



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 10/29/2020 | Report No: ESRSC01674



BASIC INFORMATION

A. Basic Project Data

| | | | |
|---|---|--------------------------|----------------------------|
| Country | Region | Project ID | Parent Project ID (if any) |
| Bosnia and Herzegovina | EUROPE AND CENTRAL ASIA | P171513 | |
| Project Name | Bosnia and Herzegovina - Forest Economy Development Project (BiH FEDEP) | | |
| Practice Area (Lead) | Financing Instrument | Estimated Appraisal Date | Estimated Board Date |
| Environment, Natural Resources & the Blue Economy | Investment Project Financing | 3/24/2021 | 7/30/2021 |
| Borrower(s) | Implementing Agency(ies) | | |
| | Federation of Bosnia and Herzegovina: Ministry of Agriculture, Water Management and Forestry, Republika Srpska: Ministry of Agriculture Forestry and Water Management | | |

Proposed Development Objective

The PDO of the project is to strengthen the performance of wood processing enterprises and sustainable forest management in selected areas of Bosnia and Herzegovina.

| Financing (in USD Million) | Amount |
|----------------------------|--------------|
| Total Project Cost | 55.00 |

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

Public Disclosure



The proposed project increases the contribution of the forest sector to economic development and better paying jobs, particularly in rural BiH in both Entities by: (i) improving the performance of the wood processing industry; and, (ii) increasing the sustainable production of wood from BiH forests. Forest-based industries will be facilitated to transition from the current low-value model to a modern, knowledge and information-based industry. Better, agile technologies will be introduced to make forests more accessible, reduce harvesting costs by mechanizing operations, and improving forest productivity with intensive silvicultural treatments. Skills will be strengthened in the wood processing industry and in forest management. The proposed project will thus, contribute to a circular forest-based economy and a more sustainable COVID-19 recovery. Project investments are expected to benefit the small and medium wood processing enterprises, and rural private forest owners as recipients of technical assistance and financing to improve their businesses. Forestry operations including, raising of planting material, planting works, road works and maintenance and harvesting and other operations will create short- and medium-term job opportunities and entrepreneurial opportunities. The project will have the following 3 components:

Component 1: Enhancing the performance of wood processing enterprises

This component aims to strengthen processing enterprises to improve productivity and enhance profitability through: (i) reforms of the timber sales mechanisms in the public sector, combined with technical, market information and skills development services for wood processing enterprises; (ii) matching grants to wood processing enterprises to strengthen performance; and, (iii) matching grants/ grants to rural wood based biomass energy enterprises for production of wood based biomass fuel such as pellets and for storage of these fuels.

Component 2. Sustainable Forest Management

Expanding forestry operations through investments in improved management of existing forests, restoration of degraded forests and landscapes and forest protection, fire management and intensive silvicultural treatments (re/afforestation, thinning and other management operations), increased and improved nursery capacity, fire protection equipment, construction and rehabilitation of forest roads, purchase of equipment and software and training of personnel. Private forest owners would be supported to improve their management practices, for example, through certification, establishing a private forest owners' association and extension services. These activities would help improve the supply of raw material for production of wood pellets and other forest products from these lands. The project will also finance a national forest inventory and information management systems to improve transparency in both timber sales and public engagement. In addition, in FBiH, the project will finance a participatory process and technical assistance to develop a comprehensive legal and regulatory framework at the entity level (i.e., a new Forest Law) covering forest management and utilization.

Component 3 Project Management

This component will finance the two PIUs responsible for project management, monitoring and reporting, and, the incremental costs associated with project management – e.g. procurement of consultants, civil works, training, equipment; financial management and reporting; and, monitoring and evaluation as well as activities necessary to ensure compliance with the environmental and social framework. The establishment and maintenance of the grievance redress mechanism will be financed under this component.



D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Project will be implemented countrywide with a geographic distribution of activities among the two Entities i.e. Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) namely. The exact locations are still to be agreed during further preparation and will be based on further needs assessment and screening. Bosnia and Herzegovina (BiH) has a population of roughly 3.3 million and is located in the heart of the Balkan Peninsula. The environment of BiH consists of diverse climates, flora and fauna, natural landmarks and landscapes. The climate ranges from continental, oceanic, subtropical and Mediterranean throughout different regions of the country. The country is rich in water resources, including still pristine mountain springs and belongs to the Black Sea catchment area in the northern parts of the country and the Adriatic Sea catchment in the south. Significant rivers of the country are the Drina, Neretva, Sava, Bosna and Una (all international waterways). Although the overall percentage of the protected areas is low in country (less than 5%) there are three National Parks in country: Kozara and Sutjeska (in RS), and Una National Park (in FBiH), three Ramsar sites, and a number of natural parks, protected sites, protected landscapes and natural monuments. Some 63% of the total land area of BiH is under forest cover, with approximately 2.9 million ha of high and coppice forest and another 300,000 ha of shrub and barren forestland. Forests are distributed evenly between the two entities: FBiH has 48% of production forests while RS has the other 52%. They are largely (80%) publicly-owned with the remaining belonging to private owners. Two million rural people regard the forest sector as an important source of employment, energy, non-wood forest products (e.g. mushrooms, berries and herbs) and recreation. The forest and mountain landscapes have the potential to provide further revenue for rural communities through tourism. The forests provide support for vulnerable populations and hunting provides additional local subsistence income.

The main environmental pressures in country are air quality, waste management, wastewater management and overall environmental management and monitoring. Through this project, increasing the presence of wood-based biomass energy, could play a key role in improving air quality management. Compared to other energy sources, biomass energy has by far the highest domestic job creation leverage along the entire value chain. This has a particular impact in economically marginalized rural areas where economic opportunities are otherwise scarce. The wood processing enterprise in the forest sector employ over 5% of the work force. Despite the high level of unemployment, the forest sector faces labor shortages and difficulties in retaining skilled labor. This is linked to the fact which is largely linked to a mismatch between skills, competencies and qualification of recent graduates and the business and labor market needs which in BiH is the highest in Europe. Unemployment among the young is highest in the Western Balkan Region. Due to COVID-19, another 2200 job losses have occurred in the country. The shadow economy accounts for 25% of all jobs (nonagricultural employment, including forestry accounts for 17.1% of total unemployment). Although sound legal frameworks protecting women's rights to own property are in place, longstanding customs and traditions continue to favor male property ownership; 97% of private forest owners are men. This is a result of the sociocultural characteristics of BiH society where women rarely share formal ownership rights (particularly land) with their husbands. BiH has one of the lowest rates of female participation in the labor market with a wage gap at 9% in favor of men. There are also significant barriers to women accessing productive assets, with gender gaps in property ownership and access to bank accounts.

D. 2. Borrower's Institutional Capacity

At the State (BiH) level the Ministry of Foreign Trade and Economic Relations will coordinate all activities under the Project.



Guided by the Country's complex governance it has been agreed that the Project implementation responsibilities will be divided between two Project implementation units, one in each entity, housed under the Ministries of Agriculture, Forestry and Water Management of the Federation of BiH (FBiH) and Republika Srpska (RS) respectively. Both of the PIUs have adequate staffing with respect to environmental and social specialists on board, and are encouraged to maintain this implementation arrangement for the purposes of implementation of this Project. The specialists will be further trained in line with the ESF, as their previous experience is mostly linked to safeguards.

In Republika Srpska (RS) the existing WB supported Agriculture Project Coordination Unit (APCU) will manage day-to-day fiduciary activities while RS Šume is expected to carry out most of the on-the-ground activities under Component 2. Both will be under close supervision of the Ministry of Economy and Entrepreneurship (Component 1) and with Ministry of Agriculture Forestry and Water Management (Component 2 and 3 including activities carried out by RS Šume) which have overall responsibility of managing the project in RS.

In FBiH the existing Project Implementation unit (PIU) established under the WB supported Irrigation Development Project (IDP) will manage day-to-day fiduciary activities while Cantonal Forest Companies are expected to carry out most of the on-the-ground activities (for Component 2). The Ministry of Economy and Entrepreneurship in RS and the Ministry of Energy, Mining and Industry in FBiH will be closely involved in the implementation of Components 1, for technical guidance.

The RS APCU and FBiH PIU will build on the implementation arrangements of two earlier Bank supported Projects: the Agriculture and Rural Development Project (ARDP) and the Irrigation Development Project (IDP). These were EA-rated as Category B and C, respectively and were implemented under the applicable Operational Policies. Their performance was rated as Moderately Satisfactory. Even with quality gaps and fluctuations in performance, a foundation for day-to-day management, administration and coordination including procurement, financial management, safeguards, monitoring and reporting requirements towards the Bank is present. The overall capacity must be strengthened to take into account the expanded scope of the ESF and lack of hands-on experience in implementing the relevant Environmental and Social Standards. A detailed assessment of the actual needs and whether training might supplement the knowledge and experience gaps is yet to be conducted and shall be agreed by appraisal, although it is already known that external expertise of qualified environmental and social development consultants shall be required to help the RS APCU and FBiH PIU manage the E&S Performance of the Project so that it meets the requirements of the ESF.

It is also expected that enhanced oversight from the World Bank E&S Team will be required and the rate of progress during implementation will inform any decision on further capacity enhancement and building.

Due to the laws and institutions governing project-relevant sectors being at the level of the Entity, each of the designated PIUs will develop their own due diligence documentation which meets national laws and regulations and the requirements of the World Bank's ESF.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS



A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Moderate

The environmental risk associated with the Project and its activities is assessed as moderate.

Majority of the activities deal with improvements and investments into more efficient yet sustainable forest management. The forest of BiH are following strict forest management plans and regulations, in particular the RS forests and some in FBiH are FSC certified. The forest management plans are developed and implemented (as noted in the previous forestry projects) in line with sound environmental and forest management.

Under component 1, the project will help improve the wood processing industry through series of interventions: mostly through Technical Assistance (TA) and matching grants to private small and medium-sized enterprises, that would be offered for industry certifications, improved technology and design or for other support mechanisms; while a separate sub-component will support small businesses through grants for: establishing or expanding wood-based biomass fuel production; and investments in storage that would allow better drying (and energy efficiency) of wood fuel and enable year round production. The actual scope and location of the grant recipients will be determined through grant calls during the implementation, as such the actual impacts can only be assessed. Since post-war Bosnia and Herzegovina does not have any large scale wood processing industry, all of the wood processing industrial subjects are small-scale and their operations are limited to a given forest area.

Under component 2, the Project will support improved forest management services (such as intensive silvicultural treatment including re/afforestation and improving degraded forests, thinning and other improved forest management operations, increased and improved nursery capacity), and fire management and prevention (infrastructure and machinery). This component will also finance development or improvement of forest roads. The unpaved forest roads established through widening of existing paths and using gravel or aggregate that have been constructed in the past are aimed at opening up the forest, allowing easier access for better control of timber harvest and also to improve management of the forest and fire-fighting response. In some forests and with available machinery, the local excavated stone is ground for aggregate, or it is purchased from licensed quarries. These forest roads are used by the forest enterprises and are not meant to be used for transport, tourism or any other activity that is not foreseen by the forest management plan.

The forest silviculture and thinning activities will also be done in a planned manner, aimed to improve forest conditions, and all removed timber and forest products will be carried out in line with the forest management practices, that involve provision of fuel wood to the local farmers, regulated sale of larger pieces or use in the forest itself. Use of machinery in the forests can generate negative impacts such as dust and noise, air pollution and potential damages of the site, but all of these can be easily mitigated through sound environmental and forest management practices and are temporary. At this stage, all of the activities planned for improving forest management are intended in line with sustainable forest management practices, and will have positive environmental impacts at a broader level (such as climate change, erosion control, air quality improvements).

There is a possibility of chance finds of UXOs in the forested areas that the team and the PIUs will address through adequate cooperation with the BiH Mine Action Center (MAC) and respecting all of their requirements, which are in line with the United Nations Mine Action Service (UNMAS).

Both PIUs are adequately staffed, and their E&S specialists will be trained to shift from safeguards to ESF prior to Project implementation. As such, the risk assessed is Moderate.



Social Risk Rating

Substantial

The Social risks are considered substantial at present, but the rating will be re-considered once more the SIA is completed. To achieve the key results of the project activities the project aims to modernize commercial forestry and wood processing. One key driver of risk is seen in the land take needs of the Project for development of adequate forest road networks (both new construction and widening/rehabilitation of existing roads). These activities will require civil works and involuntary land acquisition with currently unknown impacts to resettlement. Besides involuntary land acquisition and resettlement impacts, the ecosystem services shall be assessed. Social conflict related to public or private forests have not been confirmed. In addition, the project will evaluate how any land take might affect non land-based livelihoods (e.g. informal activities for subsistence use, mushrooms and other non-timber forest products). Another potential area for social risk is the (as yet unknown) loss of income and jobs due to modernization and mechanization of the timber enterprises. There is need for further information regarding the profile of persons(including vulnerable groups such as women, youth, informal labour) currently employed in these enterprises and the potential of project activities to affect them. The Due diligence has been restrained mainly to desk-top information due to COVID-19 imposed restrictions and thus the magnitude of impacts stemming from land acquisition and involuntary resettlement need to be further assessed, which is why the social risk rating will be revisited and either confirmed or lowered before Appraisal. Details of the portfolio supported through the matching grant schemes are not known but are anticipated to have limited social risks. Informal labor in the forestry sector and loss of benefits stemming from it could make the labor force vulnerable. The matching grant schemes will need to have strict monitoring requirements to mitigate the risk that grant supported MSMEs are involved in labor rights violations, including informal works, and inadequate management of occupational health and safety (OHS). The risks will be contained through eligibility criteria for access to and scope of the schemes (e.g. the matching grants will not support schemes requiring land acquisition or major civil works), management of labor and working conditions through contractual enforcement of labor laws. Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) risk associated with this Project and in FBiH and RS is assessed as low. The Project will develop a separate SEA/SH GRM to ensure survivor -centric approach. The risks can effectively and readily be managed through the Project design features and instrument designed with the Project.

The crosscutting social risk of real or perceived exclusion in accessing the benefits, including of those vulnerable and disadvantaged groups (youth, women) likely to have inequitable access to project supported products and services because of their qualifying characteristics, could potentially lead to a missed opportunity to address their vulnerability. Social risks associated with activities under all components will be addressed through the Project’s Environmental and Social Management Framework (ESMF), Resettlement Policy Framework (RPF) and Resettlement Action Plan (RAP), Labor Management Procedures (LMP), separate labor and workplace related Grievance Redress Mechanism (GRM), and SEA/SH. Stakeholder Engagement Plan (SEP), inclusive of a Project Specific GRM . The environmental and social instruments will be prepared in line with relevant Environmental and Social Standards (ESS) of the WB’s ESF, the WB EHS Guidelines, including any WHO COVID- 19 guidance tools for civil works during the pandemic and overall pandemic preparedness and response. Each Entity (FBiH and RS) will prepare its own set of documents, commensurate to the activities they will implement.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Public Disclosure



This standard is relevant.

An Environmental and Social Management Framework (ESMF) will be developed to screen the proposed activities and investments within the forest processing sector (under Component 1) and to develop individual due diligence documentation based on the proposed activities that apply for funding. The ESMF shall also include provisions on the proposed forest management improvements under Component 2, and will include template Environmental and Social Management Plans for some of the activities that are known at this stage, that could be later adapted for each of the project sites, when selected.

Under component 1, the project may include assistance to individual industrial subjects and to the sector as a whole to help improve efficiency through new machinery, production technology, business development or research and development grants, and increase the use of biomass for energy. The impacts associated with these activities include: management of waste (old, obsolete equipment), management of grease and oil wastes, management of wood processing waste and its reuse as pellet, air and dust emissions, workplace safety and OHS. All of these can be readily mitigated through sound mitigation and monitoring plans.

Under component 2, the Project will support improved forest management services, including intensive silvicultural treatment such as re/afforestation and improving degraded forests, thinning and other improved forest management operations, expanded with increased and improved nursery capacity (which may involve the use of pesticides) and fire management and prevention (infrastructure and machinery) as well as other forest protection investments. This component will also finance development or improvement of forest roads. The main impacts associated with the development of the forest roads include dust and noise, procurement of gravel and aggregate materials, removal of timber, potential impacts on the nearby springs and streams, and possible OHS issues. The impacts of the use and operations of the roads will also be assessed including controlled use of such roads, in line with the forest management plan.

The forest thinning activities will also be done in a planned manner, aimed to improve forest conditions, and all removed timber and forest products will be carried out in line with the forest management practices, that involve provision of fuel wood to the local farmers, regulated sale of larger pieces or use in the forest itself. Use of machinery in the forests can generate negative impacts such as dust and noise, air pollution and potential damages of the site including habitat fragmentation, OHS issues, but all of these can be easily mitigated through sound environmental and forest management practices and are temporary. At this stage, all of the activities planned for improving forest management are intended in line with forest management practices, and will have positive environmental impacts at a broader level (such as climate change, erosion control, air quality improvements.. All the above activities will be guided by ESMF and the Environmental and Social Management Plans prepared in line with the Bank's ESF, in particular ESS1, ESS2, ESS3, ESS4 and ESS6, and also the forest management practices and procedures, including requirements of the FSC, further including references to the relevant WBG EHS Guidelines on Forestry: a) Board and Particle-based Products; b) Forest Harvesting Operations; c) Pulp and Paper Mills, and d) Sawmilling and Wood-based Products.

Due to the potential presence of mined areas in forests of BiH, there is a possibility for chance finds of UXOs during works. The ESMF will include provisions on ensuring formal certification of a given forest area from the relevant authority (BH Mine Action Center - BHMIC) and in case of chance finds following procedures and protocols of the BHMIC which are aligned to the UNMAS - United Nations Mine Action Center.

Informal labor in the forest and construction sector is seen as a moderate, yet locally commonly present, risk. The ESMF, Matching Grants Operation Manual, the Standard Bidding documents (both for International Competitive



Bidding and National Competitive Bidding procedures) will encompass labor laws and LMP adherence clauses (including remedial measures for breach of such clauses) and put in place robust monitoring arrangements to oversee compliance of third parties employing contracted workers, but also matching grant beneficiaries employing work forces and will be protected under the requirements of ESS2. The ESMF will include measures to protect workers hired by grant beneficiaries in terms of nondiscrimination and equal treatment of workers, overtime work, annual and daily rest period, Occupational Health and Safety (OHS) risks, fair wages and labor conditions, and selection criteria and monitoring procedures to minimize the use of informal and migrant labor. Spot checks of grant beneficiaries are proposed in addition to introduction of regular reporting requirements on compliance with the national labor requirements. Existing screening and eligibility criteria currently used in national matching-grants and other similar schemes will be assessed and amended to enhance access of vulnerable groups to project benefits and reduce the risks related to informal labor.

Vulnerable groups appear in different aspects of the Project. Women are at risk of experiencing harder impacts from potential loss of employment due to modernization of production and from loss of non land-based livelihoods (ecosystem services).

A Social assessment will be undertaken prior to appraisal to screen for drivers of vulnerability and identify potential additional categories of vulnerable groups, including the Roma. The objective will be to identify groups most susceptible to project impacts affecting their lives and household economy. The SA will analyze them separately from other vulnerabilities, but also aggregate the data with other factors prominent in the forest sector industry within the Entities (FBiH and RS), potentially benefiting businesses which are currently employing or are owned by women. The SA will observe whether vulnerable groups will be affected in case of potential retrenchment due to automatization, loss of access to ecosystem services and non land-based livelihoods. This SA will aim to close the current knowledge gaps preventing the assessment of vulnerable groups, respond adequately to potential adverse impacts and design adequate mitigation measures across the Project's environmental and social instruments. In particular Informal laborers and migrant workers, and their vulnerability (potential job loss, as their work, such as heavy lifting, will likely be replaced by machineries) and ESS2 aspects (OHS, working conditions, etc.) will be assessed in general while for the vulnerable groups among these (women, youth, informal and migrant workers, and maybe forest users), alternative livelihoods development needs will be identified by the SA.

Areas where “Use of Borrower Framework” is being considered:

Use of Borrowers Framework is not being considered.

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant.

Each of the two Entities (FBiH and RS) shall commit to prepare a separate Stakeholder Engagement Plan (SEP). The engagement and interaction with stakeholders may experience short and long-term limitations due to COVID -19 restrictions. Each of the SEPs will carefully design commensurate consultation strategies and modalities with due consideration of any COVID-19 restriction or measures in place at that time. Stakeholder engagement strategies will be recalibrated relying on the World Bank Technical Note: Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings (March 20, 2020). During preparation of the SEPs the country COVID-19 spread situation in the project areas, and the restrictions put in place by the government and recommendations issued by the WHO, will be taken into account any time.



Direct beneficiaries are private small to medium sized forest sector enterprises. The geographic scope is not yet identified but the project intends to work in areas with possibly elevated poverty and rural areas. The project intends to identify gender gaps based on the Countries' Gender Action Plan. Based on the outcomes of the project gender action plan, targeted outreach and eligibility criteria in accessing matching-grant schemes are envisaged to be designed to allow equitable participation of women-owned enterprises.

The project will launch a public awareness campaign to present the features of the project overall and to familiarize potential applicants beneficiaries to matching grant schemes under the project.

The project through the SEP and communication strategy will carry out targeted consultations with potential beneficiaries and publics at large with focus on vulnerable groups (i.e. women and youth) to understand concerns/needs in terms of accessing information, financial instruments, existing support schemes and other challenges they face at home, at the workplace, in the community and in their endeavor to become or stay competitive with other non-vulnerable forestry stakeholders. Some of the strategies that will be adopted to effectively engage and communicate to the vulnerable groups will be detailed in the SEPs and will, inter alia, include: (a) measure to ensure the community engagement teams are gender-balanced; and (b) education messaging in advantages in use of ICT and knowledge sharing events.

Grievance Redress Mechanisms will be put in place tailored to meet Project standards and to enable stakeholders to air their concerns/comments/suggestions. This will be managed by each of the two PIUs in the two Entities (FBiH and RS). The complaints shall be geographically assigned, while an integrated grievance log will be kept to capture the project level grievance trends management and overall effectiveness. The GRM shall include adequately trained staff with GRM responsibilities, community awareness tools, grievance lodging tools and investigation and feedback processes and will be operational within one month from the Effective date. The PIUs will report back to the public by posting regular grievance reports on their websites complemented by public meetings to be held quarterly.

The Project will allocate special funds for communication and engagement that will support the SEP implementation. The stakeholder engagement shall be designed as an iterative process allowing stakeholders to contribute to best fit engagement strategies in terms of scope, timing, removing hindrances and meaningful inclusion of vulnerable groups. The draft SEP (and GRM) will be shared with stakeholders vial culturally appropriate means (having regards to language, logistical and technological constraints.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. The project workforce is expected to include i) direct workers, including seconded government staff and consultants engaged directly by the PIUs, and ii) contracted workers employed or engaged through third parties, including workers engaged through contracts for construction or rehabilitation of forest roads. Primary supply workers or community workers are not anticipated.



Activities encompass outreach activities, civil works, consultant services. The key risks for Project workers are those stemming from new construction or rehabilitation of forest roads, but also risks from contamination with COVID-19 which can compromise health and lead to death.

The civil works will be of moderate scale, with no large scale labor influx, and thus pose limited risks stemming from construction works. The Project will ensure application of ESS2 requirements, the Bank's EHS Guidelines, OHS Guidelines of the WHO, and the Bank's Safeguards Interim Note: COVID-19 Considerations in Construction/Civil Works Projects, in order to minimize OHS risks for construction workers and ensure adequacy of PPE supply and stringent labor management protocols.

Labor Management Procedures (LMP) will be developed by the Borrower before appraisal to ensure fair and equal treatment of workers and proper labor and working conditions, including OHS issues, and to protect the worker's rights as set out in ESS2. The ESMF will have sections on Environment Health and Safety (EHS) which will respond to the specific health and safety issues posed by COVID -19 construction works. The LMP will take into account potential use of community workers and call for aspects of SEA/SH to be addressed in the contractors' Code of Conduct for workers. Both ESMFs for the project will have sections on Environment Health and Safety (EHS) which will, inter alia, respond to the specific health and safety issues posed by COVID -19 construction works. No child or forced labor will be permitted under the Project. The PIUs in FBiH and RS will establish two separate grievance mechanisms for direct workers and for contracted workers by each contractor, including those grievances related to SEA/SH grievances.

Risks from informal labor will be managed through the provisions of the ESMF and the Standard Bidding documents (both for International Competitive Bidding and National Competitive Bidding procedures). These will integrate labor and OHS laws and LMP adherence clauses (including remedial measures for breach of such clauses) and put in place robust monitoring arrangements to oversee compliance of third parties employing contracted workers. Risks from informal labor within the matching grant schemes will be mitigated by direct application of the LMP and strict penalty clauses incorporated into the matching-scheme contracts.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant as the project will include support to the forest sector and wood processing for generating pellet and the use of biomass for energy. Such activities will help decrease the demand on the non-renewable energy sources but will also have numerous positive environmental impacts from the decreases of air pollution to waste management and climate change. However, potential negative impacts are also expected and may include wastes (old, obsolete equipment, wood processing waste, grease and oil, construction waste), air and dust emissions, soil erosion, pesticides, which are mainly attributed to the forest road improvements/ construction, nursery expansion, and support to rural wood-fuel production enterprises. These impacts will be addressed in the ESMF and the site-specific ESMP and proposed mitigation measures related to requirements of ESS3, including pesticide management plans; water use; air pollution; waste and hazardous materials management will be provided.

Furthermore, the ESMF will include guidance on establishing an integrated pest management (IPM) approach that will be carried out to reduce reliance on chemical pesticides and minimize environmental and human exposure risks.



ESS4 Community Health and Safety

The civil works associated with construction and upgrade of forest road may expose the community to physical hazard additionally emphasized by the prevailing steep terrain. It is likely that the forest roads intersect with frequently used local roads and that the construction site traffic and those on haulage routes might increase the risk related to road safety. A risk management strategy based on the general and sector specific WB EHS Guidelines will be prepared and included in the ESMF to protect the community from hazards associated with sites under construction. Construction sites shall be safely secured to prevent inadvertent or intentional trespassing, including potential contact with excavations and structures which may pose falling and entrapment hazards. Risk management strategies may include fencing, signage and communication of risks to the local community and active outreach relying on the Stakeholder Engagement Plan. Conditions on construction sites that pose safety risks that cannot be controlled affectively with site access restrictions will be excluded from the project scope. By appraisal more details on the locations of the potential construction site will be known and more targeted and specific risk assessment in particular identifying any receptor with high vulnerability like children, elderly, women, Roma etc. Measures will be put in place to address SEA/SH risks (see ESS 2). The ESMP will include an emergency preparedness and response plans for both construction and operational stages of the project to manage natural or man-made hazards/incidents (floods, fires, etc.) in the forest intervention areas.

There is not enough information on the intended or customary security personnel at construction/rehabilitation sites. This issue will be revisited and adequately addressed at appraisal stage.

The ESMF will include provisions on chance finds of land mines and UXOs on site, following all procedures of the relevant authority (BH Mine Action Center - BHMIC) and protocols of the BHMIC which are aligned to the UNMAS - United Nations Mine Action Center.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is relevant. The project supports construction of new and rehabilitation /widening of existing forest roads as the forests are underserved with adequate road infrastructure. At the concept stage it was not possible to conclude whether this would lead to permanent or temporary physical displacement resulting from expropriations, restrictions on land use. The due diligence has been limited by restrictions imposed by the COVID-19 pandemic travelling restrictions. Therefore, the assessment of risk related to involuntary land acquisition and resettlement are based on the desktop review of early investment plans. Informal users and occupiers also could not be verified at this stage.

The Matching grant-schemes will support innovation and enterprise development. Eligible Activities to be funded thereunder are still to be identified but should private small and medium sized enterprises choose to expand their production units by adding surface to their holdings this will need to be based on a willing-buyer willing seller transaction. The ESMF and Matching-grant operation Manual shall put forward screening mechanisms to screen out activities based on involuntary land acquisition or other resettlement related impacts falling under the scope of the ESS5. This would include voluntary donations for the expansion of production units and principles and conditions under which land might be donated will be included in the Manual.

Given that the sub-project impacts and exact geographic locations are not known at this stage, and if confirmed that loss of land or land-based private assets is found to be inevitable Resettlement Policy Framework (RPF) will be



prepared by the two PIUs and disclosed before appraisal. They will meet the requirements of ESS5, clarifying resettlement principles and measures to address economic and physical displacement, including how restrictions of land use will be addressed and guidance on preparation of a process framework if applicable. They shall be prepared, disclosed and consulted on prior to Appraisal. Whether or not informal users and occupiers may be affected by the project could not be verified at this stage because the footprints of the activities are not yet identified, but ESS5 shall also apply in cases where landowners displace informal users from their privately owned land.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Due to the nature of the project operations, that are based on the forest management and operations, this standard is relevant, and its provisions will be integrated into the ESMF for the project. The ESMF will set provisions on the development of the site specific ESIA or ESMPs that shall include data, in line with this ESS6, on: (i) ecosystems affected, (ii), species affected, (iii) ecosystem services affected, (iv) protection status, (v) site ownership and control, (vi) baseline threats and (vii) potential Project-related risks and impacts.

The ESMF under ESS1 will include all relevant provisions of this ESS6 and shall assist the Borrower to avoid adverse impacts on biodiversity and habitats. At this stage, the potential impacts that need to be addressed in line with this standard include: forest management that is in line with a long-term planning protocol, impacts on biodiversity, habitats and ecosystems, impact on forest functions (watershed protection, soil erosion prevention, etc.) caused by forest road development, impacts on the water bodies including springs and streams and groundwater from the construction activities or presence of machinery on site, and use of materials within the forest such as stone for aggregate – that may lead to increased erosion of the site. The identification of the impacts on the water bodies within the ESMF will also have relevant provisions to prevent direct, adverse impacts to water resources and maintain riparian zones, critical to protect water quality and quantity, in addition to aquatic and terrestrial forest habitats. The ESMF shall also include provisions for activities that may lead to an expansion of forestry operation areas, it is recommended that the ESMF includes a screening and site-selection criteria that is aligned with the requirements of ESS6. Where significant risks and adverse impacts on biodiversity have been identified, the Borrower will develop and implement a Biodiversity Management Plan, in line with the provisions of this ESS6.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant to the Project.

ESS8 Cultural Heritage

This standard is not currently relevant to the Project as there are no known activities that directly involve cultural heritage.

ESS9 Financial Intermediaries

This standard is not currently relevant to the Project as there are no FI involved in the project.



B.3 Other Relevant Project Risks

None identified at the moment.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

No potential financing partners identified at this moment.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

ESMFs including provisions of ESS1, ESS3, ESS4, ESS5, ESS10 and ESS6

LMPs

SEPs

RPFs

Social Assessment (SA)

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

ESMF implementation and site specific ESMPs

LMP

RPF

SEP

Capacity Building of the PIUs on ESF implementation

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS 15-Mar-2021

IV. CONTACT POINTS

World Bank

| | | | |
|----------|-------------------|--------|--|
| Contact: | Madhavi M. Pillai | Title: | Senior Natural Resources Management Specialist |
|----------|-------------------|--------|--|

Public Disclosure



| | | | |
|---------------|-----------------|--------|----------------------------|
| Telephone No: | +1-202-458-0844 | Email: | mpillai3@worldbank.org |
| Contact: | Tuukka Castren | Title: | Senior Forestry Specialist |
| Telephone No: | +1-202-458-5422 | Email: | tcastren@worldbank.org |

Borrower/Client/Recipient

Implementing Agency(ies)

Implementing Agency: Federation of Bosnia and Herzegovina: Ministry of Agriculture, Water Management and Forestry

Implementing Agency: Republika Srpska: Ministry of Agriculture Forestry and Water Management

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

| | |
|-------------------------------|---|
| Task Team Leader(s): | Madhavi M. Pillai, Tuukka Castren |
| Practice Manager (ENR/Social) | Varalakshmi Vemuru Recommended on 28-Oct-2020 at 08:05:59 GMT-04:00 |
| Safeguards Advisor ESSA | Agnes I. Kiss (SAESSA) Cleared on 29-Oct-2020 at 21:06:38 GMT-04:00 |