**Croatian Bank for Reconstruction and Development (HBOR)**

**Helping Enterprises Access Liquidity in Croatia (P172024)**

**ENVIRONMENTAL and SOCIAL**

**COMMITMENT PLAN (ESCP)**

**March 2021**

**ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN**

1. Croatian Bank for Reconstruction and Development - HBOR (hereinafter the **Borrower**), the Financial Intermediary, will implement **Helping Enterprises Access Liquidity in Croatia** (P172024) (the **Project**), with the involvement of participating financial institutions (PFIs). The International Bank for Reconstruction and Development (hereinafter the Bank) has agreed to provide financing for the Project.
2. **The Borrower will implement material measures and actions so that the Project is implemented in accordance** with the Environmental and Social Standards (**ESSs**). This Environmental and Social Commitment Plan (**ESCP**) sets out material measures and actions, any specific documents or plans, as well as the timing for each of these.
3. The Borrower will also comply with the provisions of any other E&S documents required under the ESF and referred to in this ESCP, such as Stakeholder Engagement Plan (SEP), ESMS documents (only in the WB supported part of the Portfolio), and the timelines specified in those E&S documents.
4. The Borrower is responsible for compliance with all requirements of the ESCP even when implementation of specific measures and actions is conducted by the Ministry, agency or unit referenced in 1. above.
5. Implementation of the material measures and actions set out in this ESCP will be monitored and reported to Bank by the Borrower as required by the ESCP and the conditions of the legal agreement, and HBOR will monitor and assess progress and completion of the material measures and actions throughout implementation of the Project.
6. As agreed by the Bank and the Borrower, this ESCP may be revised from time to time during Project implementation, to reflect adaptive management of Project changes and unforeseen circumstances or in response to assessment of Project performance conducted under the ESCP itself. In such circumstances, the Borrower will agree to the changes with Bank and will update the ESCP to reflect such changes. Agreement on changes to the ESCP will be documented through the exchange of letters signed between the Bank and the Borrower. The Borrower will promptly disclose the updated ESCP.
7. Where Project changes, unforeseen circumstances, or Project performance result in changes to the risks and impacts during Project implementation, the Borrower shall provide additional funds, if needed, to implement actions and measures to address such risks and impacts.

| **MATERIAL MEASURES AND ACTIONS** | | **TIMEFRAME** | **RESPONSIBILE ENTITY/AUTHORITY** |
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| **MONITORING AND REPORTING** | | | |
| A | **REGULAR REPORTING**  Prepare and submit to the Bank regular monitoring reports on the environmental and social performance of the Project, including but not limited to the implementation of the ESCP, status of preparation and implementation of environmental and social documents required under the ESCP, stakeholder engagement activities, performance of the grievance mechanism(s) and ESMS implementation. | Semi-annually (every 6 months) as part of Project progress reports, in the WB reporting template, throughout the Project implementation. | HBOR Project Implementation Unit (PIU) | |
| B | **INCIDENTS AND ACCIDENTS**  Promptly notify the Bank of any incident or accident related to the Project which has, 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 FI’s ESMS.  Require final beneficiary to provide sufficient detail regarding the incident or accident, occurred and potential impacts, findings, indicating 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, compensation paid or planned, and any other information needed, as appropriate.  As per Bank’s request, prepare a report on the incident or accident and propose any additional corrective or preventative measures, including review and update of ESMS.  Specify in subsidiary loan agreement with PFIs that prompt notification of accidents and incidents are to be included under PFIs ESMS, satisfactory to HBOR and the Bank. | The incident reporting procedure prepared prior to loan effectiveness  and  maintained throughout Project implementation.  Notify the Bank within 48 hours after learning of the incident or accident | HBOR PIU | |
| **ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS** | | | |
| 1.1 | **ORGANIZATIONAL STRUCTURE**  HBOR will establish and maintain organizational structures within PIU, for the duration of the Project, with qualified staff and resources to support the management of environmental, social, health and safety (ESHS) risks and impacts of the Project including one environmental focal point appointed. If needed, additional staff will be recruited.  PFIs will assign and appropriately train staff for application of ESMS proportionate to the Project risk. This obligation will be defined in the subsidiary loan agreements PFIs as well as in the Operational Manual. | HBOR will designate the environmental and social (E&S) focal points by the project effectiveness.  PFIs will designate staff for environmental and social management of subloans, before initiation of any project activities. | HBOR | |
| 1.2 | **ENVIRONMENTAL AND SOCIAL ASSESSMENT**  HBOR will enhance the existing ESMS to meet ESF requirements, satisfactory to the Bank. ESMS will be fully operational and applied to the Project credit line activities. ESMS will be maintained and updated as needed during the Project implementation.  ESMS will include policies and procedures defining and organizing screening, monitoring and reporting activities relevant for, and proportional to, environmental and social risks of the Project supported activities. Screening will be carried out based on Environmental Questionnaire, IFC exclusion list, while excluding purchase of chemicals and pesticides, works, high and substantial risk activities (as defined in ESF and WB E&S Directive) and national legislation. enviromental and social due diligence of supported operations will scrutinize and ensure that national legislation requirements are met. Monitoring and reporting will be defined as part of ESMS following ESF requirements.  PIFs will upgrade the existing ESMS to apply to the project activities satisfactory to HBOR and the Bank.  The Bank will conduct prior review of screening for an initial five sub-projects of HBOR and from thereafter conduct supervision spot checks of ESMS application (proportionate to the Project risk and to WB supported credit line) for a set of sub-projects. | HBOR will upgrade the existing ESMS, and ensure it is satisfactory to the Bank, not later than 30 days after the Project effectiveness. ESMS provision will apply during the entire length of the Project implementation.  PFI’s will enhance any existing ESMS (if/where needed) or develop the ESMS (for PFIs with no existing ESMS) to meet ESF requirements, subject to HBOR and the Bank approval prior to signing subsidiary loan agreement with HBOR. | HBOR PIU  HBOR PIU and PFIs | |
| **ESS 2: LABOR AND WORKING CONDITIONS** | | | |
| 2.1 | **LABOR MANAGEMENT PROCEDURES**  The Project shall be carried out in accordance with the applicable requirements of ESS2 and national Labor Act, in a manner acceptable to the Bank, and implementing adequate occupational health and safety measures (including emergency preparedness and response measures). | Maintained throughout Project implementation. | HBOR and PFIs | |
| 2.2 | **GRIEVANCE MECHANISM FOR PROJECT WORKERS**  Consistent with national Labor Act and regulations and ESS2 requirements, develop, maintain, and operate a grievance mechanism (GM) for HBOR and PFIs in accordance with national legislation (Articles 133; 134; 135 and 136 of Labor Act). | A GM will be operational and maintained throughout Project implementation. | HBOR and PFIs | |
| 2.3 | **OCCUPATIONAL HEALTH AND SAFETY (OHS) MEASURES**  Ensure implementation of occupational health and safety measures (OHS) for project workers in accordance with national legislation and ESS2 requirements. | OHS measures will be applied and enforced throughout Project implementation. | HBOR and PFIs | |
| **ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT** | | | |
| 3.1 | **RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT**  Relevant aspects of this standard shall be considered, as needed, under action 1.2 above.  Significant impacts are prevented trough the project design, and Project Exclusion List. The potential issues related to the project such as air emissions, water use, water releases, energy efficiency and waste management at the sub-project level will be mitigated through implementation respective national laws and regulations. | HBOR and PFIs will ensure Project beneciaries apply it throughout Project implementation. | HBOR and PFIs | |

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| **ESS 4: COMMUNITY HEALTH AND SAFETY** | | | |
| 4.1 | **COMMUNITY HEALTH AND SAFETY**  Since the project is supporting working capital, no specific social risks and impacts (such as behavior of project workers labor influx., sexual exploitation and abuse or harassment are expected. | HBOR and PFIs will ensure this is maintained throughout the project | HBOR and PFIs |

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| **ESS 5: LAND ACQUISITION, RESTRICTIONS ON LAND USE AND INVOLUNTARY RESETTLEMENT** | | | |
| 5.1 | Not relevant to the Project |  |  |
| **ESS 6: BIODIVERSITY CONSERVATION AND SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES** | | | |
| 6.1 | Not Relevant to the Project |  |  |
| **ESS 7: INDIGENOUS PEOPLES/SUB-SAHARAN AFRICAN HISTORICALLY UNDERSERVED TRADITIONAL LOCAL COMMUNITIES** | | | |
| 7.1 | Not Relevant to the Project |  |  |
| **ESS 8: CULTURAL HERITAGE** | | | |
| 8.1 | Not Relevant to the Project |  |  |

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| **ESS 9: FINANCIAL INTERMEDIARIES** | | | |
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| 9.1 | **ESMS**  HBOR and PFIs will upgrade the existing ESMS, maintain it and satisfactorily apply the ESMS proportional to the Project risks ( moderate), acceptable to the Bank.  All changes to the HBOR’s ESMS, instigated during the Project will be a subject of the Bank’s approval.  Obligation of the PFIs to establish ESMS acceptable to HBOR and the Bank will be defined in the HBOR’s ESMS, subsidiary loan agreement and Project Operational Manual POM).  HBOR’s ESMS and Project Operations Manual will include guidelines for establishment and operation of PFIs ESMS. HBOR will assist PFIs in establishment and maintenance of their ESMS through trainings and review. | HBOR’s and PFIs’ ESMS to be maintained and operated, throughout Project implementation.  Obtain No Objection from the Bank before making changes to the ESMS.  PFIs’ ESMSs reviewed and approved by HBOR and the Bank prior to signing subsidiary loan agreements. Bank’s approval of POM is an effectiveness condition, expected in April 2021.  Before PFIs lending at the sub-project level | HBOR and PFIs |
| 9.2 | **FI ORGANIZATIONAL CAPACITY**  HBOR will establish and maintain an organizational capacity and competency for implementing Project ESMSs with clearly defined roles and responsibilities described under action 1.1. | All defined experts to be assigned to PIU before effectiveness and commencing of the project activities. | HBOR |
| 9.3 | **SENIOR MANAGEMENT REPRESENTATIVE**  Designate a senior management representative to have overall accountability for environmental and social performance of FI subprojects. | Before the project effectiveness. | HBOR |
| 9.4 | **APPLICABLE E&S STANDARDS**  Apply Bank’s ESSs and national standards, as a part of the applicable ESMS, to sub-projects within the scope of this project. | Throughout project implementation. | HBOR |
| 9.5 | **PFIs**  Upgrade an existing ESMS to meet ESF requirements in line with HBOR’s ESMS, acceptable to the Bank, and report to HBOR on the performance, commensurate with the moderate level of risk and satisfactory to the Bank. | Before commencement of activities under the project for each respective PFIs and implemented throughout project duration. | HBOR and PFIs |
| **ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE** | | | |
| 10.1 | **STAKEHOLDER ENGAGEMENT PLAN PREPARATION AND IMPLEMENTATION**  Prepare, disclose, adopt, and implement a Stakeholder Engagement Plan (SEP) consistent with ESS10, in a manner acceptable to the Bank. | The SEP shall be updated as necessary and implemented throughout the Project implementation. | HBOR  Funding from HBOR |
| 10.2 | **GRIEVANCE MECHANISM** Accessible grievance mechanism (GM) and grievance arrangements shall be made publicly available to receive and facilitate resolution of concerns and grievances in relation to the Project, consistent with ESS10 in a manner acceptable to the Bank. | GM shall be prepared and operationalized no later than 30 days after the Project Effectiveness Date and will be used throughout Project implementation. | HBOR  Funding from HBOR |
| **CAPACITY SUPPORT (TRAINING)** | | | |
| CS1 | World Bank will provide training in Project relevant ESF requirements to HBOR PIU. | No later than 10 days into the effectiveness. | World Bank |
| CS2 | HBOR PIU will train relevant HBOR staff in ESMS and ESF requirements. | No later than 60 days into effectiveness and throughout project implementation. | HBOR PIU |
| CS2 | HBOR PIU will train PFIs environmental and social designated staff in HBOR’s ESMS and ESF requirements if needed. | Prior to signing of subsidiary loan agreement. | HBOR PIU |