ATTACHMENT 1: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM

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| **CROATIA**  **HELPING ENTERPRISES ACCESS LIQUIDITY IN CROATIA PROJECT** |
| **ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM**  **TEMPLATE AND OUTLINE FOR CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (HBOR) and PARTICIPATING FINANCIAL INSTITUTIONS (PFIs)** |
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**Table of Contents**

[1 introduction 3](#_Toc87955873)

[***1.1*** ***Project Background*** 3](#_Toc87955874)

[2 Environmental and Social Management System 3](#_Toc87955875)

[***2.1*** ***Content of the ESMS*** 3](#_Toc87955876)

[***2.2*** ***Scope of the ESMS*** 4](#_Toc87955877)

[***2.3*** ***Environmental and Social Policy of HBOR*** 5](#_Toc87955878)

[***2.4*** ***E&S Risk Management*** 6](#_Toc87955879)

[***2.5*** ***PFI ESMS Review*** 10](#_Toc87955880)

[**2.5.1** **Project Eligibility** 10](#_Toc87955881)

[**2.5.2** **Screening Procedure - Environmental and Social Risk Categorization** 12](#_Toc87955882)

[**2.5.3** **Environmental and Social Due Diligence** 14](#_Toc87955883)

[**2.5.4** **Integration of Environmental and Social Requirements in the Decision-Making Process and Transaction Approval** 15](#_Toc87955884)

[**2.5.5** **Supervision Procedures** 15](#_Toc87955885)

[***2.6*** ***Environmental and Social Capacity*** 16](#_Toc87955886)

[***2.7*** ***PFIs under the ESMS*** 17](#_Toc87955887)

[**2.7.1** **External Communication Mechanism** 17](#_Toc87955888)

[**2.7.2** **Environmental and Social Reporting to Stakeholders** 17](#_Toc87955889)

[**2.7.3** **ESMS Monitoring and Review for Continuous Improvement** 19](#_Toc87955890)

[**2.7.4** **Monitoring Environmental and Social Risks** 19](#_Toc87955891)

[**2.7.5** **Records to be maintained** 20](#_Toc87955892)

[3 Managing Labor and worker safety 21](#_Toc87955893)

[4 Stakeholder Engagement Plan 23](#_Toc87955894)

[***4.1*** ***Introduction*** 23](#_Toc87955895)

[***4.2*** ***Disclosure and Dissemination of Information*** 23](#_Toc87955896)

[***4.3*** ***Consultation and participation*** 24](#_Toc87955897)

[***4.4*** ***Project Grievance Mechanism*** 24](#_Toc87955898)

[***4.5*** ***The World Bank Grievance Redress Services*** 26](#_Toc87955899)

[5 Annexes 27](#_Toc87955900)

[**Annex A. Accidents or Incidents Report to the World Bank Report Template** 28](#_Toc87955901)

[**Annex B. Environmental and Social Monitoring Report to the World Bank template** 31](#_Toc87955902)

[**Annex C. Project Grievance Template** 34](#_Toc87955903)

[**Annex D. The World Bank Environmental and Social Standards** 35](#_Toc87955904)

[**Annex E. Environmental and Social Legislation in the Republic of Croatia** 38](#_Toc87955905)

[**Annex F. Semi-Annual HBOR Portfolio E&S Compliance Report** 58](#_Toc87955906)

[**Annex G. Semi-Annual PFI Portfolio E&S Compliance Report** 64](#_Toc87955907)

[**Annex H. Environmental and Social Screening and Assessment questionnaire** 70](#_Toc87955908)

[**ANNEX I. Environmental and Social Screening and Assessment Report (outline)** 83](#_Toc87955909)

[**Annex J. - World Bank E&S risk classification** 87](#_Toc87955910)

1. **introduction**

An **Environmental and social management system (ESMS)** is a set of policies, procedures, tools and internal capacity for assessing, managing, and monitoring of environmental, health and social (EHS) risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner.

This ESMS is prepared with the aim to ensure the following:

* Project compliance with all relevant domestic policies and legislation, as well as the World Bank requirements,
* Adequate assessment and management of environmental and social (E&S) risks and impacts,
* Promotion of good environmental and social management practices,
* Promotion of good environmental and sound human resources management within FI,
* E&S system requirements for PFIs.
  1. ***Project Background***

The project development objective (PDO) is to support the recovery of private sector exporters from the economic impact of the COVID-19 pandemic, enhance access to finance for firms in underserved segments and lagging regions, and strengthen HBOR's institutional capacity as a development bank. The ultimate sub-loan beneficiaries will be private sector firms (SMEs and mid-caps). These are firms with private ownership (defined as more than 50 percent private ownership or private control) that are operating at the territory of Republic of Croatia. For the purpose of this project, and in line with Government policy and the borrowers’ existing practice, eligible firms are defined either as (i) SMEs (firms employing fewer than 250 people) or (ii) mid-caps firms (defined as firms employing from 250 to 3000 people). The firms may be an exporter and/or firms in the underserved segments (women-owned firms, defined as firms with at least one female shareholder with a properly documented representative and managing powers; and young enterprises, defined as firms with less than 5 years in operation) and in lagging regions, as defined by the Act on Regional Development.

The Project funding will be used for extending sub-loans for working capital and financial restructuring. Working capital will cover current business operations and may include, inter alia, salaries and labor costs, purchase of raw materials, production materials, semi-finished products, small inventory, settlement of obligations towards suppliers, and general current operating expenses such as office/factory/warehouse rent and utilities. Financial restructuring will include the settling of existing obligations towards suppliers (excluding related entities) and financial institutions to help the beneficiaries to retain employees and stay in business. No physical investments will be financed through by means of this Project.

1. **Environmental and Social Management System**
   1. ***Content of the ESMS***

This Section describes the Environmental and Social Management System, its essential elements and structure. The PFI’s ESMS will include the following elements:

* social policy Environmental and,
* Environmental and social procedures for identification, screening of sub-projects, assessment of social risks and impacts, monitoring and reporting (E&S due diligence),
* Exclusion criteria,
* Organizational capacity and competency,
* Monitoring and review of environmental and social risks of subprojects and portfolio,
* Human resources policies and procedures,
* External communications mechanism.

HBOR and PFIs are required to develop and implement a satisfactory ESMS to manage environmental and social risks of the Project.

* 1. ***Scope of the ESMS***

This Environmental and Social Management System shall be applied to all the activities, subprojects and loans that are being financed or form the funds of the Helping Enterprises Access Liquidity (HEAL) Project supported by the World Bank, including the retroactive financing[[1]](#footnote-2), shared risk financing, etc. This ESMS will be applied to the following sub-loan beneficiaries lending directly from HBOR as well as by sub-loan beneficiaries’ lending from PFIs and by PFIs themselves:

* Private SMEs (companies with less than 250 employees) and mid-caps (companies with between 250 and 3000 employees):

1. Exporters - business entities that generate foreign exchange export revenues. In the case of quasi-exporters such as tourism and logistics firms, the definition means that business entities can demonstrate that a share of their income comes from sales of goods or services to non-resident companies or individuals. Project beneficiaries will have to show evidence of the consequences of the COVID-19 pandemic on their operations by demonstrating a decline in operating income/revenues in 2020 (estimated or realized, as compared to 2019).
2. firms in lagging[[2]](#footnote-3) regions, and
3. firms in underserved segments:
   * 1. women-owned (with at least one female shareholder with a properly documented representative and managing powers) or women-managed firms
     2. young firms (firms with less than 5 years in operation[[3]](#footnote-4)).
   1. ***Environmental and Social Policy of HBOR***

*Note: include this Environmental and Social Policy on official letter head or with official logo of HBOR/PFI, as a part of a contract between HBOR and PFIs (stand-alone page).*

The undersigned management of the \_\_\_\_\_\_\_\_ (HBOR or PFI – *state name*) \_\_\_\_\_ has committed through this

Environmental and Social Policy

to ensure effective Environmental and Social (E&S) management practices in all its activities, products and services supported by the HEAL Project, with a special focus on the following:

* All activities/subprojects will be prepared and implemented in accordance with relevant environmental and social national and entity laws and regulations, and World Bank (WB) E&S Framework (ESF);
* All activities/subprojects supported will follow sound environmental and social practices in line with the WB ESF, as well as best available standards of risk identification and mitigation;
* Ensuring and promoting fair treatment, nondiscrimination, and equal opportunities of all employees;
* Ensuring and providing a safe working environment through appropriate occupational health and safety programs and measures;
* Ensuring that all subprojects are committed to maintaining a work environment free from abuse and sexual harassment;
* Ensuring transparency in its activities;
* Ensuring that the management and the shareholders of the \_\_\_\_\_\_\_\_ (HBOR or PFI – *state name*) \_\_\_\_\_ understand the Environmental and Social Policy commitments made by \_\_\_\_\_\_\_\_ (HBOR or PFI – *state name*) \_\_\_\_\_ .

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| --- | --- | --- |
| Signed |  | Effectiveness Date |
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Note: *This Environmental and Social Policy shall be completed by the HBOR and PFI. HBOR’s management will sign and approve the ESMS, and disclose it publicly online. The date of effectiveness and disclosure should be before the start of activities of the Project, and should mark commencement of the ESMS application. This Note should be deleted before finalizing the Policy.*

* 1. ***E&S Risk Management***

The indicative process that HBOR and PFIs will follow to oversee the environmental and social assessment of subprojects is outlined in Table 1.

**Table 1: Process of E&S screening and assessment of subprojects**

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| E&S Risk Management in FI Transaction Screening Process |

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| |  |  |  | | --- | --- | --- | | **Pre-application** |  | 1. HBOR obtains WB approval and discloses ESMS for this W B financing credit line. 2. PFIs adopt/utilize ESMS, satisfactory to HBOR and WB for this W B financing credit line. 3. HBOR/PFIs appoint E&S Officer(s) for E&S due diligence of sub-projects/loans financed from funds of this Project. 4. HBOR’s E&S Officer(s) receive a training in ESMS and ESF from the World Bank prior to processing of Sub-loan Beneficiary Applications. 5. PFI’s E&S Officers receive a training in ESMS and ESF from HBOR prior to processing of Sub-loan Beneficiaries’ Applications. | | **E&S Due Diligence of sub-projects** | | | | **Application** |  | 1. Environmental and Social Screening and Assessment Questionnaire (Annex H)[[4]](#footnote-5) is made an integral part of the Sub-loan Application Package. 2. The prospective Sub-loan Beneficiary fills in the Environmental and Social Screening and Assessment Questionnaire (Annex H)[[5]](#footnote-6) and submits it to HBOR/PFI as a part of the Sub-loan Beneficiary Application. | | **E&S Screening** |  | 1. HBOR/PFI’s E&S Officers, screens the Application against the Exclusion List (includes IFC exclusion list), HBOR list of activities and purposes that are not eligible for funding (please see Chapter 2.5)[[6]](#footnote-7) & investment strategy, project eligible financing categories, and, based on the findings, HBOR/PFIs decide on eligibility of the loan/sub-project . 2. HBOR/PFI’s E&S Officers assign an appropriate E&S Risk category to eligible loan/sub-project. 3. Risk assessments will be carried out based on risk level (Substantial and High Risk activities will not be eligible for financing; Low and Moderate risks subprojects will be assessed in accordance with the environmental and social procedures (please see Chapter 2.5.2)[[7]](#footnote-8). 4. If needed, HBOR can discuss proposed screening with the WB. WB concurrence is needed for the first 5 processed Sub-loan Beneficiaries’ applications. 5. If needed, PFIs can discuss proposed screening with HBOR. HBOR concurrence is needed for the first 5 processed Sub-loan Beneficiaries’ applications. 6. Sub-loan Beneficiary Application is approved or rejected from an environmental or social standpoint and is submitted further into the review process and final approval or rejection. 7. For low E&S risk sub-projects, no further assessment is carried out. For the moderate E&S risk loans, HBOR/PFIs proceed to E&S Assessment. | | **E&S Assessment** |  | 1. HBOR/PFIs Designated E&S Officers review the assessment part of the Screening and Assessment Questionnaire and obtain additional information and documentation (copies of permits, etc.) from the potential Sub-loan Beneficiary. 2. Based on the received information, E&S Officers prescribe E&S measures necessary for the potential Sub-loan Beneficiary and prepare E&S Screening and Assessment Report (available Annex I) to meet ESF and national legislation requirements (if any). 3. When subproject is approved by HBOR/PFI, the Final Beneficiary assumes the responsibility to implement the subproject in line with HBOR’s/PFI’s ESMS. 4. If the subproject is approved, the HBOR/PFI sets up the process to monitor the implementation of the local legislation requirements in the form of E&S Monitoring Report template (available in Annex B). Also, it is recommended that the same officers who worked on the loan approval also work on the monitoring process. 5. HBOR seeks the WB approval for the initial 5 Sub-loan Beneficiaries. 6. HBOR/PFI confer on screening/due diligence decision. PFI seeks HBOR approval for the initial 5 Applications. | | **Credit Review** |  | 1. Credit Approval/rejection is made based, amongst other things, on compliance of the E&S aspects of the loan defined in the Project Operation Manual to ESF and national legislation. 2. E&S risks are integrated to overall Project risks. | | **Monitoring and Reporting** |  | 1. Regardless of the assigned risk to sub-project, Sub-loan Beneficiary (successful Applicant) reports semi-annually (for the duration of disbursement) to HBOR/PFIs on the E&S performance based on the E&S Monitoring Plan (defined under the point 18). 2. PFIs report semi-annually to HBOR on ESF compliance of applicable Sub-loans and the ESMS using the PFI Portfolio E&S Compliance Report template available in Annex F[[8]](#footnote-9). 3. E&S Officers of both HBOR and PFIs will carry out on-site / off-site supervision missions on a sample of loans (sub-projects) of at least 10 Sub-loan Beneficiaries[[9]](#footnote-10) (up to 20% of sub-projects). 4. HBOR reports semi-annually to the WB in the Progress Report on HBOR’s and PFI’s E&S compliance of loans and ESMSs, using the HBOR Portfolio E&S Compliance Report template available in Annex G[[10]](#footnote-11). 5. Any significant E&S accident/incident (e.g. fatality, major injuries, large spills, and similar) must be reported to PFI/HBOR by Sub-loan Beneficiary within 48 hours. HBOR will immediately, in the following 48 hours, notify the World Bank, using E&S Accident/Incident Report (Annex A)[[11]](#footnote-12). A more detailed report may be requested by the World Bank, on case-by-case basis. | |
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The process of screening and due diligence of subprojects is described in more detail in the following chapters.

* 1. ***PFI ESMS Review***

Before the PFI starts the application process of a Sub-loan, HBOR’s E&S Officers, as appointed per decision of the Management Board[[12]](#footnote-13), will:

1. Provide ESMS and the relevant ESF training to the PFIs.
2. Ensure compliance of PFIs with requirements of the Project Operation Manual (POM; containing Project ESMS), WB ESF and relevant Project documents.
3. Ensure all ESCP requirements for PFIs have been met.

***Screening Procedures***

* + 1. **Project Eligibility**

#### Project exclusion list

This is the first E&S risk management step to be taken place at the HBOR/PFI. As part of the initial loan application process, all sub-projects under the ESMS scope shall be screened against the following IFC Project Exclusion List[[13]](#footnote-14), additional activities that would not be financed under the project, and HBOR list of activities and purposes that are not eligible for funding:

**The following Projects/Activities, or potential Sub-loan Beneficiaries registered for any of the given activities as their core business cannot be financed within the scope of this Project according to IFC Project Exclusion List:**

* Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES[[14]](#footnote-15).
* Production or trade in weapons and munitions[[15]](#footnote-16).
* Production or trade in alcoholic beverages (excluding beer and wine)[[16]](#footnote-17).
* Production or trade in tobacco[[17]](#footnote-18).
* Gambling, casinos and equivalent enterprises[[18]](#footnote-19).
* Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where WB considers the radioactive source to be trivial and/or adequately shielded.
* Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
* Drift net fishing in the marine environment using nets in excess of 2.5 km in length.

In addition to IFC's Exclusion List, all financial intermediaries (FIs) must apply the following exclusions:

* Production or activities involving harmful or exploitative forms of forced labor[[19]](#footnote-20)/harmful child labor.[[20]](#footnote-21)
* Commercial logging operations for use in primary tropical moist forest.
* Production or trade in wood or other forestry products other than from sustainably managed forests.
* Procurement of toxic and hazardous materials and chemicals including pesticides, and/or explosive and other harmful agents, including gasoline, kerosene, and other petroleum products.

**Additional activities that would not be financed under the project:**

* Project will not finance any type of construction or civil works or activities with land acquisition that results in temporary or permanent economic or physical displacement.
* Activities that include significant conversion or degradation of endangered natural habitats. That can include, but is not limited to, the following: protected areas, protected landscapes or nature parks.
* Activities that include significant changes in production.
* Activities that include physical resettlement of people, loss of assets, limited access to assets or loss of sources of livelihood
* Companies that perform any type of illegal activity, e.g. operating without permits or concessions, carrying out works without permits, conduct incompliantly to cultural heritage legislation or nature protection legislation, use water sources without valid water permits and conditions, and other.
* Activities that include informal labor.
* Activities that include works and potential damage on any location to cultural heritage which was declared as such under the national legislation.
* Any activities that may include purchase of chemicals or/and pesticides or changes in the use of pesticides.
* Activities that negatively affect quantity or quality of waters in international waterways or tributaries
* Activities that include disallowed cutting of forests and an adverse impact on forest products.
* Activities that significantly change the existing ecological footprint of the project beneficiary, the volume of production or production technology.

**HBOR list of activities and purposes that are not eligible for funding**

* Casinos, gambling premises and similar activities.
* Manufacture (except for primary agriculture), processing and distribution of tobacco and tobacco products.
* Activities that include use of animals in experimental and scientific research.
* Activities that have negative impact on the environment if not significantly mitigated or compensated.
* Financial transactions (e.g. trading in securities or other financial products) including changes in ownership (e.g. mergers and acquisitions) as well as exclusively real estate activities.
* Investments or parts of investments that serve for personal purposes.
* Purchase of immovable or movable property from related entities.
* Investment in real estates that are not in the ownership of the project beneficiary.
* Capital investment in trade activities of large entrepreneurs.
* Notary activity.
* Publishing of newspapers or other periodicals, production and broadcasting of radio and television programmes, news agency activities, advertising and public relations agency activities.
* Refinancing of existing loans in case of capital investments.
* All bans and restrictions pursuant to the contracts between HBOR and relevant financial institutions if such contracts apply in the respective cases.

**Project will also not finance any activity that can be classified as substantial or high E&S risk activity as defined in the WB Environmental and Social Directive for Investment Project Financing (description available in the next section, 2.5.2).**

#### Eligible activities

The Project will contribute to addressing Sub-loan Beneficiary firms' immediate and urgent working capital (explicitly limited to purchase of raw materials, production materials, semi-finished products, small inventory, settlement of obligations towards suppliers, labor costs, and general current operating expenses such as office/factory/warehouse rent and utilities) and restructuring needs, thereby ensuring that the firms' weather the crisis and regain their vitality for resuming economic growth afterward.

* + 1. **Screening Procedure - Environmental and Social Risk Categorization**

**The Applicant (Sub-loan Beneficiary) prepares necessary documentation and obtains necessary permits, including filled in Environmental and Social Screening and Assessment Questionnaire, copies of all permits required by the law, and other E&S documents such as concessions, approvals, opinions, and approved ESIAs.**

The Applicant is responsible to prepare the required documentation and confirmation that all permits necessary for the proposed subproject have been obtained from responsible authorities as prescribed by appropriate local legislation and in line with the World Bank ESF, as described in this document. Sub-loan Beneficiaries that are subject to Environmental Permit Regulation (OG 08/14 and 5/18; listed in the Regulation’s Annex I) should provide a proof of valid environmental permit for its operations. Sub-loan Beneficiaries not listed in the Annex I will submit valid proof of compliance with regulative requirements respective of its operations (valid use permit, decision on satisfying minimal technical requirements or other E&S relevant proof of compliance under the national regulation). The HBOR/PFI will work closely with the Applicant on environmental and social documentation and provide proposals/advice.

HBOR/PFI first determines the subproject category depending on its type, location, sensitivity and scope, nature and intensity of environmental and social risks and impacts.

The World Bank ESF classifies activities in the following risk categories:

* **Low Risk** – subprojects expected to have negligible environmental and social impacts and for which no environmental and social impact assessment is required (e.g. salaries, IT services);
* **Moderate Risk** – subprojects without high potential for harming people or environment and located away from sensitive areas. Moderate risk activities can produce impacts which can be identified easily and for which standard preventive and/or corrective measures can be prescribed without an environmental and social impact assessment (e.g. purchase of non-harmful production materials and/or equipment), but which may require an Environmental and Social Management Plan (e.g. prepared in the case of works) or other appropriate mitigation measures. Mitigation measures are standard and usually involve only good maintenance measures or good engineering practice;
* **Substantial Risk** – subprojects that are not as complex as the high risk ones, large to medium scale, and/or not in such sensitive location. Substantial risk activities may have/produce potential and very significant or irreversible environmental and social impacts, scope of which is very difficult to determine during project identification phase. **Substantial risk activities (listed below) are not eligible for financing**;
* **High Risk** – subprojects or activities that are complex, large to very large scale and/or taking place in sensitive locations. companies engaged in manufacturing or use of large quantities of hazardous substances. **Activities characterized as high (listed below) are not eligible for financing.**

Further description of categories is available in the Annex J.

**High risk activities have the following characteristics:**

* Long term, permanent and/or irreversible (e.g., loss of major natural habitat or conversion of wetland), and impossible to avoid entirely due to the nature of the activity.
* High in magnitude and/or in spatial extent (the geographical area or size of the population likely to be affected is large to very large).
* Significant adverse cumulative impacts.
* Significant adverse transboundary impacts.
* A high probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.).
* The area likely to be affected is of high value and sensitivity, for example sensitive and valuable ecosystems and habitats (legally protected and internationally recognized areas of high biodiversity value), lands or rights of Indigenous Peoples and other vulnerable minorities, intensive or complex involuntary resettlement or land acquisition, impacts on cultural heritage or densely populated urban areas.
* Some of the significant adverse E&S risk and impacts cannot be mitigated or specific mitigation measures require complex and/or unproven mitigation, compensatory measures or technology, or sophisticated social analysis and implementation.
* There are significant concerns that the adverse social impacts, and the associated mitigation measures, may give rise to significant social conflict or harm or significant risks to human security.
* There is a history of unrest in the area or the sector, and there may be significant concerns regarding the activities of security forces.
* Intensive or complex involuntary resettlement or land acquisition leading to economic and/or physical displacement.
* Significant impacts on cultural heritage
* Significant impacts on densely populated urban areas.
* The activity is being developed in a legal or regulatory environment where there is significant uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex activities, or changes to applicable legislation are being made, or enforcement is weak.
* The past experience with the Project Beneficiary and their track record regarding E&S issues would present significant challenges or concerns given the nature of the activities’ potential risks and impacts.
* There are significant concerns related to the capacity and commitment for, and track record of relevant Beneficiary, in relation to stakeholder engagement.
* There are a number of factors outside the control of the activity that could have a significant impact on the E&S performance and outcomes of the activity.

**Substantial risk activities include the following:**

* They are mostly temporary, predictable and/or reversible, and the nature of the activity does not preclude the possibility of avoiding or reversing them (although substantial investment and time may be required).
* There are concerns that the adverse social impacts of the activity, and the associated mitigation measures, may give rise to a limited degree of social conflict, harm or risks to human security.
* They are medium in magnitude and/or in spatial extent (the geographical area and size of the population likely to be affected are medium to large).
* The potential for cumulative and/or transboundary impacts may exist, but they are less severe and more readily avoided or mitigated than for High Risk activities.
* There is medium to low probability of serious adverse effects to human health and/or the environment (e.g., due to accidents, toxic waste disposal, etc.), and there are known and reliable mechanisms available to prevent or minimize such incidents.
* The effects of the activity on areas of high value or sensitivity are expected to be lower than High Risk ones.
* Mitigatory and/or compensatory measures may be designed more readily and be more reliable than those of High Risk activities.
* The activity is being developed in a legal or regulatory environment where there is uncertainty or conflict as to jurisdiction of competing agencies, or where the legislation or regulations do not adequately address the risks and impacts of complex activity, or changes to applicable legislation are being made, or enforcement is weak.
* The past experience with the Beneficiary shows track record regarding ES issues which suggests some concerns which can be readily addressed through implementation support.
* There are some concerns over capacity and experience in managing stakeholder engagement, but these could be readily addressed through implementation support.

The risk categorization will inform the scope and nature of the HBOR’s/PFI’s environmental and social due diligence and risk management of its subprojects.

**Substantial and High Risk activities will not be eligible for financing.**

**If a subproject is categorized as Low Risk, further environmental and social assessment will not be required. However, regular semi-annual monitoring is required.**

**For the activities with Moderate Risk (limited and site-specific impacts) the Environmental and Social Due Diligence, which includes an E&S Assessment, will be conducted as part of the application approval process.**

#### The Environmental and Social Screening Questionnaire is provided in the Annex H of the ESMS.

* + 1. **Environmental and Social Due Diligence**

**After the screening, HBOR/PFI carries out Environmental and Social Due Diligence**

Environmental and Social Due Diligence (ESDD) involves the systematic identification, quantification and assessment/evaluation of environmental and social risks associated with a proposed transaction. ESDD is the record of the review of a subproject at the time of appraisal that ensures that a subproject meets and is expected to continue to meet the applicable requirements. ESDD is based on the following:

* Review of information provided in the E&S Questionnaire
* Review of information in the public domain to check for any social and/or environmental controversies/news related to the project
* Review of project and environmental and social documents of the project including all submitted permits
* Discussions with the Applicant to address any questions or concerns
* Site visit and discussions, as applicable.

Site specific considerations of subprojects related to resource efficiency, Occupational Health and Safety (OHS), community HS, and pollution prevention and management will be addressed and managed through the development and implementation of ESDD based on national legislation defined mitigation measures for aforementioned areas.

ESDD includes the following forms/templates:

* E&S Screening and Assessment Questionnaire (Annex H)
* E&S Screening and Assessment Report (Annex I) with Plan of Corrective Measures
* E&S Accidents or Incidents Report to the World Bank (Annex A)
* E&S Monitoring Report (Annex B)
* PFIs Portfolio E&S Compliance Report (Annex G)
* HBOR Portfolio E&S Compliance Report (Annex F)

In case of activities that will apply for financing retroactively, for activities that have already commenced or are in progress, the ESDD Report will provide best available evidence of the mitigation measures being implemented for all of the identified potential impacts and risks, and that activities have been carried out in compliance with national legislation.

* + 1. **Integration of Environmental and Social Requirements in the Decision-Making Process and Transaction Approval**

No Application can be completed, rejected or approved, without the environmental and social screening form completed and signed, and retained on file (including electronic filing) for future reference and checks.

The loan agreements between the Applicant and the FI/PFI shall contain appropriate environmental representations, warranties, and covenants requiring that: *the subproject is to be implemented in compliance in all material respects with local environmental, health, safety and social requirements embodied by the relevant general laws and conducted in accordance with any applicable requirements. The Applicant will be required to invest all efforts to ensure the subproject implementation in an environmentally and socially acceptable manner. The project will be fully in line with the respective national laws governing environment, waste management, air, soil and water quality, labor and worker protection, as well as the Environmental and Social Management System adopted for the purposes of this Project.*

* + 1. **Supervision Procedures**

An important element of the ESMS is monitoring and regular reporting on the performance of the ESMS which is the joint responsibility of PFIs and HBOR. HBOR and PFIs will periodically review the implementation effectiveness of their ESMS, and adjust or update procedures, as needed, to enhance practices and efficiency, and respond to changes in the E&S regulatory environment.

PFIs will monitor the entire World Bank-financed portfolio and report to HBOR, in a manner which is acceptable to the World Bank. HBOR will monitor and supervise the environmental and social performance of PFIs and their portfolio exposures on this credit line. The World Bank will monitor HBOR, while HBOR will monitor the E&S performance of PFIs for their Sub-loan Beneficiaries under this credit line.

The PFIs will keep track of the applications’ environmental and social screening being conducted and will retain evidence of such screening, along with the E&S Screening and Assessment Report. The PFIs will also keep record and provide to the HBOR first five (5) applications with E&S Screening and Assessment Report (template available in Annex I), flagging those which require additional attention. The HBOR will further communicate this data in a report form[[21]](#footnote-22) to the World Bank. The PFIs and HBOR shall also monitor and track all corrective actions that are identified in the process of application screening and shall ensure regular reporting on that.

Environmental and Social performance will be evaluated on a semi-annual basis, including status of implementation of the corrective action. The benchmark for performance will be the ongoing compliance against the applicable requirements. Performance evaluation will be undertaken by:

* MSMEs who will provide semi-annual monitoring reports to the PFI’s Environmental and Social Officers, who may follow up as required with further queries or site visits, and
* PFI’s Environmental and Social Officers who will provide Monitoring Reports as per Annex B[[22]](#footnote-23) to HBOR and the WB, to be prepared on the basis of: (i) the MSMEs semi-annual monitoring reports provided to the PFI’s Environmental and Social Officer and (ii) E&S Screening and Assessment Report and supervision conducted.

In cases of Sub-loan Beneficiary non-compliance with the environmental and social standards that are stipulated in the financing agreement, the Sub-loan Beneficiary will have a timeframe for resolving the issue.

During monitoring, the HBOR or PFI Environmental and Social Officers, as applicable, may identify environmental and social issues, such as the Sub-loan Beneficiary non-compliance with one or more of the clauses stipulated in the legal agreement.

In these cases, HBOR or PFI Environmental and Social Officers, as applicable, will follow up with the Sub-loan Beneficiary to resolve these issues in a reasonable timeframe (stipulated in the financing agreement).

If the Sub-loan Beneficiary fails to undertake the necessary corrective action in a timely manner or fails to resolve the outstanding environmental and social issue of concern, the HBOR or PFI may be required to take legal action against the Sub-loan Beneficiary, including the right to suspend or terminate the use of proceeds or accelerate or obtain a refund of all or any part of the amount of the Sub-loan, to reduce its exposure to the environmental and social risks associated with the transaction.

* 1. ***Environmental and Social Capacity***

The management of HBOR and all staff with E&S functions in the Credit Decision Making shall have adequate knowledge of the environmental and social risk management and E&S assessment conducted under the Project that shall be carried out in practical terms by the Environmental and Social Officers of HBOR. The Environmental and Social Officers report to their respective organizational structure, as per internal organization, and under the Project, they also report to the Executive Director of Fund Managing Division (overall management) and HEAL Project Manager. Currently 2 of HBOR’s Officers for Environment are assigned within the Department for Technical Analysis and Environmental Protection (DTAZO) and will be the focal point for environmental issues and communication (while 4 more will be engaged on the Project on the needs basis), while the focal point for social issues will be determined prior to effectiveness. All designated staff shall be trained WB E&S Specialists on the ESMS and ESF, particularly E&S Standard 9 (ESS9), and operate aware of the environmental and social requirements, the exclusion criteria and the general procedure as a bare minimum.

Subsequently, the HBOR will prepare an E&S training plan for PFIs – Staff to be trained are loan officers, E&S officers, credit officer, relationship managers, risk officers, legal officers. The training plan should specify types of training which should include the following curriculum: understanding of E&S laws (waste managements, OHS issues, resource efficiency and pollution and relevant ESS 2[[23]](#footnote-24) issue etc.), general overview of the ESF, requirements of ESS9, and Project compliance to the ESMS.

* 1. ***PFIs under the ESMS***

**Participating Financial Institutions (PFIs)**

PFIs will implement an ESMS compliant to the POM and ESF before commencing of on-lending activities to Sub-loan Beneficiaries.

The PFIs will perform an environmental and social review of sub-financing requests and provide periodic reports to the HBOR, in accordance with this document.

Similar to HBOR’s PIU the PFIs will assign at least one Environmental and one Social Officer, including identification of senior management representative, with an equivalent set of skills/experience, to manage the ESMS during project implementation. Along with meeting the local requirements, the designated Officers will screen subproject loan applications to ensure ESMS screening criteria are applied, and then oversee the successful completion of required assessment of subprojects. HBOR will confirm the results of the selection and E&S Screening and Assessment Report reviews of first 5 sub-projects. When satisfied with PFI’s implementation of screening and assessment procedures, HBOR can carry on monitoring periodically of randomly selected sample of loans.

Performance compliance monitoring will be carried out in the period of disbursement. The compliance will be carried out through (i) self-monitoring of Final Beneficiaries and (ii) supervision site-visits of a random sample of loans (at least 10 loans per a reporting period or up to 20% of Sub-loan Beneficiaries, semiannually).

* + 1. **External Communication Mechanism**

HBOR has developed an External Communications Mechanism, detailed in the Stakeholder Engagement Program (SEP) -- and referenced in this document (Chapter 4), designed to receive, respond to, and document requests for information or concerns in a timely manner. The objective is to provide a means for the public to submit queries or concerns, including related to HBOR’ E&S Policy and/or projects financed by HBOR and PFIs, and have these inquiries responded to by the HBOR and PFIs in a timely manner. An example of a mechanism for addressing external queries and concerns is given in Annex C[[24]](#footnote-25) of this document. This process of receiving, reviewing, and responding to communications from external stakeholders is managed by the grievance officer. More details are also available in section 4.4 of this document.

HBOR's main external communication mechanism and contact information are already publicly available and easily accessible both in Croatian and English language on its website: http:// www.hbor.hr. HBOR has a good track record in responding to public enquiries and concerns in a timely manner. Given that complaints, praises or suggestions can also be sent to the address [hbor@hbor.hr](mailto:hbor@hbor.hr), a person from the PR/communication department has been appointed as a designated person within the project team (PIU).

* + 1. **Environmental and Social Reporting to Stakeholders**

HBOR and PFIs will keep track of the applications’ environmental and social screening being conducted and will retain evidence of such screening, along with the E&S Screening and Assessment Report. The PFIs will also keep record and provide to the HBOR the number of applications with E&S Screening and Assessment Report. The HBOR will further communicate this data in a report form to the World Bank (template available in the Annex F), and may use this report to also inform the relevant internal and external stakeholders, including the relevant Boards, shareholders, investors, etc.

HBOR will regularly monitor the E&S due diligence, including monitoring of sub-loans conducted by PFIs and report the result to the World Bank semi-annually. A template for semi-annual reporting E&S Monitoring Report is given in Annex F[[25]](#footnote-26) of this document.

HBOR will submit to the World Bank semi-annual Environmental and Social Compliance Reports (Annex F) on the implementation of its ESMS, including its environmental and social procedures, ESS9[[26]](#footnote-27), ESS1[[27]](#footnote-28), ESS3[[28]](#footnote-29), ESS4[[29]](#footnote-30) and ESS2[[30]](#footnote-31), as well as the environmental and social performance of their portfolio of subprojects. Compliance reports on the E&S performance of the Project will also include the implementation of the ESCP, status of preparation and implementation of E&S documents required under the ESCP, stakeholder engagement activities, performance of the grievance mechanism(s) and ESMS implementation. The templates for HBOR and PFI’s Portfolio E&S Compliance Reports are provided in the Annex F[[31]](#footnote-32) of this document.

HBOR will promptly notify the World Bank of any significant accidents or incidents associated with subprojects, based on the prior reporting done by PFIs/Project Beneficiaries. The obligation to report accidents or incidents by Project Beneficiaries to PFIs/HBOR shall be included in sub-loan agreements between HBOR/PFIs and Project Beneficiaries. If the risk profile of a Project Beneficiary increases significantly, the HBOR will notify the World Bank and will apply relevant requirements of the ESSs in a manner agreed upon with the Bank, as set out in this ESMS. FIs will monitor the measures and actions agreed upon, and report to the Bank as appropriate.

The Final Beneficiary will immediately (no later than 48 hours) notify HBOR/PFIs of the accident. HBOR will promptly (within 48 hours of being notified by the Beneficiary) notify the Bank of any incident or accident related to the Project which had, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers including but not limited to; incidents and accidents encountered during implementation of the PFI’s ESMS.

HBOR and PFI's will require the Final Beneficiary to provide sufficient detail regarding the incident or accident, occurred and potential impacts, findings, and indicate immediate measures or corrective actions taken or that are planned to be taken to address the incident, legal implications and requirements, list of affected parties, paid or planned compensation, and any other information needed, as appropriate.

As per Bank’s request, HBOR will prepare a report on the incident or accident and propose any additional corrective or preventative measures, including review and update of ESMS.

Suggested outline of the accidents or incidents report associated with subprojects is given in Annex A[[32]](#footnote-33).

PFIs will submit to the ‘s E&S Officers semi-annual reports on ESMS implementation, processing and implementing the subproject E&S Screening and Assessment Report prepared, which will highlight any environmental or social issues, and any implemented corrective actions. Based on the PFIs’ Portfolio E&S Compliance Report reports, HBOR Environmental and Social Officers will prepare semi-annual Portfolio E&S Compliance Report.

The first 5 E&S due diligence conducted by HBOR and the PFIs will be subject to WB review and approval. HBOR will submit the first 5 Environmental and Social Due Diligence (ESDDs) reports conducted for the first 5 Sub-loan Beneficiaries to the World Bank. During Project implementation, the WB E&S team shall undertake reviews of randomly selected sub-projects as part of the regular supervision missions.

**Table 3: Internal and external reporting**

|  |  |
| --- | --- |
| Internal reporting (PFIs to HBOR) | External reporting (HBOR to WB) |
| * E&S Screening and Assessment Report findings, proposed Action Plans and E&S covenants * Updates on E&S performance once in portfolio – E&S Monitoring Report * PFIs Portfolio E&S Compliance Reports * Any major events (accidents, incidents, media coverage) | * Immediately if Sub-loan Beneficiaries experience major accidents or incidents * Semi-annual HBOR Portfolio E&S Compliance Report * First 5 E&S Screening and Assessment Reports conducted for the first 5 Sub-loan Beneficiaries |

* + 1. **ESMS Monitoring and Review for Continuous Improvement**

The ESMS has been designed to allow for the principle of continuous improvement, including revisions and streamlining of the process, updates of the exclusion list and activities that may require additional attention. All such suggestions will be noted by the PFIs or HBOR specialists and shall be communicated with the World Bank team prior to adapting the process documents (e.g. E&S Screening and Assessment Questionnaire, E&S assessment, etc.) and the ESMS.

* + 1. **Monitoring Environmental and Social Risks**

An important element of the ESMS is monitoring and regular reporting on the performance of the ESMS which is the joint responsibility of PFIs and HBOR. HBOR and PFIs will periodically review the implementation effectiveness of their ESMS, and adjust or update procedures, as needed, to enhance practices and efficiency, address potential changes in the E&S risk profile of their portfolio, and respond to changes in the E&S regulatory environment.

PFIs will monitor portfolio financed under the HEAL project and report to HBOR, in a manner which is acceptable to HBOR and the World Bank. HBOR will monitor and supervise the environmental and social performance of PFIs and their portfolio exposures on this credit line. The World Bank will monitor HBOR, while HBOR will monitor the E&S performance of PFIs for their sub-borrowers under this credit line.

The PFIs will keep track of the applications’ environmental and social screening being conducted and will retain evidence of such screening, along with the E&S Screening and Assessment Report. The PFIs will also keep record and provide to the FI a sample of applications with E&S Screening and Assessment Report for compliance monitoring purposes. The HBOR will further communicate this data in a report form (HBOR E&S Portfolio Compliance Report) to the World Bank.

* + - 1. **Review of environmental and social performance**

After the subproject is approved the Environmental and Social Specialists of the PFI monitor the implementation of the subproject and maintain a living file on any environmental and social issues of the subproject including issues not addressed by the ESDD Report, or which have become more significant. The monitoring information is provided by the Project Beneficiary as part of the implementation of the ESMSs. PFIs must be ready to call for any corrective action plan to address any unforeseen subproject impact or issue and include a report on any noted issues registered during site visits or based on a complaint received.

* + 1. **Records to be maintained**

The following records are to be maintained:

* Records on the screening conducted
* Environmental & Social Screening and Assessment Reports (this is the record of E&S review of a subproject at the time of considering of the project for financing and forms)
* E&S Screening and Assessment Questionnaire
* E&S Accidents or Incident Report
* E&S Monitoring Report
* PFIs Portfolio E&S Compliance Report
* HBOR Portfolio E&S Compliance Report

1. **Managing Labor and worker safety**

The WB Environmental and Social Standard 2 (ESS 2) concerns labor and conditions at work. This standard recognizes the importance of creating jobs and revenues with the objective of reducing poverty and increasing economic growth. ESS2 requires loan recipients to commit to the fair treatment, non-discrimination and equal opportunity of workers, to promote and maintain sound worker management relationships, and to promote compliance with national employment, labor, occupational health and safety laws.

**Objectives of ESS2** are the following:

* Promotion of protection and health at work;
* Promotion of fair treatment, non-discrimination and equal opportunities on the project;
* Protection of workers on the project including vulnerable workers such as women, persons with disabilities, minors, immigrant workers, contracted workers, workers in the community, workers of the primary supplier;
* Prevention of all forms of forced labor and child labor;
* Supporting principles for free association and collective negotiation of workers on the project which is in compliance with the national legislation; and
* Ensuring mechanisms for grievances for workers on the project.

Under ESS2, HBOR and PFIs are under obligation to meet the requirements and provisions of ESS2.

Based on the desk screening, no gaps have been identified in national labor legislation in regard to the requirements and prescriptions of ESS2. Project will be implemented by HBOR staff who are civil servants and will remain subject to the terms and conditions of their existing employment agreement. HBOR's Human Resources (HR) Policy applies national legislation on employment which aligns with all requirements of ESS2 prescriptions, including child and forced labor, and is fully harmonized with ILO conventions and EU Directives on forced labor and elimination of child labor and protection of children and young persons.

Croatia has a legal framework that covers gendered violence, including Labor Law, Law on Protection against Domestic Violence; Gender Equality Act, Anti-Discrimination Act as well as the Criminal Code. Structurally, Croatia has both an Office for Gender Equality and an Ombudsperson for Gender Equality. Croatia’s Rules of Procedure (Protocol) in Cases of Sexual Violence has transposed the relevant provisions of the Council of Europe Convention on preventing and combating violence against women and provided a harmonized practice of all competent authorities and institutions in the Republic of Croatia, and the provision of quality and survivor-oriented assistance and support. Based on HBOR data and publicly available information of the Office for Gender Equality and the Ombudswoman, there were no reported SEA/SH cases related to accessing financial services such as getting loans from financial institutions, irrespectively of the size of the firm. Also, several studies such as “Croatia Country Gender Assessment (World Bank, 2019), Croatia’s Female Entrepreneurship Development Strategy (2014-2020), and National Gender Equality Policy Action Plan for the Promotion of Gender Equality (2018-2021), reported no cases of SEA/SH in accessing finance nor this was identified as a potential problem in Croatia.

In case of HBOR, HBOR’s Labor Ordinance defines employee dignity protection and non-discrimination policy by stipulating obligation to protect workers from direct or indirect discrimination and to protect the dignity of employees. HBOR’s Labor Ordinance defines and describes behaviors that are regarded as discriminatory. It is defined that the dignity of workers is protected from harassment or sexual harassment - which are both clearly defined. Harassment and sexual harassment constitute a breach of employment obligations, and all workers are obliged to prevent harassment. The process of receiving and resolving complaints related to the protection of the dignity of workers is defined with clearly described rules of procedure, confidentiality and deadlines. Also, it is defined who is responsible for dignity protection and resolution options regarding submitted complaint.

In line with the requirements of Croatian Labor Law and ESS2 on labor and working conditions, HBOR has put in place and maintains appropriate labor management procedures, including procedures relating to working conditions and terms of employment, nondiscrimination and equal opportunity, grievance mechanisms, and occupational health and safety (OHS). The OHS risks for the Project relate mostly to handling purchased (nontoxic) raw materials and semi-final products, and transport of goods. The national regulatory and institutional framework prescribes sufficient assessment and mitigation for efficient reduction of OHS risk in the supported businesses. This applies also to regular operations of HBOR and PFIs. Potential OHS impacts are managed through application of the national Law on OHS (OG NN 71/14, 118/14, 154/14, 94/18, 96/18) that is fully harmonized with EU regulation and addressed within the ESMS described under the ESS9[[33]](#footnote-34).

HBOR has adopted and effectively implements HR policies and procedures covering: documenting and communicating to all employees their rights under national labor and employment laws, applicable collective agreements, working conditions and terms and conditions of employment and notifying them when any material changes occur; promoting fair treatment, and equal opportunity of its employees; managing a grievance process to address complaints by employees and external stakeholders; and providing a safe working environment through appropriate occupational health and safety programs and measures.

As of January 1, 2020, HBOR has 374 employees working in its headquarters in Zagreb, capital of Croatia as well as in six regional offices covering the regions of Dalmatia; Istria; Lika; Primorje and Gorski kotar; North-West Croatia; and Baranja. As a recognition of implementing high quality human resources (HR) policies and management, HBOR was awarded an Employer Partner Certificate of MojPosao (MyJob) portal and Selectio Group for excellence in HR management for 14 years in a row.

Though ESS2 is relevant, a Labor Management Plan (LMP) is not required as the national laws and regulations satisfy ESS2 requirements and FI requirements in line with paragraph 9 of ESS9 stating “Where FI subprojects are likely to have minimal of no adverse impact environmental and social risks and impacts, FI will apply national law”.

As regards Labor Law enforcement, according to the 2018 Country Reports on Human Rights Practices on Croatia by the US Department of State, the chapter on Acceptable Conditions of Work states that the Government of Croatia effectively enforced wage laws, and penalties were sufficient to deter violations. The minimum wage was slightly above official poverty income level. The law limits overtime to 10 hours per week and 180 hours annually. The government set health and safety standards to harmonize with EU laws and regulations. Responsibility for identifying unsafe situations remains with occupational safety and health experts and not the worker. The Office of the Labor Inspectorate enforced the labor law through on-site inspections. According to the 2017 Labor Inspectorate Annual Report, there were 236 inspectors, sufficient to enforce compliance. The inspectorate conducted 32,393 workplace inspections in 2017 (up 10 percent from 2016) and reported 6,211 violations of labor laws and referred 2,547 of these violations to misdemeanor courts for further action, and it temporarily closed 308 companies during the first six months of the year for labor law violations. Typical labor law violations encountered are: illegal (unreported) work, non-payment of wage, failure to deliver to employees the calculation of wage, wage compensation and severance pay of the prescribed content and within the prescribed period, violation of legal provisions on working hours and leave, etc. During tourism season (Croatia’s economy relies on tourism) typical labor law violations are: failure to register for compulsory pension insurance before starting work, illegal work of foreigners and illegal work of minors. The inspectorate issued fines for labor violations, which it deemed sufficient to deter future violations. The law allows employees to sue employers for wage nonpayment and provides a penalty of up to three years in prison for convicted employers, although the law exempts employers who fail to pay wages due to economic duress. Workers may sue employers who do not issue pay slips to their employees to bypass mandatory employer contributions to social insurance programs.

The Project Beneficiaries, once identified, will be required to fully comply with national labor and employment laws and ESS2 requirements and procedures related to applicable collective agreements, working conditions and terms and conditions of employment; fair treatment, and equal opportunity of its employees; managing a grievance process; and providing a safe working environment through appropriate occupational health and safety programs and measures.

1. **Stakeholder Engagement Plan**
   1. ***Introduction***

As per the Environmental and Social Standard (ESS) 10 on “Stakeholder Engagement and Information Disclosure”, implementing agencies should provide stakeholders with timely, relevant, understandable and accessible information and consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

The overall objective of this Stakeholder Engagement Program (SEP) is to identify key project stakeholders and to define a program for stakeholder engagement, including public information disclosure and consultation, throughout the entire project cycle. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can express their views, raise concerns, provide feedback, or make complaints about project and any activities related to the project.

HBOR is committed to actively encouraging stakeholder input, so as to benefit from stakeholders’ contributions and to better fulfil its mission. Due to its dual character as a financial and public institution, HBOR considers transparency, information disclosure and effective communication an essential condition for a free and open exchange with all stakeholders and commits to fairness and clarity for all parties.

The SEP will contribute to increasing the efficiency, effectiveness and sustainability of the Helping Enterprises Access Liquidity project, reinforce HBOR’s zero-tolerance of fraud and corruption, ensure financed projects’ adherence to the World Bank’s Environmental and Social (E&S) Standards and promote overall accountability and good governance.

The SEP was disclosed before project appraisal to seek the views of stakeholders and include their feedback, to the extent possible, and as appropriate, on HBOR’s proposed stakeholder engagement strategy. It will be periodically revised and updated as necessary in the course of project implementation in order to ensure that the information presented herein is consistent and is the most recent, and that the identified methods of engagement remain appropriate and effective in relation to the project context and specific phases of its development.

HBOR will require PFIs to conduct stakeholder engagement in a manner proportionate to the risks and impacts of their subprojects, and which reflects the type of subprojects financed.

* 1. ***Disclosure and Dissemination of Information***

Disclosure of relevant project information helps potentially affected communities and relevant stakeholders understand the potential risks, impacts and opportunities of the project. HBOR and PFIs shall provide such people with access to relevant information on:

* The purpose, nature and scale of the project;
* The duration of the proposed project activities;
* Any risks to and potential impacts on such communities and relevant mitigation measures;
* Environmental and social monitoring reports;
* The proposed stakeholder engagement process highlighting the ways in which stakeholders can participate;
* The time and venue of any proposed focus groups,
* The process and means by which grievances can be raised and will be addressed.

HBOR/PFIs will disclose Project information in the local and English languages on their respective website. HBOR/PFIs shall update the information disclosed on website, where major changes have been introduced to the Project. The strategies for information disclosure and consultations will mainly rely on digital technologies including virtual meetings, social media and HBOR’s and PFIs’ websites.

* 1. ***Consultation and participation***

Consultation with potentially affected communities and stakeholders will ensure they have an opportunity to provide input on the Project, its potential impacts, possible alternatives and the proposed mitigation and monitoring measures.

Citizen engagement is embedded in the project design through several proactive, two-way mechanisms and will continue throughout the life cycle of the project to ensure that beneficiaries can provide feedback to the design and rollout of the project. The design of the line of credit will be validated through a stakeholder engagement/beneficiary satisfaction survey that will be carried out to seek feedback from PFIs and project beneficiaries and evaluate their perceptions of various aspects of the project, including transparency, ease of accessing the loans, etc. This beneficiary satisfaction survey will be conducted after 70% of the credit line amount is allocated; details of the survey will be determined during project implementation. The HBOR will share the survey results with the World Bank and discuss them with PFIs as appropriate.

***Disclosure of ESMS***

The HBOR and the participating PFIs will indicate compliance and implementation of the Project’s ESMS by accepting it and publicly disclosing it on their websites.

* 1. ***Project Grievance Mechanism***

Grievances include complaints and suggestions related to the project. A project grievance mechanism (GM) can be used by any person who believes that any of his/her rights are or might be violated by the Project. The key objective of the grievance mechanism is to ensure that project affected persons have accessible channels to lodge their complaint, make a suggestion as well as ensures an efficient manner to address grievances raised and relay the resolution to the affected parties. The World Bank requires each project to establish such a mechanism in line with ESS10, at early stage of project development in order to be able to address specific issues in an adequate and timely fashion.

As outlined in the Stakeholder Engagement Plan, the project will utilize existing grievance channels of HBOR, but these will also be improved to collect, manage and monitor project specific grievances. For the purpose of the project, HBOR will develop more specific and more detailed grievance procedures, which will be clearly outlined on its website. HBOR will also tag and report on project related grievances separately. These improvements are to ensure that all grievances are recorded and monitored, with the aim of increasing transparency and accountability, as well as to reduce risk of Project’s adverse environmental and social impact.

HBOR shall establish Registry of Grievances. Project Grievance Form (Annex) shall be posted on the involved FIs’ web sites. Availability and manner of functioning of grievance redress mechanism shall be communicated through FIs’ social media and websites for the purpose of this Project.

The completed Project Grievance Form can be submitted to the FIs (via mail, facsimile or e-mail at the address/telephone number specified in the text below), free of any costs for the complainant. The grievances may be also anonymous.

FIs (Officer for social issues) shall record all the complaints in the Grievance Registry and assign them a number, as well as issue a confirmation on receipt thereof within seven calendar days. Each complaint shall be recorded in the Registry with the following information:

* Complaint description,
* Complaint receipt date and date of sending confirmation thereon the complainant,
* Description of the action taken (investigation, corrective measures, preventive measure), and
* Complaint addressing/feedback sending date.

FIs shall take all reasonable efforts upon receipt of a complaint to address the problem specified therein. In case FIs is unable to address the problem by immediate corrective measures, long-term corrective measure would be identified. The complainant shall be notified (by the Officer for social issues) on the corrective action within 15 calendar days after confirmation on grievance receipt is sent. Preventive measures shall be identified and taken in order to prevent the same problem to happen again in the future, and the complainant shall be informed of such preventive actions.

In addition to the legal framework available in Croatia (i.e. covered in the Labor Law, Law on Protection against Domestic Violence; Gender Equality Act, Anti-Discrimination Act as well as the Criminal Code), HBOR has a protocol for handling sexual exploitation and abuse/sexual harassment (SEA/SH) grievances, putting in place mechanisms for confidential reporting with safe and ethical documenting of gender-based violence (GBV) issues. The protocol is accompanied by training for all project GM focal points on using the protocol and it is part of capacity building activities. The protocol and any related awareness-raising and training materials to GM focal points may be reviewed by the World Bank.

HBOR has in place a procedure for the protection of the dignity of employees provided by the Labor Act and the Labor Ordinance, which provides for the protection of employees from SEA/SH grievances. HBOR applies this procedure when there is a suspicion of harassment and sexual harassment between employees. The main steps in the prescribed procedure are: the employee submits a complaint to the Commissioner for the Protection of Dignity by post or to an email address [dostojanstvo@hbor.hr](mailto:dostojanstvo@hbor.hr); the Commissioner for the Protection of Dignity may request further clarifications from the complaint worker. The Commissioner also examines the employee against whom the complaint has been lodged, including possible witnesses, and informs the Management Board about the procedure carried out and the facts and circumstances and may propose measures to protect the dignity of employee (within 6 days of receiving the complaint). The Management Board is not bound by the Commissioner proposal and can independently decide on the measures to protect the dignity of employees. The Management Board decides on the complaint, measures to protect the dignity of employees and other issues related to protecting the dignity of employees and resolving the complaint. The procedure must be completed within 8 days of receiving the complaint. The decision of the Management Board has to be delivered to the employee and the employee against whom the complaint has been lodged. All information in this procedure is confidential.

HBOR´s Code of Conduct prohibits any discrimination on the grounds of age, gender, religion, political or other belief, ethnical or national origin, language, racial origin, marital or family status, social status, education, health condition, disability, sexual orientation, or any other type of discrimination. It prohibits any kind of harassment including sexual or gender base harassment. It is publicly available document, and it has a prescribed procedure in case of violation of its provisions. This procedure is separate from procedure prescribed by the Labor Law. For the purpose of reporting such conduct e.g., sexual harassment Compliance function has established email address kodeksponasanja@hbor.hr, and only Compliance function has access to it. The Code of conduct prescribes data confidentiality.

The GM - including the PFIs - requires to immediately notify of any GBV complaints, with the survivor’s consent.

In case FIs are unable to address specific problems raised through this mechanism, or if there is no need to take any measures, a detailed explanation/justification of why the problems are not addressed, shall be provided. The response shall also include explanation on remedy for the complainant dissatisfied with the outcome. The GM provides an appeal process if the complainant is not satisfied with the complaint’s proposed resolution. Once all possible means to resolve the complaint have been proposed and if the complainant is still not satisfied, they should be advised of their right to legal recourse.

COMPLAINTS, PRAISES, SUGGESTIONS

Complaints, praises or suggestions can be sent to the address hbor@hbor.hr which is checked on a daily basis by the Officer for social issues. The project will widely advertise the channels of lodging the suggestions, enquiries, questions, or praises about the project.

REPORTING IRREGULARITIES

All interested parties, whether HBOR employees or a third interested party, are allowed to report any irregularity, fraud or suspicion of corruption of HBOR employees via e-mail or regular mail.

The person may report irregularity:

* orally on the minutes,
* anonymously,
* in writing, irregularity can be reported via
* or in free form sent to:
  + E-mail: By sending e-mails to: [povjerljivaosoba@hbor.hr](mailto:povjerljivaosoba@hbor.hr)
  + Telephone No: 01/4590-477
  + Postal mail: By sending the dedicated form to:

Hrvatska banka za obnovu i razvitak

Povjerljiva osoba

Strossmayerov trg 9, 10 000 Zagreb

Complaints can be submitted in Croatian or in English.

* 1. ***The World Bank Grievance Redress Services***

Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanism or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent inspection Panel which determines whether harm occurred, or could occur, as a result of WB on-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <https://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit <https://www.inspectionpanel.org>.

Addresses to send complaints:

Email: grievances@worldbank.org

Fax: +1-202-614-7313

Mail address:

The World Bank Grievance Redress Service (GRS)

MSN MC 10-1018, 1818 H St NW

Washington, DC 20433, USA

1. **Annexes**

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|  |
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| 1. Format of Accidents or Incidents Report to the World Bank |
| 1. Environmental and Social Monitoring Report to the World Bank Template |
| 1. Project Grievance Template |
| 1. The World Bank Environmental and Social Standards 2. Environmental and Social Legislation in the Republic of Croatia 3. Semi-annual HBOR Portfolio E&S Compliance Report 4. Semi-annual PFI Portfolio E&S Compliance Report 5. Environmental and Social Screening and Assessment Questionnaire 6. Environmental and Social Screening and Assessment Report (outline) 7. World Bank E&S risk classification |

**Annex A.** **Accidents or Incidents Report to the World Bank Report Template**

Sub-loan Beneficiary delivers basic information on the accident/incident, within 48 hours from its occurrence. HBOR notifies the WB immediately upon receiving the information, using the form below. Detail report will follow in form, timeline and content agreed with HBOR and WB.

**ACCIDENTS/INCIDENTS REPORT**

**Project:** HEAL

Name of the Borrower: HBOR

Loan No. 9233-HR

**Name of the PFI:**

**Loan Contract No:**

**Incident reference number:**

**Date of report:**

This form should be completed following the significant accidents or incidents reported by HBOR and delivered to the WB, or, in case of on-lending, by PFIs and delivered to the HBOR and WB retaining a copy for HBOR’s own records.

|  |  |  |  |
| --- | --- | --- | --- |
| **INCIDENT REPORT** | | | |
| 1 | Name of person reporting: | 2 | Date of incident: |
| 3 | Time and location of incident: | 4 | Police notified:  *(Please indicate with an X)*  [……] Yes  [……] No  Relevant inspection notified:  *(Please indicate with an X)*  [……] Yes  [……] No |
| 5 | What was the nature of environmental incident?  *(Please indicate with an X and circle the incident)*  […….] Fire or explosion  […….] Spillage, leakage or uncontrolled discharge of hazardous substances  […….] Emission to air of gas, dust, fumes or other pollutants  […….] Pollution of surface or underground water courses  […….] Contamination of soil, flora, fauna  […….] Damage to archeology, listed building, local heritage, etc.  […….] Noise, waste, light, odor, vibration or other nuisance  *Other: please specify: ……….* | | |
| 6 | Environmental incident pictures provided:  *(Please indicate with an X)*  [……] Yes  [……] No  If not, what is the reason?.............  *(Pictures to be inserted under No.16)* | | |
| 7 | Community interactions and social issues  *(Please indicate with an X)*  […….] No designated person in charge of responding to questions from the community  […….] Impact on local settlements/livelihood  […….] Complaints from neighbors/communities  Other: please specify: ………. | | |
| 8 | What was the nature of OHS, labor and GBV (including SEA/SH) related issues?  *(Please indicate with an X)*  […….] Occurrence of infringement of labor rights  […….] Occurrence of infringement of human rights  […….] Violation of occupational safety and health rules and procedures (no PPE provided, inadequate safety measures)  […….] Violation of law  […….] Others | | |
| 9 | Reporting a work related:  *(Please indicate with an X)*  […..] Injury  […..] Illness  […..] Near miss (which could have caused injury or illness, no matter how minor)  […..]No injury or illness | | |
| 10 | Incident description:  *(Include details on how the incident happened, factors leading to the event, and what took place.)* | | |
| 11 | Were there witnesses to the incident?  *(Please indicate with an X)*  [……] Yes  [……] No | | |
| 12 | **INCIDENT INVESTIGATION**  HBOR/PFI Environmental and Social Officers to investigate and report must be completed within 2 weeks. | | |
| 13 | Root cause of incident  *(Please indicate with an X to all that apply)*  […….] System/process failure  […….] Equipment/mechanical failure  […….] Human error  […….] Caused by a non-environmental incident (e.g. fuel spill from road traffic collision)  […….] Lack of needed personal protective equipment  […….] Failure to comply with rules  […….] Other (please describe e.g., weather)  Please provide a **brief summary** of root causes: | | |
| 14 | Was the incident response effective?  *(Please indicate with an X)*  [……] Yes  [……] No | | |
| 15 | Summary of further actions required.  Actions ……………………………………………………………………………………………………………………………………………………  Due completion date ……………………………………………………………………………………………………………………………... | | |
| 16 | Will adverse impacts result in irremediable harm?  *(Please indicate with an X)*  [……] Yes  [……] No  If Yes, should FI subproject reclassified to a higher risk or higher impact level?  *(Please indicate with an X)*  [……] Yes  [……] No | | |
| 17 | If any pictures available, please insert them here. | | |

**Annex B.** **Environmental and Social Monitoring Report to the World Bank template**

ENVIRONMENTAL AND SOCIAL MONITORING REPORT template

(Sub-loan Beneficiary fills out, for each subproject separately; template may be adjusted for each individual case)

**Project:**

**Completed by (Sub-loan Beneficiary):**

**Report covering period:** From \_\_\_\_\_\_\_\_\_\_\_\_ To\_\_\_\_\_\_\_\_\_\_\_

**Date of report:**

|  |  |  |  |
| --- | --- | --- | --- |
| PART I – PROJECT STATUS | | | |
| 1 | Name of the subproject: | 2 | Location of the subproject:  *(Municipality/ city, canton, entity)* |
| 3 | Please name the individuals in the firm who hold the responsibility for environmental and social performance and give their contact information (name, e-mail address, telephone). | | |
| 4 | Provide a brief subproject description of any new developments in relation to subproject’s operations over the reporting period. | | |
| PART II – ENVIRONMENTAL MANAGEMENT | | | |
| 5 | Any notifiable environmental impacts occurred during the reporting period?  *(Please indicate with an X)*  [……] Yes  [……] No  If Yes, please provide a summary of all the notifiable environmental impacts. | | |
| 6 | Please state any difficulties and/or constraints or incompliances related to the implementation of the environmental mitigation measures defined in the national legislation. | | |
| 7 | Did any of the permits (environmental, water, concessions, etc.) expired and were they timely renewed?  [……] Yes  [……] No  [……] N/A  Please provide details. | | |
| 8 | Was the subproject subject to environmental, labor, sanitary, construction, or other inspection surveillance?  *(Please indicate with an X)*  [……] Yes  [……] No  If Yes, please provide (i) the conclusion of inspection, (ii) if conclusion/findings were negative please provide details and reports of inspection findings and prescribed corrective measures during the reporting period. | | |
| PART III – SOCIAL MANAGEMENT | | | |
| 9 | Has the company changed/updated HR policy and procedures during the reporting period?  *(Please indicate with an X)*  [……] Yes  [……] No  If Yes, please provide details. | | |
| e10 | Describe the main changes implemented in terms of OHS during the reporting period (e.g. identification of hazards, revision of OHS management procedures, etc.) | | |
| 11 | Report the number and type of grievances received from workers.  How many have been resolved and how many are pending? | | |
| 12 | How many grievances were related to GBV, SEA and/or SH? | | |
| PART IV – INCIDENTS/ACCIDENTS | | | |
| 13 | Provide details for any social, labor, health and safety, environmental incident, accident or circumstances which occurred from the last reporting period  *(date of accident/incident, type of accident, # of fatalities, preventive measures taken after the accidents/incidents))* | | |
| PART IV – COMMUNITY HEALTH AND SAFETY MANAGEMENT | | | |
| 14 | Please list and describe any initiatives implemented in relation to community health and safety during the reporting period. | | |
| PART V – STAKEHOLDER ENGAGEMENT | | | |
| 16 | In detail, please describe print or broadcast media attention given to the sub-project during the reporting period. | | |
| 17 | List any stakeholder engagement events, including public hearing, consultation and disclosure, liaison with NGOs, civil society, local communities during the reporting period. | | |
| PART VI – GRIEVANCES | | | |
| 18 | Provide details for any social, labor, health and safety, environmental incident, accident or circumstances which occurred from the last reporting period.  *(date of accident/incident, type of accident, # of fatalities, preventive measures taken after the accidents/incidents))* | | |
| 19 | Report the number and type of queries/grievances received from project affected people/local communities/local organizations. | | |
| 20 | How many have been resolved and how many are pending?  *(Please attach a log of the grievance redress registry)* | | |
| 21 | Please list improvements/initiatives implemented during the reporting period on management of E&S aspects (e.g. energy/water savings, waste minimizations, etc.). | | |
| PART VII – MONITORING OF CORRECTIVE MEASURES | | | |
| 22 | Were corrective measures prescribed in the past period (by HBOR/PFIs, inspections, etc.)? | | |
| 23 | Action item No.  *(Please describe the required action for the next period)*  *1…….*  *2…….*  Responsible party/person: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Due date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Completion date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Progress notes: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Status: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  (*open –not resolved yet)*  *(closed – resolved)*  *(deferred –put on hold, give reasons for deferred)* | | |

**Annex C. Project Grievance Template**

**Project Grievance Template**

**Project:** HEAL

|  |  |  |  |
| --- | --- | --- | --- |
| **GRIEVANCE MECHANISM FORM** | | | |
| Name of Personnel Receiving the Grievance | |  | Date |
| Title | |  |
| **Stakeholder Information (Optional) - *(This section may not be filled if the complainant wishes to remain anonymous)*** | | | **Grievance Receipt Method** |
| Name-Surname | |  | Phone |
| Gender | |  | Mail |
| Phone | |  | Website |
| Email | |  | Branch/Office visit |
| Address | |  | Email |
| Signature | |  | Site visit |
| Other |
| **Details of Grievance** | | | |
|  | | | |
| **Grievance Closing** | | | |
| Assessment of Grievance | |  | |
| Response/Corrective Action Required? | | Yes (if yes please provide details) | No |
| Result | | | |
|  | | | |
| **Responsible Personnel** | | | |
| Name Surname |  | | |
| Date and Signature |  | | |

**Annex D. The World Bank Environmental and Social Standards[[34]](#footnote-35)**

ChecklistEnvironmental and Social Standard 1 – Assessment and Management of Environmental and Social Risks and Impacts (relevant to this project) is applied to all projects supported by the Bank through Investment Project Financing. The objective is to identify, evaluate and manage environmental and social risks and impacts associated with each stage of project, in order to achieve environmental and social outcomes consistent with Bank requirements.

ESS1 is also applied to all Associated Facilities/Activities which must meet ESSs requirements to the extent that the Borrower has control or influence over such Associated Facilities/Activities.[[35]](#footnote-36)

Within ESS 1, the Borrower is obliged to:

* Conduct environmental and social assessment of the propose project, including stakeholder engagement,
* Undertake stakeholder engagement and disclose appropriate information in accordance with ESS10,
* Develop an Environmental and Social Commitment Plan (ESCP) and implement all measures and actions set out in the legal agreement including the ESCP,
* Conduct monitoring and reporting on the environmental and social performance of the project against the ESSs.

The environmental and social assessment will be proportionate to the risks and impacts of the project and will assess in an integrated way all relevant direct, indirect and cumulative environmental and social risks and impacts throughout project life cycle, including those specifically identified in the ESS2-10. Environmental and social assessment process shall apply mitigation hierarchy according to which: (a) risks and adverse impacts needs to be anticipated and to the extent possible avoided, while positive impacts and benefits for the community and physical environment need to be maximized, (b) where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels; (c) residual adverse impacts and risks need to be removed or mitigated to the acceptable level; (d) where significant residual impacts remain, compensate where technically and financially feasible.

For the projects which involve multiple smaller sub-projects, identified, prepared and implemented during the Project, the Borrower must conduct appropriate environmental and social assessment of the sub-projects, and prepare such sub-projects in the following manner:

1. High-risk projects in compliance with ESSs;
2. Significant, moderate and low-risk sub-projects, in compliance with local legislation and requirements of ESSs which the Bank finds relevant for such sub-projects.

ChecklistEnvironmental and Social Standard 2 – Labor and Working Conditions (relevant to this Project) regulates working conditions, and scope of its application depends on type of employment relations between the Borrower and project workers. The term “project worker” is related to:

1. people employed or engaged directly by the Borrower (including the project proponent and the project implementing agencies) to work specifically in relation to the project (direct workers);
2. people employed or engaged through third parties to perform work related to core functions of the project, regardless of location (contracted workers);
3. people employed or engaged by the Borrower’s primary suppliers (primary supply workers); and
4. people employed or engaged in providing community labor (community workers).

ESS2 objectives are:

* To promote safety and health at work
* To promote the fair treatment, nondiscrimination and equal opportunity of project workers.
* To protect project workers, including vulnerable workers such as women, persons with disabilities, children (of working age, in accordance with this ESS) and migrant workers, contracted workers, community workers and primary supply workers.
* To prevent the use of all forms of forced labor and child labor
* To support the principles of freedom of association and collective bargaining of project workers in a manner consistent with national law.
* To provide project workers with accessible means to raise workplace concerns.

Checklist

Environmental and Social Standard 3 - Resource Efficiency and Pollution Prevention and Management (not directly relevant to HBOR operations) sets out the requirements to address resource efficiency and pollution prevention and management throughout the project life cycle consistent with Good International Industrial Practice. Applicability of this EES is established during environmental and social assessment.

The Borrower shall be obliged to apply technically and financially feasible measures to improve efficient consumption of energy, water and raw material, as well as other resources. Such measures shall integrate cleaner production principles into the product design and production processes in order to conserve raw material, energy, water and other resources.

Besides, the Borrower will avoid the release of pollutants or, when avoidance is not feasible, minimize and control the concentration and mass flow of their release using the performance levels and measures specified in national law or the World Bank Group Environmental, Health and Safety Guidelines[[36]](#footnote-37), whichever is most stringent. This applies to the release of pollutants to air, water and land due to routine, non-routine, and accidental circumstances, and with the potential for local, regional, and transboundary impacts.

Pollution prevention and management includes management of:

* Air pollution
* Hazardous and non-hazardous waste
* Chemicals and hazardous material
* Pesticides

Checklist

Environmental and Social Standard 4 – Community Health and Safety (relevant to this project) addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of Borrowers to avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.

Objectives of ESS 4 are the following:

* To anticipate and avoid adverse impacts on the health and safety of project-affected communities during the project life cycle from both routine and non-routine circumstances.
* To promote quality and safety, and considerations relating to climate change, in the design and construction of infrastructure, including dams.
* To avoid or minimize community exposure to project-related traffic and road safety risks, diseases and hazardous materials.
* To have in place effective measures to address emergency events.
* To ensure that the safeguarding of personnel and property is carried out in a manner that avoids or minimizes risks to the project-affected communities.

ChecklistEnvironmental and Social Standard 5 – Land Acquisition, Restriction on Land Use and Involuntarily Resettlement (not relevant to this Project) Subprojects that might cause land expropriation or involuntary resettlement will not be eligible for funding in line with the project exclusion list.

Checklist

Environmental and Social Standard 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources (not directly relevant to this Project as the sectors supported will not be involving biodiversity). The sub-loans will be ineligible if the activities will be located in critical natural habitats and / or involve illegal logging or deforestation/forest degradation, wildlife trafficking, etc. No loans that would lead to significant adverse impacts on biodiversity and habitats would be supported. Furthermore, this will be part of the Project Exclusion List to ensure that no negative impacts on natural habitats will be supported through the project.

ChecklistEnvironmental and Social Standard 7 – Indigenous Peoples is not relevant to this Project as no indigenous people reside in Croatia.

Checklist Environmental and Social Standard 8 – Cultural Heritage is not relevant to this Project. However, the screening process would exclude all the subprojects which may pose risks to cultural heritage from project activities.

Checklist Environmental and Social Standard 9 – Financial Intermediaries (relevant to this project) recognizes that strong domestic capital and financial markets and access to finance are important for economic development, growth, and poverty reduction. The Bank is committed to supporting sustainable financial sector development and enhancing the role of domestic capital and financial markets.

Financial Intermediaries (FIs) are required to monitor and manage the environmental and social risks and impacts of their portfolio and FI subprojects, and monitor portfolio risk, as appropriate to the nature of intermediated financing.

FIs are required to develop and maintain, in the form of an Environmental and Social Management System (ESMS), effective environmental and social systems, procedures and capacity for assessing, managing, and monitoring risks and impacts of subprojects, as well as managing overall portfolio risks in a responsible manner.

ESS9 objectives are the following:

* To set out how the FI will assess and manage environmental and social risks and impacts associated with the subprojects it finances.
* To promote good environmental and social management practices in the subprojects the FI finances.
* To promote good environmental and sound human resources management within the FI.

Checklist Environmental and Social Standard 10 –Stakeholder Engagement and Information Disclosure (relevant to this project) recognizes the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice. Effective stakeholder engagement can improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation.

ESS10 objectives are the following:

* To establish a systematic approach for stakeholder engagement that will help Borrowers identify stakeholders and build and maintain a constructive relationship with them, in particular project-affected parties.
* To assess the level of stakeholder interest and support for the project and to enable stake-holders’ views to be taken into account in project design and environmental and social performance.
* To promote and provide means for effective and inclusive engagement with project-affected parties throughout the project life cycle on issues that could potentially affect them.
* To ensure that appropriate project information on environmental and social risks and impacts is disclosed to stakeholders in a timely, understandable, accessible and appropriate manner and format.
* To provide project-affected parties with accessible and inclusive means to raise issues and grievances, and allow Borrowers to respond to and manage such grievances

**Annex E. Environmental and Social Legislation in the Republic of Croatia**

Overview of national environmental legislation

The following Croatian legislation define a legal framework for environmental management:

* Environmental Protection Act (OG 80/13, 153/13, 78/15, 12/18, 118/18),
* Regulation on environmental impact assessment (OG 61/14, 3/17),
* Nature Protection Act (OG 80/13, 15/18, 14/19,127/19),
* Act on Waste Management (OG 84/21)
* Air Protection Act (OG 127/19)
* Water Act (OG 66/19, 84/21)
* Energy Efficiency Act (OG 127/14, 116/18, 25/20, 41/21)
* Noise Protection Act (OG 30/09, 55/13, 153/13, 41/16, 114/18, 14/21)
* Ordinance on Environmental Permit (OG 08/14, 5/18)

**Environmental Protection Act** regulates: environmental protection principles and objectives within the concept of sustainable development, environment components protection and environmental stress protection. Furthermore it regulates environmental protection entities, sustainable development and environmental protection documents, environmental protection instruments, environmental monitoring, information system, access to information on the environment, access to justice in the environmental issues, public participation in the environmental issues, responsibility for environmental damage, funding and general policy instruments in environmental protection as well as administrative and inspection control.

According to this Act environmental protection objectives are as follows:

* protection of human life and health,
* protection of flora and fauna, geodiversity, biological and landscape diversity and preservation of ecological stability,
* protection and improvement of the quality of individual environmental components,
* protection of the ozone layer and climate change mitigation,
* protection and restoration of cultural and aesthetic landscape values,
* prevention of major accidents involving dangerous substances,
* prevention and reduction of environmental pollution,
* continuous use of natural resources,
* rational use of energy and promoting the use of renewable energy sources,
* elimination of environmental pollution effects,
* improvement of the disturbed natural balance and restoration of its regeneration capabilities,
* achievement of sustainable production and consumption,
* phase-out and substitution of use of dangerous and harmful substances,
* sustainable use of natural assets,
* ensuring and development of long-term sustainability
* improving environmental status and securing a healthy environment.

These objectives should be accomplished through application of environmental protection principles and environmental protection instruments, prescribed by this Act and sub-laws.

Sustainable development principles are following: precautionary principle, principle of preservation of natural assets, biological diversity and landscape, substitution and/or compensation principle, principle of removal and remediation of environmental damage at the source, principle of integrated approach, principle of cooperation, polluter pays principle, principle of access to information and public participation, promotion principle, principle of the right of access to justice.

These principles should be applied to ensure the protection: of the soil and Earth’s lithosphere, forest, air, water, marine and coastal zones, nature, protection against the effects of environmental burdening, against adverse effects of genetically modified organisms, noise, Ionizing radiation protection and nuclear safety, adverse effects of chemicals, light pollution, waste management.

Different instruments and procedures are defined by this Act like: strategic environmental assessment of strategies, plans and programmes, environmental impact assessment and scoping procedure, environmental permitting procedure[[37]](#footnote-38), etc.

Detail provisions of environmental impact assessment procedure are defined by **Regulation on environmental impact assessment.** This Regulation inter alia specifies: the criteria and procedure for conducting environmental impact assessment; the content of the environmental impact assessment study and elaborate (preparation of elaborate is part of the screening process); the manner of participation of persons authorized to prepare the environmental impact assessment study/elaborate; public participation process, the manner of work of the commission participating in the environmental impact assessment procedure, development of guidelines for the preparation of environmental impact studies, etc. Regulation determines the list of interventions/projects that are within the competence of the MoESD and the competent administrative body in the counties and City of Zagreb for which it is necessary to conduct EIA procedure or screening procedure.

**Nature Protection Act** regulates the nature protection system and integral nature preservation and its parts and other related issues.

According to this Act nature protection objectives and tasks are as follows:

* preservation and / or restoration of biodiversity by preserving natural habitat types, wild species and their habitats, including all birds species that occur naturally in the territory of the Republic of Croatia, as well as bird eggs and nests, by establishing an appropriate protection, management and control system,
* preservation of landscape and geodiversity in the natural balance state and harmonised relations with human activities,
* determination and monitoring the state of nature,
* providing of nature protection system for its permanent preservation,
* ensuring the sustainable natural resources usage without significant damage to parts of nature and with the least possible disturbance of the balance of its components,
* contribution to the preservation of the soil naturalness, the quality preservation, water and sea quantity and availability, the preservation of the atmosphere and the production of oxygen, and the preservation of the climate,
* prevention or mitigation harmful interventions of people and disturbances in nature as a consequence of technological development and activities performance.

These objectives should be accomplished through application of nature protection principles and nature protection instruments, prescribed by this Act and sub-laws.

Nature protection and conservation principles are following: everyone must behave in such a way as to contribute to the conservation of biodiversity, landscape diversity and geodiversity and to the conservation role of nature; non-renewable natural assets should be used rationally and renewable natural assets sustainably; in the use of natural resources and spatial planning it is obligatory to apply the principles of sustainable use; nature protection is the obligation of every natural and legal person, and in that manner they are obliged to cooperate in order to avoid and prevent dangerous actions and damage, remove and repair the consequences of damage and restore natural conditions that existed before the damage; precautions, when there is a threat of serious or irreparable damage to nature; the public has the right to free access to information on the state of nature.

Different instruments and procedures are defined by this Act like: competences in administrative and professional preforming of nature protection activities; ecological network acceptability assessment; environmental assessment of strategies, plans and programmes; obtaining certificates and permits for interventions in protected areas etc.

**Act on Waste Management**

This Act prescribes measures for the protection of the environment and human health by preventing or reducing waste generation, reducing negative effects of waste generation and waste management, reducing the overall effects of raw material use, improving the efficiency of raw material use and increasing recycling and reuse of recycled waste, which is necessary for the transfer to circular economy and the assurance of long-term competitiveness of the Republic of Croatia and the European Union.

This Act regulates the waste management system, including sequence of priority of waste management, principles, goals and manner of waste management, planning documents in waste management, competencies and obligations in waste management, waste management sites and buildings, waste management activities, cross-border waste traffic, waste management information system and administrative and inspection supervision over waste management.

This Act prescribes measures, in particular the operating conditions for landfills and requirements for waste that may be disposed of in order to prevent or minimise adverse effects on the environment, in particular pollution of surface water, groundwater, soil and air, including the greenhouse effect, as well as all hazards to human health due to the disposal of waste throughout the life of the landfill, with the aim of establishing circular economy and ensuring the implementation of waste management priority, disposal of waste that is not recycled in the manner that does not endanger human health or harm the environment and that ensures a gradual reduction in the disposal of waste, in particular waste suitable for treatment by recycling or other recovery operations.

By this Act, measures are prescribed to prevent and reduce the impact of certain plastic products on the environment, especially the aquatic environment, and on human health, and to promote the transition to circular economy with innovative and sustainable business models, products and materials, and thus contribute to the efficient functioning of the internal market.

By this Act, measures are prescribed for the purpose of preventing the production of packaging waste, encouraging the reuse of packaging, recycling and other forms of recovery of packaging waste as well as reducing the amount of final disposal of such waste as a contribution to the circular economy.

By this Act, measures are prescribed to achieve the objectives of The European Green Deal, in the transformation into a just and prosperous society with a modern, resource efficient and competitive economy in which there will be no greenhouse gas emissions in 2050 and in which economic growth is not related to the use of resources.

The following Appendices form an integral part of this Act:

1. Appendix I. List of waste disposal procedures

2. Appendix II. List of waste recovery procedures

3. Appendix III. Incomplete lists of disposable plastic products

4. Appendix IV. Price calculation for the amount of delivered mixed communal waste

5. Appendix V. Terms for calculating fees

6. Appendix VI. Content of waste management plans.

**Air Protection Act** determines the competence and responsibility for air protection, planning documents, monitoring and assessment of air quality, measures for prevention and reduction of air pollution, reporting on air quality and data exchange, air quality monitoring and air emissions, air protection information system, air protection financing, administrative and inspection supervision.

**Water Act** regulates the legal status of water, water resources and water structures, water quality and quantity management, protection against harmful effects of water, detailed reclamation drainage and irrigation, special activities for water management, institutional structure for conducting these activities and other issues related to waters and water well.

Amongst other things, Water Act stipulates that legal and natural persons are obliged to discharge wastewater through public drainage buildings, urban stormwater drainage buildings and individual drainage systems (e.g. cesspools) in accordance with the decision (issued by Croatian Waters) on wastewater drainage. Decision (and measures it prescribes) of Croatian Waters is mandatory.

Ordinance on compliance parameters, methods of analysis, monitoring and water safety plans for human consumption and the manner of keeping the register of legal entities performing the activity of public water supply (OG 125/17, 39/20) prescribes minimal frequency of monitoring, reporting and parameters.

**Energy Efficiency Act** regulates the area of energy efficient use , adoption of plans at the local, regional and national level for improving energy efficiency and their implementation, energy efficiency measures, energy efficiency obligations, obligations of the energy regulator, transmission system operator, distribution system operator and energy market operators in connection with the transmission, i.e. transport and distribution of energy, obligations of energy distributors, energy and / or water suppliers, and in particular energy service activities, determination of energy savings and consumer rights in the application of energy efficiency measures.

**Noise Protection Act** establishes measures to avoid, prevent or reduce harmful effects on human health that cause environmental noise, including noise, in particular in relation to: determining noise exposure by making noise maps based on the method for assessing environmental noise, ensuring the availability of environmental data to the public, development and adoption of action plans based on data used in the development of noise maps. The provisions of this Act shall apply to the assessment and management of noise from the environment to which people are exposed, especially in built-up areas, public parks or other such areas in populated areas, in those areas in nature, in addition to schools, hospitals and other buildings. The resulting Rulebook on the highest levels of noise in the environment in which people work and stay (OG 145/04) does not define the noise levels for schools, but it does for areas where schools can be located: areas where people live and stay (at 55dB during day and 40dB during night) and areas with a mixed, mostly residential use (at 55dB during day and 45dB during night).

Also, Croatia ratified Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal. Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal (Basel 1989), Published in OG–IT No. 3/94, came into force with respect to the Republic of Croatia on 7 August 1994. In 2019 Croatia ratified amendment to Basel Convention - Act on Ratification of Amendments to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal OG-IT No. 7/19.

Other the most important sub-legislation from the perspective of project activities, which arise from the primary environmental laws are as follows:

* Regulation on information and participation of the public and interested public in environmental issues (OG 64/08);
* Ordinance on the environmental pollution register (OG 87/15);
* Regulation on the ecological network and the competencies of public institutions for the management of ecological network areas (OG 80/19);
* Ordinance on waste catalogue (OG 90/15);
* Ordinance on waste management (OG 81/20);
* [Ordinance on medical waste management (OG 50/15](https://narodne-novine.nn.hr/clanci/sluzbeni/2015_05_50_989.html));
* Regulation on municipal waste management (OG 50/17, 84/19);
* Ordinance on the monitoring of emissions of pollutants into the air from stationary sources (OG 129/12, 97/13);
* [Regulation on limit values of emissions of pollutants into the air from immovable sources (OG 87/17)](https://narodne-novine.nn.hr/clanci/sluzbeni/2017_08_87_2073.html);
* Ordinance on air quality monitoring (OG 72/20);
* Ordinance on issuance of water law acts (OG 9/20);
* Ordinance on limit values of wastewater emissions (OG 26/20);
* Ordinance on energy audit of buildings and energy certification (OG 88/17, 90/20);
* Ordinance on the method of preparation and content of noise maps and action plans and on the method of calculation of permitted noise indicators (OG 75/09, 60/16, 117/18)*.*

Detailed information on primary laws and sub-legislation is available at web site of MoESD: <https://mzoe.gov.hr/o-ministarstvu-1065/djelokrug-4925/4925>

The environmental legal, regulatory and policy framework in the Republic of Croatia is ensured through the following main instruments:

* Environment Impact Assessment
* Location and Building permitting process
* Physical Planning

The regulations in the field of spatial planning determine the possibility of construction on certain land, the basic conditions for construction. This legislation defines criteria based on which a location permit is issued.

Physical planning is defined by Physical Planning Act (OG 153/13, 65/17, 114/18, 39/19, 98/19) and other regulation (main requirements for physical planning, strategic and planning documents, procedures for their adoption and implementation, procedure for issuing location permit etc.).

The implementation of every project, thus including also projects of infrastructure development, reconstruction etc., have to be carried out on “land” on which the construction of a certain structure is allowed, meaning the land has to be so-called building land on which, in line with effective physical planning documents or physical plans, the respective location permit can be obtained in conformity with the provisions of the Physical Planning Act. This is additional safeguard mechanism closely related to the environment.

The location of the planned activities/projects must be marked in physical plans, before the construction starts. State/county/local Physical Plans already give certain measures and limitations regarding the improvement and protection of nature and the environment, cultural heritage and other protected values.

In Chapter 0 and Chapter 0 application of environment impact assessment and location and building permitting process are given in more details.

Indoor air quality

Indoor air quality is affected by many other factors, including cooking, heating, the use of products such as wax or polish to clean surfaces, building materials such as formaldehyde in plywood and slow-burning materials. There is also radon from the soil.

Indoor air quality is a regulated by several acts: Law on Construction (OG [153/13](https://www.zakon.hr/cms.htm?id=17765), [20/17](https://www.zakon.hr/cms.htm?id=17767), [39/19](https://www.zakon.hr/cms.htm?id=39339), [125/19](https://www.zakon.hr/cms.htm?id=42213)), Law on Chemicals (OG [18/13](https://www.zakon.hr/cms.htm?id=35919), [115/18](https://www.zakon.hr/cms.htm?id=35917), [37/20](https://www.zakon.hr/cms.htm?id=43673) ), Law on Communal Economy (OG [68/18](https://narodne-novine.nn.hr/clanci/sluzbeni/2018_07_68_1393.html) and [110/18](https://narodne-novine.nn.hr/clanci/sluzbeni/2018_12_110_2138.html)), Law on OHS (OG [71/14](https://www.zakon.hr/cms.htm?id=1097), [118/14](https://www.zakon.hr/cms.htm?id=1098), [154/14](https://www.zakon.hr/cms.htm?id=1695), [94/18](https://www.zakon.hr/cms.htm?id=34275), [96/18](https://www.zakon.hr/cms.htm?id=35097)).

Law on Chemicals transposes EU regulatory framework for management and use of chemicals to Croatian legislation, including REACH [(EC 1907/2006)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32006R1907) that aims to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances and, Regulation (EC) No 1272/2008 — classification, labelling and packaging of substances and mixtures (CLP legislation).

Law on Construction stipulates that each building, independently of its purpose, must be designed and built in a way that during its lifetime it meets the basic requirements for construction and other requirements, including conditions prescribed by this Act and special regulations that affect the fulfilment of the basic requirements for a construction/building or otherwise condition the construction of structures or affect construction and other products that are built into the building.

Basic requirements for a construction/building include:

1. mechanical resistance and stability

2. fire safety

3. hygiene, health and the environment

4. safety and accessibility during use

5. noise protection

6. energy management and heat conservation

7. sustainable use of natural resources.

Further, Law on OHS (NN [71/14](https://www.zakon.hr/cms.htm?id=1097), [118/14](https://www.zakon.hr/cms.htm?id=1098), [154/14](https://www.zakon.hr/cms.htm?id=1695), [94/18](https://www.zakon.hr/cms.htm?id=34275), [96/18](https://www.zakon.hr/cms.htm?id=35097)) defines following basic rules of safety at work that contain the requirements that the means of work must meet, when in use:

1) protection against mechanical hazards

2) protection against electric shock

3) fire and explosion prevention

4) ensuring the mechanical resistance and stability of the building

5) providing the necessary work surface and work-space

6) providing the necessary routes for the passage, transport and evacuation of workers and other persons

7) ensuring cleanliness

8) ensuring the prescribed temperature and humidity of air and limiting the speed of air flow

9) ensuring the prescribed lighting

10) protection against noise and vibration

11) protection from harmful atmospheric and climatic influences

12) protection against physical, chemical and biological harmful effects

13) protection against excessive exertion

14) protection against electromagnetic and other radiation

15) provision of premises and devices for personal hygiene.

(2) The basic rules of occupational safety have priority in application over the special rules of occupational safety.

Law on Communal Economy defines chimney sweeping includes cleaning and control of chimneys, chimneys and heating devices in buildings. Fire Protection Law determines that users of buildings, construction parts and other real estate and premises, i.e. building managers are obliged in accordance with regulations, technical norms, norms and instructions of the manufacturer to maintain in good condition plants, devices and installations of electrical, gas, ventilation and other purposes, chimneys and fireplaces , as well as other devices and installations, which can cause the occurrence and spread of fire and must have documentation on maintenance. Condition of chimneys, gases and heating devices have to be regularly checked by certified chimney sweepers.

Fire Protection Law (OG 92/10)

This Law is an umbrella regulatory act on prevention, protection and safety form fire. Covenants of the act define stakeholders, responsibilities and responsible persons, rules and procedures that organize the fire-prevention system in Croatia including education, certification, organisational units and requirements, etc. Amongst other things, the Law defines that (i) every natural and legal person, state authority and local and regional self-government unit is obliged to act in a manner that cannot cause a fire; (ii) every natural and legal person, state authorities and local and regional self-government units is responsible for implementation of fire protection measures determined by the provisions of this Law and its by-laws adopted on the basis of care, plans and fire risk assessments, decisions of local and regional self-government units and other general acts in the field of fire protection.

The Law also defines repercussions and responsibility for non-implementation of fire protection measures, causing fires, as well as for the consequences arising from it in accordance with the provisions of the law and decisions of local and regional self-government units.

In addition to covenants described in the previous section (3.1.2) defining responsibility for maintaining plants, devices and installations of electrical, gas, ventilation and other purposes, chimneys and fireplaces , as well as other devices and installations, which can cause the occurrence and spread of fire and must have documentation on maintenance, Law on fire Protection requires Owners, users of buildings, construction parts and other real estate and premises, e.g. building managers are obliged to own devices, equipment and means for extinguishing fires. Further, according to the Law, each building or its part, depending on its purpose, must be maintained during its duration in such a way as to meet the essential requirement of fire protection. Each space or its part, depending on its purpose, must be maintained in a way that meets the prescribed fire protection measures.

Firefighting is further organized under the Law on Firefighting (OG 125/19).

Environment Impact Assessment (EIA) national regulation

The main regulations governing environmental impact assessment procedure and the possible environmental impacts resulting from adoption of different strategic and planning documents are:

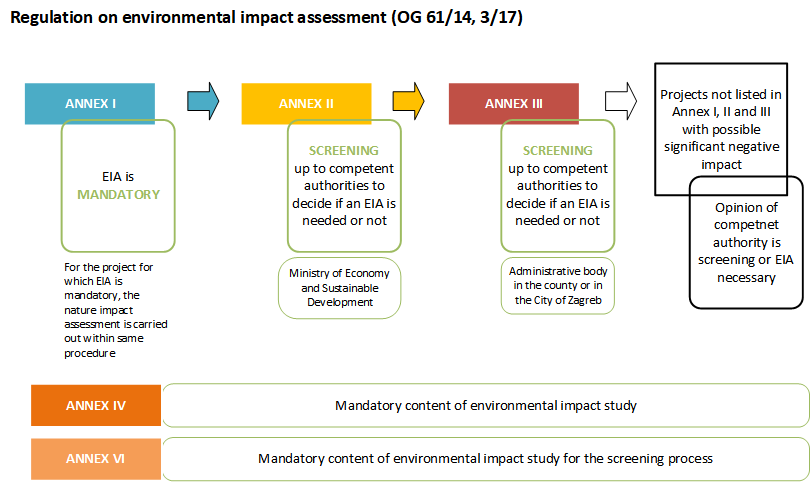
* Environmental Protection Act (OG 80/13, 153/13, 78/15, 12/18, 118/18),
* Nature Protection Act (OG 80/13, 15/18, 14/19, 127/19),
* Regulation on environmental impact assessment (OG 61/14, 3/17),
* Environmental Permit Regulation (OG 8/14, 5/18),
* Regulation on the strategic environmental assessment of strategy, plan and programme (OG 3/17),
* Regulation on the ecological network and the competencies of public institutions for ecological network management (OG 80/19),
* Ordinance on conservation objectives and conservation measures for target bird species in ecological network areas (OG 25/20, 38/20).

The Environmental Protection Act defines environmental protection objectives and principles, key stakeholders and their responsibilities and environmental impact assessment procedure (Articles No. 76 to 94). In addition to assessing the environmental impact of a particular intervention/project according to Act, it is mandatory to implement strategic environmental impact assessment by which environmental impacts that may arise from the implementation of different strategic and planning documents are evaluated (Articles No. 62-75). This is additional safeguard mechanism. For example, national physical plan (with which plans of the counties, cities and municipalities have to be aligned) must undergo procedure of environmental impact assessment.

Detail provisions of environmental impact assessment procedure are defined by Regulation on environmental impact assessment. Environmental impact assessment[[38]](#footnote-39) is obligatory for interventions defined in Annex I of the Regulation. In Annex II and Annex III interventions for which screening procedure has to be carried are given. Ministry of Economy and Sustainable Development is responsible for the procedures defined by Annex I and II, while administrative body in the county or in the City of Zagreb is responsible for the implementation of interventions defined by Annex III. Criteria for defining environmental impact assessment necessary are defined in Annex V.

For interventions which have possible significant negative impact on the environment and which are not listed in Annex I, II and III of the Regulation on environmental impact assessment, screening and opinion, of the competent authority has to be obtain[[39]](#footnote-40).

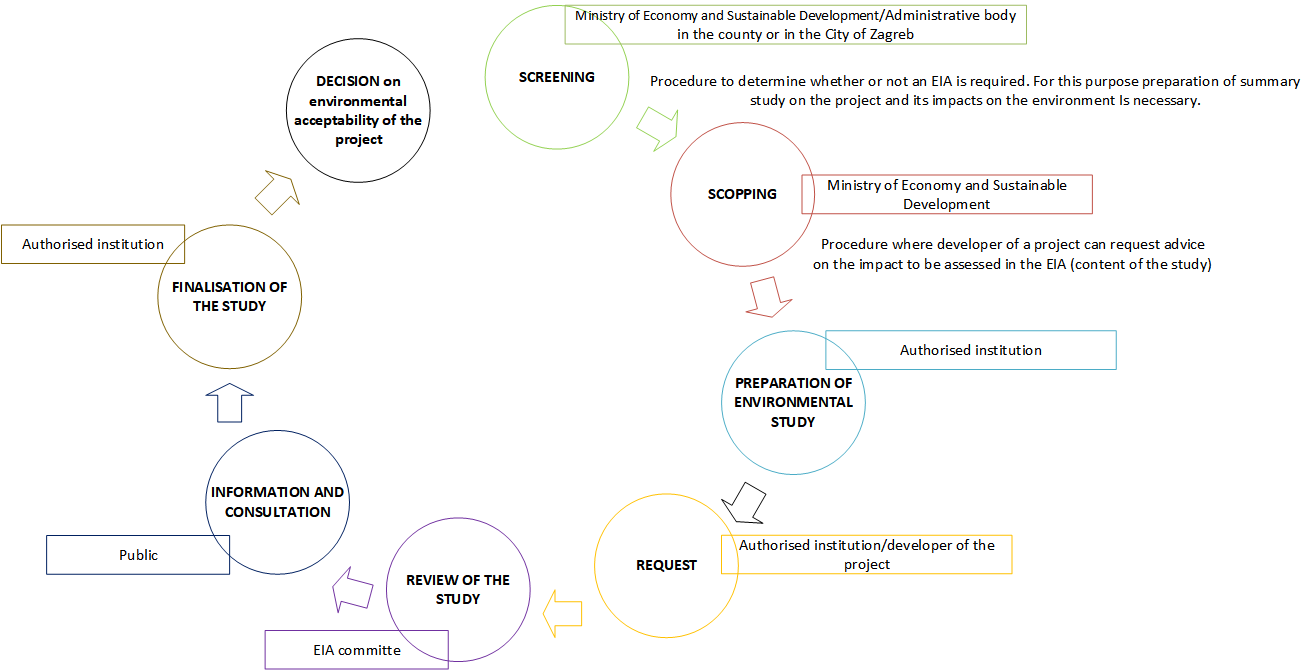
*Figure 1. Obligations defined by Regulation on environmental impact assessment (OG 61/14, 3/17)*



*Source: Author*

The EIA procedure comprises following steps: *Figure 2.*

*Environmental impact assessment procedure*



**Screening**

Screening is conducted for the interventions defined by Annex II and Annex III of the Regulation on environmental impact assessment. Case-by-case analysis based on criteria defined in Annex V of the Regulation. As a result of this analysis decision is made: EIA needs to be carried out or EIA does not need to be carried out. Request for screening includes: information on the project developer (applicant), description of the location, description projects characteristics (considered alternatives), description of the likely significant effects of the project on the environment, proposal of environmental protection measures (if considered). Whether it is it possible to exclude the negative impact of the project on the ecological network is also estimated during the screening process.

**Scoping**

Article 86 of the Environmental Protection Act grants the right to the developer of the project to request, from competed authority, the instructions on the content of the EIA study prior to its preparation. Competent authority carries out the consultation procedure with the relevant authorities and the public on the topic of the EIA study content. Following the procedure’s completion, the competent authority is required to issue an instruction (scoping opinion) on the content of the EIA study. This instruction does not prevent the competent authority from asking for additional things to be included in the further stages of the EIA procedure. Scoping is not mandatory process.

**Environmental study**

In case the EIA procedure is necessary environmental impact study must be prepared. For interventions for which EIA is not mandatory but instead screening has to be carried out, more simplified document has to be prepared. For both documents mandatory content is defined in Annex IV and VII of the Regulation on environmental impact assessment. Documents has to be prepared by companies authorized for professional environmental protection activities.

**Advisory expert committee/competent authority**

During the EIA process special advisory expert committee is appointed by competent authority (Ministry/county offices/environmental experts) which gives its opinion on the acceptability of the project, proposes environmental protection measures and environmental monitoring programme. When project is not subject EIA procedure acceptability of the project is assessed by competent authority.

**Informing the public**

Competent authority has to inform the public of:

* screening: the request, the decision,
* scoping: the request, the instruction on content of environmental study
* EIA procedure: the request, the decision on submitting environmental study for public debate, the decision on environmental acceptability of the project

The information is published on web pages of Ministry/county office and other appropriate way (public notices in the press, public notices on relevant notice boards, electronic media, written publications, etc.). For the EIA public participation, including public debate, has to be organised for a minimum of 30 days.

**Decision**

As a result of EIA process decision on environmental acceptability is issued.

By the Regulation on the ecological network and the competencies of public institutions for ecological network management (OG 80/19) the ecological network of the Republic of Croatia is defined (Natura 2000 network[[40]](#footnote-41)). According to the Nature Protection Act, public institutions for the management of a national parks or nature parks and public institutions for the management of other protected areas and / or other protected parts of nature are responsible for management of NATURA 2000 areas. From the legal perspective, the Ecological Network Impact Assessment (ENIA) procedure can be carried out in two ways. Either it can be an independent procedure, or it is incorporated into the EIA procedure. For those projects for which EIA is necessary it is carried within the EIA procedure and for the other projects as an independent procedure.

MoESD carries out ENIA for projects for which it is also competent authority within the EIA procedure and for project located at the territory of National Parks, Nature Parks or Special Reserves.

Administrative body in the county or in the City of Zagreb carries out ENIA for projects for which they are competent authorities within the screening procedure and for projects located at the territory of Regional Park, Significant Landscape, Park Forest, Nature Monument and Park Architecture Monument and those carried out in an area that is not at the same time protected area, except for projects for which MoESD is competent authority. Competent authorities deliver their outcomes in a form of binding decision.

Activities for which ESIA is mandatory or must be considered are listed in Official Gazette of the Republic of Croatian[[41]](#footnote-42). Activities for which permits or approvals of nature protection competent authority is required by the law, are listed in the Official Gazette of the Republic of Croatian[[42]](#footnote-43). Works and other activities envisaged under the Project are not subjects to ESIA procedure in Republic of Croatia.

Location and Building permitting process

In the Republic of Croatia designing, construction and construction works supervision is regulated by the Construction Act (OG 153/13, 20/17, 39/19, 125/19) and the Physical Planning Act (OG 153/13, 65/17, 114/18, 39/19, 98/19), by-laws based on these acts and technical regulations (detail list of legislation is available at: <https://mgipu.gov.hr/pristup-informacijama/zakoni-i-ostali-propisi/88>).

According to Physical Planning Act, the implementation document for interventions/projects defined in physical plans is a location permit, while under the Construction Act it is a construction permit. Ministry of Physical Planning, Construction and State Assets is competent authority for issuing: location permit for interventions planned by the national physical plan (except in nature park for which the permit is issued by the competent administrative body in the county), interventions defined by the special Regulation[[43]](#footnote-44) and interventions that take place in the area of two or more counties and the City of Zagreb. For issuing location permits for other interventions, the county administrative body is responsible.

The Construction Act regulates the designing, construction, use and maintenance of construction works and the procedure and conditions for obtaining construction and use permit. By this Act essential requirements for health and occupational safety, environment protection and energy efficiency for construction works are defined. All construction works must be performed in such way to comply with these requirements.

Construction and use permits are issued by the MoPPCSA[[44]](#footnote-45), the administrative bodies of large cities (over 35.000 inhabitants), the City of Zagreb and the county. The MoPPCSA may delegate the authority to issue an individual permit to the administrative body of the big city, the City of Zagreb or the county.

Without the construction permit, the removal of the building or its part can be carried out (Article 153 of the Construction Act), but it is necessary to have a project for the removal of the building. This applies only to buildings and works for which it is not necessary to obtain a building permit, as defined by the Ordinance on simple and other construction works and works (OG 112/17, 334/18, 36/19, 98/19, 31/20). This Ordinance defines simple and other buildings and works that can be built without a building permit in accordance with the main project and without main project, buildings that can be removed without a removal project. Also, this Ordinance defines the obligation to report the start of construction works and professional supervision of these buildings.

The Ordinance on building maintenance (OG 122/14, 98/19) regulates the maintenance of buildings. This Ordinance prescribes the conditions for maintaining and improving the fulfilment of basic requirements for construction, energy performance of buildings and unimpeded access and movement in construction, as well as the manner of fulfilling and documenting the fulfilment of these requirements and properties. This Ordinance does not apply to the performance of construction and other works on an existing building which affect the fulfilment of basic requirements for that building or which change the compliance of that building with the location conditions in accordance with which it was built (extension, upgrade, removal of external part of the building, execution of works for the purpose of changing the purpose of the building or technological process, etc.), e.g. execution of construction and other works on the ruins of the existing building for the purpose of its restoration.

Procedure of issuing location, building and use permit according to Construction Act (OG 153/13, 20/17, 39/19) and the Physical Planning Act (OG 153/13, 65/17, 114/18, 39/19, 98/19) is given in

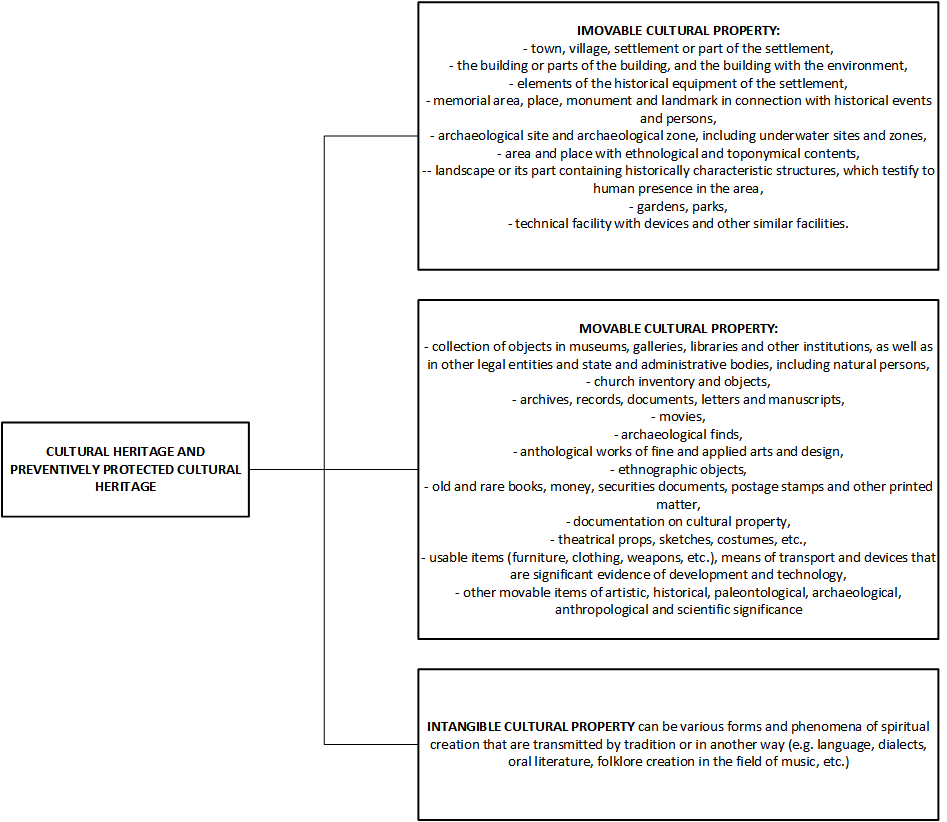
<https://investcroatia.gov.hr/investicijski-vodic/dozvole-za-gradenje/>

Protection of cultural heritage

Historical buildings, cultural and historical entities and landscapes are protected as cultural heritage by the Act on the Protection and Preservation of Cultural Property (OG 69/99, 151/03, 157/03, 100/04, 87/09, 88/10, 61/11, 25/12, 136/12, 157/13, 152/14, 98/15, 44/17, 90/18, 32/20, 62/20) – further in text Act on Cultural Heritage. Competent authority is Ministry of Culture and Media.

Among other, this Act defines types of cultural property, and protection and preservation of cultural heritage.

*Figure 3. Types of cultural property according to Act on the Protection and Preservation of Cultural Property (OG 69/99, 151/03, 157/03, 100/04, 87/09, 88/10, 61/11, 25/12, 136/12, 157/13, 152/14, 98/15, 44/17, 90/18, 32/20, 62/20)*



*Source: Author.*

Also, Republic of Croatia ratified following international conventions:

* Act on the Ratification of the Convention on the Protection of Underwater Cultural Heritage (OG International Conventions 10/04),
* Convention for the Protection of the Architectural Heritage of Europe, Granada, 1985 (OG International Conventions 6/94),
* Convention on the protection of cultural goods in the event of armed conflict and its Protocol relating to the prohibition on exports of cultural goods from occupied territories (OG International Conventions, 12/93, 6/02 promulgation),
* Act on the Ratification of the UNIDROIT Convention on Stolen or Illegally Exported Cultural Objects, drawn up in Rome, 24 June 1995 (OG International Conventions, 5/00, 6/02 promulgation),
* Act on the Ratification of the European Convention on the Protection of Archaeological Heritage (revised), 1992, drawn up in Valetta, 16 January 1992 (OG International Conventions, 4/04 and 9/04 promulgation),
* Act on the Ratification of the Convention on the Protection of Intangible Cultural Heritage (OG International Conventions 5/05, 5/07 promulgation),
* UNESCO Convention on Measures to Protect and Prevent Unauthorised Imports, Exports and Transfer of Cultural Goods (OG International Conventions, 12/93),
* Convention on the Protection of World Cultural and Natural Heritage (OG International Conventions, 12/93: adopted in Paris, 1972). The Republic of Croatia became a party to the Convention pursuant to the notification of succession of 8 October 1991 (Entered into force on 8 October 1991),
* Regulation on the promulgation of the Agreement between the Government of the Republic of Croatia and the Government of the United States of America on the protection and preservation of certain cultural goods (OG International Conventions, 9/06, 2/07 promulgation),
* Act on the Ratification of the Second Protocol to the Convention on the Protection of Cultural Goods in the Event of Armed Conflict (OG International Conventions 11/05)
* Act on the Ratification of the Framework Convention of the Council of Europe on the value of cultural heritage to society (OG International Conventions 5/07),
* Regulation on the Ratification of the Treaty between UNESCO and the Government of the Republic of Croatia on the Establishment of the Regional Centre for Underwater Archaeology in Zadar, Croatia, as a Category II Centre under the auspices of UNESCO (OG 1/09),
* Act on the Ratification of the Convention on European Landscapes (OG International Conventions 12/02),
* Regulation on the promulgation of the Treaty between the Government of the Republic of Croatia and UNESCO regarding the continuation of activity of the Regional Centre for Underwater Archaeology in Zadar, Croatia, as a Category II Centre under the auspices of UNESCO (OG International Conventions 5/16)

The Ministry of Culture and Media, based on official decision, determines the cultural heritage, and defines protection measures and the obligation to sign in the Cultural Heritage Register.

In the Cultural Heritage Register of the Ministry of Culture and Media it is possible to check whether a certain building/area/item is protected as a cultural heritage: <https://registar.kulturnadobra.hr/>.

This information can also be requested from the Conservation Department of the Ministry of Culture and Media (conservation departments are organized by counties).

In the case that certain property of local significant is not determinate under protection as a cultural property (as defined by Act on Cultural Heritage) a representative body of the county, City of Zagreb or municipality may declare it as a protected, if it is located in their territory.

Protection of the cultural heritage is also part of physical planning process and building permitting process, regulated by Construction Act and Physical Planning Act.

According to Act on Cultural Heritage spatial planning documents, depending on the type and area that planning documents cover, must contain data from the conservation base[[45]](#footnote-46) , along with a set of measures for the protection of immovable cultural property located in the area covered by the plan. The conservation base is determined by the competent authority for the area covered by the spatial plan, and it contains general and special conditions for the protection and preservation of cultural property, boundaries of the contact zone of cultural property and the method of protection in the contact zone. In the case that the competent authority has not determined the conservation base, it is obliged to determine the system of measures for the protection. The spatial planning document may be adopted only with the prior consent of the competent authority confirming that it is in accordance with the conservation base or the established system of protection measures. For the cultural-historical entities/area[[46]](#footnote-47), it is obligatory to prepare conservation base, which also includes the area of the contact zone.

According to Act on Cultural Heritage for work performance on cultural heritage, it is necessary to obtain prior approval from the competed body[[47]](#footnote-48). Obtaining prior approval is regulated by the Ordinance on Documentation for Prior Granting of Works on Cultural Property (OG 134/15). Obtaining this approval is an integral part of the location and building permitting processes. It is also necessary to obtain this approval for interventions that can be performed only on the basis of the main project or without main project.

For projects/interventions for which location permit is required, for the purpose of conceptual design preparation, the competent body (see Footnote 24), at the request of the competent body for issuing location permit, determines special conditions for protection of cultural heritage. Special conditions established for the purpose of making the conceptual design can be used to prepare the main design required for the issuance of a building permit. During the building permitting process, the compliance of the main project with special conditions (i.e. special conditions for protection of cultural heritage determined by location permit) are checked and certificate that the main project is prepared in accordance with the special conditions for the protection of cultural heritage must be issued.

For complex interventions on cultural heritage[[48]](#footnote-49) for which it is necessary to conduct preliminary research and / or assessment of the impact on cultural heritage the competent authority is authorized to determine the special conditions in a form of conservation study.

For the construction of simple and other buildings and works[[49]](#footnote-50) within the cultural-historical entity/area, on an individual cultural property, as well as works in the area within the boundaries of the cultural property, which can be performed without location / building permit, in accordance with the main design, before commencement of the work it is necessary to obtain special conditions for the protection of cultural heritage. For the projects/interventions that can be performed without location/building permit and without main design it necessary to obtain prior approval from the competent body (if necessary competent body will determine special conditions). Prior approval is also issued for: conservation, restoration, relocation of cultural heritage and other similar works, operation of industrial and other facilities and sites, rehabilitation and adaptation of cultural heritage etc.

More details regarding cultural heritage protection within building permitting process, as defined by Act on Cultural Heritage, is given in <https://gov.hr/hr/obnova-zasticene-kuce/1276> and

https://min-kulture.gov.hr/izdvojeno/kulturna-bastina/zastitni-radovi/zastitni-radovi-na-nepokretnim-kulturnim-dobrima/562

According the Croatian cultural heritage protection practice, the building/constructing permit usually contains provision about the possibility to find and protection of cultural heritage (if any), particularly if the planned activities are related to the digging and other e.g. restoration (of old buildings).

In case that during the construction works some valuable object/s appear at the construction site, construction works will be stopped, and conservators informed. They will come at construction site, evaluate situation and decide about the following procedure. Depending on the site, the works can be continued with additional measures to protect archaeological sites or conservation conditions, but in the event that it is not possible to adequately protect the site, the works can be permanently suspended.

According to the Construction Act, the supervising engineer checks whether works are being carried out in accordance with the construction permit, the main project and the applicable regulations and thus controls the measures and conditions related to the protection of cultural assets.

Protection of landscape

No specific law or regulation/ordinance that regulate landscape issues were adopted in Croatia. Some sectoral approaches, such as the protection of cultural heritage and protection of nature and the environment, partly include landscape issues, while spatial planning is recognized as a common and integrative instrument of its protection.

Integrated approach and an important degree of landscape protection in Croatia has been formally established by the Acceptance of the European Landscape Convention Act (OG 12/2002). Legal protection of the landscape, aligned with the EU Environmental Acquis as the rest of the national legislation, is also covered by:

* Physical Planning Act (OG 153/13, 65/17, 114/18, 39/19, 98/19),
* Environmental Protection Act (OG 80/13, 153/13, 78/15, 12/18, 118/18),
* Nature Protection Act (OG 80/13, 15/18, 14/19, 127/19),
* Act on the Protection and Preservation of Cultural Property (OG 69/99, 151/03, 157/03, 100/04, 87/09, 88/10, 61/11, 25/12, 136/12, 157/13, 152/14, 98/15, 44/17, 90/18, 32/20, 62/20).

Three Ministries: Ministry of Economy and Sustainable Development, Ministry of Culture and Media and the Ministry of Physical Planning, Construction and State Assets are responsible for landscape care.

The spatial planning system is the main tool for landscape conservation. Spatial planning documentation includes landscape issues.

Environmental permit

Environmental permit is issued for the purpose of comprehensive protection of the environment through integrated pollution prevention and control by ensuring a high level of environmental protection and conditions for the prevention of significant environmental pollution resulting from industrial activities.

Environmental permit is a permit for the operation of a plant that the operator is obliged to obtain before the commissioning of the plant, trial operation included, for the operation of the existing plant, and before a significant change in the operation of the plant intended to perform the activities that may cause industrial emissions, including large combustion plants, plants for waste incineration and waste co-incineration plants.

Environmental permit is issued after the issuance of a decision on the acceptability of the project to the environment.

The implementation of the environmental permit obtaining procedure is determined in the Environmental Protection Act ('Narodne novine', Official Gazette of the Republic of Croatia, Nos. 80/13, 153/13, 78/15, 12/18, 118/18, hereinafter: the Act) and the Environmental Permit Regulation ('Narodne novine', Official Gazette of the Republic of Croatia, Nos. 8/14, 5/18, hereinafter: the Regulation). By adopting these regulations, the procedure is regulated and harmonised with the provisions of the Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control).

National social legislation overview

The right to equality and non-discrimination is a fundamental human right protected by the Constitution of the Republic of Croatia and other legal acts such as the Constitutional Act on National Minorities Rights (OG 155/02, 47/10, 80/10, 93/11, 93/11), the Labor Act (OG 93/14, 127/17, 98/19), the Gender Equality Act (OG 82/08, 69/17) and the Anti-discrimination act (OG 85/08, 112/12).

Fundamental obligations and rights arising from employment relationships and principles of prevention and occupational safety rules are stipulated by the Labor Act (OG 93/14, 127/17, 98/19) and Occupational Safety and Health Act (OG 71/14, 118/14, 94/18, 96/18).

Labor Act manages relationship between parties involved in the process of employment. It protects and applies to any physical person that has concluded an employment contract with an employer.

Fundamental obligations and rights arising from employment relationships are stipulated by the Article 7 of the Labor Act. This Article defines that the employer shall be obliged to ensure work for an employed worker and pay remuneration for the work performed, and the worker shall be obliged to complete the work following the instructions provided by the employer in line with the nature and type of work. Furthermore, according to paragraph 2, the employer shall be entitled to determine the place and the manner of performing the work and shall respect the workers’ rights and dignity. Paragraph 3 outlines that the employer shall be obliged to ensure safe working conditions with no detrimental effects on the health of the worker, following a special law and other regulations.

The national policy, principles of prevention and occupational safety rules, obligations of the employer, rights and obligations of workers, including supervision and misdemeanour liability in the Republic of Croatia, are regulated by the Occupational Safety and Health Act.

The Act defines measures to protect workers from psychosocial risks (stress) and psychophysiological effort at work, with the aim of prevention and education of all stakeholders. The Act sets out the general principles of risk prevention at work and protection of health, rules to eliminate risk factors, procedures of training of workers and procedures of information and consultation of employees and their representative with employers and their authorized persons. The intention is to raise awareness and encourage preventive action not only by employers but also by employees.

The employer is obliged to implement occupational health and safety measures based on the general principles of prevention. These include: risk avoidance, risk assessment, prevention of risks at their source, adjustment of work to the employees in relation to the design of the workplace, the choice of work equipment and the mode of operation and work processes to relieve monotonous work. Employers must consider issues such as adaptation to technical progress, replacing hazardous substances or processes with the non-hazardous or less hazardous. They are also required to develop a consistent comprehensive prevention policy by connecting technology, organization of work, working conditions, human relationships and the influence of work environment. They must give preference to collective protective measures over individual ones, appropriately train and inform employees, and make all protective equipment available free of charge.

The Ordinance on the Occupational Health and Safety on Temporary Construction sites (OG 48/18) defines measures and activities for the protection of workers on temporary construction sites[[50]](#footnote-51). For example, requirements for evacuation roads and emergency exits, fire detection, sanitary equipment and first aid, etc. are defined by this Ordinance.

The occupational safety rules apply to all project phases from design to implementation. The investor is the first of the stakeholders of the occupational safety and health system when it comes to the design, construction and use of constructions. Because of that he is obliged to apply general principles of prevention and occupational safety rules at all stages of project design and preparation. Accordingly, during the design preparation, study on safety at work should be prepared. This study should elaborate the manner of applying the occupational safety rules when using buildings intended for work. When preparing the main project and during the construction works responsible person for occupational health and safety has to be appointed (by investor, building owner, concessionaire ...).

Pursuant to Article 74, paragraph 3 of the Occupational Safety and Health Act, the contractor of works on a temporary construction site is obliged to submit a site registration to body competent for labor inspection (State Inspectorate), at the latest one day prior to the commencement of the works (for especially dangerous works defined in Annex II of the Ordinance and if the duration of works is longer than 10 days). The content of site registration is defined in Annex III of the Ordinance. Copy of the site's registration must be available at the construction site in a visible place. Registration of the construction site, where the works will be carried out by two or more contractors, is the obligation of the investor, concession holder or other person for which the construction works are performed.

The contractor who performs the construction works is obliged to arrange the site and to ensure that the works are carried out in accordance with the occupational health and safety regulations. It is therefore necessary to prepare Construction Work Plan. The content of Plan is defined in Annex IV of the Ordinance. The Construction Work Plan must be available at the construction site, and its preparation is obligation of the investor, concessionaire or other person for whom the construction works are performed.

If only one contractor performs construction works, then he is not obligated to prepare Construction Work Plan, and only has to send notification to the State Inspectorate.

The Republic of Croatia has ratified both the ILO Minimum of Age Convention (C138) and the ILO Worst Forms of Child Labour Convention (C182). The minimum age of employment for this project shall be 18 years and to ensure compliance, all employees will be required to produce Personal Identification Number (PIN) as proof of their identity and age, which is the national identification document required for employment. Contractors and subcontractors will include in their C-LMPs the specific procedures they will use to verify the ages of job applicants.

According to Article 7 of the Labor Act (OG 93/14, 127/17, 98/19) employer is obliged to ensure work for an employed worker and pay remuneration for the work performed, and the worker shall be obliged to complete the work following the instructions provided by the employer in line with the nature and type of work. Furthermore, according to paragraph 2, the employer is entitled to determine the place and the manner of performing the work and shall respect the workers’ rights and dignity. Paragraph 3 outlines that the employer shall be obliged to ensure safe working conditions with no detrimental effects on the health of the worker, following a special law and other regulations.

**Working hours**

The Labor Act in chapter 8 defines the working time, starting with the definition of working time (Article 60), while Article 61 stipulates that full-time work shall not exceed 40 hours a week. Articles 66 and 67 define the flexibility of working time. Thus, the duration of workers’ working time may be evenly or unevenly distributed over days, weeks, or months. Therefore, where working time is unevenly distributed, its duration may in one period be longer than full-time work or part-time work, and shorter in another. Laws and regulations define the patterns of working time, collective agreement, agreement between the works council and the employer, working rules, or employment contract.

**Rest breaks**

Rest breaks and vacations are also defined by Labor Act. Daily break is defined by the Articles 73 and 74, while Article 75 regulates a weekly break period. According to these Articles the worker who works at least six hours a day is entitled to a daily period of rest (a break) of a minimum of 30 minutes. The part-time worker or two or more employers with total daily working hours at all employers of at least 6 or 4.5 hours is entitled to a break at each employer proportionate to his contracted part-time work. The rest period is counted in working time. The worker is entitled to a minimum daily rest period of 12 consecutive hours per 24-hour period; a weekly minimum uninterrupted rest period of 24 hours plus the hours of regular rest; and the minor is entitled to a weekly minimum continuous rest period of 48 hours. The rest must be used by the worker on Sundays or the day before or day after Sunday.

Where the worker is not in a position to use the rest period as previously mentioned, he or she must be afforded equivalent periods of compensatory weekly rest right after his working time with no weekly rest, or with a shorter period of rest. As an exception, the shift workers or workers who due to objective reasons or organization of work cannot use the rest period must be afforded a weekly minimum uninterrupted rest period of 24 hours, without counting the daily rest. Remuneration and compensation are regulated by Article 90-97 of the Labor Act. According to Article 90, the employer is obliged to calculate and pay remuneration to the worker in the amount provided through law, collective agreement, working regulations, or employment contract. The Article 91 regulates equal pay for women and men, while the Article 94 stipulates that the worker has a right to an increased remuneration for arduous working conditions, overtime and night work, and for work on Sundays, holidays, and on other days that are not working days according to the law.

**Non-discrimination**

The Labor Act in Article 7 in paragraph 4 prohibits any direct or indirect discrimination in the area of labor and working conditions, including the selection criteria and requirements for employment, advance in employment, professional guidance, education, training, and retraining. The employer is also obliged to protect the workers’ dignity during the work in case of acts, uncalled for and contrary to the Labor Act and special legal provisions, of superiors, collaborators, and persons with whom the worker contacts regularly while performing his tasks. The Articles 31-32 define prohibition of discrimination of pregnant workers, women who have recently given birth or are breastfeeding, while the Article 39 vetoes discrimination regards advance in employment or the exercise of other rights. Some other forms of discrimination are any not allowed by the Labor Act: prohibition of discrimination of the members of the works council (the Article 157-158); and discrimination on the ground of membership or non-membership in an association or participation or non-participation in various activities (the Article 166).

**Right for Grievance**

The Labor Act includes provisions that allow workers to resolve disputes in cases where there is a disagreement between the employer and the employee over the essential terms of conditions of a labor agreement and other aspects of work. Such disagreement will be resolved in compliance with the procedures. Reference Collective Agreement for Construction (OG 115/15, 26/18) in the section on protection of workers (Article 70) stipulates that a worker who believes that an employer has violated his right from employment may, within 15 days from the delivery of the decision violating his right, or from the day of finding out about the violation of the right, demand the right to be consumed. Written decisions on the consummation of the rights and obligations of the worker are delivered directly to the worker or delivered by registered mail to the last address reported by the worker to the employer. The employee is obliged to inform the employer immediately in case of change of address. If the Employer's letter addressed to the worker at the address reported to the employer by the employee is returned undeliverable due to the refusal of receipt or the unknown or incorrectly reported address, it shall be posted in writing on the notice board at the premises of the employer, and the contracting parties agree that this is considered to be a proper delivery to the worker performed. Furthermore, notwithstanding the procedure for the protection of rights referred to in Article 70 of the Collective Agreement, an employee who considers that he or she has been unfairly treated by other worker, associate or management of the company may appeal on him or her to a superior employee or management of the company and may apply for mediation and the works council.

***Other relevant laws and by-laws are:***

Act on Representativeness of Employers’ Associations and Trade Unions (OG 93/14, 26/15)

Pension Insurance Act (OG 157/13, 151/14, 33/15, 93/15, 120/16, 18/18, 62/18, 115/18, 102/19);

Act on the List of Occupational Diseases (NN 162/98, 107/07);

Ordinance on the use of personal protective equipment (OG 18/17);

Ordinance on the protection of workers from the risk of exposure to hazardous chemicals at work, limit values of exposure and biological limit values (OG 91/2018);

Ordinance on testing the working environment (OG 16/16);

Ordinance on inspection and testing of work equipment (OG 16/16);

Ordinance on jobs where a minor may not be employed (OG 89/15, 109/19);

Ordinance on safety signs (OG 91/15, 102/15, 61/16);

Ordinance on safety at work for workplaces (OG 29/13);

Ordinance on the protection of workers from the risk of exposure to vibration at work (OG 155/08);

Ordinance on safety at work on temporary construction sites (OG 48/18);

Ordinance on the protection of workers from exposure to noise at work (OG 46/08);

Ordinance on the use of personal protective equipment (OG 39/06);

Ordinance on placing personal protective equipment on the market (OG 89/10);

Ordinance on jobs in special work conditions (OG 5/84);

Ordinance on risk assessment (OG 112/2014);

**Overview of the institutional framework**

Croatian environmental management system is centrally managed by the Ministry of Economy and Sustainable Development. Other key intuitions include Fund for Environmental Protection and Energy Efficiency.

**The main central government stakeholders regarding environmental and social issues are following:**

**Ministry of Economy and Sustainable Development** is the competent state body for the development and implementation of policies in the area of environmental protection: air, water, soil, solid waste, biological diversity and other natural resources, and ozone layer protection, climate change. The Ministry is also competent body for preparation of strategic and planning documents, implementation of environmental impact assessment procedure (EIA procedure) and collecting and analysing data on environment and reporting on the state on environment.

**Ministry of Culture and Media** is the competent state body with regard to preparation and adoption of legislation in the field of cultural heritage protection, keeping the Cultural Heritage Register, issuing prior approval for works at cultural heritage sites, managing chance findings procedures.

**Ministry of Physical Planning, Construction and State Assets** is responsible for preparation and adoption of legislation on physical planning and construction, preparation of spatial strategic and planning documents at the national level, issuance of location, building and use permit (location permits defined by national physical plan and special regulation, for interventions taking place at the area of two or more counties)**.**

**Ministry of Labour, Pension System, Family and Social Policy** is responsible for preparation and adoption of labor and employment policy and performs administrative and other tasks related to employment policy, regulation of labor relations, labor market and active employment policy, system and policy of pension insurance and relations with trade unions and employers associations in the area of employment relations. Since this is a multidisciplinary topic, in addition to this institutions and regulations deriving from the Occupational Safety and Health Act (OG 71/14, 118/14, 94/18, 96/18), other competent authorities, such as the **Ministry of Health**, participate in preparation, implementation and supervision of the occupational health and safety policy.

**Ministry of Demographics, Family, Youth and Social Policy** performs administrative and professional tasks related to the social welfare institutions, the care and protection of people and families, youth, and persons with disabilities.

**Ministry of the Interior** along with administrative works, also carries out other works related to: road traffic safety, motor vehicle registration; explosives; fire protection and radiological and nuclear safety.

**Supervision of law implementation is centralized. Amongst other things, State Inspectorate is responsible** for **inspection in the field of environmental protection**; air protection, sustainable waste management, protection from light pollution, water management, nature protection, cross-border traffic and trade with wildlife, energy, occupational safety and health, construction, etc. Also, **Labour Inspectorate,** as a part of State Inspectorateconducts supervision of the following fields: employment relations and occupational health and safety; obligations on registration, deregistration, modifications in the employee’s insurance status during the compulsory pension and compulsory health insurance; relations between employers and individuals who have no employment contract with the employer etc

**Local and regional self-government units’** responsibilities (which are not assigned to state bodies by the Constitution or law): social and child protection, education, health care, emergency preparedness. Local and regional self-government units are responsible for activities related to the arrangement of settlements and housing, spatial and urban planning, communal activities, child care, social welfare, primary health care, upbringing and primary education, culture, physical culture and sports, consumer protection, protection and improvement of the natural environment and jobs fire and civil protection.

**The Croatian Conservation Institute.** The main activity of the Croatian Conservation Institute is conservation and restoration of immovable cultural goods (architectural heritage, wall paintings and mosaics, stone sculptures and stucco), movable cultural goods (easel paintings, wooden polychrome sculptures, furniture, art on paper, artworks of leather, items of textile or metal), archaeological heritage, and other objects of cultural, historical or technical significance.

**The** **Environmental Protection and Energy Efficiency Fund** is the central body for collecting and investing extra-budgetary resources into programs and projects that protect nature and the environment, energy efficiency and renewable energy sources. In the system of management and control of the utilization of EU structural instruments in Croatia, EPEEF performs the function of Intermediate Body level 2 for the specific objectives in the fields of environmental protection and sustainability of resources, climate change, energy efficiency, and renewable energy sources.

Environmental monitoring activities are not centralized, as competences are divided, according to the type of monitoring, between different state and public bodies. In general, the MoESD are responsible for monitoring activities of waste management, nature protection and biodiversity, air quality. **Other monitoring activities are carried by Ministry of Agriculture, Croatian Waters, Croatian Meteorological and Hydrological Service, and other public bodies.**

**Annex F.** **Semi-Annual HBOR Portfolio E&S Compliance Report**

**HBOR Environmental & Social Compliance Report**

**Introduction**

IBRD’s *Legal Agreement* requires *HBOR* to prepare a comprehensive **Semi-Annual** **Portfolio E&S Compliance Report** (PESCP) describing (i) the implementation and operation of the Environmental and Social Management System (ESMS), and (ii) the environmental and social performance of the sub-loan beneficiaries/clients of the Financial Institution. This document comprises IBRD’s preferred format for E&S performance reporting. The following template may be supplemented with annexes as appropriate to ensure all relevant information on project performance is reported.

Notes:

1. Please provide responses to all questions and as detailed information as possible to avoid follow-up requests. If information is not available, please provide a brief explanation. Please ensure all documents were required (as indicated) are attached to your PESCP.
2. A selected number of questions (indicated with \*) requires the provision of client specific information. If you are not allowed as per the local legislation to share information such as the name of the Sub-loan Beneficiary, please indicate so and use ‘Sub-loan Beneficiary 1, 2, 3, ..’ instead of the name.

|  |
| --- |
| **Part 1: HBOR’s Representation Statement by authorized representative** |

|  |  |
| --- | --- |
| Reporting period | From: To: |

I     (name)   in my role of     (position)   and representing HBOR certify that

1. Beyond what is reported in this PESCP for the current reporting period, to the best of my knowledge and belief, after due inquiry I confirm:

* There are no material social and environmental risks and issues in respect of the relevant financing operations other than those identified through the application of the ESMS.
* HBOR has not received nor is aware of (a) any existing or threatened complaint, order, directive, claim, citation or notice from any authority, or (b) any material written communication from any person concerning the failure by any client/sub-loan beneficiary to undertake its operations and activities in accordance with the E&S requirements.
* We have not amended, waived or materially restricted the scope or effect of the ESMS.
* There have been no changes in the scope of the relevant financing operations since the legal agreement with IBRD has been signed.
* We are using all reasonable efforts to ensure the continued operation of the ESMS to identify, assess and manage the social and environmental performance of the relevant financing operations in compliance with the E&S requirements.
* If a client/sub-loan beneficiary has not undertaken its activities in accordance with the E&S requirements, we have (a) agreed with the client/sub-loan beneficiary to undertake corrective actions to remedy these, (ii) if the client/sub-loan beneficiary failed to implement the corrective actions used all reasonable efforts to dispose of the client/sub-loan beneficiary.
* We have informed IBRD during the reporting period of all proposed activities we have become aware of and ensured that the ESMS has sufficient capacity to eliminate *High* and *Substantial* risk projects and review the E&S performance of *Moderate* and *Low* risk activities.
* We have informed IBRD of all social, labor, health and safety, security or environmental incident, accidents or circumstance in relations to any client/sub-borrower in accordance with the legal agreements.

1. All information contained in this PESCP is true, complete and accurate in all respects at the time of submission and no such document or material omitted any information the omission of which would have made such document or material misleading.

***Signature Date***

**Par**

**Part 2: Development and Implementation of Environmental and Social Management System**

**2.1) Please state the date of approval of the ESMS approved by senior management and satisfactory to the WB**

*Date of Approval:*

**2.2) Have there been any revisions/updates to the ESMS (policy and/or procedures) adopted by your organization during the reporting period?**

*Yes*  *No*

*If yes, please provide the details of the revisions made and reasons for the same*



***Please attach a copy of the revised ESMS.***

**2.3) Please provide the name and contact information of the Environmental and Social Officers or Coordinator, and other core persons, who has the overall responsibility for the implementation of ESMS and specifically for IBRD portfolio.**

*Name:*

*Contact Information:*

*Position:*

**2.4) Please describe the training or learning activities the Environmental and Social Officers/other E&S staff, as well as other staff attended in the period under review.**

1. *E&S staff:*
2. *Other staff:*

**2.5) Please provide three sample internal E&S assessment reports (ESDDs) conducted for projects considered in the year semester under review.**

***Documents provided:***



**2.6) Has HBOR conducted any internal audit of the implementation of the ESMS in the period under review?**

*Yes*  *No*

*If yes, please provide the following details of the audit:*

*Date of audit:*

*Findings of the audit:*

*Recommendations from the audit:*

**2.7) Please provide the following information regarding the E&S Risk profile of the portfolio supported by IBRD and E&S assessments undertaken.**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Type of Financing** | **Number of Loans in Portfolio (total)** | **Number of Loans screened for E&S issues during the reporting period** | **Number of Loans/Clients categorized by risk during the reporting period** | | **Number of follow-ups conducted by staff to review E&S aspects during project approval in the reporting period** | **Number of follow-ups/supervisions conducted by staff to review E&S aspects during project implementation in the reporting period** | **Number of Accidents/Incidents reported by clients during the reporting period** |
| *M* | *L* |
| ***Direct lending*** |  |  |  |  |  |  |  |
| *Working Capital* |  |  |  |  |  |  |  |
| *Financial restructuring* |  |  |  |  |  |  |  |
| ***Risk sharing model*** |  |  |  |  |  |  |  |
| Working Capital |  |  |  |  |  |  |  |
| Financial restructuring |  |  |  |  |  |  |  |
| ***On-lending\**** |  |  |  |  |  |  |  |
| Working Capital |  |  |  |  |  |  |  |
| Financial restructuring |  |  |  |  |  |  |  |

\*this is a cumulative status of on-lending through all PFIs derived from individual PFI monitoring reports

**2.8) Please provide details of loans/clients in portfolio that have become Non-Performing Loans (NPLs) due to E&S issues during the reporting period (indicate if information is not available).**

*Number of Loans/Clients:*

*Details including name of clients and reasons for becoming NPL’s\*:*



**2.9) Were the monitoring procedures implemented in compliance with the POM and ESMS in the period under review?**

*Yes*  *No*

*If no, please provide the details and proposed/implemented corrective actions:*



*Monitoring Procedure:*

***Please provide three sample monitoring reports conducted for projects by staff to review environmental and social aspects.***

***Documents provided****:*

*(i)*

*(ii)*

*(iii)*

**2.10) Please give details of any material adverse environmental and social issues associated with clients during the reporting period. Include details of any major accidents/incident, non-compliances, fines levied, negative media attention, complaints raised against your clients etc.**

*(i)*

*(ii)*

*(iii)*

**2.11) Did you receive any complaints/inquiries regarding the project activities supported by IBRD financing?**

*Yes*  *No*

*If yes, please provide the following information:*

*Number of complaints/inquiries to date:*

*Number of complaints/inquiries received during the reporting period:*

*Key issues raised in complaints/inquires:*

**Part 3: Labor and Working Conditions; and Life, Fire and Safety Measures**

**3.1) Were there any labor-related issues in the period under review? (Labor issues include – e.g. court cases, union disputes, staff grievances, sexual harassment complaints, negative media report on labor issues). Did your organization retrench a substantial[[51]](#footnote-52) number of employees in the year under review?**

*Labor related Issues:*

*If yes, please provide details.*



*Retrenchment:*

*Yes*  *No*

*If yes, please provide details on the retrenchment:*

1. *Number of employees retrenched:*
2. *Cause of retrenchment:*
3. *Retrenchment plan:*

**3.2) Did you retain valid Fire Safety permits for all buildings during the reporting period and undertake regular fire drills? Have there been any fire incidents during the reporting period in any of your offices or branches?**

*Fire Safety Permits valid:*

*Yes*  *No*

*If no, please provide details:*

*Fire Incidents:*

*Yes*  *No*

*If yes, please provide the following:*

*Details of the incident including cause of fire:*

*Corrective Actions taken:*

***Please attach a copy of the Fire Incident report***

**Annex G. Semi-Annual PFI Portfolio E&S Compliance Report**

**PFI’s Environmental & Social Compliance Report**

|  |  |  |  |
| --- | --- | --- | --- |
| Name of PFI |  | | |
| Completed by (name): |  | | |
| Position in organization: |  | Date: |  |
| Reporting period | From: To: | | |

**Introduction**

IBRD’s *Legal Agreement* requires Participating Financial Institution *(PFI)* to prepare a comprehensive **Semi-Annual** Portfolio Environmental and Social Performance Report for HBOR (PESCP) describing (i) the implementation and operation of the Environmental and Social Management System (ESMS), and (ii) the environmental and social performance of the sub-beneficiaries/clients of the PFI. This document comprises IBRD’s preferred format for E&S performance reporting. The following template may be supplemented with annexes as appropriate to ensure all relevant information on project performance is reported.

Notes:

1. Please provide responses to all questions and as detailed information as possible to avoid follow-up requests. If information is not available, please provide a brief explanation. Please ensure all documents were required (as indicated) are attached to your PESCP.
2. A selected number of questions (indicated with \*) requires the provision of client specific information. If you are not allowed as per the local legislation to share information such as the name of the Sub-loan Beneficiary, please indicate so and use ‘Sub-loan Beneficiary 1, 2, 3, ..’ instead of the name.

|  |
| --- |
| **Part 1: Client’s Representation Statement by authorized representative** |

I     (name)   in my role of     (position)   and representing PFI certify that

1. Beyond what is reported in this PESCP for the current reporting period, to the best of my knowledge and belief, after due inquiry I confirm:

* There are no material social and environmental risks and issues in respect of the relevant financing operations other than those identified through the application of the ESMS.
* PFI has not received nor is aware of (a) any existing or threatened complaint, order, directive, claim, citation or notice from any authority, or (b) any material written communication from any person concerning the failure by any Sub-loan Beneficiary to undertake its operations and activities in accordance with the E&S requirements.
* We have not amended, waived or materially restricted the scope or effect of the ESMS.
* There have been no changes in the scope of the relevant financing operations since the legal agreement with IBRD has been signed.
* We are using all reasonable efforts to ensure the continued operation of the ESMS to identify, assess and manage the social and environmental performance of the relevant financing operations in compliance with the E&S requirements.
* If a client/sub-loan beneficiary has not undertaken its activities in accordance with the E&S requirements, we have (a) agreed with the client/sub-loan beneficiary to undertake corrective actions to remedy these, (ii) if the client/sub-loan beneficiary failed to implement the corrective actions used all reasonable efforts to dispose of the client/sub-loan beneficiary.
* We have informed HBOR during the reporting period of all proposed activities we have become aware of and ensured that the ESMS has sufficient capacity to eliminate *High* and *Substantial* risk projects and review the E&S performance of *Moderate* and *Low* risk activities.
* We have informed HBOR of all social, labor, health and safety, security or environmental incident, accidents or circumstance in relations to any client/sub-loan beneficiary in accordance with the legal agreements.

1. All information contained in this PESCP is true, complete and accurate in all respects at the time of submission and no such document or material omitted any information the omission of which would have made such document or material misleading.

***Signature Date***

**Par**

**Part 2: Development and Implementation of Environmental and Social Management System**

**2.1) Does your organization have a functioning ESMS describing policies and procedures approved by senior management?**

*Yes*  *No*  *Date of Approval:*

**2.2) Are there significant differences between your organization ESMS and the ESMS you follow under the Project?**

*Yes*  *No*

*If yes, please provide some of the main differences*



**2.3) Please provide the name and contact information of the Environmental and Social Officers or Coordinator, and other core persons, who has the overall responsibility for the implementation of ESMS and specifically for the portfolio in question under the Project.**

*Name:*

*Contact Information:*

*Position:*

**2.4) Please describe the training or learning activities the Environmental and Social Officers/other E&S staff, as well as other staff attended in the period under review.**

1. *E&S staff:*
2. *Other staff:*

**2.5) Please provide three sample internal E&S assessment reports (ESDDs) conducted for projects considered in the year semester under review.**

***Documents provided:***



**2.11) Has your organization conducted any internal audit of the implementation of the ESMS?**

*Yes*  *No*

*If yes, please provide the following details of the audit:*

*Date of audit:*

*Findings of the audit:*

*Recommendations from the audit:*

**2.6) Please provide the following information regarding the E&S Risk profile of the portfolio supported by IBRD and E&S assessments undertaken.**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Type of Financing** | **Number of Loans in Portfolio (total)** | **Number of Loans screened for E&S issues during the reporting period** | **Number of Loans/Clients categorized by risk during the reporting period** | | **Number of follow-ups conducted by staff to review E&S aspects during project approval in the reporting period** | **Number of follow-ups/supervisions conducted by staff to review E&S aspects during project implementation in the reporting period** | **Number of Accidents/Incidents reported by clients during the reporting period** |
| *M* | *L* |
| *Working Capital* |  |  |  |  |  |  |  |
| *Financial restructuring* |  |  |  |  |  |  |  |

**2.7) Please give details of any transactions rejected on environmental, health, safety or social grounds during the reporting period.**

*Number of Loans/Clients:*

*Details including name of clients and reasons for rejection\*:*



**2.8) Please provide details of loans/clients in portfolio that have become Non-Performing Loans (NPLs) due to E&S issues during the reporting period (indicate if information is not available).**

*Number of Loans/Clients:*

*Details including name of clients and reasons for becoming NPL’s\*:*



**2.9) Were the monitoring procedures implemented in compliance with the ESMS in the period under review?**

*Yes*  *No*

*If no, please provide the details and proposed/implemented corrective actions:*



*Monitoring Procedure:*

***Please provide three sample monitoring reports conducted for projects by staff to review environmental and social aspects.***

***Documents provided****:*

*(i)*

*(ii)*

*(iii)*

**2.10) Please give details of any material adverse environmental and social issues associated with clients during the reporting period. Include details of any major accidents/incident, non-compliances, fines levied, negative media attention, complaints raised against your clients etc.**

*(i)*

*(ii)*

*(iii)*

**2.11) Do you have a mechanism in place to receive, register and respond to external communication regarding your activities? Describe the mechanism and how often it has been used. If the mechanism is part of applied ESMS, please provide details on where it is included in your ESMS.**

*Yes*  *No*

*If yes, please provide the following information:*

*Description of mechanism including how you screen, assess and address concerns received, as well as track and document them internally:*

*Number of complaints/inquiries to date:*

*Number of complaints/inquiries received during the reporting period:*

*Key issues raised in complaints/inquires:*

**Par**

**Part 3: Labor and Working Conditions; and Life, Fire and Safety Measures**

**3.1) Were your organization’s HR Policy and Procedures revised in the year under review?**

*Yes*  *No*

*If yes please describe in detail the changes to the previous policy/procedures.*



**3.2) Were there any labor-related issues in the year under review? (Labor issues include – e.g. court cases, union disputes, staff grievances, sexual exploitation and abuse/sexual harassment complaints, negative media report on labor issues). Did your organization retrench a substantial[[52]](#footnote-53) number of employees in the year under review?**

*Labor related Issues:*

*If yes, please provide details.*



*Retrenchment:*

*Yes*  *No*

*If yes, please provide details on the retrenchment:*

1. *Number of employees retrenched:*
2. *Cause of retrenchment:*
3. *Retrenchment plan:*
   1. **Did you retain valid Fire Safety permits for all buildings during the reporting period and undertake regular fire drills? Have there been any fire incidents during the reporting period in any of your offices or branches?**

*Fire Safety Permits valid:*

*Yes*  *No*

*If no, please provide details:*

*Fire Incidents:*

*Yes*  *No*

*If yes, please provide the following:*

*Details of the incident including cause of fire:*

*Corrective Actions taken:*

***Please attach a copy of the Fire Incident report***

**Annex H. Environmental and Social Screening and Assessment questionnaire**

**The form below is to be filled out as complete as possible, to the best of the knowledge of the Applicant. Upon review of the Environmental and Social Officer, the Applicant may be contacted for more information and/or clarification before the Officer provides their verification to this form. The form must be signed and dated. Please attach copies of all relevant permits that deal with your operation and environmental issues.**

##### ENVIRONMENTAL AND SOCIAL SCREENING AND ASSESSMENT QUESTIONNAIRE

To be completed by responsible person of borrower / sub-loan beneficiary[[53]](#footnote-54)

**General data** (please write in block letters)

|  |
| --- |
| Name of applicant/borrower/sub-loan beneficiary (crafts business/company): |
| **Address (street and number, postal code, and place):** |
| **Phone:**  **E-mail:** |
| **Main activity of applicant/borrower/sub-loan beneficiary (description of activity):** |
| **First name, last name** and signature of responsible person legally authorised to represent or empowered by persons authorised to represent, who completed the questionnaire:  Date of completion of questionnaire: |
|  |
| Instructions for the completion of the questionnaire The questionnaire is to be completed by the responsible person of the borrower/sub-loan beneficiary and to be submitted to the Croatian Bank for Reconstruction and Development (Hrvatska banka za obnovu i razvitak, HBOR) for appraisal together with the other requested documentation. The questionnaire is to be signed by the responsible person authorised to represent the company. You are kindly requested to answer all questions completely whenever possible.  The questionnaire has been split into the following main sections:  Section 1: Profile of the Applicant and the requested loan  Section 2: Management of Environmental and Social Risks and Impacts  Section 3: Labor and Working Conditions  Section 4: Pollution Prevention at the Firm’s site  Section 5: Community Health, Safety and Security  Section 6: Land use of the business operations  Section 7: Biodiversity Conservation and Sustainable Natural Resource Management  Section 8: Cultural Heritage Issues  Section 9: Stakeholder Engagement and Information Disclosure  For any possible ambiguities and for help in completing this questionnaire, please contact the Technical Analysis and Environmental Protection Department, HBOR, phone: 385 1/4591 592; 385 1/4597 844 or 385 1/ 4591 593 |
| This questionnaire has been prepared in accordance with The World Bank Environmental and Social Standards that have to be followed by HBOR as Financial Intermediary (FI) is required to monitor and manage the environmental and social risks and impacts, appropriate to the nature of intermediated financing.  The Applicant/Sub-loan Beneficiary is required to invest all efforts to ensure the subproject implementation in an environmentally and socially acceptable manner, so the project is fully in line with the respective national laws governing environment, waste management, air, soil, and water quality, labor and worker protection.  For the purpose of implementing the procedures of verification and classification of risk pertaining to the nominated Project (subproject) in terms of environmental protection, the borrower of loan / the sub-loan beneficiary has to previously complete this Questionnaire.  On the basis of the data provided in the Questionnaire by the sub-loan beneficiary, HBOR shall assess the risk of the Project in terms of environmental protection and, depending on a possibly positive or negative impact on the environment and the society, the Project shall be classified to one of the four risk categories: **low, moderate, substantial and high**. Depending on the established category of risk, HBOR retains the right to subsequently request additional information from the borrower / project beneficiary in order to identify possible environmental and social risks in more detailDefinitions **Project** – relates to an investment at an identified location for which funding is requested, and the location can be an area where a new commercial, industrial or infrastructure undertaking is constructed or a location of an existing undertaking that is undergoing material change in output or function.  **Undertaking** – relates to investment subject matter that is associated with lending transaction  **Associated facilities** – relate to those facilities or activities that are not funded as part of the project and, in the judgment of the Bank, are:  (a) directly and significantly related to the project; and  (b) carried out, or planned to be carried out, contemporaneously with the project; and  (c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist  **Existing operations** – relate to the requirements of the borrower, to secure funds and / or services at the investment location where it operates, which does not undergo significant changes in production or function.  **Impact area** – relates to the area where a significant impact of an undertaking on the environment occurs irrespective of whether it is caused by the environmental undertaking itself or by the synergy with the existing or planned environmental undertakings.  **Sensitive areas** – The area of high value and sensitivity, for example sensitive and valuable ecosystems and habitats, legally protected and internationally recognized areas of high biodiversity value, lands or rights of indigenous peoples, nations or other vulnerable groups. These are National Parks, Nature Parks and other protected areas[[54]](#footnote-55) defined by national or international law as well as other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance etc.  **Social impacts** – relate to the impacts on the local communities directly affected by, and on the people involved in the construction or the implementation of, the Project and encompass relevant adverse Project-related human rights; they include, without limitations, the following:  a) labour and working conditions, including forced labor, child labor, and life-threatening occupational health and safety situations.  b) community health,  c) safety and security,  d) land acquisition, restrictions on land use and involuntary resettlement,  e) Indigenous Peoples,  f) cultural heritage, and  g) stakeholder engagement, information disclosure and grievance redress  **Environmental impacts** – relate to the impacts on the environment as a result of the activities of an existing operation or of the reconstruction / construction and the operation of the Project. These impacts include, but are not limited to, the following:  a) generation of significant air emissions, including greenhouse gas emissions,  b) generation of effluent waste, hazardous waste, wastewater,  c) generation of noise and vibrations,  d) significant use of natural resources, and  e) impacts on endangered species |

|  |
| --- |
| (A) ENVIRONMENTAL AND SOCIAL SCREENING |

PROFILE OF THE APPLICANT AND THE REQUESTED LOAN

|  |
| --- |
| Facility Amount and Type: |
| Please, indicate the location of the Facility (country, place, address, cadastral plot number and cadastral municipality or other applicable, such as GPS coordinates) |
| Please provide information on environmentally significant raw materials and processes (types and quantities) used in your business processes such as:  which chemicals are used in large quantities, which mineral materials, recyclable products, significant amounts of energy, water and / or other natural resources: |
| Would purchase of chemicals be financed from the loan? Which chemicals and in approximately what amounts? |
| To what area of main activity category**\*** and activity subcategory**\*** is the respective borrower/project beneficiary classified? Please, highlight the main activity category (main section) and enter the activity subcategory (division):  The text to follow contains only the main activity categories (main sections) **\***  **AREAS OF MAIN ACTIVITY CATEGORY**  **A** AGRICULTURE, FORESTRY AND FISHING  **B** MINING AND QUARRYING  **C** MANUFACTURING  **D** ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY  **E** WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES  **F** CONSTRUCTION  **G** WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES  **H** TRANSPORT AND STORAGE  **I** ACCOMMODATION AND FOOD SERVICE ACTIVITIES  **J** INFORMATION AND COMMUNICATION  **K** FINANCIAL AND INSURANCE ACTIVITIES  **L** REAL ESTATE ACTIVITIES  **M** PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES  **N** ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES  **O** PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY  **P** EDUCATION  **Q** HUMAN HEALTH AND SOCIAL WORK ACTIVITIES  **R** ARTS, ENTERTAINMENT AND RECREATION  **S** OTHER SERVICE ACTIVITIES  **T** ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENTIATED GOODS- AND SERVICES-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE  **U** ACTIVITIES OF EXTRATERRITORIAL ORGANISATIONS AND BODIES  **\* in accordance with:**  **NACE statistical classification of economic activities in the European Community or UN Statistical Commission (UNSTAT)** |
| Purpose of the loan, please list all goods or/and services to be financed |
| Please, indicate whether your business activity has or could have a transboundary and potential cumulative effect |

MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

|  |
| --- |
| Does the company have an E&S Policy/Management System? Any system to manage the E&S risks of its business activities (such as ISO 14001 and similar) |
| Please describe the system/procedure in place to identify, assess and manage the potential risks and impacts related to the company’s business activities/projects. |
| Has the company designated and E&S and OHS Officer to manage E&S issues? Please provide the name of the designated employee. |
| Does the company have an action plan in case of emergency, if applicable? |
| Does the company have an approved ESIA for its activities and installations (if one was needed)?  If YES, please indicate when it expires and provide a copy of the relevant approval / permit |
| Has the company obtained a valid water permit (for water use and discharge)?  If YES, please indicate when it expires and provide a copy of any permit issued by the local authorities |
| Has the company obtained a valid environmental permit?  If YES, please indicate when it expires and provide a copy of the relevant approval / permit |
| Has the company obtained a valid emissions permit?  If YES, please indicate when it expires and provide a copy of any effluent discharge permit issued by the local authorities. |
| Should the company have any concession for its activities?  If YES, please indicate for which activities, does the company already have valid concessions and when do they expire?  Please provide a copy of each concession if applicable |
| Please indicate whether your business complies with all legal obligations and inspection findings?  If you are obliged to implement some prescribed corrective measures or expect a change in legal regulations in the near future, how do you plan to solve this? |
| Does the company own a valid operation permit?  Please indicate when it expires |
| Were there any negative inspections report in the past 2 years? If yes, were corrective measures implemented to compliance? (please elaborate) |
| Have there been any industrial incidents at the Project site in history\*? If there have been any incidents, please describe:  \*e.g. deaths of employees caused by lack of safety at work, fire, spillage/leakage of fuel and/or hazardous raw materials/products, unplanned emissions or similar. |

|  |
| --- |
| (b) ENVIRONMENTAL AND SOCIAL ASSESSMENT |

LABOR AND WORKING CONDITIONS

|  |
| --- |
| How many employees does the company have? |
| Does the company have a Human Resource (HR) Policy that is consistent with the requirements of the national labor laws? Please highlight the major policies covered. |
| Does the company apply the principle of non-discrimination in the process of hiring, compensation, and terms of employment including to the vulnerable groups of employees? |
| Does the company provide its workers with a safe and healthy work environment, including measures to address SEA/SH risks? |
| Where applicable does the company provide workers with and mandating that workers use personal protective equipment (PPE)? |
| Does the company have occupational health and safety procedures? |
| Does the company track and report on rates of injury, occupational diseases, lost days, and number of work-related fatalities? Please provide recent data. |
| Does the company have training programs in place for workers on occupational health and safety? |
| Is the company involved in harmful child labor or forced labor (including supply chain)? |

POLLUTION PREVENTION AT THE FIRM’S SITE

|  |
| --- |
| Does the company implement measures for improving efficiency in its consumption of energy, water, raw materials and other resources and inputs? |
| Does the company generate any air, liquid or solid waste emissions during construction and/or operational phases? If yes, please provide details. |
| Please describe the procedures in place for monitoring air and water emissions. |
| Does the company have procedures to guide the storage, handling, and disposal of solid wastes (including hazardous waste) emanating from its business? If yes, provide brief details. |
| Are the storage tanks for fuel or other hazardous substances fitted with leak prevention mechanisms |
| Is there a response procedure in place for managing spills or accidental discharges? |

COMMUNITY HEALTH, SAFETY AND SECURITY

|  |
| --- |
| Are there local communities in close proximity to the company’s facilities? Does the company have procedures to address community health, safety and security issues in the context of its operations? |
| Does the company have safety procedures in place to deal with hazardous material release, transport and disposal in order to avoid or to minimize exposure of local communities to those materials? Please describe |
| Does the company employ sufficient number of OHS trained personnel to meet the national regulation requirements? |
| Does the company provide sufficient OHS equipment and other protection measures to protect workers’ health? |
| Does the company meet fire-protection standards for its facilities and production? |
| Does the company engage armed security personnel to provide security services at company’s facilities? If so, do the contract provisions include guidelines on how security personnel shall interact with communities in close proximity to the facility? |
| Please describe the procedures in place to engage with local communities and address community grievances where applicable. (e.g., grievance mechanism, stakeholder engagement plan). |

LAND USE OF THE BUSINESS OPERATIONS

|  |
| --- |
| Is there any land acquisition planned/happened for/in the proposed investment? |
| Has there been any physical and/or economic displacement as a result of land acquisition for this project? |

BIODIVERSITY CONSERVATION AND SUSTAINABLE NATURAL RESOURCE MANAGEMENT

|  |
| --- |
| Does the company’s activities impact on biodiversity? Has the company minimized impacts and implemented mitigation measures? |
| Does the business operate in a legally protected area (PA)? If yes, confirm that the company has the requisite approvals form competent authorities to operate in such area and that the company operates in compliance with the PA’s management plans. |

CULTURAL HERITAGE ISSUES

|  |
| --- |
| Is the project located in an area where cultural heritage objects, sites and structures (e.g. artefacts, archeological sites, graves, etc.) can be found?  If YES, please provide detailed information  Are competent authorities’ approvals obtained? Which ones? Are they valid? |

STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE

|  |
| --- |
| Please describe the procedures in place to engage with local communities and address community grievances where applicable. (e.g. grievance mechanism, stakeholder engagement plan). |

**ANNEX I.** **Environmental and Social Screening and Assessment Report (outline)**

**Environmental and Social Impact Assessment Form[[55]](#footnote-56)**

**No.7400-**

**File receipt date:**

|  |  |  |  |
| --- | --- | --- | --- |
| ***GENERAL DATA*** | | | |
| **1.** | ***Client / Sub-loan Beneficiary name*** |  | |
| **2.** | ***Location of investment*** |  | |
| **3.** | ***Main activity of company***  *(short description, size and type)* |  | |
| **4.** | ***Section – National Classification of Activities*** |  |  |
| **5.** | ***Code – National Classification of Activities*** |  |  |
| **6.** | ***Number of employees*** |  | |

|  |  |  |
| --- | --- | --- |
| ***PLANNED INVESTMENT*** | | |
| **1.** | ***Short description of investment***  *(purpose of loan funds)* |  |

**Environmental and social risk classification**

|  |  |  |  |
| --- | --- | --- | --- |
| ***ESTABLISHED RISK CATEGORY***  *Company activity and planned investment* | | | |
| **HIGH RISK** | **SUBSTANTIAL RISK** | **MODERATE RISK** | **LOW RISK** |
| **A** | **B+** | **B-** | **C** |
|  |  |  |  |

|  |  |  |
| --- | --- | --- |
| ***SUMMARY OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS[[56]](#footnote-57)***  *(Related to client’s business operations)* | | |
| **1.** | ***Management of Environmental and***  ***Social Risks and Impacts (including E&S relevant documents, licences and permits, etc.)*** |  |
| **2.** | ***Overview of labour and working conditions*** |  |
| **3.** | ***Prevention of pollution at business premises*** |  |
| **4.** | ***Community health and safety*** |  |
| **5.** | ***Stakeholder engagement and information disclosure*** |  |

|  |  |  |  |
| --- | --- | --- | --- |
| ***PLAN[[57]](#footnote-58) OF CORRECTIVE MEASURES***  *To be included in the monitoring and reporting obligation (if necessary)* | | | |
|  | ***Established problem or inconsistency[[58]](#footnote-59)*** | ***Mitigation measure*** | ***Timeframe for addressing the problem*** |
| **1.** |  |  |  |
| **2.** |  |  |  |
| **3.** |  |  |  |

In Zagreb,

Analysis prepared by Managing Director of

Technical Analysis and

Environmental Protection Department

**ANNEX**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | ***Obligations[[59]](#footnote-60) in accordance with the established RISK CATEGORY***  *Company activity and planned investment* | | | |
| **WB Classification** | HIGH  RISK[[60]](#footnote-61) | SUBSTANTIAL RISK[[61]](#footnote-62) | MODERATE RISK[[62]](#footnote-63) | LOW  RISK[[63]](#footnote-64) |
| **HBOR Classification** | A | B+ | B- | C |
| Eligible for HEAL financing | **NO** | **NO** | **YES** | **YES** |
| ANALYSIS/ASSESSMENT of environmental and social risk of the proposed subproject is required | - | - | YES | NO |
| MONITORING obligation[[64]](#footnote-65) | - | - | YES | YES |
| REPORTING obligation[[65]](#footnote-66) | - | - | YES[[66]](#footnote-67) | YES |

**Annex J. - World Bank E&S risk classification**

**World Bank E&S risk classification**

|  |  |  |  |
| --- | --- | --- | --- |
| Project type, location, sensitivity, scale | Nature & magnitude of ES risks & impacts, available mitigation | Borrower capacity and commitment | Context risk relevant to ES measures |
| HIGH RISK | | | |
| |  | | --- | | • Complex  • large to very large scale  • in sensitive location(s) | | |  | | --- | | • wide range of significant adverse risks and impacts  • long term, permanent and/or irreversible, impossible to avoid entirely  • some cannot be mitigated or require complex, unproven mitigation, sophisticated social analysis  • high in magnitude and/or in spatial extent (large to very large area or population);  • significant adverse cumulative or transboundary impacts;  • high probability of serious adverse effects to human health and/or the environment  • high value and sensitivity (eg. protected and internationally recognized areas)  • high value, sensitive lands or rights of Indigenous Peoples and other vulnerable minorities  • Intensive or complex involuntary resettlement or land acquisition  • Impacts on cultural heritage or densely populated urban areas  • may give rise to significant social conflict, harm or human security risks  • a history of unrest in area or sector, concerns about use of security forces. | | |  | | --- | | • uncertain, conflicting agency jurisdiction  • legislation, regulations not addressing risks and impacts  • changes to applicable legislation are being made  • enforcement is weak  • limited past experience of implementing agencies  • challenges and concerns about track record regarding ES issues  • significant stakeholder engagement capacity, commitment, track record concerns | | |  | | --- | | • factors outside project control impacting ES performance and outcomes | |
| SUBSTANTIAL RISK | | | |
| |  | | --- | | • not as complex  • Large to medium scale  • not such sensitive location | | |  | | --- | | • some significant risks and impacts  • mostly temporary, predictable and/or reversible  • possibility of avoiding or reversing but with substantial investment and time  • may give rise to limited degree of social conflict, harm, human security risk;  • medium in magnitude and/or in spatial extent (medium to large area and population)  • less severe, more readily avoided/mitigated cumulative and/or transboundary impacts  • medium to low probability of serious adverse effects to human health and/or the environment (with known and reliable mechanisms to prevent or minimize)  • lower effects on areas of high value or sensitivity  • more readily available and reliable mitigatory and/or compensatory measures | | |  | | --- | | • uncertain, conflicting agency jurisdiction  • legislation, regulations not addressing risks and impacts  • changes to applicable legislation are being made  • enforcement is weak  • in some respects, limited experience of implementing agencies  • some concerns about track record regarding ES issues readily addressed  • some stakeholder engagement concerns readily addressed | |  |
| MODERATE RISK | | | |
| |  | | --- | | • no activities with high potential for harming people or environment  • located away from sensitive areas | | |  | | --- | | • risks and impacts not likely to be significant  • not complex and/or large  • predictable and expected to be temporary and/or reversible;  • low in magnitude;  • site-specific, without likelihood of impacts beyond the project footprint;  • low probability of serious adverse effects to human health and/or the environment  • Routine safety precautions are expected to be sufficient to prevent accidents  • easily mitigated in a predictable manner | |  |  |
| LOW RISK | | | |
|  | |  | | --- | | • Minimal or negligible risks to and impacts on human populations and/or the environment  • few or no adverse risks and impacts and issues  • No further assessment after screening | |  |  |

**Examples of a HIGH-RISK category projects classification**

The classification of each new Project and significant changes to Existing operations (hereinafter: the project) must be carried out in accordance with the potential Environmental and Social Impacts of the observed project. The following are examples of projects that can be classified as category A.

1. Crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tones or more of coal or bituminous shale[[67]](#footnote-68) per day.
2. Thermal power stations and other combustion installations (including cogeneration[[68]](#footnote-69)) with a heat output of not less than 300 megawatts (equivalent to a gross electrical output of 140 MWe for steam and single cycle gas turbines power stations) and nuclear power stations and other nuclear reactors, including the dismantling or decommissioning of such power stations or reactors (except research installations for the production and conversion of fissionable and fertile materials[[69]](#footnote-70), whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. Installations designed for the production, or enrichment of nuclear fuels, the reprocessing, storage or final disposal of irradiated nuclear fuels, or for the storage, disposal or processing of radioactive waste.
4. Integrated works for the initial smelting of cast-iron and steel, e.g. installations for the production of primary steel by blast furnace route or direct reduction; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
5. Installations for the extraction of asbestos and for the processing and transformation of asbestos and products containing asbestos: for asbestos-cement products, with an annual production of more than 20,000 tones of finished product; for friction material, with an annual production of more than 50 tones of finished product; and for other asbestos utilization, of more than 200 tones per year.
6. Installations for the manufacture and/or recovery of chemicals (including but not limited to petrochemicals, fertilizers, pesticides and herbicides, health care products, detergents, paints, adhesives, agro-chemicals, pharmaceuticals, explosives etc.) on an industrial scale using physical, chemical and/or bio-chemical processes and for large scale distribution of such chemicals via pipelines/ terminals and associated facilities.
7. Construction of airports with a basic runway length of 2,100 meters or more.
8. Construction of motorways and express roads.
9. Construction of a new road, or realignment and/or widening of an existing road, where such new road, or realigned and/or widened section of road, would be 10 km or more in a continuous length.
10. Construction of railway lines that go beyond urban areas and of long-distance railway lines.
11. Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels over 1,350 tones; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1,350 tones.
12. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
13. Large dams (dams with a height of 15 m or more from the foundation, and dams that are between 5 and 15 m high and have a reservoir volume of more than 3 million m3) and other impoundments designed for the holding back or permanent storage of water.
14. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic meters or more.
15. Industrial plants for the production of pulp, paper and board from timber or similar fibrous materials.
16. Operations that involve large scale extraction, via underground or open-pit mining, solution mining, or marine or riverine operations to obtain precious metals, base metals, energy and industrial minerals, or construction materials. It may also include the processing of the extracted material.
17. Greenfield[[70]](#footnote-71) cement plants where the project includes a greenfield quarry.
18. Large scale oil, gas, or liquefied natural gas development that may include any or all of:

* exploration (seismic and drilling);
* field development and production activities;
* transport activities, including pipelines/terminals, pump stations, pigging stations, compressor stations and associated facilities; or
* gas liquefaction facilities.

1. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tones or more.
2. Large-scale logging.
3. Municipal waste treatment plants with a capacity exceeding 150,000 population equivalent.
4. Municipal solid waste processing and disposal facilities.
5. Large-scale tourism and retail development.
6. Construction of overhead electrical power transmission lines with a length of 15 km or above and a voltage of 110 kV or above.
7. Large-scale land reclamation[[71]](#footnote-72).
8. Large-scale primary agriculture/sylviculture involving intensification or conversion of natural habitats.
9. Plants for the tanning[[72]](#footnote-73) of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
10. Installations for the intensive rearing of poultry or pigs with more than:

* 85,000 places for broilers and 60,000 places for hens;
* 3,000 places for production pigs (over 30 kg) or
* 900 places for sows.

1. Projects which are planned to be carried out in sensitive areas or are likely to have a perceptible impact on such areas, even if the project category does not appear in this Annex.
2. Projects which may result in significant adverse social impacts to local communities or other project affected parties, including those involved in the construction and/or operation of the project.
3. Projects involving land acquisition and involuntary resettlement of a significant number of affected people.

1. Retroactive financing is limited to 20% of the total loan amount and to non-physical investment costs (working capital and financial restructuring as defined and limited in the section 1.1 and other sections of this document). The eligible costs must occur 12 months or less before Project Loan Agreement date (so not before June 7, 2020). E&S Due diligence will be carried out for these activities following the defined ESMS procedures. [↑](#footnote-ref-2)
2. A firm in lagging regions is defined as a firm located in regions classified as less developed regions according to the Act on Regional Development and related legislation:

   - Supported Areas – units of local government classified into groups I, II, III and IV pursuant to the Act on Regional Development of the Republic of Croatia (Official Gazette of the Republic of Croatia, Nos. 147/2014, 123/2017, 118/2018) and the Decision on Classification of Local or Regional Government Units on the Basis of the Level of Development (Official Gazette of the Republic of Croatia, No. 132/2017 as amended from time to time). [↑](#footnote-ref-3)
3. In accordance with HBOR's General Eligibility Criteria, Start-up entrepreneurs are those who for the first time establish a business entity or business entities of micro, small and medium-sized enterprises that have been operating for less than 2 (two) years at the time of applying for a loan. Start-up entrepreneurs were not previously nor are they currently owners or co-owners of another business entity with a share of more than 30%. In the case of the HEAL project, we deviate from the General Eligibility Criteria as entrepreneurs who have been in business for less than 5 years can be financed. [↑](#footnote-ref-4)
4. Annex H: Environmental and Social Screening and Assessment Questionnaire [↑](#footnote-ref-5)
5. Annex H: Environmental and Social Screening and Assessment Questionnaire [↑](#footnote-ref-6)
6. Screening Procedures [↑](#footnote-ref-7)
7. 2.6.2 Screening Procedure - Environmental and Social Risk Categorization [↑](#footnote-ref-8)
8. Annex F: Semi-Annual HBOR Portfolio E&S Compliance Report [↑](#footnote-ref-9)
9. at least 10 loans per a reporting period, semiannually [↑](#footnote-ref-10)
10. Annex G: Semi-Annual PFI Portfolio E&S Compliance Report [↑](#footnote-ref-11)
11. Annex A. Accidents or Incidents Report to the World Bank Report Template [↑](#footnote-ref-12)
12. No. 1100-85-1/2020 dated 14 December 2020 [↑](#footnote-ref-13)
13. IFC Project Exclusion List: [https://www.ifc.org/wps/wcm/connect/topics\_ext\_content/ifc\_external\_corporate\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.ifc.org%2Fwps%2Fwcm%2Fconnect%2Ftopics_ext_content%2Fifc_external_corporate_site%2Fsustainability-at-ifc%2Fcompany-resources%2Fifcexclusionlist&data=04%7C01%7Czkolenc%40hbor.hr%7C223cf30b03774c6ba6b708d9421d7727%7C478d151e37db4a62833b4b989ce41c1c%7C0%7C0%7C637613516733873440%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C1000&sdata=qaInwXAe%2FgAXnU%2BUAkNcIfxyrA%2F3shQvNJC%2BDCwK0PE%3D&reserved=0) [↑](#footnote-ref-14)
14. CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the Environment Division [↑](#footnote-ref-15)
15. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. [↑](#footnote-ref-16)
16. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. [↑](#footnote-ref-17)
17. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. [↑](#footnote-ref-18)
18. This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. [↑](#footnote-ref-19)
19. Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty. [↑](#footnote-ref-20)
20. Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development. [↑](#footnote-ref-21)
21. Annex F: Semi-Annual HBOR Portfolio E&S Compliance Report [↑](#footnote-ref-22)
22. Annex B. Environmental and Social Monitoring Reporting to the World Bank [↑](#footnote-ref-23)
23. See Annex D - The World Bank Environmental and Social Standards

    Environmental and Social Standard 2 – Labor and Working Conditions [↑](#footnote-ref-24)
24. Annex C. Project Grievance Template [↑](#footnote-ref-25)
25. Annex F: Semi-Annual HBOR Portfolio E&S Compliance Report [↑](#footnote-ref-26)
26. Environmental and Social Standard 9 – Financial Intermediaries [↑](#footnote-ref-27)
27. Environmental and Social Standard 1 –Assessment and Management of Environmental and Social Risks and Impacts [↑](#footnote-ref-28)
28. Environmental and Social Standard 3 - Resource Efficiency and Pollution Prevention and Management [↑](#footnote-ref-29)
29. Environmental and Social Standard 4 – Community Health and Safety [↑](#footnote-ref-30)
30. Environmental and Social Standard 2 – Labor and Working Conditions [↑](#footnote-ref-31)
31. Annex F: Semi-Annual HBOR Portfolio E&S Compliance Report [↑](#footnote-ref-32)
32. Annex A. Format of Accidents or Incidents Report to the World Bank [↑](#footnote-ref-33)
33. Environmental and Social Standard 9 – Financial Intermediaries [↑](#footnote-ref-34)
34. See full details of the World Bank Environmental and Social Framework here: https://thedocs.worldbank.org/en/doc/837721522762050108-0290022018/original/ESFFramework.pdf [↑](#footnote-ref-35)
35. The term “Associated Facilities” means facilities or activities that are not funded as part of the project and are: (a) directly and significantly related to the project; (b) carried out, or planned to be carried out, contemporaneously with the project; and (c) necessary for the project to be viable and would not have been constructed, expanded or conducted if the project did not exist. For a facility or an activity to be defines as associated facility, all three criteria must be fulfilled. [↑](#footnote-ref-36)
36. World Bank Group Environmental, Health and Safety Guidelines (EHSG), available at: <https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/EHS-Guidelines/> [↑](#footnote-ref-37)
37. Permiting procedure according to Industrial Emissions Directive (IPPC, Directive 96/61/EC concerning integrated pollution prevention and control was repealed by Directive 2010/75/EU on industrial emission, IED) [↑](#footnote-ref-38)
38. https://narodne-novine.nn.hr/clanci/sluzbeni/2017\_01\_3\_118.html [↑](#footnote-ref-39)
39. For interventions/projects listed in Annex II and III, which do not meet the criteria set out in these annexes, and which could have a significant negative impact on the environment competent administrative body is the county/City of Zagreb. MoESD for interventions/projects for which it is necessary to obtain an environmental permit according to a special regulation, and which are not listed in Annex I. [↑](#footnote-ref-40)
40. The ecological network of the Republic of Croatia (Natura 2000 network) according to Article 5 of the Regulation consists of conservation areas important for birds - POP, conservation areas important for species and habitat types - POVS, probable conservation areas important for species and habitat types (vPOVS) and special areas of conservation important for species and habitat types (PPOVS). [↑](#footnote-ref-41)
41. https://narodne-novine.nn.hr/clanci/sluzbeni/2017\_01\_3\_118.html [↑](#footnote-ref-42)
42. https://narodne-novine.nn.hr/clanci/sluzbeni/2017\_01\_3\_118.html [↑](#footnote-ref-43)
43. Regulation on the definition of construction works, other projects and surfaces of state and regional significance (OG 37/14, 154/14) [↑](#footnote-ref-44)
44. Ministry of Physical Planning, Construction and State Assets [↑](#footnote-ref-45)
45. According to Act on Cultural Heritage definition of conservation base is: professional documentation that contains a graphic and textual part, and includes identification, analysis of the situation, valorisation of the situation and measures for the preservation of cultural and historical values [↑](#footnote-ref-46)
46. Protection of cultural and historical entities is defined by Act on the Protection and Preservation of Cultural Property: „cultural-historical entity is considered to be a settlement or part of a settlement, as well as an area, which are protected as a cultural good [↑](#footnote-ref-47)
47. Conservation Department of the Ministry of Culture and Media, and for the City of Zagreb the City Institute for the Protection of Cultural and Natural Monuments in Zagreb [↑](#footnote-ref-48)
48. A more complex intervention is an intervention that refers to several developmental historical layers of a building (construction and stylistic) that are not visible in the existing condition or it is an intervention on a building made by complex application of several different materials, which is not documented to protect and preserve cultural heritage under Act on Cultural Heritage. [↑](#footnote-ref-49)
49. Simple and other construction works and works defined by Ordinance on simple and other construction works and works (OG 112/17, 34/18, 36/19, 98/19, 31/20). Works that can be performed: a) without location/building permit and without main design, b) without location / building permit, in accordance with the main design / standard design, c) in the event of construction damage when people and assets are directly in danger, without building permit construction can be restored to the original condition in line with the act according to which it was built or the by project of the existing condition) [↑](#footnote-ref-50)
50. Temporary construction site is any workplace where construction and other works are performed and whose incomplete list is given in Annex I. of this Ordinance [↑](#footnote-ref-51)
51. Substantial means retrenchment of more than 50 persons or 5% of the total number of employees within a three month period [↑](#footnote-ref-52)
52. Substantial means retrenchment of more than 50 persons or 5% of the total number of employees within a three month period [↑](#footnote-ref-53)
53. *Responsible person who has completed the Questionnaire is authorised to represent the company and guarantees under moral, material and criminal responsibility that the data provided are correct and true* [↑](#footnote-ref-54)
54. Sea, sea-coast and islands, waters, airspace, mineral resources and other natural resources, but also land, forests, flora and fauna, other parts of nature, real estate and things of special cultural, historical, economic and ecological significance [↑](#footnote-ref-55)
55. ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT FORM

    To be completed by HBOR/PFI on the basis of:

    * Environmental and social impact assessment questionnaire completed by the loan applicant
    * Publicly available data / controversies related to the business operations of the loan applicant
    * Insight into available documentation and permits
    * Interviews with and visits to the client (if necessary)

    [↑](#footnote-ref-56)
56. Analysis and evaluation/assessment of the impact on the environment and society is done only for the established risk category – MODERATE RISK.

    There are no further obligations for LOW RISK (neither analysis not assessment of impact). [↑](#footnote-ref-57)
57. Compliance with legal obligations [↑](#footnote-ref-58)
58. In relation to the legal obligations in the Republic of Croatia [↑](#footnote-ref-59)
59. Of HBOR towards WB [↑](#footnote-ref-60)
60. High risk – as defined in WB Environmental and Social Directive for Investment Project Financing [↑](#footnote-ref-61)
61. Substantial risk – as defined in WB Environmental and Social Directive for Investment Project Financing [↑](#footnote-ref-62)
62. Moderate risk – as defined in WB Environmental and Social Directive for Investment Project Financing [↑](#footnote-ref-63)
63. Low risk – as defined in WB Environmental and Social Directive for Investment Project Financing [↑](#footnote-ref-64)
64. If the subproject is approved, HBOR / PFI establishes the process of monitoring whether the requirement of compliance with the legal regulations and the plan for corrective measures (defined during the Assessment or Monitoring) is met. [↑](#footnote-ref-65)
65. For the purposes of periodic reporting, the Sub-loan Beneficiary shall complete the Questionnaire: ENVIRONMENTAL AND SOCIAL MONITORING REPORT. [↑](#footnote-ref-66)
66. Reporting obligation SEMI-ANNUALLY and IMMEDIATELY in case of a significant accident / incident / event. [↑](#footnote-ref-67)
67. *Bituminous shales* are rocks with a certain percentage of bitumen, from which fuel distillates are obtained by heating. (source: Croatian encyclopedia, online edition. Leksikografski zavod Miroslav Krleža, 2020) [↑](#footnote-ref-68)
68. *Cogeneration* is a process of simulatneous production of electricity and useful thermal energy in a single process. Cogeneration uses waste heat generated by the usual production of electricity in thermal power plants. (source: HROTE – Croatian Energy Market Operater) [↑](#footnote-ref-69)
69. *Fissionable material* is material whose atomic nuclei can go into spontaneous or nuclear fission, and *fertile material* is material that can be converted into fissile material by neutron firing. (source: Struna – Hrvatsko strukovno nazivlje [Croatian Special Field Terminology base]) [↑](#footnote-ref-70)
70. *Greenfield facilities* are facilities built on a new location, whereas *brownfield facilities* involve construction on an existing location, i.e. modification, upgrade or modernisation of an existing facility. [↑](#footnote-ref-71)
71. *Land reclamation* is the preparation of infertile soil for plant production by improving its properties (e.g. drainage of excess water, soil irrigation, deforestation – forests and shrubbery, extraction of tree stumps, earthworks to create a suitable soil configuration, turning the soil mass, changing pedological horizons, deep scarifying, blasting explosives, fertilisation etc.). (source: Croatian Encyclopedia, online edition. Leksikografski zavod Miroslav Krleža, 2020) [↑](#footnote-ref-72)
72. Tanning is a procedure of processing and preserving raw animal fur or skin (source: Proleksis encyclopedia, online edition. Leksikografski zavod Miroslav Krleža, 2012). [↑](#footnote-ref-73)