion:* At the stage of project completion, an Environmental Evaluation Report will be prepared to evaluate the environmental impact of the project, as part of the overall project completion report. This report will also note whether the environmental impact was adequately anticipated in the environmental assessment and will comment on the effectiveness of mitigation measures undertaken by the Project Sponsor.
20. *Environmental Monitoring after Completion:* After project completion, environmental monitoring will continue if justified on A and B type projects and Project Sponsors may be requested to supply the Bank with regular environmental monitoring reports.
21. Project documentation will include an account of all the steps taken in the environmental review process, from screening to monitoring of projects after completion.
22. *Procedures for Financial Intermediary Lending:* When the Bank channels its assistance through a corporate or financial intermediary, standards and procedures will need to be applied for each major sub-project. For this reason, the Bank will assess the overall environmental performance and capabilities of the sponsoring organization to carry out the environmental review of projects, including appropriate procedures for screening and review of environmental assessments and audits which may need to be undertaken. In cases of projects involving expansion or retrofitting of existing plants, the Bank will require both the existing and new facilities to be subject to the environmental review process. The Bank may include finance in the project to allow environmental improvements to the existing facilities. The Bank will require that environmental quality levels similar to its own be applied in cases of associated lending.

Where necessary the Bank will recommend and may provide assistance for the strengthening of the in-house environmental capabilities of the Financial Intermediary. The Bank may also provide assistance to Financial Intermediaries in identifying suitable local environmental consultants to assist them in executing their environmental responsibilities in cases where they have insufficient in-house environmental capacity.

Public Participation and Reporting

23. Local participation in the economic transformation process will be essential for the success of the decentralization and democratization process in the countries of operations. The Bank will ensure that Project Sponsors provide adequate information on the environmental impacts of projects to governments at all levels and to the general public, especially potentially affected parties, and that the comments and opinions expressed by these parties will be taken into account in the project approval procedures of the Bank.
24. The Bank will develop its procedures for public participation within a procedural framework agreed upon with the authorities of the country of operations concerned. Within its procedures, the Bank will ensure that the views of public parties have been taken into account, and the satisfactory handling of the public participation process by the Project Sponsor will be taken into account in approving projects. The Bank will require the Project Sponsor to notify interested public parties of the project early in the life of a project so that there is sufficient time for issues raised to be addressed by the Project Sponsor and reported to the Bank in environmental information required by the Bank (eg. Environmental Assessment report). In cases where the Bank recognizes there is justification for withholding information for commercial or other reasons, the need for these omissions will be explained in the environmental documentation.
25. The Bank will also require the Project Sponsor to make publicly available any Environmental Assessment it has been required to carry out, in accordance with national legislation in the country concerned, such that there is sufficient time for public parties to comment on the Environmental Assessment and for those comments to be taken into account in the Final Review of the project.
26. The Bank may insist on loan covenants requiring adequate public participation procedures during project implementation as a condition of loan approval.
27. In accordance with its Agreement, the Bank will also publish a yearly report which provides a review of its environmental programme. The report will provide an overview of major environmental developments in the region and describe the regional programmes, projects and other activities of the Bank

which have directly contributed to environmental improvement, institutional strengthening and human resources development. The report will summarize projects with environmentally sensitive components and will review the effectiveness of the mitigation measures adopted to address these problems. The report will suggest future priorities and challenges which should be considered by the Bank and its countries of operations in the development of environmental programmes. In addition to this yearly reporting mechanism, the Bank will inform the Board as necessary of the environmental aspects of its work from time to time.

C Organization and Staffing

28. The Bank will recruit on a long or short-term contract basis as appropriate, environmental engineers, economists, ecologists and policy experts to carry out its environmental mandate. It will fully integrate its environmental staff into the operational structure to facilitate a collaborative relationship with Team Leaders on the environmental soundness of the Bank's portfolio and to encourage the development of environmental projects and other activities on a broad scale. The supervision and coordination of the environmental review process will be the responsibility of the team of environmental assessment specialists in the Public Infrastructure, Energy and Environment Department, who will have Bank-wide authority and responsibility for ensuring the environmental soundness of all Bank-funded operations.
29. The policy principles outlined in this paper are an initial statement of the Bank's position on these matters. This policy document will be complemented by the development of more detailed environmental procedures in the context of project preparation, review and implementation and the adoption of environmental standards for use in Bank-financed projects. In developing environmental policy documents, the views of the Environmental Advisory Council may be sought during their preparation.

APPENDIX 1

Environmental screening for projects requiring environmental assessment

1. Introduction

All projects proposed for European Bank funding will be individually screened by an environmental assessment specialist to determine the appropriate type of environmental analysis to be required to support project development and review, based on the nature, potential magnitude and sensitivity of the issues.

For projects which may have a significant adverse environmental impact on a regional scale, the principles of the UN/ECE Convention on Environmental Impact Assessment in a Transboundary Context will apply as appropriate.

2. Category A

Diverse and significant potential environmental impact requiring an environmental assessment. Examples of projects in this category are:

- Agro-business facilities (large-scale);
- Chemical, fertiliser and petrochemical plants;
- Dams and reservoirs projects and river basin development programmes;
- Domestic, hazardous and toxic waste management and disposal operations;
- Ferrous and non-ferrous metal operations;
- Groundwater extraction (large-scale);
- Industrial estate development;
- Industrial projects (large-scale);
- Integrated cast iron and steel works;
- Irrigation and drainage (large-scale);
- Manufacture, transportation, use and disposal of pesticides or other hazardous and/or toxic materials;
- Mineral development and processing operations;
- Oil and gas developments and pipelines (large-scale);
- Port, harbour and inland waterway development;
- Production forestry;
- Pulp and paper plants;
- Radioactive waste storage and disposal installations;
- Resettlement;
- Tanneries;
- Thermal and hydropower developments;
- Transportation (airports, motorways, express roads and long distance railway lines);
- Tourism development (large-scale);
- Urban development (large-scale);

- Urban water supply and Wastewater Treatment (large-scale);
- All projects which pose a serious accident or health risk.

3. Category B

Significant potential impact which can be readily identified and quantified and for which remedial measures can be prescribed without much difficulty. These projects will normally require more limited and specific environmental analysis than those in Category A, perhaps using the variety of environmental guidelines that have been developed by local or country authorities as well as by a number of international and regional organizations. In addition, specific environmental design criteria can be developed for individual projects. Such projects will be periodically reassessed to ensure their categorization remains appropriate. Examples of projects in this category are:

- Agro-industrial and agricultural development projects (medium and small-scale);
- Electrical transmission projects;
- General manufacturing;
- Manufacture of construction materials and cement plants;
- Metals processing projects (surface treatment, shipyards, etc);
- Municipal and public facilities (hospitals, schools, etc);
- Oil, gas and water pipelines (small-scale);
- Rubber industry projects;
- Rural roads;
- Rural water supply and sanitation;
- Telecommunications;
- Textile mills;
- Tourism (medium and small-scale);
- Urban development (medium and small-scale).

4. Category C

Insignificant potential impact not requiring environmental assessment. Opportunities to enhance environmental benefits should be sought in these projects. Examples in this category are:

- Education (except school construction);
- Family planning;
- Health (except hospital construction);
- Nutrition;
- Institutional development;
- Technical assistance;
- General service sector activities.

Annex 2

Environmental Documentation for the Project File

Guide to Presenting Proposals

(with environmental information requirements highlighted)

Environmental Screening Memorandum

Project Data Sheet

Environmental Review Memorandum

Environmental Evaluation Memorandum

Guide to Presenting Proposals

(Environmental information requirements are highlighted with shading)

The following information, provided in summary form, will be helpful to the Bank in determining whether to proceed with funding proposed transactions:

The Transaction

A description of the transaction being proposed, including its:

- Background, scope and rationale
- Arrangements for implementation.

Benefits

A description of the benefits to the local economy expected from the transaction, covering the specific impact on:

- Export promotion
- Import substitution
- Job creation
- Foreign exchange generation
- Technology transfer
- Management development
- Energy savings/environmental improvements.

The Sponsors

A description of the main parties to the transaction, including:

- Background in experience
- Financial strengths
- Proposed financial contribution and exposures
- Rationale for the involvement of the foreign partner, if any.

Transaction Cost

The estimated cost of implementing the transaction, including:

- Basis for the cost estimate
- Allocation of the costs between land, equipment, permanent working capital and start-up expenses
- Split between local currency and foreign exchange.

Products or Services

Description of products or services to be supplied.

Technology and Equipment

Description of the proposed technology and equipment:

- Sources of the proposed technology and equipment
- Dependability of the technology
- Energy consumption of the technology
- Assistance to be provided by the technology supplier
- Production (research and development, raw materials, processes, wastes generated, disposal practices)
- Description of any modernization of pre-existing technology.

Environmental Information

A description of relevant environmental issues associated with the project including the following:

- The historical and current environmental status of any property(ies) associated with the project
- available environmental information, such as recent environmental audits or assessments
- Proposed environmental controls/technology for environmental mitigation
- Corporate environmental policy, if available
- Anticipated environmental impacts of the project
- Potential environmental liabilities/concerns associated with the project or property.

Market

The nature of the market for the enterprise's products or services:

- Market location and size
- Type of consumers
- Company's market share
- Factors affecting demand growth.

Regulations

Any key regulations or permissions required for the transaction from public authorities, including environmental regulations and permitting requirements.

Financing Plan

Preliminary ideas about the structure of the financing, including:

- Sources of supplier credits, local loans, foreign loans and equity
- terms and conditions required to assure project liquidity
- Identification of gaps in the financing plan.

Financial Overview and Viability

A financial overview of the venture, including:

- Transaction sources and uses of funds
- Disbursement schedules
- Key operating assumptions (sales, margins, capital expenditure, working capital)
- Financial projections (key income statement and balance sheet data) on a basis consistent with the key operating assumptions
- Debt schedule (cash flows, interest expense, debt paydown)
- Financial ratios (debt coverage, gearing, and equity returns).

Role of the Bank

Concise description of the role the Bank is requested to play, which may include a combination of:

- Lending
- Syndicating loans and other lenders
- Guarantees
- Underwriting
- Equity investment
- Advisory services.

Timetable

The timetable planned to implement the transaction.

ENVIRONMENTAL SCREENING MEMORANDUM

Project Title: _____

Project Team: _____

Environmental Screening Category:

Environmental Assessment (A, B or C): ____

Environmental Audit (0 or 1): ____

Other Environmental Information Required:

- 1 Brief description of the project
- 2 Preliminary Environmental Information
- 3 Environmental issues apparent at screening
- 4 Reason for screening into the chosen category
- 5 Public participation requirements
- 6 Description of any special information requirements
(eg for Financial Intermediary projects)
- 7 Other issues
- 8 Actions

SIGNATURE: _____ **DATE:** _____

Environmental Specialist

(Sample) ENVIRONMENTAL SCREENING MEMORANDUM

Project Title: Hungary meat processing factory

Project Team: Team Leader: XXXXXXX, Merchant Banking

Environmental Screening Category:

Environmental Assessment (A, B or C): B

Environmental Audit (0 or 1): 1

Other Environmental Information Required: None at this stage.

1 Brief description of the project

The project involves a joint venture acquiring an existing meat-processing factory, and expansion of the factory to set up a new poultry processing facility on land adjacent to the existing factory.

2 Preliminary environmental information

Preliminary information available on the project did not include any plans as to how the joint venture will handle environmental problems.

3 Environmental issues apparent at screening

Primary issues are disposal of wastes/wastewater with high biological oxygen demand (BOD), and high energy demand of the factory.

4 Reason for screening into the chosen category

The project involves expansion onto a greenfield site and therefore needs to be considered for environmental assessment. As the proposed expansion is a general manufacturing facility, it is therefore categorized as B for environmental assessment: environmental impacts will be controllable through use of appropriate mitigation measures, and a Partial Environmental Analysis is necessary. An environmental audit will be necessary to investigate any potential environmental issues associated with the acquisition of the property of the existing factory.

No additional information is identified at this stage.

5 Public Participation Requirements

The partial Environmental Analysis should explain how national and local requirements for public participation have been met.

6 Description of any special information requirements (eg for Financial Intermediary projects)

None

7 Other issues

We understand that the Western partner is aware of complaints which have been made locally about the storage of waste around the factory and occasional problems with odour. The Western partner has indicated that the facility will focus on alleviating this problem, but has not indicated how. The Bank should be aware of this point when reviewing the environmental information which will be provided.

8 Actions

If the project passes Initial Review, the Environmental Staff should define the scope of any Partial Environmental Analysis that should be carried out.

SIGNATURE: _____ DATE: _____

Environmental Specialist

The European Bank - Project Data Sheet

Date :		Time :	
Project Number :	Industry :	Project Name :	Location :
Team Leader :	EBRD Role :	Priority :	
Evaluation :		Environmental Assessment :	
Bank's Key Priorities :	Other External Impact :	Additionality :	Environmental Audit :
Asset Quality :	Other Impact On Bank :	Project Readiness :	
Principals :			
1			
2			
3			
4			
5			
Project Description :			
Total Project Cost :		Currency :	
Benefits :			
Issues/Risks :			
Financing Plan :		EBRD Financing (ECU) :	
		Tech Ass. Fund. Request (ECU) :	
		Total Funding Req. (ECU) :	
		<input type="checkbox"/> Training Requirement	
Project Timetable :		Processing Resources :	
Transaction Status :		Internal Resources (Man Wks) :	
Neg/Closing Date :	Negotiation Date :	Contracted Resources (ECU) :	
EBRD Timetable and Responsibility :			
EBRD Team :		First Contact Date :	
		Initial Review Date :	
		Final Review Date :	
		Exe Coin Approval Date :	
		Board Approval :	
		Most Recent Contact :	
Disbursement Schedule Beginning :			
1st Half 0	2nd Half 0	1st Half 1	2nd Half 1
0	0	0	0
1st Half 2	2nd Half 2		
0	0		
EBRD'S Next Steps :		Deadline :	

ENVIRONMENTAL REVIEW MEMORANDUM

Project Title: _____

Project Team: _____

Environmental Specialist: _____

Environmental Screening Categories: Assessment: _____ Audit: _____

1 Major project components

2 Environmental information reviewed
Information Date Reviewed Outcome
(Eg EA, Audit Report)

3 Site visits by Bank Environmental Staff

4 Key environmental issues

5 Proposed mitigation (+ review of adequacy of mitigation)

6 Compliance with pollution control standards

7 Status of public participation

8 Unresolved issues

9 Requirements for monitoring

10 Further information requirements (if any)

11 Further actions required by Bank staff and by Project Sponsor

SIGNATURE: _____ DATE: _____

Environmental Specialist

(Sample) ENVIRONMENTAL REVIEW MEMORANDUM

Project Title ABC Airport, Romania
Project Team **Team Leader:** W; Other Team Members: X,Y
Environmental Specialist: ZZZZZZ

Environmental Screening Categories: **Assessment A** **Audit 0.**

1 Major project components

Build new airport on greenfield site.

2 Environmental information reviewed

Information	Date Reviewed	Outcome
(Eg EA, Audit Report)		

Bank asked to review Terms of Reference for EA Consultant	6.3.1991	Bank suggested adding a noise study to scope of EA.
-----------------------------------------------------------------	----------	--------------------------------------------------------

EA Report	6.7.1991	Approved, but Project Sponsor asked to respond on how Environmental Management Plan recommended in the EA would be developed and implemented.
-----------	----------	-----------------------------------------------------------------------------------------------------------------------------------------------------------

Environmental Management Plan	8.7.1991	Satisfactory
----------------------------------	----------	--------------

3 Site visits of Bank Environmental Staff

Site visits made by environmental staff to attend scoping meeting, and during project appraisal.

4 Key environmental issues

Land take..., noise..., social impacts...,

5 Proposed mitigation (+ review of adequacy of mitigation)

EA recommended design of Environmental Management plan to control environmental problems during construction and operation. This was completed and addresses adequately all the environmental issues raised in the EA report.

6 Compliance with Pollution Control Standards

The airport will be constructed to comply with EC standards.

7 Status of public participation

Scoping meeting held on 20.3.1991 with local residents, NGOs, ...
outcome was that increased traffic would be key focus of EA...

8 Unresolved issues

Source of funding for implementation of Environmental Management Plan still being discussed.

9 Requirements for Monitoring

Monitoring requirements during construction and operation are detailed in the Environmental Management Plan and are satisfactory.

10 Further information requirements (if any)

If project approved, Bank will require Project Sponsor to submit ongoing progress reports on implementation of Environmental Management Plan.

11 Further actions required by Bank staff and by Project Sponsor

Check on funding negotiations between Project Sponsor and government on funding the Environmental Management Plan. Issue should be resolved before Board Review.

SIGNATURE: _____ DATE: _____

Environmental Specialist

ENVIRONMENTAL EVALUATION MEMORANDUM

Project Title: _____

Team Leader: _____

Project Team : _____

Environmental Specialist : _____

Environmental Screening Categories:

Environmental Assessment (A, B or C): _____

Environmental Audit (0 or 1): _____

Project Start-Up Date (Initial Disbursement): _____

Project Completion Date (End of Transaction): _____

1 Brief description of the project

2 Environmental issues identified at Initial and Final Review

3 Environmental issues arising during the transaction

4 Summary of environmental monitoring and supervision

5 Summary of public participation/consultation

6 Current environmental status

7 Action items

8 Comments/implications for future transactions

SIGNATURE: _____ DATE: _____

Environmental Specialist

Annex 3

The Roles of the European Bank and Potential Environmental Implications

The European Bank must address a variety of issues that contribute to the amount and detail of environmental information required. By identifying potential environmental implications prior to a transaction, the Bank will be better able to ensure the following goals:

- to protect the environment and attempt to ensure that the project will minimise the environmental risk and maximize the environmental benefits;
- to identify potential environmental liabilities of the Project Sponsor that could undermine the success of the project. This goal is aimed at protecting the financial transaction and ensuring the investment is sound; and
- to protect the Bank from incurring environmental liability.

The level of environmental information required on a project is partially determined by the role of the Bank in the transaction and type of project.

Roles of the European Bank

- *Lend:* As a lender to private ventures, the Bank wishes to protect its investment by ensuring the environmental concerns have been identified and necessary environmental precautions have been taken. Environmental information, such as an audit report or environmental assessment report, may be needed in project files to document that the Bank has been “duly diligent” in its efforts. In the majority of cases, this information will be supplied by the Project Sponsor.
- *Invest (Equity):* Where the Bank takes an equity share in a private venture, the Bank may take on environmental liabilities associated with both the property and the company. As an equity holder, the Bank’s potential liability may be higher than when it is a lender: for example, if an accident or incident occurred at a facility where the Bank was perceived as owner/operator or co-owner/operator. As the Bank’s risk is higher in equity transactions, the level of environmental information required on a project may increase.
- *Guarantee:* In no circumstance should the Bank undertake to guarantee investors against the environmental liabilities associated with ventures.
- *Advise:* If the Bank is in an advisory role, there is no need for an environmental assessment or audit. However, depending on the nature of the advice, there may well be environmental considerations that can (or should) be incorporated into the advice.

- *Training:* Environmental considerations may need to be integrated into training programmes.

Type of Project

- *Venture:* Start-up, greenfield project in the competitive sector.
An environmental assessment will often be needed for investments which result in the development of new facilities on greenfield sites. The level of assessment needed will depend on the type of project/industry.
- *Restructuring:* Restructuring of an existing entity. There are potential environmental considerations associated with these projects, particularly with the historical use of the site and the proposed operations. Environmental considerations must also be incorporated into the newly privatized firm.
- *Privatization:* Privatization of a state enterprise, not the physical restructuring of a project. Environmental considerations must also be incorporated into the newly privatized firm.
- *Technical Assistance:* Where the Bank makes a loan or grant to allow an entity to employ advisers. The Bank may wish to advise on how environmental considerations can be built into the project.
- *Advisory:* Assignments in which the Bank itself plays an advisory role. The Bank may wish to incorporate environmental considerations.
- *Credit Line:* Establishing a credit line for an existing entity eg for an Eastern European Bank for small and medium-scale enterprises (SME's). The Bank will have to ensure that the "existing entity" will agree to conform to the Bank's environmental standards.
- *Fund:* Investment fund (eg, equity investments in SME's).
- *Project:* Where the Bank makes a loan to a public sector entity (eg, central government, city, utility company). This usually includes loans to finance infrastructure projects, for which EAs are usually required.
- *Training:* Where training is an integral part of a distinct programme within an operational strategy or project. Opportunities for incorporating environmental considerations into the training programme should be included.
- *B.O.T:* Build-Own-Transfer or Finance-Own-Transfer scheme. In such cases the Bank should be especially sensitive to environmental liability issues, which may make the "transfer" part difficult.

Annex 4

Guidance and Procedures for Ensuring Public Participation

Applicability and Description

The Bank's Environmental Policy states that the Bank will ensure that Project Sponsors provide adequate information on the environmental impacts of projects to governments at all levels and to the general public, especially potentially affected parties, and that the comments and opinions expressed by these parties will be taken into account in the project approval process.

Procedures for ensuring adequate opportunities for public participation on environmental issues apply to the whole project cycle and are an integral part of the Bank's environmental procedures.

Procedures for Ensuring Public Participation

Notification Procedures

The Project Sponsor will have to follow the requirements for notification specified by the Government. In addition, for all Category A projects, the Bank shall require the Project Sponsor to notify citizens, involved governments, NGOs and relevant community organizations, of the nature of a project as soon as the project has passed Initial Review. This notification will depend on geographical, political and cultural differences, and on available media.

Scoping and Public Participation

For all projects categorized as "A," requiring a full environmental assessment, the first step in preparing the EA will be for the Project Sponsor to ensure that adequate scoping is undertaken. Scoping will be undertaken to enable public and other parties to raise issues which should be addressed in the EA and to discuss arrangements for further public participation.

Environmental Review of Projects and Public Participation

Environmental information will be reviewed by the Bank's Environmental Staff throughout the project cycle.

Environmental Assessments

EA reports will be reviewed by Bank staff to establish the adequacy with which the issues and concerns of public parties were explored and addressed. This will apply to all environmental assessment reports produced, whether for full EAs required by Category A projects, or limited assessment reports prepared for Category B projects.

– *Environmental Audits*

Environmental audits are undertaken by the Project Sponsor to identify potential environmental problems associated with past use of the property or facility. Such environmental audits will take account of issues which have been raised by the public in connection with the site (eg, local government records of complaints about noise from a factory) and also of issues which affect local people (eg, whether an emergency response plan has been developed for the site and shared with local fire, police and medical services).

Environmental audits are strictly the property of the Project Sponsor and part of the Bank's project information. They will be reviewed for their adequacy by the Bank's Environmental Staff, but will not be made public by the Bank. The Bank may require a summary of the audit results and action plan to address concerns to be made public. The Bank may also require certain pieces of information to be made public, such as annual air monitoring results, in cases where this information is not already part of national regulations.

– *Other Environmental Information*

Other environmental information associated with the project will sometimes be required to be made public. However, such requirements will be determined on a case-by-case basis for each project and no firm procedures will be set.

The Environmental Review Memorandum

The Environmental Review Memorandum, produced after the environmental review of an A or B level project prior to the Operations Committee's Final Review, will include a section discussing the status of public participation on the project. This section will review whether public parties have been consulted appropriately and whether their views have been taken into account in the project preparation process.

It may also recommend that requirements are placed on the borrower to continue the public consultation process during and after the project is implemented. For example, in the case of industrial plants, the Project Sponsor should maintain contact with community organizations on environmental awareness and emergency response preparedness, such as groups set up in the framework of the "Awareness and Preparedness for Emergencies at the Local Level (APELL)" programme developed by UNEP.

Project Approval and Public Participation

Public participation issues may be raised in the Investment Proposal and will be discussed by the Operations and Executive Committee, and if necessary by the Board, during the Final and Board Reviews.

Environmental Evaluation and Public Participation

At project completion, the Environmental Evaluation of a project will specifically review the public participation in the project.

Guidance for Ensuring Public Participation

The checklist at the end of Annex 4 provides guidance to Bank staff on pointing out important public participation issues which should be addressed in projects (primarily projects requiring environmental assessments). This checklist can be used by staff of the Environmental Staff in scoping, reviewing environmental information or preparing an Environmental Review Memorandum, or by the Team Leader in preparing the Investment Proposal and at other stages in the project cycle.

Documentation

Except for specific outputs of public hearings and other public events which may be associated with a project, public participation should be documented within the specific documents for environmental review.

– *Environmental Screening Memorandum*

Requirements for public participation should be specified and any specific public issues already identified should be documented at this stage.

– *Environmental Review Memorandum*

Section on status of public participation.

– *Investment Proposal*

Any significant public issues should be documented in the Investment Proposal in addition to, or as part of the Environmental Review Memorandum which is contained in the Investment Proposal.

– *Environmental Evaluation Memorandum*

The Environmental Evaluation Memorandum, prepared at project completion, will review how public participation has been handled during the implementation of the project and what public issues have arisen. The report will also discuss the success of mitigation measures introduced to combat the problems raised by public parties. This information will be used by the Bank to ensure that it can gain experience in handling the public participation process successfully in future projects.

Responsibility for Public Participation

Project Sponsor

The Project Sponsor is responsible for ensuring that adequate public consultation occurs to satisfy the procedures of the government and of the Bank. In projects requiring EA, this will entail consulting all interested parties and addressing the issues raised.

Team Leader

The Team Leader is responsible for ensuring that the environmental procedures are followed, including procedures for public participation. The Team Leader will liaise with the Environment Unit and the Project Sponsor to address public participation issues.

Environmental Staff

- The Environmental Staff are responsible for reviewing and commenting on the adequacy of the public participation procedures adopted by the Project Sponsor.
- The Environmental Specialist dealing with a project may, at the request of the Team Leader via the Project Sponsor, advise the Project Sponsor on how to ensure adequate public participation. This may involve, for example, drafting part of the Terms of Reference for consultants to undertake environmental assessment.
- The Environmental Staff will be responsible for reviewing public participation during Environmental Evaluation at project completion.

Office of the General Counsel

Where appropriate, the Office of the General Counsel may be asked by the Team Leader to draft conditions into the loan Agreement that ensure adequate public participation procedures.

Operations Committee

The Operations Committee is responsible for discussing any public participation issues that arise at Initial and Final Review. These will be taken into account in the approval of projects.

Executive Committee

The Executive Committee is responsible for discussing any public participation issues as they arise at the Executive Committee Review. These will be taken into account in the approval of projects.

Board of Directors

The Board of Directors will take account of any outstanding public participation issues associated with a project during Board Review.

Public Participation Checklist*

This checklist can be used by Bank staff to assist in planning how public participation could occur on a project, or reviewing the public participation procedures which have been followed during an environmental assessment.

Basic Information

1 From within the Bank:

- Have you checked the Bank sources for available information on NGOs and for any history of Bank involvement with them?
- Have you explored with the Local Office (if applicable) what information it has, regarding NGOs and the community which it maybe willing to gather before the start of the EA process?

2 From other agencies:

- Have you checked with UNDP Resident Mission?
- Have you checked with other UN and bilateral agencies in country that might have contacts with grassroots organizations in affected area?

3 From other sources:

- Have you identified NGOs with knowledge of and experience in the affected area?
- Do you know the environmental NGOs in the country and their technical capacity to assist in the EA process?
- Do you know the present state of government/NGO relations?
- Has a member of the team explored the country's laws on the subject of environment and other public participation?
- Do you know the structure of regional and local government, the degree of decentralization and the role of political parties?
- Do you know how the responsibilities of other ministries and agencies impinge on the subject?

Community Consultation

- Do you know if the people of the potentially affected area are aware of the project and of any problems that might be associated with it?
- Does the local community have a coordinating group to develop awareness and preparedness for potential hazards and emergencies, such as a coordinating group established in the framework of the "Awareness and Preparedness at the Local Level" (APELL) programme developed by UNEP?
- Is the EA team in contact with selected in-country researchers, social workers, or extension workers who might help the social scientist in the community level consultation?
- Has the task manager been personally involved in at least some visits with the people of the potentially affected area?
- Are the social scientists on the EA team prepared to live for a period of time in the affected communities?
- Are you confident that the EA team understands relevant social and cultural values of the people?
- Has the participant/observer approach been considered?
- Does the approach being used at the community level ensure that the issues foremost in the minds of the people are being articulated and recorded?
- Are you confident that the informed views of affected groups and local NGOs are being taken fully into account?

General Public Consultation

- Do you have enough basic facts for an initial inter-agency meeting?
- Do you know who from outside the government should be invited?
- Has a sociological member of the EA team had one-to-one meetings with key participants before the meeting?
- Has an adept facilitator been chosen?

- Are you satisfied that the facilitator is capable of handling conflict in an open, constructive way?
- Do you find the social science data on the affected people equally reliable?
- What are the traditional means of consultation, opinion formulation and communication? (eg, is there a village committee in existence?).

Follow-up

- Are you satisfied with plans for feedback to the community during the EA process?
- Is there a record of people interviewed, invited to all public meetings, and of those who attended?
- For the education of the Bank and for the use of future EA teams, have you recorded your team's experiences for obtaining community involvement and what your team learned from your pioneer work on this new and difficult process?

*Adapted from the World Bank EA Sourcebook, Vol. 1, © 1991. Used by permission.

Annex 5

Environmental Assessment: Standard Report Format

EA reports analyse relevant and significant environmental issues to the degree of depth and detail appropriate to the potential adverse effects of the project. In certain circumstances, it may be more appropriate to undertake regional or sectoral EA's because of the nature of the Bank's activities. The target audiences of the EA are the project designers and sponsors, the affected community, the implementing agencies and enterprises and the Bank's staff. The EA report provides information to support the design and review of a project; it is not a decision-making document in itself.

The EA report should include:

1. An Executive Summary. The Summary should be prepared and submitted with the EA and provides a concise statement of significant findings and recommended action for the project.
2. A Text containing the following elements:
 - i) Project description in a geographic, ecological, social and temporal context, and methodology for the EA.
 - ii) Policy, legal and administrative framework within which the project is situated.
 - iii) Baseline data describing the project area and relevant physical, biological and socio-economic conditions.
 - iv) Discussion of steps taken to consult affected groups and interested parties, and issues arising from the discussions.
 - v) Environmental impacts. The beneficial and adverse environmental impacts (including biological, physical, socio-economic impacts) likely to result from the project should be identified, predicted and assessed in relation to appropriate guidelines and standards. Impacts associated with construction and operation of a project should normally be addressed separately. Impacts should be assessed in quantitative terms wherever possible. The sensitivity of the analysis to the quality and quantity of available data, key gaps in data and other uncertainties should be discussed.

- vi) Measures to avoid or mitigate adverse impact and/or to enhance the environmental benefits should be proposed.
- vii) Alternative approaches and options to the design, technology, location, size and operations should be compared systematically in environmental impact terms and quantified, to the extent possible. An indication should be given of the main reasons for the choice recommended by the consultant, taking into account the environmental effects.
- viii) A mitigation plan should be presented which proposes feasible and cost-effective measures to avoid or to reduce adverse environmental impacts to acceptable levels on a sustainable basis. This mitigation action plan should provide details of work programmes and schedules, capital and recurrent cost estimates, institutional and training requirements which are in phase with all stages of the project's implementation.
- ix) An assessment of the environmental and other relevant institutions associated with the project, discussing their roles and capabilities as they relate to the proposed project, should be provided, along with recommendations for improvements.
- x) A monitoring plan should be submitted which addresses the monitoring of the environmental impacts during and after project implementation, and the performance of the mitigation measures which are part of any mitigation plan. The plan should specify the type of monitoring, responsibility for monitoring, costs and other inputs (eg, training) and reporting requirements.

In specific cases, the Bank may take steps to ensure that the EA report includes consideration of the costs of environmental impacts. The Bank will look to those undertaking environmental assessments to take account of recent developments in the economic evaluation of environmental impacts, and to integrate the results of such evaluations within their overall conclusions on projects.

3. Appendices

- i) Names of those responsible for preparing EA;
- ii) Written material references used in preparing EA;
- iii) Lists of meetings held;
- iv) Records of public meetings and consultations, including list of attendees, in preparing EA;
- v) technical data that may relate to the assessment but is too detailed to go in the main text.

Annex 6

Standard Audit Report Format

Executive summary

Give key points on background, what was done in the audit, the findings, the conclusions and recommendations. Recommendations should include actions for improvement and for items warranting further investigation.

1. Introduction

1.1 Background: Give background reasons for the audit (eg, part of company environmental programme, a pre-acquisition audit, etc). Give date and location of site visit and who carried out the audit. Also mention by name the key facility personnel who were part of the audit and their titles. Refer to key components of audit (eg, audit protocol, questionnaire, plant, review of documents, interviews with personnel, etc). Refer to scope of audit. Was it a review of environment, health and safety, or environment only. Acknowledge cooperation of plant personnel.

1.2 Facility Operations: Describe briefly the site, principal buildings, main processes/activities, main products. Does it operate 24 hours per day? Keep brief otherwise there will be significant repetition with next section. Attach site layout map.

2. The site

2.1 Location: Describe location of site including nearest towns/villages, adjacent housing, other industry or agricultural land. Describe location of rivers, other major areas of surface water etc. Mention other items which may be significant when considering environmental liabilities (eg, nearby schools, land subject to flooding, etc). Include maps of surrounding area to show exact location of plant.

2.2 Description, History and Environmental Setting: Describe site, focusing particularly on history (eg, past owners, past process/operations materials used). Describe key changes such as where buildings have been demolished or replaced, where there were underground tanks, where waste was disposed of on-site, etc. Describe briefly the geological/hydrogeological setting (from plant information or desk study). Describe surroundings in terms of other nearby industry, housing/schools and nearby surface water.

3. Review of environmental management

3.1 Environmental Management Structure: Give key points on organization for environmental management, who is responsible, how does environment tie in with other management areas? What management systems, procedures, policies etc. are there for environmental management? How are responsibilities set out and communicated?

3.2 Air Emissions: Describe key air emissions and their sources. Has the facility identified all air emissions and characterised them in terms of composition and quantity? Describe any air emission monitoring carried out by plant. What regulations, permits, authorizations apply to the air emissions – does the plant comply? Describe any items of non-compliance (refer to copies of relevant documents in appendices). Describe any incidents relating to air emissions, any complaints and actions taken. Describe any other deficiencies with respect to company policy, regulations or good practices.

3.3 Liquid Effluents: Describe key liquid effluents, how they arise and how/where they are discharged from the site. Describe any effluent treatment which is done on-site. Describe all drainage systems including sanitary sewers and storm water/rain water drains (which may or may not be separate). What regulations, consents, licences apply to effluents – does the plant comply? Describe any areas of non-compliance. (Refer to supporting documents in appendices.) Describe any incidents relating to effluents, any complaints and action taken. What effluent monitoring is done by the plant/water authorities? What is the potential for effluents to be contaminated by routine activities, incidents etc. - what measures/equipment are in place to reduce risk?

3.4 Waste Management: Describe key wastes and their sources (solid waste, liquids, hazardous wastes etc.) Has the facility identified all wastes and characterised them in terms of composition and quantity. Describe any analysis of waste which the plant may carry out. What regulations, permits etc. apply to the wastes – does the plant comply? Describe items of non-compliance. (Refer to supporting documents in appendices.) Describe waste storage facilities and practices – highlight any deficiencies. Identify contractors (name and location) where they are used for waste disposal. Describe any incidents relating to waste storage and disposal. Pay particular attention to past practices regarding waste treatment and disposal.

3.5 Storage of Chemicals, Oils, and Solvents: Describe tank farms, individual bulk tanks (above or below ground), drum storage areas, flammables storage areas etc. Focus on spill prevention and control. Do tanks have adequate bunding; is there containment if drums leak, if there is spill during loading/unloading of road tankers where does it go, etc. What regulations apply to chemicals/oil/solvent storage – does the plant comply? Describe any incidents relating to storage. Describe past practices which have, or may have, caused environmental problems.

Has the plant inspection revealed evidence of spillage, leaking tanks/drum etc – if so describe. Have bulk tanks been integrity tested? What are the maintenance inspection routines?

3.6 Noise: Describe sources of high noise levels and where these produce high noise levels off-site. Has the plant conducted an off-site noise survey? What regulations apply on noise levels – does the plant comply? Describe areas of non-compliance and public complaints, if any.

3.7 PCBs: Describe any PCB containing electrical or hydraulic equipment in use at the facility. Is it adequately identified and labelled? Is containment provided for spills? What procedures have been used for any PCB removal and disposal in the past? (Refer to supporting documents in appendices). Identify contractors used for PCB disposal. Describe any ongoing programmes for PCB replacement. Has the plant measured for possible PCB contamination?

3.8 Asbestos: Describe any uses of asbestos containing materials either in the manufacturing activities or in building materials, insulation etc. What regulations apply? Does the facility have clear procedures for work with asbestos materials, removal of asbestos, etc? Describe any removal and disposal of asbestos carried out by the plant and identify contractors used. Has asbestos been disposed of on-site?

3.9 Emergency Plans: Describe briefly the plant's emergency plans for dealing with environmental incidents. Do these plans include involvement of local emergency services, communication with the public, etc? Do they cover all types of incident which could occur at, or affect, the plant? Identify any deficiencies.

3.10 Housekeeping: Based on the facility inspection, comment on the standard of housekeeping from an environmental point of view. Is the plant maintained/operated in a tidy manner? Does good housekeeping help minimise the risk of environmental problems or does bad housekeeping increase the risk? Give specific examples noted during the audit.

3.11 Groundwater and Contaminated Land: Describe the potential for and/or any known contamination of groundwater at the site. Is there any groundwater monitoring? Identify any abstraction of groundwater either on site or nearby. Describe any potential for and/or any known contamination of the ground. Has the plant conducted any sampling and investigation of soil. Refer to any past surveys or investigation results. Is there any programme for remedial action on contaminated land?

4. Survey of compliance with environmental laws, regulations and company policies

4.1 Air Emissions

4.2 Liquid Effluent

4.3 Waste

4.4 Contaminated Land

4.5 Company Policy

Summarise the key environmental regulations and the plants compliance status. Most of the relevant regulations will have been referred to in discussing each topic in section 3 and identifying any areas of non-compliance. These sections should, therefore, be very much a summary.

5. Conclusions and recommendations

Briefly set out key conclusions and recommendations with respect to:

- compliance with regulations, company policy etc.
- environmental problems (actual or potential) at the site.
- actions which need to be taken to implement improvements.

Be careful of wording - avoid conclusions such as "there are no environmental problems at the site" - stick to the factual conclusions.

6. Recommendation for further investigation

If there are areas which require further investigation to confirm whether or not there is an environmental problem these should be set out in this section, eg,

- soil sampling and analysis
- groundwater sampling
- air emission measurements
- effluent analysis.

Appendices

Photolog

Use photos sparingly in report (ie, only where they are needed to help explain a finding or to make a point). They should not be used just to illustrate the report generally and to show the facility which has been audited.

Supporting documentation

Provide copies of permits, effluent analyses which show excursions beyond the permitted limits, waste manifests etc. Again use sparingly – you do not need to copy every document reviewed.