

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC6323

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I. BASIC INFORMATION

A. Basic Project Data

Country:	Croatia	Project ID:	P147499
Project Name:	Sustainable Croatian Railways in Europe (P147499)		
Task Team Leader:	Jean-Francois Marteau		
Estimated Appraisal Date:	22-Sep-2014	Estimated Board Date:	15-Dec-2014
Managing Unit:	ECSTR	Lending Instrument:	Investment Project Financing
Sector(s):	Railways (80%), Public administration- Transportation (20%)		
Theme(s):	Debt management and fiscal sustainability (20%), Other public sector governance (25%), Regional integration (35%), Other social development (10%), Trade facilitation and market access (10%)		
Financing (In USD Million)			
Total Project Cost:	100.00	Total Bank Financing:	75.00
Financing Gap:	0.00		
Financing Source		Amount	
Borrower		25.00	
International Bank for Reconstruction and Development		75.00	
Total		100.00	
Environmental Category:	A - Full Assessment		
Is this a Repeater project?	No		

B. Project Objectives

The higher level objective of the project is to support to the overall sustainability of Croatia's railway sector and the efficiency of its key corridors. A longer term reform program for the Croatian railway sector will be reflected in the sector strategy under preparation.

Against this backdrop, the proposed project will support fundamental yet shorter term needs of the

sector. The Project Development Objective (PDO) of the Sustainable Croatian Railways in Europe Project is to improve operational efficiency and accountability of the public rail sector, and improve connection of the Rijeka port to the rail portion of the Trans-European Network.

C. Project Description

The project would comprise three components, as follows:

Component 1: Support to sector governance

MMATI's (Ministry of Maritime Affairs, Transport and Infrastructure) role is currently assumed with limited resources and requires further support in several key areas. The Bank assistance may be provided to define public service obligations with HZI and HZP and the set-up of a reliable data collection system that would allow the MMATI to adequately manage funding of passenger services and infrastructure maintenance. In addition, support will be required to: (i) help define the optimal network needed to carry out rail operations (as the network was designed over the 20th century based on another political and economic reality) and (ii) to evaluate logistics performance and competitiveness of the main corridors. Lastly, as the MMATI also holds an important shareholder role in various companies, the proposed project could support the State as policy maker, purchaser of service and shareholder. Such a support could include setting up of a unit and defining its modus operandi for better management of transport State Owned Enterprises (SOEs).

Component 2: Support to companies' restructuring

Support to retrenchment in HZI and HZP. Support to retrenchment in HZI and HZP. With needs as yet not covered by the government and other International Financial Institutions (IFI) financing, the project will contribute financing for labor restructuring. This could include financing of end-of-employment, severance and compensation payments for part of the employees whose positions are planned to be made redundant during the period 2014-16. The proposed financing would finance the associated end of employment payments, including (i) statutory severance and additional severance and payments specified in the labor contracts. For staff not of retirement age, the project may provide support services for finding alternative employment, including job outplacement and retraining services, counseling and advisory support and employment intermediation. Involving the Bank in the staff downsizing gives all parties comfort that it will be carried out using optimal social development practice, including accountability measures and sound systems of governance, effective and transparent stakeholder engagement and communication approaches and independently verified reporting arrangements and monitoring and evaluation processes.

Support to the restructuring plans of HZI and HZP. The project will finance technical assistance and software to both companies in order to modernize operations and facilitate the implementation of the restructuring plan. This will include financial and asset management systems, reorganization, and improvement of operations. The Bank will support preparation of a business plan for HZP that will integrate activities that the company is currently undertaking (such as preparation of a new ticketing system) and changes that are planned for the medium term (fleet modernization, revised Passenger Service Contracts, etc.). HZI management capacity for large scale projects may need to be strengthened in light of the ambitious investment plans ahead. Moreover, additional private sector participation in the sector can still be sought, for example by implementing leasing arrangements for new trains/rolling stock, asset management, performance based contracting for infrastructure maintenance and Public Private Partnership arrangement for station management, but these and the

support that the Bank may give will be discussed further during preparation which is ongoing.

Component 3: Enabling investment to increase the system efficiency

Infrastructure development. HZI network operations still suffer from lack of investment in development, and are one of the key deterrents to the use of train for passenger services, including in densely populated areas. Competitiveness of cargo transport also needs to rely on improved corridor connectivity and integration into the European network, to allow larger and continuous trade flows. Many of the related investments cannot be funded by EU funds, while potential gains in efficiency and competitiveness could be significant in the short-term. In this respect, the rehabilitation of the rail line segments from Rijeka to Skrljevo and the passenger side of Rijeka railway station (corridor Vb) will be assessed during preparation. Financing under the project may be possible depending on resources, and only if the level of readiness is sufficient. .

Periodic maintenance and rehabilitation. The project could help finance some backlog of rehabilitation in segments that have exceeded their design life. These should be based on clear efficiency objectives, for example, to decrease both infrastructure maintenance and passenger train operating costs. Track rehabilitation in areas which serve a large population and linkages to major socio-economic centers would be considered in priority. The project could either contribute to the overall rehabilitation program through supply of inputs (ballast, sleepers, rails), or fund specific rehabilitation contracts. This would depend on the assessment of the procurement implications of the various options and of their cost effectiveness. The principle behind this proposal would be to secure rehabilitation funding which has been lacking for many years.

Access to the Rijeka Port. The Port of Rijeka Authority is funding the design and environmental studies for: a) the intermodal terminal linking of the Zagreb Container Terminal (ZCT) and the main freight station in Rijeka, and b) the reorganization of the Rijeka freight station itself as part of the Rijeka Gateway II Project. Initial estimates show that the total investment cost in ZCT rail access is around EUR 40 million, of which around EUR 30 million is to be covered by the HZI (marshaling yard) and the rest funded by PRA or the concessionaire (intermodal yard). The proposed project would finance the HZI component.

Safety and Environmental Liability: In principle, HZI plans to fund with other sources its main rail-road crossing automation, but the system still has environmental liabilities that pose risk to safety and the environment, especially in the Botovo facility (tank and freight wagon washing station) near one of the Drava River tributaries. Clean-up of this facility may be envisaged under the project and costs close to EUR 10 million.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Infrastructure developments and access to Rijeka Port subprojects are located in the City of Rijeka area as are closely linked with the Rijeka Gateway II project. Rehabilitation of the rail line segment from Rijeka to Skrljevo would include railway lines upgrade and double tracking on selected sections, electrification and signaling. The current line is partly located within the city of Rijeka and would require, on some urban segments, widening. At this stage of the project preparation, this investment is just considered for financing and not confirmed by the World Bank or the Borrower. Rehabilitation of the passengers' railway station in Rijeka is also envisaged, and would include changes in the main building and tracks/yard but all within the existing corridor/area and would not require any additional space.

Under the Access to the Rijeka Port sub component, the project would finance: a) the intermodal terminal linking of the Zagreb Container Terminal (ZCT) and the main freight station in Rijeka, and b) the reorganization of the Rijeka freight station itself. The current lanes in the marshaling yard would be reconstructed and part of those connected to adjacent ZCT, while the remaining would be rehabilitated for the HZI purposes. The project would finance only the marshaling yard within HZI land (the lines inside the terminal being responsibility of the Port Authority; however, the design and EIA (Environment Impact Assessment) study would be prepared as one. All the works would be done within the existing railway corridor /area.

The periodic maintenance and rehabilitation subprojects are not yet identified and might be located all around the country. These might include change of sleepers, electrification, signaling, rehabilitation of drainage, etc.

The tank and freight wagon washing station, located in the village of Botovo, represents one of the 11 environmental liability hot spots in Croatia. For more than 30 years, an old quarry near river Drava (bordering with Hungary) was used as a depot for waste waters originating from cleaning wagons carrying oil, pesticides, and other type of cargo. Technical solutions and other environmental due diligence documents have been prepared within the last 4-7 years. The financing of this subproject has not been confirmed by the borrower.

E. Borrowers Institutional Capacity for Safeguard Policies

As a large infrastructure company complying with the national and EU environmental legislation, HZI has capacity for environmental compliance; however it has not recently participated in any WB projects and therefore lacks specific WB safeguards policy knowledge.

There are two departments in HZI dealing with environmental issues. The Department for Development deals with coordination of preparation of essential studies like EIA required for the project preparation, while the Department for Environmental and Fire Protection deals with environmental issues related to maintenance and rehabilitation (waste minimization, water and wastewater treatment, environmental legacy liabilities like Botovo, education of staff on the ground, etc). The Department for Development has one staff in charge for environmental protection and the majority of services related to environmental issues are outsourced. The Department for Environmental and Fire Protection has five staff with environmental background, regularly attending environmental trainings. Both departments coordinate on a daily basis.

Given the above, it can be concluded that the capacity for preparation and implementation of the project is sufficient. Additional training of the staff regarding the WB safeguards policies and assistance in preparation of Terms of References (ToRs) for environmental due diligence and review of the same would be provided during project preparation.

F. Environmental and Social Safeguards Specialists on the Team

Daniel P. Owen (ECSSO)

Natasa Vetma (ECSEN)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
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Environmental Assessment OP/ BP 4.01	Yes	<p>The proposed investments will have a range of impacts to the environment ranging from minor to significant.</p> <p>If financed, Infrastructure development sub component will most probably require widening in the urban areas and as a consequence of adding an additional line will increase traffic and for that reason might presents significant impact to the environment.</p> <p>The periodic maintenance and rehabilitation works present temporary and site specific environmental impacts which could be mitigated by the preparation of site specific Environment Management Plans (EMPs).</p> <p>Access to port of Rijeka impacts will also be site specific and would not require widening of the marshaling yard or increasing number of lanes. Although site specific, the team agreed on the preparation of an EIA for these investments. The EIA will also undergo national EIA procedure.</p> <p>As Botovo presents one of the major environmental liability hotspots in Croatia if financed, safety and environmental liability component would require full review and if needed update of all technical documents including remediation plan and EIA.</p>
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/ BP 4.11	Yes	<p>The railway station in Rijeka is listed as a historical monument and is likely to be part of the rehabilitation of the Rijeka rail interface.</p> <p>Most of the other project rehabilitation works will not impact physical or cultural resources.</p> <p>Due to possible earth works, EIA and EMP will have chance finds clauses.</p>
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	TBD	<p>Widening for the construction of parallel lines in urban areas might require expropriation. This will depend on the final scope of works. This rating will be confirmed during preparation if the upgrading of the Rijeka Skreljevo facility is confirmed for financing</p>

Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 30-Jun-2014

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

The following is suggested:

- (i) for the Infrastructure Development subcomponents ToR for EIA with EMPs as well as the documents would be prepared and approved by the WB during project preparation;
- (ii) for the Periodic Maintenance and Rehabilitation subcomponent, prior to appraisal sample EMPs would be prepared for several known investments and sample EMPs for different types of maintenance and rehabilitations. These would be publicly disclosed and discussed;
- (iii) for the Access to Rijeka Port subcomponent EIA and EMP for planned investment financed by the project would be prepared prior to appraisal and publicly disclosed at least two times and discussed following national and the WB procedures;
- (iv) for Safety and Environmental Liability subcomponent all documents would be reviewed and updated during project preparation; and
- (v) A Social Impact Assessment will be launched prior to project appraisal to discern key social impacts of labor retrenchment and line closures generated by the government program

IV. APPROVALS

Task Team Leader:	Name: Jean-Francois Marteau	
Approved By:		
Regional Safeguards Coordinator:	Name: Agnes I. Kiss (RSA)	Date: 16-Jan-2014
Sector Manager:	Name: Juan Gaviria (SM)	Date: 17-Jan-2014

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.