

E3067

# **ENVIRONMENTAL MANAGEMENT FRAMEWORK**

**Croatia: EXPORT FINANCE INTERMEDIATION LOAN  
ADDITIONAL FINANCING  
P129220**

# ENVIRONMENTAL MANAGEMENT FRAMEWORK

## 1. Background

This section of the project Operation Manual presents the Environmental Management Framework for the original CEFIL project and additional financing, that serves as a tool to screen the sub projects and based on the screening guides the client on the environmental due diligence procedures.

The additional financing for the project does not introduce changes to the original project objectives, design or scope. The proposed additional loan would help finance the scaling up of the Project, which is being so far successfully implemented. Given the success of the original Project, additional funds are requested to scale up the project and enhance the development impact. Under the additional finance, the proposed amount is EUR 50 million. This updated version of EMF will change the current version disclosed on HBOR website.

To facilitate the project implementation, workshops will also be organized by the World Bank environmental specialists for HBOR and PFIs on implementation of EMF. In other words, the project participants will participate in trainings and education before the AF project implementation.

All sub-loans to be financed under the CEFIL should be subjected by PFIs to an environmental review process incorporating the procedures described in this section. The PFIs should use these procedures in reviewing and appraising sub-borrowers/sub-projects, and to inform Sub-Borrowers of environmental requirements for sub-loan appraisal, so that sub-projects can be implemented in an environmentally sound manner. These procedures and requirements incorporate Croatian environmental legislation<sup>1</sup>, construction laws and sublaws<sup>2</sup> and the World Bank's safeguard policies<sup>3</sup>.

Two types of sub-loans/projects will be considered under the project: (a) working capital, and (b) investment.

The procedures essentially consist of Environmental Screening, Environmental Assessment, environmental management planning and monitoring of compliance with the plan of actions recommended for mitigating environmental risks. The Environmental Screening will be carried out by the PFIs at an early stage in sub-loan review to determine the appropriate environmental category for the proposed sub-projects. Based on the outcome of screening, an Environmental Assessment (EA)

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<sup>1</sup> Zakonom o zaštiti okoliša ('Narodne novine', broj: 110/07), i Uredbom o procjeni utjecaja zahvata na okoliš ('Narodne novine', broj: 64/08 i 67/09) propisana je provedba postupka procjene utjecaja zahvata na okoliš. Donošenjem tih propisa postupak je sustavno uređen i usklađen s odgovarajućim direktivama EU: Direktivom Vijeća 85/337/EEZ od 27. lipnja 1985. o procjeni učinaka određenih javnih i privatnih projekata na okoliš, izmijenjena Direktivom Vijeća 97/11/EZ od 3. ožujka 1997., i Direktivom 2003/35/EZ Europskog Parlamenta i Vijeća od 26. svibnja 2003. Pored toga, usvojeni propisi temelje se i na odredbama međunarodnog ugovora, kojeg je Republika Hrvatska potvrdila donošenjem Zakona o potvrđivanju Konvencije o procjeni utjecaja na okoliš preko državnih granica (Narodne novine - Međunarodni ugovori, broj 6/96, 7/08 i 1/09).

<sup>2</sup> Zakon o prostornom uređenju i gradnji Narodne novine 76/07, 38/09<

<sup>3</sup> World bank Safeguard Policies - Environmental Policies, Social Policies, Legal Policies and Bank Disclosure Policy; [www.worldbank.org/safeguards](http://www.worldbank.org/safeguards)

respective to the attached environmental category will be applied to proposals. The sub-borrowers will be responsible for carrying out the required EA and for confirming that any clearances necessary for the proposed sub-projects are obtained from the relevant authorities as prescribed by the national legislation and that is in line with the World Bank procedures as described in this document. Once the EA is performed and recommendations incorporated into the sub-project, the PFI will appraise the proposed sub-loan package. Depending on the attached environmental category, the package would include one of the following:

- a) a full scale Environmental Impact Assessment (EIA) and an Environmental Management Plan (EMP),
- b) Environmental Management Plan (EMP),
- c) a simplified environmental assessment, so called EMP checklist, or
- d) a justified statement that no EA are required.

The implementation of the EMPs will be monitored by the PFIs. The overall review, approval, and supervision process carried out by PFIs will be monitored by the HBOR.

The scope of EIA is prescribed by the Croatian Law set forth in Ordinance<sup>4</sup> and will be defined by Ministry of Environmental Protection Physical Planning and Construction. The EIA scope defined by the relevant ministry would be supplemented with the EMP. EMP would should be prepared according to the WB safeguards policy OP 4.01 (see annex C), while EMP checklist according to guidelines in annex F.

Overall, the environmental procedures applied to the sub-project cycle and responsibilities of key parties are described in detail below.

## **2. Safeguard Policies That Might Apply**

The World Bank's environmental and social safeguard policies are a cornerstone of its support to sustainable poverty reduction. The objective of these policies is to prevent and mitigate undue harm to people and their environment in the development process. These policies provide guidelines for Bank and borrower staffs in the identification, preparation, and implementation of programs and projects.

According to World Bank policies, project has assigned Environmental Category FI. Under CEFIL solely category B and C subprojects would be considered for financing.

Special consideration is needed to the issue of landmines and demining, for the reason that demining will not be supported under the project, and Croatian Mine Action Center (CROMAC) certification that a site is free of landmines will be required for any sub-project involving construction. The EMPs should also contain a "chance finds" provision setting out procedures should landmines unexpectedly be encountered despite these provisions.

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<sup>4</sup> i Uredba o procjeni utjecaja zahvata na okoliš ('Narodne novine', broj: 64/08 i 67/09)

During the assessment of the project several World Bank safeguards policies were triggered.

**OP/BP 4.01**, (Environmental Assessment) is triggered. An overall EMF is prepared, following World Bank policies on consultation and disclosure, in advance of project appraisal. EMF will be part of the project operation manual. EAs/EMPs would be prepared for the sub-projects to be financed that would be classed as category B. All the licenses would be submitted with the project, i.e. certified origin of wood in wood industry, and other permits for raw materials, location permits, etc.

**OP 4.09**, Pest Management can be triggered for some sub projects if potential subprojects is in the export-oriented food production and processing sector. If eligible sub-projects will include financing for purchase of pesticides (including post-harvest treatment) or investments which are likely to increase or expand the use of pesticides in such operations, the EMF will set out requirements for applicants to prepare a simple Pest (and Pesticide) Management Plan consistent with OP 4.09 requirements (content of the plan is defined in annex E).

**OP/BP 4.11** (Physical Cultural Resources) is triggered in view of expectations that some operations are likely to have a direct impact on historical structures or sites (e.g. renovation or use of historical structures or sites through investments in the tourism sector). It is also recognized that the historical richness of Croatia creates a higher than usual likelihood of cultural “chance finds” in any construction activity. The sub-projects will comply with local legislation, including advance consultation with the Ministry of Culture and allowing the local permitting process.

#### **OP/ BP 4.12** Involuntary Resettlement

The project would not trigger OP 4.12. However, no potential beneficiaries can participate in the project if they would need land acquisition for the activities to be supported under this project. Re-habilitation and reconstruction (which could involve demolition of no longer suitable structure and erection of a new one) of existing buildings within the same footprint would be permissible. . If reconstruction would exceed footprint of existing structure in any way, the PFI and HBOR must ascertain that any additional land used is unencumbered (i.e. no squatters or encroachers or not requiring the eviction of anyone resident in such property) and provide proof in form of pictures and ownership title. The PFI’s should verify for each sub project the unencumbered status of the property prior to approving any sub-project which could raise such issues.

**OP 17.50**, (Disclosure Policy) is triggered with reference to the EMF and EAs/EMPs for the Sub-projects to be financed.

### **3. Environmental Screening Categories**

Environmental Screening is the first step in the environmental due diligence process of reviewing the sub-loan application. Its purpose is to determine the environment risk associated with the proposed sub-borrower/sub-project, reject applications which are unacceptable due to the nature of the proposed activities, classify acceptable

applications by environmental categories and identify the type of EA that will be required. Results of the Environmental Screening shall be reflected in the environmental screening form (Annex B), completed by PFIs and submitted to HBOR as a part of a sub-loan application package. The screening report should describe relevant aspects to be addressed in the course of assessment, including an indicative timetable for its preparation (integrated into the preparation of the sub-project) and an estimated cost of the environment analysis. HBOR would closely work with the PFIs in detection of environmental category and give suggestions accordingly. Whether a full-scale EIA or a simplified environmental assessment (EMP, EMP checklist) is required, will be determined by PFI and HBOR. IBRD will provide required support to HBOR when needed to determine whether EMP or EMP checklist is required.

The examples of sub-borrowers/sub-projects and their suggested categorization are indicative only and will need to be reviewed throughout CEFIL implementation to assess their appropriateness concerning the types of sub-projects which are actually submitted to the PFIs. As it would be impossible for this list to be exhaustive, sub-borrowers/sub-projects which cannot be identified as belonging to one of the categories below should be brought to the attention of the HBOR to transmit to the IBRD for further guidance.

### **3.1. Activities Generally Ineligible for IBRD financing**

From this loan it is not possible to finance the acquisition of land as well as following activities:

1. Trade in wildlife and wildlife products prohibited under the CITES convention,
2. Release of genetically altered organisms into the natural environment,
3. Manufacturing, distribution and sale of banned pesticides and herbicides,
4. Drift seine netting in the marine environment,
5. Manufacturing, handling and disposal of radioactive products,
6. Hazardous waste storage, treatment and disposal,
7. Manufacturing of equipment and appliances containing CFCs, halons and other substances regulated under the Montreal Protocol,
8. Manufacturing of electrical equipment containing polychlorinated biphenyls (PCBs) in excess of 0,005 % by weight,
9. Manufacturing of asbestos containing products,
10. Nuclear reactors and parts thereof,
11. Tobacco, unmanufactured or manufactured,
12. Tobacco processing machinery, and
13. Manufacturing of firearms.

### **Environmental Screening Categories**

Depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts, the proposed project should be classified into one of four categories.

## **Category A**

### **Category A activities will not be financed through the sub-lending scheme**

A proposed sub-project is classified in this category, if it is likely to have highly significant, diverse, and/or long-term adverse impacts on human health and natural environment the magnitude of which is difficult to determine at the sub-project identification stage. These impacts may also affect an area broader than the sub-project sites. Measures for mitigating such environmental risks may be complex and costly.

An Environmental Impact Assessment (EIA) is therefore required to identify and assess the future environmental impacts associated with the proposed project, identify potential environmental improvement opportunities and recommended any measures needed to prevent, minimize and mitigate adverse impacts.

The sub-borrower is responsible for preparing a report, normally an EIA. The sub-borrower would in parallel provide the techno economic feasibility study of the sub-project. The costs of the mitigation measures would be included in the EIA and incorporated in the feasibility study.

For the category A projects environmental impact study is prescribed by the laws of the Republic of Croatia, especially Regulation on EIA (Uredba o procjeni utjecaja zahvata na okoliš ('Narodne novine', broj: 64/08). The mentioned regulation identifies project for which according to the Croatian standards EIA is mandatory. The activities identified in annex 1 of the Regulation on EIA would not be supported by the project.

## **Category B**

A proposed project is classified as Category B if its potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigation measures can be designed more readily than for Category A projects. The scope of EA for a Category B project may vary from sub project to sub project like Category A EA, it examines the project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance.

### **Category B+**

For category B+ projects, the borrower is responsible for preparing an full EIA (depending on opinion given by MEPPPC or the county office or a pre-EIA (simpler form EIA) that includes, as necessary, elements of the other instruments which may simply require specifying well-defined mitigating measures and adopting accepted operating practices. The sub-borrower would in parallel provide the techno-economic feasibility study of the sub-project. The costs of the mitigation measures would be included in the EIA or EMP and incorporated in the feasibility study.

The scope of the study send to the MEPPPC or relevant county bodies would entail EMP annex prepared as per World Bank OP 4.01 (see annex C).

### **Category B-**

Category B- projects require an EA to assess any potential future environmental impacts associated with the proposed project, identify potential environmental improvement opportunities and recommended any measures needed to prevent, minimize and mitigate adverse impacts. The scope and format of the EA will vary depending on the project, but will typically be narrower than the scope of EIA, usually in form of EMP. The scope of EMP is defined in Annex C. For the projects involving simple upgrades, reconstruction or adaptation of the buildings, EMP checklist would be used (see annex F).

B- Category would include sub-projects that also: (a) involve working capital loans which include purchase and/or use of hazardous materials (e.g. pesticides) or (b) process improvement loans that involve purchase of equipment/machinery presenting a significant potential health or safety risk

A proposed project is classified as Category B- if its future environmental impacts are less adverse than those of Category A and B+ projects taking into account their nature, size and location, as well as the characteristics of the potential environmental impacts. Projects requiring Pest (and Pesticide) Management Plan consistent with OP 4.09 requirements will be prior reviewed by the World Bank Environmental expert. According to Croatian laws, category B- projects do not require EIA.

### **Category C**

A proposed project is classified as Category C if it is likely to have minimal or no adverse environmental impacts and therefore requires neither an EIA nor an Environmental Analysis.

Beyond screening, no further EA action is required for a Category C project.

#### **4. Environmental Assessment (EA)**

An EA is a process conducted by the sub-borrower to identify, predict, evaluate, and mitigate the environmental impacts and risks which may arise from the proposed sub-project. The purpose of the EIA is to recognize environmental impacts/consequences early in the sub-project preparation process, so that they can be incorporated into the sub-project design. The scope of Environmental Assessment will depend on the environmental category attached to each sub-project, though the purpose of any type of assessment is to identify ways of environmental improving the proposed activities by minimizing, mitigating, or compensating for their adverse impacts. An EA should be made an integral part of an environmental assessment report, which lists environmental risks related to the specific types of sub-project activities and prescribes mitigation measures. EAs identify ways of improving sub-projects environmentally by minimizing, mitigating or compensating for adverse impacts. An EA would also describe the steps that were taken for public consultation.

A pre-EIA (as defined by Croatian Regulation on EIA) would be required for Category B+ type sub-borrowers/sub-projects where the potential for negative impacts are localized, easily identified and the required mitigating actions are well-known and

easily prescribed. Depending on the decision of the MoEPPPC of representative body in the county, a scope and the need for due diligence document would be defined. If the MoEPPPC or county representative body decides that EIA is required, the sub project will proceed with the preparation of EIA according to Croatian procedures enriching the document with the EMP. However if the MoEPPPC or representative body decides that EIA is not required the sub project will proceed with the preparation of the EMP according to the WB procedures.

A EMP or EMP checklist would be required for Category B- type sub-borrowers/sub-projects. EMP checklist would be used for simple upgrades, adaptation or rehabilitation of the buildings.

The scope of the EIA will vary widely depending on the nature and location of a sub-borrower/sub-project; thus, it is difficult to give clear guidance on the length of time required for an EIA or the associated costs. The preparation and financing of the EIA, including the role of public participation, is the responsibility of the sub-borrower and normally closely linked to the feasibility study of the proposed activities.

## **Disclosure and Consultation**

EMF will be disclosed on HBOR website both in English and Croatian and after which will be disclosed on World Bank InfoShop. At the same time call for consultation will be issued (as well through HBOR webpage) and date and venue set. HBOR will call as well for written comments and will provide both postal and email address for sending comments and suggestions. All written comments and questions raised in the public consultation will be addressed, than summarized and will be attached to EMF as annex. Only than EMF can be considered as final version.

Each EIA/ EMP / EMP checklist prepared for individual sub projects will have to be publicly disclosed once a sub-project is approved by HBOR. Comments will be requested on the documents disclosed. The in-country disclosure within Croatia will be done through the internet site of HBOR and local newspaper advertisements might be used as a mean for calling the public to comment on the same documents.

The minutes of public consultation in annex G reflect the process and the outcome of public consultation and disclosure.

## **5. Environmental Review Process (Role of HBOR, PFIs and IBRD)**

All sub-borrowers/sub-projects will follow the environmental review process presented schematically below.

STEP 1: The sub-borrower prepares an initial sub-project concept. Following informal discussion with the PFI, in which the PFI alerts the sub-borrower of its environmental assessment requirements, the sub-borrower assists the PFI in finalizing the environmental screening form. At this time, it is the responsibility of the sub-borrower to initiate discussions with the MoEPPPC or the county office in order to fulfill any local and national



environmental review requirements (such as opinion on EIA procedure and/or other official approval/permits). It will be the responsibility of the sub-borrower to obtain the appropriate permits and licenses as required by national law in order to facilitate the clearance process with the MoEPPPC or the county office. These requirements are considered separate, but parallel, to those presented here and satisfying them is the responsibility of the sub-borrower.

STEP 2: The PFI screens the sub-project and after HBOR's confirmation, informs the sub-borrower of the EIA category prior to appraisal of the sub-project and subsequent follow-up requirements, the environmental category and EA due diligence documents for sub-loan processing.

STEP 3: The sub-borrower, or its consultants, submits the environmental assessment (if applicable) to PFI. The sub-borrower will obtain a positive EIA report, given by the MoEPPPC, in conformity with applicable Environmental Regulations for the activities listed in Category B+, will send EMP / EMP checklist prepared according to the WB procedures to PFI.

STEP 4: The PFI reviews the EA (and advises with HBOR when necessary) that has been submitted and reports its findings to the sub-borrower. The PFI provides its clearance once the analysis is judged to be satisfactory.

STEP 5: The sub-borrower incorporates the recommendations provided in the assessment into the sub-project design and implementation plan, including associated estimated costs.

STEP 6: The PFI finalizes the sub-loan application package, including the relevant environmental documentation, and submits it to HBOR for its appraisal.

STEP 7: The PFI monitors the implementation of the EIA mitigation plan (if necessary) and informs the HBOR.

### **Monitoring Environmental Compliance**

Environmental screening, assessment, and approval procedures described above are part of the procedures of selecting and approving the sub-loan applications. Once a sub-loan agreement is signed and sub-projects enter the implementation stage, the environmental work also moves to a new phase. In the course of a sub-project implementation the sub-borrowers are responsible for carrying out their daily activities in compliance with the recommendations of the environmental assessment reports and for applying mitigation measures as prescribed by EMPs. PFI will be expected to monitor sub-borrower's compliance with EMPs and report to the HBOR on the environmental performance of their clients as an integral part of their regular reporting on the status of portfolio.

Environmental work of PFIs will be subject to the review by the HBOR and the IBRD supervision missions. The IBRD will carry out prior review of first four B+ sub-projects and will endorse them before a decision is taken on their financing. The HBOR will also check randomly selected sub-loan packages of Category B- and Category C sub-projects to ensure that PFIs carried out screening and categorization of sub-projects in a correct way; that Environmental Assessments for Category B-sub-projects were carried out adequately and the produced EMPs are of acceptable quality. It is recommended the HBOR periodically take random visits to sub-project implementation sites to ensure that PFIs' reporting on the sub-borrowers' compliance with EMPs realistically reflects situation on the ground. The review of evaluations will ensure that: the work was of satisfactory quality, community participation took place when appropriate, the appropriate recommendations were made, all documentation was properly filed and recorded, and that the conditions of approval by the MoEPPPC or the county office were met.

The HBOR will inform the IBRD on the environmental due diligence applied through the general reporting on the project progress. The IBRD will track environmental performance of the HBOR and the PFIs by regular reviewing their reports as well as by supervision of the overall screening process and implementation of environmental recommendations for the selected sub-projects, including random visits to the sub-project sites. Such practice of supervision is aimed at ensuring that: the work was of satisfactory quality, community participation took place when appropriate, the appropriate recommendations were made, all documentation was properly filed and recorded, and that the conditions of approval by the authorized bodies were met. Therefore, PFIs shall properly keep all sub-project documentation on file and make it available for the HBOR and the IBRD as needed.

**Environmental Documentation.**

The PFIs need to include the following environmental documentation in sub-loan application packages they submit to the HBOR:

**Table V.1 Environmental Documentation**

| <b>Environmental Category</b> | <b>Environmental Documentation to be included in Sub-loan Application Package</b>   |
|-------------------------------|---|
| Category C                    | Environmental Screening Form (Annex B)<br>(Any official approval/permits if applicable)   |
| Category B-                   | Environmental Screening Form (Annex B)<br>Any official approval/permits (if applicable)<br>A) EMP (annex C); or<br>B) EMP checklist (annex F) (in case of simple building upgrades, reconstruction or rehabilitation) |

|                    |  |
|--------------------|--|
| <p>Category B+</p> | <p>Option 1)<br/> Environmental Screening Form (Annex B)<br/> Any official approval/permits<br/> The statement of “EIA is not require” (if applicable)<br/> Pre-EIA report (if applicable)<br/> EMP (annex C)</p> <p>Option 2)<br/> The statement of “EIA is positive”<br/> Full EIA report with EMP<br/> Schedule for Implementation of EIA recommendations</p> |
|--------------------|--|

## Annex A

### Responsibilities of Key Participants

| Participant  | Activity   | Supporting Documentation  |
|--|--|---|
| Beneficiary<br>Sub-borrower                          | <ul style="list-style-type: none"> <li>• Submission of sub-project concept to PFI</li> <li>• Arrangement and financing of EA</li> <li>• Obtain clearance from MoEPPPC / local authority if required</li> <li>• Obtain required permits/licenses</li> <li>• Implementing and financing of EA</li> <li>• Prepares initial environmental screening from</li> </ul>  | <ul style="list-style-type: none"> <li>• Copies of permits, licenses</li> <li>• Clearance statement</li> <li>• Periodic reports and sub-project completion report</li> <li>• Decision on the need for EIA from the MoEPPPC</li> </ul>   |
| Participating<br>Financial<br>Institutions<br>(PFIs) | <ul style="list-style-type: none"> <li>• Finalize the environmental screening form</li> <li>• Review of sub-loan application package for required environmental documentation and licenses/permits from the State authorities</li> <li>• Proposing environmental category</li> <li>• Maintain complete files of environmental documentation for review by the HBOR and IBRD</li> </ul> <p>Monitoring compliance with mitigation plans (if necessary)</p> | <ul style="list-style-type: none"> <li>• Include environmental information with sub-loan application</li> <li>• Include environmental monitoring information in regular portfolio reporting to HBOR</li> <li>• Include environmental documentation in normal PFI records</li> <li>• Periodic monitoring reports (if necessary)</li> </ul> |
| HBOR   | <ul style="list-style-type: none"> <li>• Distribution of Operational manual to PFIs</li> <li>• Co approving EIA category</li> <li>• Assist to the PFIs about environmental requirements</li> <li>• Verification that PFIs have followed EIA procedures</li> <li>• Disclosure of EA documents</li> <li>• Together with IBRD organizes the training for PFIs</li> </ul>  | <ul style="list-style-type: none"> <li>• Include environmental category and EA status in normal periodic reporting activities</li> <li>• Periodic monitoring</li> </ul>   |
| IBRD   | <ul style="list-style-type: none"> <li>• Help HBOR organize training for PFI and HBOR staff regarding environmental review procedures</li> <li>• Carry out prior and post reviews (for first four Category B+ projects)</li> <li>• Identification of problems/ issues and proposal of solutions</li> </ul>   | <ul style="list-style-type: none"> <li>• Document status of project implementation in Implementation Status and Results reports and the mission Aide-Memoires</li> </ul>  |

## Annex B

### Environmental Screening Form

#### (To be completed by Enterprise)

*Enterprise:*

*Project title:*

*Manufacturing Sector/Product:-*

*Brief description of Project (nature of project, sub-project cost, physical size [site area, production per year, etc], existence of any property transfer, or on-going operations, plans for expansion of operations or new construction, potential estimated impact on production)*

#### Working Capital Loans

Will raw materials be purchased with loan proceeds?

If yes, indicate the common name, chemical name or type of material?

Are any of these materials officially identified as hazardous or dangerous under Croatian regulations? Please specify.

Will the project support purchasing of pesticides?

All loans

Is the project being implemented in an ex or current mine zone?

Is project located in nature protection zone?

Who owns the land where project is being implemented?

Is the land free of any squatters or is anyone beside the owner providing for its livelihood from the use of land?

Is land unencumbered?

#### (to be completed by PFIs with support of Sub-borrower)

#### **Sub-project title:**

*Manufacturing Sector/Product: Brief description of sub-project (nature of project, sub-project cost, physical size [site area, production per year, etc], existence of any property transfer, or on-going operations, plans for expansion of operations or new construction, potential estimated impact on production)*

Preliminary environmental information (list of environmental documents already available at time of screening)

- **Screening Category:**
- **Environmental issues apparent at screening** (what environmental issues are raised by the sub-borrower/sub-project)
- **Reason for screening category**

- **Compliance with pollution control standards** (discuss status of compliance of current and planned operations)
- **Proposed mitigation and monitoring** (if necessary-indicate measures to be taken to address the environmental issues raised by the enterprise, how they may be incorporated into the sub-project design, and responsibilities for implementing the mitigation and associated monitoring, and any potential covenants)
- **Terms of Reference for environmental studies to be undertaken** (if necessary-indicate scope, time frame, and appropriate cost of any environmental analysis required)
- **Community participation requirements** (if necessary-list any requirements under national or local laws for the sub-borrowers sponsor to inform, consult or involve the public, NGOs etc.)

DATE:

SIGNATURES:

PFI LOAN OFFICER:

## Annex C

### Template for Environmental Management Plan

A project's environmental management plan (EMP) consists of the set of mitigation, monitoring, and institutional measures to be taken during implementation and operation to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels. The plan also includes the actions needed to implement these measures.

1 Management plans are essential elements of EA reports for Category A projects; for many Category B projects, the EA may result in a management plan only. To prepare a management plan, the borrower and its EA design team (a) identify the set of responses to potentially adverse impacts; (b) determine requirements for ensuring that those responses are made effectively and in a timely manner; and (c) describe the means for meeting those requirements.<sup>2</sup> More specifically, the EMP includes the following components.

#### **Mitigation**

2. The EMP identifies feasible and cost-effective measures that may reduce potentially significant adverse environmental impacts to acceptable levels. The plan includes compensatory measures if mitigation measures are not feasible, cost-effective, or sufficient. Specifically, the EMP

- (a) identifies and summarizes all anticipated significant adverse environmental impacts (including those involving indigenous people or involuntary resettlement);
- (b) describes--with technical details--each mitigation measure, including the type of impact to which it relates and the conditions under which it is required (e.g., continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate;
- (c) estimates any potential environmental impacts of these measures; and
- (d) provides linkage with any other mitigation plans (e.g., for involuntary resettlement, indigenous peoples, or cultural property) required for the project.

#### **Monitoring**

3. Environmental monitoring during project implementation provides information about key environmental aspects of the project, particularly the environmental impacts of the project and the effectiveness of mitigation measures. Such information enables the borrower and the Bank to evaluate the success of mitigation as part of project supervision, and allows corrective action to be taken when needed. Therefore, the EMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the EA report and the mitigation measures described in the EMP. Specifically, the monitoring section of the EMP provides (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and (b) monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

### **Capacity Development and Training**

4. To support timely and effective implementation of environmental project components and mitigation measures, the EMP draws on the EA's assessment of the existence, role, and capability of environmental units on site or at the agency and ministry level.<sup>3</sup> If necessary, the EMP recommends the establishment or expansion of such units, and the training of staff, to allow implementation of EA recommendations. Specifically, the EMP provides a specific description of institutional arrangements--who is responsible for carrying out the mitigatory and monitoring measures (e.g., for operation, supervision, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training). To strengthen environmental management capability in the agencies responsible for implementation, most EMPs cover one or more of the following additional topics: (a) technical assistance programs, (b) procurement of equipment and supplies, and (c) organizational changes.

### **Implementation Schedule and Cost Estimates**

5. For all three aspects (mitigation, monitoring, and capacity development), the EMP provides (a) an implementation schedule for measures that must be carried out as part of the project, showing phasing and coordination with overall project implementation plans; and (b) the capital and recurrent cost estimates and sources of funds for implementing the EMP. These figures are also integrated into the total project cost tables.



## Mitigation Plan

| Construction Phase |                               |                                 |  |   |
|--------------------|-------------------------------|---------------------------------|--|---|
| Activity           | Expected Environmental Impact | Proposed Measure for Mitigation | Responsibility for Implementing Mitigation Measure | Period of Implementing Mitigation Measure |
| 1.                 |                               |                                 |  |   |
| 2.                 |                               |                                 |  |   |
| ...                |                               |                                 |  |   |
| Operation Phase    |                               |                                 |  |   |
| 1.                 |                               |                                 |  |   |
| 2.                 |                               |                                 |  |   |
| ...                |                               |                                 |  |   |

## Monitoring Plan

| Construction Phase                   |  |  |   |  |
|--------------------------------------|--|--|---|--|
| <b>What</b>                          | <b>Where</b>                             | <b>How</b>   | <b>When</b>   | <b>By Whom</b>   |
| <i>parameter is to be monitored?</i> | <i>is the parameter to be monitored?</i> | <i>is the parameter to be monitored (what should be measured and how)?</i> | <i>is the parameter to be monitored (timing and frequency)?</i> | <i>is the parameter to be monitored— (responsibility)?</i> |
| 1.                                   |  |  |   |  |
| 2.                                   |  |  |   |  |
| ...                                  |  |  |   |  |
| Operation Phase                      |  |  |   |  |
| 1.                                   |  |  |   |  |
| 2.                                   |  |  |   |  |
| ...                                  |  |  |   |  |

## Annex D

### **Category A activities – high environmental risk level (EIA is required by Croatian legislation<sup>5</sup>)**

1. Installations for production and processing of oil and natural gas
2. Installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day
3. Power plants and other combustion installations with power exceeding 30 MW
4. Nuclear power stations and other nuclear reactors, including deinstallation and shutdown of such reactors<sup>1</sup> (except research installations whose maximum power does not exceed 1 kilowatt continuous thermal load)
5. Installations for the reprocessing of irradiated nuclear fuels
6. Installations designed for:
  - the production or enrichment of nuclear fuels
  - the processing of irradiated nuclear fuels or high-level radioactive waste
  - the final disposal of irradiated nuclear fuel
  - the final disposal of radioactive waste
  - the storage (planned storage period longer than 10 years) of irradiated nuclear fuels or radioactive waste in a different site than the production site
7. Installations for the production of crude iron, steel and ferroalloys
8. Installations for the production of precious and non-ferrous metals
9. Integrated chemical installations for industrial production, in which units are functionally interconnected and serve for:
  - the production of base organic chemicals
  - the production of base inorganic chemicals
  - the production of phosphorous-, nitrogen- or potassium-based fertilizers (simple or compound fertilizers)
  - the production of basic plant health products and of biocides
  - the production of basic pharmaceutical products using a chemical or biological process
  - the production of explosives
10. Construction of lines for long-distance railway traffic with pertaining structures and equipment
11. Construction of airports with a basic runway length of 2,100 meters or more
12. Construction of motorways and express roads
13. Inland ports
14. Inland waterways
15. Ports open for public transport
16. Ports for special purposes
17. Installations for the treatment of hazardous waste by incineration or chemical treatment and hazardous waste landfills.
18. Installations for the treatment of non-hazardous and municipal waste by incineration or chemical treatment
19. County and regional waste management centers

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<sup>5</sup> **Regulation on environmental impact assessment** (OG No. 64/08, 67/09) (Uredba o procjeni utjecaja zahvata na okoliš 'Narodne novine', broj: [64/08](#) i [67/09](#))

20. Groundwater abstraction, except water supply systems, or artificial groundwater recharge schemes where the annual volume of water abstracted or recharged is equivalent to or exceeds 10 million cubic meters.
21. Works for the transfer of water resources between river basins intended for preventing possible water shortages and where the amount of water transferred exceeds 100 million cubic metres per year
22. Melioration systems with a surface area of 5,000 ha and more, and in the Adriatic catchment area 500 ha and more
23. Dams and other installations designed for holding back or permanent storage of water, where a new or additional amount of water held back or stored exceeds 1 million cubic metres
24. Waste water treatment plants with a capacity of 50,000 PE (population equivalent) and more with associated drainage system
25. International and main pipelines for the transmission of gas, oil and petroleum products including the terminal, delivery and metering regulation (reduction) station technologically connected to the pipeline
26. Installations for the intensive rearing of poultry with a capacity of 20,000 pcs and more per production cycle
27. Installations for the intensive rearing of pigs with a capacity of more than:
  - 3,000 places for production pigs (over 30 kg)
  - 900 places for sows
28. Installations for the intensive rearing of livestock and other animals with a capacity exceeding 500 heads
29. Industrial plants for the production of cellulose and pulp from timber or similar fibrous materials
30. Industrial plants for the production of paper and board with a production capacity exceeding 100 tonnes per day
31. Exploitation of mineral resources:
  - energy-producing minerals – coal, oil, gas (extraction, refinement i.e. removal of impurities and water, transport when in relation to the exploitation field and storage in geological structures)
  - metalliferous mineral resources from which metals and their compounds may be produced
  - non-metalliferous mineral resources – graphite, sulphur, magnesite, fluorite, barite, asbestos, mica, phosphate, plaster, calcite, chalk, bentonite clay, quartz, quartzsand, kaolin, ceramic and refractory clay, feldspars, talc, tuff, raw materials for the production of cement and lime, carbonate and silicon raw materials for industrial processing
  - architectural and building stone
  - all types of salts and salt waters
  - mineral and geothermal waters from which mineral raw materials may be extracted or accumulated heat may be used for energy purposes
  - technical building stone, construction sand and gravel and brick clay
32. Exploitation of gravel and sand from renewable sources, except in technical and economic maintenance of watercourses and other waters
33. Exploitation of mineral and thermal waters used for therapeutic, balneological and recreational purposes or as drinking water
34. Power-transmission lines, power-transformers and switching equipment with a voltage of 220 kV or more
35. Installations for storage:

- oil terminals and liquid natural gas terminals
  - underground storage facilities for natural gas
  - storage facilities for oil or liquid petroleum products as independent facilities, capacity 50,000 t and more
  - LPG storage tanks as independent facilities, capacity 10,000 t and more
  - storage facilities for chemical products as independent facilities, capacity 50,000 t and more
36. Marine farms:
- fish-farms in the protected coastal area (PCA)
37. Freshwater fish-farms:
- for salmonids - annual production 10 t and more
  - for cyprinids - area exceeding 100 ha
38. Golf courses with pertaining structures
39. Any change to the project or reconstruction of structures from this List
40. All other projects for which it is required to obtain integrated environmental protection requirements

### **Category B+ activities - intermediate environmental risk level<sup>6</sup>**

*Agriculture, forestry and aquaculture (unless included in Annex I of the Regulation of the Environmental Impact Assessment)*

1. Water-management projects for agriculture, including irrigation and land drainage projects whereby the irrigation surface area is 1,000 ha or more, and in the Adriatic catchment area 200 ha and more
2. Installations for the intensive rearing of pigs with a capacity of more than:
  - 1,000 places for production pigs (over 30 kg)
  - 500 places for sows
3. Marine farms:
  - fish-farms outside the PCA up to a distance of 1 Nm and annual production exceeding 700 t
  - fish-farms outside the PCA, with a distance of more than 1 Nm from the coast of islands or mainland and annual production exceeding 3500 t
4. Shell-farms within the PCA with annual production exceeding 400 t

*Energy industry (unless included in Annex I)*

1. Industrial installations for the production of electricity, steam and hot water with power exceeding 1 MW with the use of:
  - Fossil and solid fuels
  - Renewable energy sources (water, sun, wind, biomass, biogas, geothermal energy, waves, tides, etc.)
2. Industrial installations for carrying gas, steam and hot water with a length of 5 km and more
3. Surface storage of natural gas and other fossil fuels with a capacity of 5,000 m<sup>3</sup> and more

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<sup>6</sup> **Regulation on environmental impact assessment** (OG No. 64/08, 67/09) (Uredba o procjeni utjecaja zahvata na okoliš 'Narodne novine', broj: [64/08](#) i [67/09](#))

4. Underground storage of combustible gases with a capacity of 5,000 m<sup>3</sup> and more
5. Industrial briquetting of coal and lignite
6. Production of biofuel with a capacity of 10,000 t/yr and more

*Production and processing of metals (unless included in Annex I)*

1. Installations for the processing of ferrous metals with a processing capacity of 500 kg/h of crude material:
  - Hot-rolling mills (installations for hot-rolling)
  - Smithies with one or more hammers
  - Installations for application of protective fused metal coats
2. Ferrous metal foundries
3. Installations for the smelting, including the alloyage, of non-ferrous metals, excluding precious metals
4. Installations for surface treatment of metals and plastic materials using an electrolytic or chemical process
5. Installations for the production of motor vehicles (production, assembly, production of motor-vehicle engines)
6. Shipyards
7. Installations for the construction and repair of aircraft
8. Installations for the production of railway equipment
9. Installations for metal swaging by explosives
10. Installations for the roasting, enrichment, sintering and molding of metallic ores

*Industrial processing of minerals (unless included in Annex I)*

1. Installations for dry coal distillation
2. Installations for the production of cement clinker, cement and lime
3. Installations for the production of glass and glass fibre, including production of glass generated by processing scrap glass
4. Installations for smelting mineral substances including the production of mineral fibres
5. Production of ceramics and brick products

*Chemical industry (unless included in Annex I)*

1. Treatment (processing) of intermediate products and production of chemicals with a capacity of 10,000 t/yr or more
2. Production of:
  - pesticides
  - pharmaceutical products
  - paint and varnishes
  - peroxides

*Food industry (unless included in Annex I)*

1. Installations for the production and processing of vegetable and animal oils and fats

2. Installations for the production, processing (preservation) and packing of animal or vegetable products with a capacity of 1 t/day
3. Installations for the treatment and processing of milk with a capacity of 1 t/day
4. Installations for the production of malt and yeast
5. Installations for the production of confectionery and syrup with a capacity of 5 t/day
6. Installations for the production of industrial starch
7. Installations for the production of fish-flour and fish-oil
8. Installations for the production or refining of sugar
9. Installations for the production of alcoholic and nonalcoholic beverages with a capacity of 2,000,000 l/yr and more
10. Installations for the production of tobacco products

*Textile, leather, wood and paper industries (unless included in Annex I)*

1. Installations for the production of paper and cardboard
2. Installations for the pre-treatment of textile fibres
3. Cellulose-processing and production installations
4. Installations for the treatment and processing of skins and hides

*Rubber industry (unless included in Annex I)*

1. Installations for the production and treatment of elastomer-based products

*Infrastructure projects (unless included in Annex I)*

1. Commercial, business and sales centres with gross construction area of 10,000 m<sup>2</sup> and more  
Sport and recreational centres with a surface area of 5 ha or more
2. Installations for railway traffic, railway terminals, particularly for intermodal freight loading and unloading
3. Airfields
4. Dams and other installations designed to hold water or store it on a long-term basis
5. Oil and gas pipeline installations with a length of 5 km and more
6. Intercity and international long-distance aqueducts
7. Water supply systems with a capacity exceeding 500 l/sec, abstraction of groundwaters - except water supply systems, or artificial groundwater recharge schemes
8. Structures for the transfer of water resources between river basins
9. Coastal works (dykes, moles, jetties and other sea constructions) and all projects including silting of sea coast, deepening or desiccation of sea-bed

*Other projects (unless included in Annex I)*

1. Waste water treatment plants with an output capacity of 10,000 PE and more with associated drainage system
2. Water sources in the function of water-filling stations
3. Installations or equipment for the testing of engines, turbines or reactors
4. Installations for the destruction of explosive substances

5. Installations for the production of artificial mineral fibres
6. Knackers' yards (processing of animal carcasses and animal waste)
7. Installations for the disposal of waste
  - Biological treatment
  - Chemical treatment
  - Landfilling
  - thermal treatment
8. Installations for the treatment and disposal of scrap iron, including end-of-life vehicles
9. Bitumen mixing-plant stations with nominal capacity exceeding 100 t/hour and more
10. Concrete-elements plants with nominal capacity exceeding 30 m<sup>3</sup>/hour and more

*Tourism and leisure (unless included in Annex I)*

1. Tourist zones with a surface area of 5 ha or more

All existing installations and equipment for which it is required to obtain integrated environmental protection requirements

Any change to the project or reconstruction of structures from this List

*Agriculture, forestry and aquaculture (unless included in Annex I)*

1. Restructuring of rural land areas with a surface area of 10 ha or more
2. Use of uncultivated land or semi-natural areas for intensive agricultural purposes with a surface area of 10 ha or more
3. Initial afforestation for the purposes of conversion to another type of land use with a surface area of 50 ha or more
4. Deforestation for the purposes of conversion to another type of land use with a surface area of 10 ha or more
5. Installations for the intensive rearing of poultry with a capacity of 5,000 pcs or more per production cycle
6. Installations for the intensive rearing of livestock and other animals with a capacity exceeding 200 heads
7. Freshwater fish-farms:
  - – for salmonids - annual production 5 t and more
  - – for cyprinids - area exceeding 50 ha

*Chemical industry (unless included in Annex I)*

1. Storage facilities for petroleum, petrochemical and chemical products with a capacity of 10,000 t and more

*Food industry (unless included in Annex I)*

1. Slaughterhouses with a capacity of 100 heads or more per day

*Infrastructure projects (unless included in Annex I)*

1. Industrial estate development projects with a surface area of 5 ha or more
2. Car parks as independent projects with a surface area of 2 ha or more

3. County and local roads with a length of 5 km and more
4. Canals, dykes and other structures for protection against floods and coastal erosion
5. Tramways, elevated and underground railways, suspended lines or similar lines, used mainly for passenger transport:
  - urban – 10 km or more in length
  - suburban – 15 km or more in length

Other projects (unless included in Annex I)

1. Racing and test tracks for motorised vehicles with a surface area of 1 ha or more
2. Cemeteries with a surface area of 10 ha or more

Tourism and leisure (unless included in Annex I)

1. Ski-runs, ski-lifts and cable-cars and similar constructions with pertaining structures and with a surface area of 1 ha or more and/or the height of construction of 15 m
2. Theme parks with a surface area of 5 ha or more Any change to the project or reconstruction of structures from this List



## Category B - activities - medium sized environmental risk level<sup>7</sup>

1. Farming of animals - cattle, dairy and farming of other animals
2. Operation of fish hatcheries and fish farms
3. Manufacture of food products and beverages
4. Manufacture of textiles and textile products
5. Manufacture of sawn timber, wood impregnation, veneer, bord materials, panel boards, chipboard pannels, and other pannels and boards, chest of drawers and elements, wodden packages and other wodden products, articles of cork, straw and plaiting materials
6. Manufacture of furniture
7. Manufacture of paper and paperboard and articles of paper and paperboard and printing
8. Manufacture of perfumes and toilet preparations
9. Manufacture of plastic products
10. Manufacture of non-leaded glass and glass products
11. Manufacture of non-refractory and refractory ceramic products , manufacture of ceramic tiles and flags, bricks, tiles and construction products, in baked clay,
12. Manufacture of articles of concrete, plaster and cement
13. Cutting, shaping and finishing of stone
14. Manufacture of other non-metallic mineral products
15. Manufacture of fabricated metal products
16. Manufacture of electrical machinery and equipment, radio and communications equipment and machinery
17. Building and repairing of pleasure and sporting boats, manufacture of motorcycles and bicycles and other transport equipment
18. Manufacturing of jewelry and similar products, music instruments, sports equipment, games and toys
19. Building of complete constructions or parts thereof; civil engineering, painting and glazing
20. Retail and wholesale of live stock
21. Repair of other personal and household goods
22. Hospital activities, medical practice activities
23. Sea water tranport, inland water transport, air transport, transshipment and storage of cargo
24. Reconstruction of the existing buildings

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- <sup>7</sup> The decision establishing that an environmental impact assessment does not need to be carried out for the project (Regulation on environmental impact assessment (OG No. 64/08, 67/09) (Uredba o procjeni utjecaja zahvata na okoliš 'Narodne novine', broj: [64/08](#) i [67/09](#)))

- Projects which need construction and reconstruction and are not on lists A nor B+ (Physical Planning and Building Act Official Gazette 76/07 (Zakon o prostornom uređenju i gradnji NN [76/07](#), pdf, [38/09](#)))

### **Category C - low environmental risk level**

1. Growing of crops; market gardening; horticulture
2. Publishing, printing and reproduction of recorded media
3. Demolition and wrecking of buildings; earth moving, test drilling and boring, building installation, building completion
4. Renting of construction or demolition equipment with operator
5. Sale of motor vehicles, spare parts and equipment
6. Wholesale, retail trade and commission trade (except of live animals)
7. Wholesale
8. Hotels and restaurants
9. Railway transport, land transport of passengers and cargo, taxi service, transhipment of cargo, other agency activities in transport
10. Activities of travel agencies and tour operators; tourist assistance activities n.e.c.
11. Post and telecommunications
12. Financial intermediation, insurance, real estate, renting and business services
13. Research and development, investigation and protection activities, technical assesment and analysis
14. Legal, accounting, book-keeping and auditing activities; tax consultancy; market research, and public opinion polling; business and management consultancy; computer and related activities
15. Architectural and engineering activities and related technical consultancy
16. Advertising, labour recruitment and provision of personnel
17. Industrial cleaning
18. Dental practice activities, other human health activities, veterinary activities, social care services
19. Education
20. Recreational, cultural and sporting activities
21. Washing and dry-cleaning of textile and fur products, hairdressing and other beauty treatment, funeral and related activities, physical well-being activities

## Annex E

### *Pest and Pesticides Management Plan Requirements*

- a list of pest control products authorized for procurement, or an indication of when and how this list will be developed and agreed on;
- existing pest management practices; pesticide use; the policy, economic, institutional, and legal framework for regulating, procuring, and managing pesticides; and the extent to which all these are consistent with an IPM approach;
- proposed project activities (or ongoing parallel activities, including other projects supported by the Bank or other donors) aimed at addressing
  - the shortcomings identified, and
  - any constraints to adopting IPM;
- proposed mechanisms for financing, implementing, monitoring, and supervising components relating to pest management or pesticide use, including any role envisaged for local nongovernmental organizations;
- the capacity of responsible institutions to carry out the activities described; and
- the overall sectoral context and other issues that will not be directly addressed under the project but that should be addressed as long-term objectives.

**Checklist Environmental Management Plan (EMP)**  
**for the construction**

**Introduction**

The Croatian Export Finance Intermediation Loan will be a single component targeting the Export and Quasi-Export (foreign exchange earners). HBOR has a number of programs within its portfolio that target various segments of the economy. The financing will help exporters invest in export development projects and support the growth of Croatian exports. With this focus on firms that earn foreign exchange it will also help reduce Croatia's current account deficit. The proposed Euro 100mn CEFIL is a single-component project consisting of a credit line to HBOR as the borrower and implementing agency. HBOR will intermediate the funds through PFIs, which in turn will on-lend to eligible private exporters. The envisaged CEFIL project is to be implemented through HBOR's funding department. The responsibilities will include: (i) on-lending to PFIs for final lending to sub-borrowers (ii) ensure effective functioning of the on-lending facility to final borrowers through PFI (iii) on-going monitoring of the PFIs to ensure compliance with project criteria; (iv) responsibility for adherence to all fiduciary and safeguard requirements of the World Bank for final borrower; and (v) monitoring and evaluation based on key project development indicators.

**Potential Environmental Impacts**

The environmental impacts of the sub project are expected to be of manageable, temporary and of local impact as they are related to the general construction activities on already known and previously used locations. These impacts most commonly include: a) Dust and noise due to excavation, demolition and construction; b) Management of demolition construction wastes and accidental spillage of machine oil, lubricants, etc., c) Encroachment to a private property; d) damage to historical or cultural property or unknown archaeological sites; e) Traffic disturbance; (f) surface or ground water and g) soil pollution or erosion.

**Checklist EMP**

Checklist EMP is applied for minor rehabilitation or small-scale building construction, especially in education, health and public service reconstruction sector. It provides "pragmatic good practice" and it is designed to be user friendly and compatible with WB safeguard requirements. The checklist-type format attempts to cover typical mitigation approaches to common civil works contracts with localized impacts.

The checklist has one introduction section and three main parts:

- Introduction or foreword part in which the project is introduced, environmental category defined, and checklist EMP concept explained.
- **Part 1** constitutes a descriptive part ("*site passport*") that describes the project specifics in terms of physical location, the institutional and legislative aspects, the project description, inclusive of the need for a capacity building program and description of the public consultation process.

- **Part 2** includes the environmental and social screening in a simple Yes/No format followed by mitigation measures for any given activity.
- **Part 3** is a monitoring plan for activities during project construction and implementation. It retains the same format required for standard World Bank EMPs. It is the intention of this checklist that Part 2 and Part 3 be included as bidding documents for contractors.

### **Application of the EMP-Checklist**

The design process for the envisaged civil works in the Education Excellence and Equity Project will be conducted in three phases:

- 1) *General identification and scoping phase*, in which the objects (e.g. schools) for rehabilitation, extension and/or construction are selected and an approximate program for the potential work typologies elaborated. At this stage, Part 1, 2 and 3 of the Checklist EMP are filled. Part 2 of the Checklist EMP can be used to select typical activities from a “menu” and relate them to the typical environmental issues and mitigation measures.
- 2) *Detailed design and tendering phase*, including specifications and bills of quantities for individual objects. Checklist EMP is revised according to the detailed design at this stage. As such, the Checklist is presented to the public, prior to the tendering procedure. This phase also includes the tender and award of the works contracts. The whole filled in tabular EMP (Part 1, 2 and 3) should be additionally attached as integral part to the works contract as well as supervision contract, analogous to all technical and commercial terms, has to be signed by the contract parties.
- 3) *During the works implementation phase* environmental compliance is checked on the respective site by the site certified inspector(s) / supervisor(s), which include the site supervisory engineer hired by the Municipality, consultant hired by the Ministry of Education and relevant inspection services from Ministry of Environment. The mitigation measures in Part 2 and monitoring plan in Part 3 are the basis to verify the Contractor’s compliance with the required environmental provisions.

### **Monitoring and Reporting**

For the monitoring of the Contractor’s safeguards due diligence, the site supervising engineer works with **Part 3** of the EMP Checklist, *i.e.* with the monitoring plan. Part 3 is developed site specifically and in necessary detail, defining clear mitigation measures and monitoring which can be included in the works contracts, which reflect the status of environmental practice on the construction site and which can be observed/measured/ quantified/verified by the inspector during the construction works.

Part 3 would thus be updated and revised during the design process to practically reflect key monitoring criteria which can be checked during and after works for compliance assurance and ultimately the Contractor’s remuneration.

Such mitigation measures include the use of Personal Protective Equipment (PPE) by workers on the site, dust generation and prevention, amount of water used and discharged by site, presence of proper sanitary facilities for workers, waste collection of separate types (mineral waste, wood, metals, plastic, hazardous waste, e.g. asbestos, paint residues, spent engine oil), waste quantities, proper organization of disposal pathways and facilities, or reuse and recycling wherever possible.

In addition to Part 3, the site engineer should check whether the contractor complies with the mitigation measures in Part 2.

An acceptable monitoring report from the site supervising engineer hired by the Municipality would be a condition for full payment of the contractually agreed remuneration, the same as technical quality criteria or quantity surveys. To assure a degree of leverage on the Contractor's environmental performance an appropriate clause will be introduced in the works contracts, specifying penalties in case of noncompliance with the contractual environmental provisions, e.g. in the form of withholding a certain proportion of the payments, its size depending on the severity of the breach of contract. For extreme cases a termination of the contract shall be contractually tied in.

| <b>PART 1: INSTITUTIONAL &amp; ADMINISTRATIVE</b>                              |   |
|--|---|
| Country  |   |
| Project title  |   |
| Scope of project and activity  |   |
| Institutional arrangements (Name and contacts)                                 | <b>Project management</b>   |
|  |   |
| Implementation arrangements (Name and contacts)                                | <b>Supervision</b>  |
|  |   |
| <b>SITE DESCRIPTION</b>  |   |
| Name of site   |   |
| Describe site location   | Annex 1: Site information (figures from the site) [ ]Y [ ] N              |
| Who owns the land?   |   |
| Geographic description   |   |
| <b>LEGISLATION</b>   |   |
| Identify national & local legislation & permits that apply to project activity |   |
| <b>PUBLIC CONSULTATION</b>   |   |
| Identify when / where the public consultation process took place               |   |
| <b>INSTITUTIONAL CAPACITY BUILDING</b>   |   |
| Will there be any capacity building?   | [ ] N or [ ] Y if Yes, Annex 2 includes the capacity building information |

**PART 2: ENVIRONMENTAL /SOCIAL SCREENING**

| Will the site activity include/involve any of the following: | Activity                                     | Status   | Additional references      |
|--|--|--|----------------------------|
|  | A. Building rehabilitation                   | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>B</b> below |
|  | B. New construction                          | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>B</b> below |
|  | C. Individual wastewater treatment system    | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>C</b> below |
|  | D. Historic building(s) and districts        | <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Possible | See Section <b>D</b> below |
|  | E. Acquisition of land <sup>8</sup>          | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>E</b> below |
|  | F. Hazardous or toxic materials <sup>9</sup> | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>F</b> below |
|  | G. Impacts on forests and/or protected areas | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>G</b> below |
|  | H. Handling / management of medical waste    | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>H</b> below |
|  | I. Traffic and Pedestrian Safety             | <input type="checkbox"/> Yes <input type="checkbox"/> No                                   | See Section <b>I</b> below |

| ACTIVITY   | PARAMETER                      | MITIGATION MEASURES CHECKLIST  |
|--|--------------------------------|--|
| <b>A. General Conditions</b>                                     | Notification and Worker Safety | (a) The local construction and environment inspectorates and communities have been notified of upcoming activities<br>(b) The public has been notified of the works through appropriate notification in the media and/or at publicly accessible sites (including the site of the works)<br>(c) All legally required permits have been acquired for construction and/or rehabilitation<br>(d) All work will be carried out in a safe and disciplined manner designed to minimize impacts on neighboring residents and environment.<br>(e) Workers’ PPE will comply with international good practice (always hardhats, as needed masks and safety glasses, harnesses and safety boots)<br>(f) Appropriate signposting of the sites will inform workers of key rules and regulations to follow. |
| <b>B. General Rehabilitation and /or Construction Activities</b> | Air Quality                    | (a) During interior demolition use debris-chutes above the first floor<br>(b) Keep demolition debris in controlled area and spray with water mist to reduce debris dust<br>(c) Suppress dust during pneumatic drilling/wall destruction by ongoing water spraying and/or installing dust screen enclosures at site<br>(d) Keep surrounding environment (side walks, roads) free of debris to minimize dust<br>(e) There will be no open burning of construction / waste material at the site<br>(f) There will be no excessive idling of construction vehicles at sites  |
|  | Noise                          | (a) Construction noise will be limited to restricted times agreed to in the permit<br>(b) During operations the engine covers of generators, air compressors and other powered mechanical equipment should be closed, and equipment placed as far away from residential areas as possible  |
|  | Water Quality                  | (a) The site will establish appropriate erosion and sediment control measures such as e.g. hay bales and / or silt fences to prevent sediment from moving off site and causing excessive turbidity in nearby streams and rivers.   |

<sup>8</sup> Land acquisitions includes displacement of people, change of livelihood encroachment on private property this is to land that is purchased/transferred and affects people who are living and/or squatters and/or operate a business (kiosks) on land that is being acquired.

<sup>9</sup> Toxic / hazardous material includes and is not limited to asbestos, toxic paints, removal of lead paint, etc.

| ACTIVITY                                  | PARAMETER                          | MITIGATION MEASURES CHECKLIST  |
|---|------------------------------------|--|
|   | Waste management                   | (a) Waste collection and disposal pathways and sites will be identified for all major waste types expected from demolition and construction activities.<br>(b) Mineral construction and demolition wastes will be separated from general refuse, organic, liquid and chemical wastes by on-site sorting and stored in appropriate containers.<br>(c) Construction waste will be collected and disposed properly by licensed collectors<br>(d) The records of waste disposal will be maintained as proof for proper management as designed.<br>(e) Whenever feasible the contractor will reuse and recycle appropriate and viable materials (except asbestos) |
| C. Individual wastewater treatment system | Water Quality                      | (a) The approach to handling sanitary wastes and wastewater from building sites (installation or reconstruction) must be approved by the local authorities<br>(b) Before being discharged into receiving waters, effluents from individual wastewater systems must be treated in order to meet the minimal quality criteria set out by national guidelines on effluent quality and wastewater treatment<br>(c) Monitoring of new wastewater systems (before/after) will be carried out   |
| D. Historic building(s)                   | Cultural Heritage                  | (a) If the building is a designated historic structure, very close to such a structure, or located in a designated historic district, notify and obtain approval/permits from local authorities and address all construction activities in line with local and national legislation<br>(b) Ensure that provisions are put in place so that artifacts or other possible “chance finds” encountered in excavation or construction are noted, officials contacted, and works activities delayed or modified to account for such finds.  |
| E. Acquisition of land                    | Land Acquisition Plan/Framework    | (a) If expropriation of land was not expected and is required, or if loss of access to income of legal or illegal users of land was not expected but may occur, that the bank task Team Leader is consulted.<br>(b) The approved Land Acquisition Plan/Framework (if required by the project) will be implemented  |
| F. Toxic Materials                        | Asbestos management                | (a) If asbestos is located on the project site, mark clearly as hazardous material<br>(b) When possible the asbestos will be appropriately contained and sealed to minimize exposure<br>(c) The asbestos prior to removal (if removal is necessary) will be treated with a wetting agent to minimize asbestos dust<br>(d) Asbestos will be handled and disposed by skilled & experienced professionals<br>(e) If asbestos material is be stored temporarily, the wastes should be securely enclosed inside closed containments and marked appropriately<br>(f) The removed asbestos will not be reused   |
|   | Toxic / hazardous waste management | (a) Temporarily storage on site of all hazardous or toxic substances will be in safe containers labeled with details of composition, properties and handling information<br>(b) The containers of hazardous substances should be placed in an leak-proof container to prevent spillage and leaching<br>(c) The wastes are transported by specially licensed carriers and disposed in a licensed facility.<br>(d) Paints with toxic ingredients or solvents or lead-based paints will not be used   |
| G. Affects forests and/or protected areas | Protection                         | (a) All recognized natural habitats and protected areas in the immediate vicinity of the activity will not be damaged or exploited, all staff will be strictly prohibited from hunting, foraging, logging or other damaging activities.  |



| ACTIVITY   | PARAMETER   | MITIGATION MEASURES CHECKLIST   |
|--|---|---|
|  |   | (b) For large trees in the vicinity of the activity, mark and cordon off with a fence large trees and protect root system and avoid any damage to the trees<br>(c) Adjacent wetlands and streams will be protected, from construction site run-off, with appropriate erosion and sediment control feature to include but not limited to hay bales, silt fences<br>(d) There will be no unlicensed borrow pits, quarries or waste dumps in adjacent areas, especially not in protected areas.  |
| <b>H.</b> Disposal of medical waste (not applicable) | Infrastructure for medical waste management   | (a) In compliance with national regulations the contractor will insure that newly constructed and/or rehabilitated health care facilities include sufficient infrastructure for medical waste handling and disposal; this includes and not limited to: <ul style="list-style-type: none"> <li>▪ Special facilities for segregated healthcare waste (including soiled instruments “sharps”, and human tissue or fluids) from other waste disposal; and</li> <li>▪ Appropriate storage facilities for medical waste are in place; and</li> <li>▪ If the activity includes facility-based treatment, appropriate disposal options are in place and operational</li> </ul>  |
| <b>I</b> Traffic and Pedestrian Safety               | Direct or indirect hazards to public traffic and pedestrians by construction activities | (a) In compliance with national regulations the contractor will insure that the construction site is properly secured and construction related traffic regulated. This includes but is not limited to <ul style="list-style-type: none"> <li>▪ Signposting, warning signs, barriers and traffic diversions: site will be clearly visible and the public warned of all potential hazards</li> <li>▪ Traffic management system and staff training, especially for site access and near-site heavy traffic. Provision of safe passages and crossings for pedestrians where construction traffic interferes.</li> <li>▪ Adjustment of working hours to local traffic patterns, e.g. avoiding major transport activities during rush hours or times of livestock movement</li> <li>▪ Active traffic management by trained and visible staff at the site, if required for safe and convenient passage for the public.</li> <li>▪ Ensuring safe and continuous access to office facilities, shops and residences during renovation activities, if the buildings stay open for the public.</li> </ul> |

**PART 3: MONITORING PLAN**

| <b><u>Phase</u></b>                          | <b>What</b><br>(Is the impact or related action to be monitored?) | <b>Where and what</b><br>(Is the parameter if applicable to be monitored?) | <b>How</b><br>(Is the parameter to be monitored?) | <b>When</b><br>(Define the frequency / or continuous?) | <b>Why</b><br>(Is the parameter being monitored?) | <b>Cost</b><br>(If not included in project budget) | <b>Who</b><br>(Is responsible or monitoring?) |
|--|---|--|---|--|---|--|---|
| <b><u>During Activity Preparation</u></b>    |   |  |   |  |   |  |   |
| <b><u>During Activity Implementation</u></b> |   |  |   |  |   |  |   |
| <b><u>During Activity Supervision</u></b>    |   |  |   |  |   |  |   |

**Minutes on Public Consultation**  
**Environmental Management Framework for the Assessment of Projects within the CEFIL**  
**Loan**

The EMF was disclosed on the website of the HBOR on July 24, announcing public consultation on July 2 and calling for comments and proposals on EMF. For providing comments, email address, fax number and regular mail address were assured. To ensure proper disclosure HBOR took proactive approach and in addition send the invitation for public consultation to potential commercial banks (PFIs), to Ministry of Environmental Protection Physical Planning and Construction, Regional Environment Center, Green Action (NGO).

Public consultations were held on July 2, 2009 in HBOR premises from 10:00 a.m. to 11:15 a.m.

**List of attendees:**

**From World Bank:**

**Nataša Vetma**, *Operational Officer*

**Matija Laco**, *Research Analyst*

**From HBOR:**

**Aleksandra Arbanas**, *Infrastructure and Industry Department Managing Director*

**Ivanka Maričković Putrić**, *Export Finance Department Managing Director*

**Mario Perić**, *Head of Domestic Export Finance Unit*

**Zrinka Kolenc Obrazović**, *Head of Loans and Securities Unit*

**Marija Hrbud**, *Infrastructure Unit*

**Ana Šimić**, *Technical Analysis*

**Kristina Margetić**, *Export Finance Department*

**Ivana Bošnjak**, *Export Finance Department*

**From other institutions:**

**Dubravko Miholić**, *Croatian Exporters, Secretary General*

**Zrinka Valetić**, *Ministry of Environmental Protection, Physical Planning and Construction,*

**Željka Medven**, *Regional Environmental Centre, Project Manager*

**Marijana Stjepanić**, *Relationship Manager, Societe Generale – Splitska banka d.d., Split*

**Milutin Šaponja**, *Privredna banka Zagreb - d.d. Zagreb, Product Manager,*

**Ivan Sabljic**, *Privredna banka Zagreb - d.d. Zagreb, Client Relationship Manager*

**Goran Đorđić**, *Raiffeisenbank Austria d.d., Zagreb, , Junior officer - financing and special arrangements*

**Tanja Mihoci**, *Raiffeisenbank Austria d.d., Zagreb, Senior Credit Officer*

**Vladimir Kristijan**, *Erste & Steiermärkische Bank d.d. Rijeka, Deputy Director of Economy Department*

**Svea Škorić**, *Zagrebačka banka d.d., Zagreb, Manager for Special Arrangements*

**Nino Nikolić-Malora**, *Zagrebačka banka d.d., Zagreb, Financing Products Manager*

In introductory part Ms. Ivanka Maričković Putrić explained the primary objective of the World Bank Loan to HBOR - to strengthen and support the growth in exports through extending medium- and long-term loans for the purpose of financing the working capital and investment of exporters, i.e. companies generating income in foreign markets. An initial discussion among the banking sector participants, HBOR and the representatives of official institutions was based on the clarification of the current situation in the Croatian market and on the need to determine the framework for future co-operation under the project, particularly concerning the issue of environmental protection, primarily with commercial banks and other institutions that would actively participate in the project.

After introductory remarks, Ms. Marija Hrbud held a presentation: “Environmental Management Framework (EMF) for the Assessment of Projects within the World Bank Loan to HBOR” and briefly explained the main elements of the loan and environment protection issues.

After the introduction of the EMF, Mr. Vladimir Kristijan from Erste & Steiermärkische Bank d.d., Rijeka asked for the explanation of the term *Environmental Due Diligence*. Ms. Ana Šimić, the representative of HBOR’s Technical Analysis, stressed as the starting point the significance of classifying clients into risk categories in accordance with the World Bank guidelines, based on which the necessity of preparing an environmental study should be determined as a basis within the framework of obtaining a World Bank loan, and furthermore the necessity of obtaining all needed permits for the project.

Ms. Nataša Vetma, the representative of the World Bank, said that for example in case of investing in already existing hotels, depending on the nature of the project, it is not necessary to prepare a study. Namely, if a study is not required in accordance with the degree of the risk involved, it would be enough just to complete the questionnaire, however, the nature of the investment to be financed has to be identified,

It should also be stipulated whether the purpose of the financing is the procurement of various chemicals, pesticides, etc. She also gave some examples of investment in the food industry that included the use of various pesticides and chemicals, which was regulated by the Pest Management Plan. Ms. Ana Šimić stressed that all loan forms needed for the approval of loans by HBOR contained the Environmental Protection Questionnaire required for the purpose of approving investments affecting the environment.

Ms. Svea Škorić, the representative of Zagrebačka banka d.d., Zagreb asked whether the environmental impact assessment would be necessary if the loan would be extended for the financing of working capital only. Ms. Ana Šimić replied that the commercial bank should categorise a submitted project into a risk category, depending on which it would be established whether an environmental protection study would be required for the project or not. If risk exists within the project, nothing can be started before an environmental impact study has been prepared.

The representative of Croatian Exporters Mr. Dubravko Miholić referred to the previous question and asked whether the licenses were required before making an application for loan funds or if they could be provided in the course of processing. He also asked whether the investment itself was evaluated or the risk of applicant's business activity was also taken into consideration. Ms. Šimić pointed out that for obtaining funds, the physical investment of the final borrower was evaluated and not former projects i.e. total exposure of the final borrower.

Excluded are only projects of completely new investments, e.g. the construction of new power plants or similar investments directly affecting the environment and having a high level of risk. As for the procurement of licenses, they can be provided in the course of submitting a loan application; however, the disbursement of funds is not possible as long as necessary licenses and other documents are not provided. These problems are not in contrast with HBOR's practice used for all of its loan programmes and rely completely on the Croatian legislation. In accordance with this, there is no legal obligation to commit loans to all applicants if they have not submitted the required documents, environmental impact study, if necessary, and required licenses.

With reference to the process itself or the credit line, respectively, Ms. Aleksandra Arbanas pointed out that as compared to the previous practice of recording and reporting, it will be enhanced and raised to a higher level. This will be the responsibility of the Project Implementation Unit (PIU) consisting of experts from different divisions of HBOR.

As for the issue of reporting on committed loans, the representatives of the banking sector were interested in the manner and dynamics of its implementation. Ms. Marija Hrbud pointed out that justification of loans, i.e. reporting would be done on a semi-annual basis. She also explained the procedure of obtaining loan funds, i.e. how commercial banks collect necessary documentation from final borrowers and forward it to HBOR. HBOR determines whether the documentation is complete or has to be completed, and after the finalization of this procedure, it applies for funds to the World Bank. The period of commitment, i.e. processing of the loan application is conditioned by timely submission of documentation, and it will not be longer than the loan commitment procedure under HBOR programmes. Also, it was pointed out that the investment is valued, not the activity of the firm.

Since the entire credit line will be committed via commercial banks, the banks had some dilemma regarding the process, particularly the administrative part of the business – more precisely, what are the minimum human resources required so that commercial banks could implement the project. Ms. Ana Šimić replied that the banks would organize the manner of operation independently and determine the number of people that would work on the project. As for the issue of reporting, this would be in compliance with HBOR's practice, and it was particularly mentioned that the banks would be obliged to keep overall documentation that, for example, includes invoices. As all other procedures, the reporting will be made in mutual agreement with HBOR. Workshops will also be organized by the World Bank. In other words, the project participants will participate in trainings and education before the project implementation.

Ms Medven from REC Croatia asked is EMF in compliance with EU IPPC Directive. Ms Šimić answered that Croatian environmental protection legislation used as basis for EMF are in compliance with European legislation.

There was also a discussion on eligible and ineligible costs that would be financed out of the World Bank funds. A special emphasis was made on impossibility of financing the acquisition of land, whereas everything else depends on the legality of the project, studies and licenses for the project. It was also emphasized that for the projects financed by EIB, a list of ineligible costs was provided. These include, for example, manufacturing of GMO foodstuff, testing on humans, purchase of vehicles for own use and similar ineligible expenses. An exception that has to be particularly noted is the Confirmation on area clear of mines issued by the competent institutions if the project is implemented in such area.

The representatives of the World Bank pointed out that all possible other questions would be explained in more details on the workshops relating to the loan.

The participants of the public consultations find the presentation of EMF very useful however requested an additional week to send written comments and questions. This was highly supported by both HBOR and World Bank.

Subsequently also received questions from Ms Tanja Mihoci from RBA as follows (answers included):

- Documentation check – list of official documentation that the FI must collect from the client (depending on the activity/risk)

*Depending on sub-loan application package, from the technical aspect HBOR collects copies of building permits, checks the technical documentation and asks for additional documentation if needed.*

- Example of ( filled) form EIA checklist and EMP and EA

*This will be part of the training for the FI during the project launch workshop – it will be done on case studies.*

- If it's possible above mentioned documents prepare as forms which will be given to the clients

*HBOR will in cooperation with IBRD prepare Environmental questionnaire which will be added to credit so the FI can based on that information fill out the Environmental Screening Form.*

- Does the technical-economic assessment must be prepared and approved by specialized consultants or client can prepare it as part of the investment study?

*To be discussed with IBRD*

- Detail explanation how the FI can manage and track the project (step by step).

*This will be settled out during preparation of credit program together with the participating FI.*