

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 10/25/2005

Report No.: 34012

1. Basic Project Data

| | | |
|---|--|--|
| Country: Croatia | Project ID: P091715 | |
| Project Name: Agricultural Acquis Cohesion Project | | |
| Task Team Leader: Aleksandar Nacev | | |
| Estimated Appraisal Date: July 29, 2005 | Estimated Board Date: December 20, 2005 | |
| Managing Unit: ECSSD | Lending Instrument: Specific Investment Loan | |
| Sector: General agriculture, fishing and forestry sector (100%) | | |
| Theme: Rural policies and institutions (P); Trade facilitation and market access (S); Rural services and infrastructure (S) | | |
| IBRD Amount (US\$m.): | 30.00 | |
| IDA Amount (US\$m.): | 0.00 | |
| GEF Amount (US\$m.): | 0.00 | |
| PCF Amount (US\$m.): | 0.00 | |
| Other financing amounts by source: | | |
| <u>BORROWER</u> | | 10.00 |
| | | 10.00 |
| Environmental Category: B - Partial Assessment | | |
| Simplified Processing | Simple <input type="checkbox"/> | Repeater <input type="checkbox"/> |
| Is this project processed under OP 8.50 (Emergency Recovery) | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |

2. Project Objectives

The objective of the proposed project is to develop sustainable systems and capacities within the MAFWM to ensure timely compliance with EU acquis conditions in the rural sector. The overarching objective is to enable Croatia's agricultural sector to capture benefits accruing from accession to the European Union.

3. Project Description

The proposed project has five components to be implemented over four years.

Component 1: Strengthen Capacity for Absorbing EU Financial Assistance in Agriculture (estimated total cost: EUR15.92 million)

This component would support the establishment of a SAPARD program implementing three of the SAPARD rural development measures and a limited and carefully targeted number of sub-measures. This would be achieved by (a) establishing a SAPARD Managing Authority; (b) establishing a Payment Agency and IACS; and (c) establishing a SAPARD Receivable-Backed Note Purchase Facility.

(a) SAPARD Managing Authority. The project would finance the establishment of a SAPARD Managing Authority within the MAFWM Department for Sustainable

Development of Rural Areas (DSDRA). It would also establish and empower a SAPARD Monitoring Committee as well as train private and public sector SAPARD facilitators in financial evaluation and management, community organization, good agricultural practice, environment management and other SAPARD related grant preparation requirements. This sub-component would also include the development and implementation of communication strategies to inform potential public and private sector SAPARD beneficiaries and engage key agriculture stakeholders in the EU accession process.

(b) SAPARD Payment Agency and IACS. A comprehensive MAFWM Payment Agency (PA) would be established, including an accredited SAPARD Payment Agency, with the necessary control, implementation, payment, accounting, internal audit, monitoring and information technology systems and capacities to rapidly and effectively implement the MAFWM Pecuniary Incentives System and SAPARD program. The sub-component would also establish a comprehensive IACS that would build off an improved farm registry.

(c) SAPARD Partial Risk Guarantee Facility. The Government of Croatia will establish a SAPARD Partial Risk Guarantee Facility. The Facility will issue a partial risk guarantee, which will guarantee the principal repayment of a short-term loan borrowed by the municipal beneficiary from the local commercial banks. By covering the risk that the borrower/beneficiary fails to meet necessary conditions for the disbursement of SAPARD grant and fails to receive the grant and repay the loan, the Facility would help redress the pre-financing problems of communities where investments are most needed, by improving their access to private bank loans.

Component 2. Empowerment of MAFWM Administration and Management (estimated total cost: EUR6.43 million)

This component would aim to establish an organized, cohesive and well-informed MAFWM management and administration team, with improved overall capacity to address the challenges of EU accession. Investments under this component would address gaps in MAFWM management and administration capacity, information technology, and institutional structures that are necessary for the effective functioning of the MAFWM and conditional to EU accession. Project activities would determine the capacity profiles for key MAFWM management and administration staff and provide relevant training programs. This component would also strengthen the policy analysis capacity of the MAFWM Policy Analysis Unit. The project would also establish a management information system for MAFWM that addresses the needs of the IACS and MAFWM's financial and administrative management information system (MIS) requirements. The project would also upgrade MAFWM's information technology (IT) and establish a video conferencing capability between major MAFWM centers and agencies.

Component 3. Ensuring Safe Food and Sanitary and Phytosanitary Conditions. (estimated total cost: EUR16.51 million)

This component would support the development of the Croatia Food Agency (CFA) and create the necessary conditions for Croatian compliance with EU sanitary and

phytosanitary requirements. The output would be safe, internationally-marketable agriculture and livestock products, overseen by a cost-effective, stakeholder-responsive inspection system. The key sub-components to be developed under this component would include: (a) development of the Croatia Food Agency; (b) strengthened Veterinary and Plant Health services.

Component 4. Project Preparation Facility. (estimated total cost: EUR1.52 million)

A Project Preparation Facility (PPF) would assist with the preparation of the above components. PPF investments would meet the initial needs of the PA, specify the design of the IACS, raise awareness of the SAPARD program amongst key stakeholders, train SAPARD facilitators, design a SAPARD communications strategy and conduct selected policy studies. The PPF would also support the establishment of the CFA through technical assistance, staff training and database design; prepare detailed specifications and tender documents for the construction of the veterinary and plant health laboratories and strengthen the MAFWM veterinary and plant health departments with qualified national consultants. The Project Implementation Unit (PIU) would also be established and partially equipped through the PPF.

Component 5: Project Management (estimated total cost: EUR 0.77 million)

A small PIU within the MAFWM Department for Policy, EU and International Relations (DPEUIR) would manage the project. The PIU would include a Project Manager, Financial Controller, Procurement Officer and an administration/secretarial support person. Project impact monitoring would be contracted out. The PIU would be responsible for all aspects of project administration, including overall project oversight, TA, goods and materials procurement, and financial control. To ensure sustainable outcomes, day-to-day management of project activities would be the responsibility of the relevant MAFWM Department or Institute Head. The PIU would, in time, use the MAFWM SAP software for project accounts. A Project Steering Committee (PSC) composed of key Associate Ministers within MAFWE would provide project oversight and ensure national program integration. The SAARD Monitoring Committee and the CFA Board would ensure public participation in project program implementation. A Project Working Group made up of senior technical staff from the participating MAFWM departments would provide technical guidance to the PIU. The project would finance technical assistance, training and study tours, civil works, office, IT and laboratory equipment, vehicles, consultant fees, auditing and other operating expenses related to the project.

4. Project Location and salient physical characteristics relevant to the safeguard analysis

The Project will be implemented at the national level.

5. Environmental and Social Safeguards Specialists

Ms Karin Shepardson (ECSSD)

Ms Paula F. Lytle (ECSSD)

| 6. Safeguard Policies Triggered | Yes | No |
|---|------------|-----------|
| Environmental Assessment (OP/BP 4.01) | X | |
| Natural Habitats (OP/BP 4.04) | | X |
| Forests (OP/BP 4.36) | | X |
| Pest Management (OP 4.09) | | X |
| Cultural Property (OPN 11.03) | | X |
| Indigenous Peoples (OD 4.20) | | X |
| Involuntary Resettlement (OP/BP 4.12) | | X |
| Safety of Dams (OP/BP 4.37) | | X |
| Projects on International Waterways (OP/BP 7.50) | | X |
| Projects in Disputed Areas (OP/BP 7.60) | | X |

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts: No potential large-scale, significant or irreversible environmental impacts are envisaged as a result of implementation of project activities.

An environmental review was prepared for the project which screened possible loan financed investments where environmental issues can be identified up-front in the design, construction, and operation stages. The potential environmental issues that trigger the Environment Assessment safeguard policy comprise the reconstruction or construction of the new buildings and laboratories. More specifically, these relate to:

- temporary resettlement of offices (Croatia Food Agency and Payment Agency)
- land acquisition of social capital for new laboratory (Plant Protection Institute),
- construction of new laboratory and accompanying offices (Veterinary Institute, Plant Protection Institute, GMO testing laboratory)
- construction of office buildings (Payment Agency, and possibly 5 veterinary and phytosanitary regional centers)
- adaptation of existing object marked as cultural monument (Croatian Food Agency)

The immediate impact on the environment especially related to reconstruction activities would be minimal. According to Croatian Laws, for the construction of proposed type of facilities, the Environmental Impact Assessment (EIA) is not necessary, which indicates that the impacts on the environment by this type of projects are limited.

Possible environmental issues can be clearly separated in two categories, one related to construction and other related to operation. The main types of environmental issues that may result from actions during construction / reconstruction are following:

- Dust and noise due to the demolition and construction

- Disposal of construction waste

The activities related to ongoing project implementation include:

- Risk associated with handling wastes during operation (municipal, hazardous, etc.)
- Risks associated with the maintaining necessary environmental conditions in the laboratories

All these risks can be effectively dealt with, since they are recognized through the prepared EMP in pre-design phase.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

None

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described. The environmental review recommends that an up-front team comprised of representatives of MAFWM, and building and laboratory designers be established to ensure that the EMP measures related to the environment are included in the design stage of all facilities financed. A special supervision or monitoring of the construction phase was not expected to be needed as long as the contractors are provided with a copy of the EMP and its implementation becomes a binding part of their contract. A mid-term review of the loan can serve as an ex-post review of the inclusion of these aspects in construction contracts. Training in operations of the laboratories would be ensured through the needed for continual updating of certification, and thus up-front integration of environmental aspects into the certification process is recommended in the review as the best way to ensure adherence to the EMP.

Some specific mitigating measures to address the potential environmental issues outlined above include:

During the design phase, expert advice on laboratory design according Good Laboratory Practices, ISO standards and ISTA rules will be sought and used. Environmentally sound materials will be used, including non toxic grouts, non-toxic paints, zinc and copper pipes for plumbing, high-efficiency filters for indoor air, etc.

During the construction phase, some measures detailed in the Environment Mitigation Plan (on file) are as follows: to limit noise pollution, construction will be restricted to 5 days a week and only dayshift (7 am to 5 pm). Dust from demolition and transportation of construction material and waste will be minimized by use of water and encloement of cargo. If demolition presents high source of dust, the site will be enclosed. For hazardous waste (paints, oils, etc.) contractor will follow procedures for hazardous waste management (this implies collection, handing over the waste to authorized company for

hazardous waste management and filling accompanying documentation). All recyclable fractions will be separated from non recyclable waste and taken to appropriate collection points with accompanying documentation. Non recyclable waste will be taken to approved landfills. Any asbestos and other not environmental friendly materials defined as hazardous will be replaced and sent to an authorized company for hazard waste management. Septic tanks will be constructed as necessary for disposal of waste water.

During operation, fire protection measures will be implemented for the heating system and storage tanks for crude oil or gas; for municipal waste management, actions will include organized solid waste separation, collection of recyclables, organized collection of non recyclable solid waste, introduction of measures for minimization of waste production, and coordination with local waste management plan. For hazardous waste, an annual plan for waste management will be developed, there will be collection and separation of waste within the facility, waste will be transported to an authorized company for hazardous waste management, the contractor will follow binding reporting procedure on hazardous waste. Animal residues waste and contaminated material waste will be handled in accordance to the Rule book on Handling Animal Carcass and Waste of Animal Origin and its Destruction. All hazardous waste will be stored according to Material Safety Data Sheets.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The EA and EMP were prepared after extensive discussions and interviews with the representatives of MAFWM, Payment Agency, Croatian Food Agency, Veterinary Institute, Institute for Seeds and Seedlings and Plant Protection Department. ISO 17025 norm was examined at the Croatian State Department for Norms and Measurements.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

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|--|------------|
| Date of receipt by the Bank | 06/15/2005 |
| Date of "in-country" disclosure | 07/20/2005 |
| Date of submission to InfoShop | 07/28/2005 |
| For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors | |

*** If the project triggers the Pest Management, Cultural Property and/or the Safety of Dams policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

| | |
|--|-----|
| Does the project require a stand-alone EA (including EMP) report? | Yes |
| If yes, then did the Regional Environment Unit review and approve the EA report? | Yes |
| Are the cost and the accountabilities for the EMP incorporated in the credit/loan? | Yes |

BP 17.50 - Public Disclosure

| | |
|--|-----|
| Have relevant safeguard policies documents been sent to the World Bank's Infoshop? | Yes |
| Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs? | Yes |

All Safeguard Policies

| | |
|---|-----|
| Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies? | Yes |
| Have costs related to safeguard policy measures been included in the project cost? | Yes |
| Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies? | Yes |
| Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents? | Yes |

D. Approvals

| <i>Signed and submitted by:</i> | <i>Name</i> | <i>Date</i> |
|---|-----------------------|--------------------|
| Task Team Leader: | Mr Aleksandar Nacev | 07/29/2005 |
| Environmental Specialist: | Ms Karin Shepardson | 07/29/2005 |
| Social Development Specialist Additional Environmental and/or Social Development Specialist(s): | Ms Paula F. Lytle | 07/29/2005 |
| <i>Approved by:</i> | | |
| Regional Safeguards Coordinator: | Mr Ronald N. Hoffer | 11/16/2004 |
| Comments: Delegated to Project Sector Manager for review and clearance | | |
| Sector Manager: | Mr Benoit Paul Blarel | 09/30/2005 |
| Comments: | | |