

Schedule 3 – Short instructions to loan applicants for the preparation of project/technical documentation for the criteria of DNSH and infrastructure resilience to climate change

Based on the criteria of the Urban Development Fund Financial Instrument (hereinafter: FI), a final beneficiary's project/investment is **not eligible** if:

- **It does not comply with the “Do No Significant Harm” (DNSH) principle**
- **It does not comply with the “Technical Guidelines on the Preparation of Infrastructure for Climate Changes in the 2021–2027 Period” (2021/C 373/01)**

Project/investment of final beneficiary under the FI implies all investments related to the construction of new and/or extension/upgrade/reconstruction¹ of existing public/business infrastructure with social and commercial contents that generates revenues from the collection of service fees.

GENERAL INFORMATION ABOUT THE DNSH PRINCIPLE

More information about the DNSH principle can be found at the link: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021XC0218%2801%29>, and each project/investment in the context of the Financial Instrument must not significantly harm any of the six environmental goals.

A project/investment is considered to do significant harm to:

1. **Climate change mitigation** environmental goal if it leads to significant greenhouse gas (GHG) emissions;
2. **Climate change adaptation** environmental goal if it leads to an increased adverse impact of the current climate and the expected future climate, on the investment itself or on people, nature or assets;
3. **Sustainable use and protection of water and marine resources** environmental goal if it is detrimental to the good status or the good ecological potential of bodies of water, including surface water and groundwater, or to the good environmental status of marine waters;
4. **Circular economy** environmental goal, including waste prevention and recycling, if it leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources, or if it significantly increases the generation, incineration or disposal of waste, or if the long-term disposal of waste may cause significant and long-term environmental harm;
5. **Pollution prevention and control** environmental goal if it leads to a significant increase in emissions of pollutants into air, water or land;
6. **Protection and restoration of biodiversity and ecosystems** environmental goal if it is significantly detrimental to the good condition and resilience of ecosystems, or detrimental to the conservation status of habitats and species.

The DNSH principle has to be embedded into the Main Design² of each project/investment of the FI with a possibility of clear and unambiguous verification of all six environmental goals of DNSH. The fact that the DNSH principle is embedded into the Main Design of an investment planned under the FI should be clearly proven with a link to:

¹ Pursuant to the Construction Act, it implies the performance of construction and other works on an existing building affecting the fulfilment of the basic requirements for the respective building or changing the compliance of the respective building with the planning conditions in accordance with which it was built (extension, upgrading, removal of the external part of the building, construction works aimed at changing the purpose of the building or technological process, etc.), or the performance of construction and other works on the ruins of an existing building.

² The Main Design of the FI implies the definition and context of the Main Design contained in the Construction Act in effect (Official Gazette of the Republic of Croatia, Nos.: 153/13, 20/17, 39/19, 125/19 together with all subsequent amendments) as well as the definition and context of the Main Design contained in the Ordinance on Simple and other Buildings and Works in effect (Official Gazette of the Republic of Croatia, Nos.: 112/17, 34/18, 36/19, 98/19, 31/20, 74/22, 155/23 together with all subsequent amendments).

- a) **The folder name and the page number of the Main Design where it is proven that no significant harm is done to any of the six environmental goals**
- b) **The number and name of the item in the bill of costs proving that no significant harm is done to a particular environmental goal, if the absence of significant harm is proven by an item from the bill of costs**
- c) **The folder name and the page number of the Main Design describing the calculation methodology and the actual calculation of CO2 emissions after the intervention and before the intervention in the case of a reconstruction, extension, upgrade, etc.**

If separate subsequent calculations proving the DNSH principle or subsequently created project folders or amended existing project folders are prepared for the project/investment, every calculation should have a clear and unambiguous connection with the Main Design and form an integral part of it (example: connection with the Main Design submitted for obtaining necessary building documents).

GENERAL INFORMATION ABOUT TECHNICAL GUIDELINES ON THE PREPARATION OF INFRASTRUCTURE FOR CLIMATE CHANGES

More information about the Technical Guidelines on the Preparation of Infrastructure for Climate Changes in the 2021–2027 Period can be found at the link: <https://eur-lex.europa.eu/legal-content/HR/TXT/HTML/?uri=OJ%3AC%3A2021%3A373%3AFULL>, and each project/investment in the context of the Financial Instrument must be aligned with the Technical Guidelines.

In accordance with the Technical Guidelines, infrastructure also includes projects/investments under this financial instrument, i.e. all investments related to the construction of new and/or extension/upgrade/reconstruction of existing public/business infrastructure with social and commercial contents generating revenues from the collection of service fees.

In accordance with the Technical Guidelines, climate resilience analysis of project/investment is made for two environmental goals:

- **Neutrality of project/investment in terms of climate change mitigation environmental goal, and**
- **Resilience of project/investment in terms of climate change adaptation environmental goal**

For all projects/investments for which Environmental Impact Assessment Necessity Screening and/or Environmental Impact Assessment (EIA) are/is required in accordance with the Environmental Protection Act (Official Gazette of the Republic of Croatia, Nos.: 80/13, 153/13, 78/15, 12/18 and 118/18) and the Environmental Impact Assessment Regulation (Official Gazette of the Republic of Croatia, Nos.: 61/ 14 and 3/17), it is necessary to prepare:

- **Environmental Protection Study (Study) and/or**
- **Environmental Impact Assessment and Non-Technical Summary (EIA)**

The fact that proving the sustainability of project/investment in terms of mitigation and adaptation to climate change is embedded in planned investment under this FI should be clearly proven with a link to the name of the Study/Assessment and to the page of the Study/Assessment proving the sustainability of project/investment in terms of both environmental goals (climate change mitigation and adaptation).

For all projects/investments, for which sustainability in terms of climate change mitigation and adaptation has previously been proven through the Study/Assessment, it is not necessary to separately prove the DNSH principle in the Main Design for those two environmental goals of climate change mitigation and adaptation.

For all projects/investments for which Environmental Impact Assessment Necessity Screening and/or Environmental Impact Assessment (EIA) are/is **not** required in accordance with the Environmental Protection Act (Official Gazette of the Republic of Croatia, Nos.: 80/13, 153/13, 78/15, 12/18 and 118/18) and the Environmental Impact Assessment Regulation (Official Gazette of the Republic of Croatia, Nos.: 61/ 14 and 3/17), it is necessary to state as follows:

a) The folder name and the page number of the Main Design proving the introduction of relevant and appropriate measures of adaptation for all identified **significant** climate risks.