



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 08/29/2019 | Report No: ESRSC00700



BASIC INFORMATION

A. Basic Project Data

| | | | |
|----------------------|------------------------------|--------------------------|----------------------------|
| Country | Region | Project ID | Parent Project ID (if any) |
| Croatia | EUROPE AND CENTRAL ASIA | P167247 | |
| Project Name | Justice for Business Program | | |
| Practice Area (Lead) | Financing Instrument | Estimated Appraisal Date | Estimated Board Date |
| Governance | Investment Project Financing | 11/4/2019 | 12/18/2019 |
| Borrower(s) | Implementing Agency(ies) | | |
| Ministry of Finance | Ministry of Justice | | |

Proposed Development Objective(s)

The Project Development Objective is to improve the business environment by enhancing the efficiency and the quality of regulatory procedures and judicial services.

Public Disclosure

| Financing (in USD Million) | Amount |
|----------------------------|---------------|
| Total Project Cost | 110.34 |

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The Project will promote high-level government support for implementation of several key policy initiatives with the objective to improve the business environment in Croatia by supporting further improvements in the justice sector, implementation of the e-Croatia’s digital agenda, and the reduction of regulatory uncertainty and administrative burden.

The Project has two components. Component 1. is a results-based component that will finance against Disbursement-Linked Indicators (DLIs) related to improving the business environment and the quality and efficiency of judicial services, which are expected to reduce the administrative burden for businesses to interact with government.



Component 2. is an investment component that will finance improvements in the justice sector infrastructure management, including the rehabilitation and renovation of selected court facilities. This will contribute to improved quality of judicial services to businesses and other users. Initiatives to be supported under the two components are aligned with, and complement, the Government's 2019 NPR priorities and other ongoing activities.

Component 1 – Enhancing and Streamlining the Regulatory Framework and Judicial Services for Businesses (Results-Based Component, EUR 50MM).

The objective of this component is to streamline processes and services provided by the government to businesses. The component comprises three subcomponents: (a) removing regulatory barriers for market entry; (b) reducing transaction costs and increasing transparency in government-to-businesses services; and (c) accelerating dispute resolution procedures. The proposed operation will reimburse relevant Government expenditures from the National Budget upon achievement of agreed results indicators and targets as preliminarily described in each sub-component. Specific budget lines to be reimbursed will be identified as part of project preparation.

Component 2 - Strengthening investment and infrastructure management and rehabilitation of judicial facilities (Investment Component, EUR 55MM)

The objective of this component is to improve public investment management in the justice sector, including the adoption of modern resource management tools, and investment in the physical rehabilitation of up to 4 courts/judicial facilities. Component 2 includes two subcomponents: (a) Rehabilitation of court buildings and (b) institutional strengthening of MoJ's investment management and M&E capacity.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The project will support physical rehabilitation of up to four courts in Croatia, selected based on the following criteria: i) level of caseload, ii) level of business activity, and iii) focus on the lagging regions. The selected locations include the Zagreb Municipal Court, and judicial facilities in Vinkovci, Kutina and Varazdin. The upgrade will focus on improving the internal workflow in court registries and archives, enhancing the user interface and accessibility (including for disabled persons); the refurbishing of judges' chambers, and courtrooms; and the upgrading of energy efficiency standards (building envelope, heating and cooling system). There will be no change in the building footprints, but an additional floor will be added to Varazdin building. All buildings to be rehabilitated are located in urbanized areas. Zagreb Municipal court is located in the wider city center and was built from 1962 to 1970. The building was designed by Ninolav Kucan, architect and is protected as local cultural heritage site. Zagreb is the capital and the largest city of Croatia. It is located in the northwest of the country, along the Sava river, at the southern slopes of the Medvednica mountain. Zagreb lies at an elevation of approximately 122 m (400 ft) above sea level. The estimated population of the city in 2018 is 810,003. The population of the Zagreb urban agglomeration is about 1.2 million, approximately a quarter of the total population of Croatia. Vinkovci court building was built in 1868 and is cultural heritage site. Vinkovci, with the population of 34,300 (2018) is located in the eastern part of the Slavonia region, most eastern part of the country. The town lies in a flatland on the Bosut river, at an elevation of approx. 90 meters, and has a mild continental climate. Kutina court is located in a wider city center, and the building which was constructed in 1963 is not a cultural heritage site. Kutina is a town in central Croatia (70 km eastern from Zagreb). The town population is around 13,500. Varazdin court is located in the city center. The town population is around 47,000. The building itself was constructed in 1960'. The building is located in cultural heritage area, with binding spatial and cultural heritage protection rules but the building itself is not a cultural heritage site. Croatia's territory covers 56,594 km² bordered by



Bosnia and Herzegovina and Serbia in the east, Slovenia in the west, Hungary in the north and Montenegro and the Adriatic Sea in the south, it lies mostly between latitudes 42° and 47° N and longitudes 13° and 20° E. Croatia's territorial waters encompass 18,981 square kilometers wide zone, and its internal waters located within the baseline cover an additional 12,498 square kilometers. The Pannonian Basin and the Dinaric Alps, along with the Adriatic Basin, represent major geomorphological parts of Croatia. Lowlands make up the bulk of Croatia, with elevations of less than 200 meters above sea level. Most of the lowlands are found in the northern regions, especially in Slavonia, itself a part of the Pannonian Basin plain. The greatest concentration of ground at relatively high elevations is found in the Lika and Gorski Kotar areas in the Dinaric Alps, but high areas are found in all regions of Croatia to some extent. Croatia's Adriatic Sea mainland coast is 1,777.3 kilometers long, while its 1,246 islands and islets encompass a further 4,058 kilometers (2,522 mi) of coastline—the most indented coastline in the Mediterranean. Karst topography makes up about half of Croatia and is especially prominent in the Dinaric Alps, as well as throughout the coastal areas and the islands. 62% of Croatia's territory is encompassed by the Black Sea drainage basin. The area includes the largest rivers flowing in the country: the Danube, Sava, Drava, Mur and Kupa. The remainder belongs to the Adriatic Sea drainage basin, where the largest river by far is the Neretva.

D. 2. Borrower's Institutional Capacity

The project will build on the Bank's previous and current engagement in judiciary sector in Croatia. The implementing agency will be the Ministry of Justice (MoJ) who will lead and coordinate project activities and will be responsible for an overall implementation of environmental and social standards. The MoJ staff is highly educated and has gained experience in implementing the WB safeguards policies under the Justice Sector Support Project (2009 - 2014) and the ongoing Integrated Land Administration Support Project . It is expected that the level of expertise and capacity will be adequate to implement the Environmental and Social Standards (ESSs) in line with new ESF requirements. Since both Bank's environmental and social safeguards specialists are based in Zagreb, and since the MoJ staff did not until now participate in ESF training, training for the staff involved in project preparation and implementation will be organized prior to appraisal and capacity building will continue on an ongoing basis throughout the project implementation. The MoJ will ensure that the Bank's environmental and social criteria are adequately applied in the four locations of the court buildings to be rehabilitated. Safeguards compliance of the two Bank funded projects mentioned above has been satisfactory. No significant gaps in the implementation of the mitigation measures defined in the respective ESMPs and good construction practices implemented on the field have been observed.

Public Disclosure

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The project environmental risk is moderate and is predominately linked to rehabilitation of four existing court buildings. Given that these are general and small-scale construction activities, the potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the Project activities are not complex nor large, do not involve activities that have a high potential for harming people or the environment, and all of the project sites are located away from environmentally or socially sensitive areas. As such, the potential risks and impacts are (i) predictable and expected to be temporary and/or reversible; (ii) low in magnitude; (iii) site-specific, without likelihood of impacts beyond the actual footprint of the Project; and have (iv) low probability of serious adverse effects to human health and/or the environment. These impacts most commonly include: a) dust and noise due to excavation, demolition and construction; b) management of demolition / construction wastes and



accidental spillage of machine oil, lubricants, etc., c) possible management of small amount of hazardous materials and waste like asbestos or paints and varnishes ; d) traffic disturbance; e) small scale surface or ground water pollution; f) soil pollution or erosion; g) workers safety and h) on cultural heritage sites as two buildings to be rehabilitated under project are protected and in some cases, although quite unlikely cultural heritage chance finds. The Project’s risks and impacts can be easily mitigated in a predictable manner.

No adverse impacts on biodiversity and habitats are expected. The project builds on the Bank’s previous and current engagement in justice sector in Croatia. The implementation of site specific ESMPs for four court buildings supported under Justice Sector Support Project (2009 - 2014), was satisfactory. No significant gap in the implementation of the mitigation measures defined in the ESMP and good construction practices implemented on the field were observed during project implementation. The capacity for managing and implementing construction activities is adequate in MoJ, nonetheless, it will be further built around ESF through the project preparation and implementation period.

Social Risk Rating

Moderate

The project social risk is moderate as the IPF Component - Strengthening Investment and Infrastructure Management and Rehabilitation of Judicial Facilities - will be site-specific (four defined locations of court buildings) with no impacts beyond the footprint of the existing court buildings. No land acquisition will be required and the interior works are small in magnitude (energy efficiency upgrade; interior remodeling) and as such will have impacts that can be easily and predictably mitigated. Risk related to labor influx is minimal given the nature of small-scale nature of interior works of judicial facilities. Regular operation and functioning of the four courts will remain during the planned works so the beneficiaries will have a continuous and uninterrupted access to judiciary services. Environmental and social due diligence is being undertaken in-house and included a review of national legislation primarily focused on employment and labor conditions; occupational health and safety; grievance redress mechanism; cultural heritage practices and the existing capacity and track record of the MoJ in implementing World Bank safeguards policies. In terms of Labor and Working Conditions (ESS2), based on the due diligence review findings, national legislation is compliant with ESS2 requirements and no gaps have been identified. Croatia, as a European Union (EU) Member country, has harmonized and incorporated EU Directives of labor and employment acts in line with international best practices. Croatia is a member state of ILO since 1992 and all acts and regulations related to social dialogue/tripartite consultations; employment and labor (inclusive of elimination of forced and child labor); equality of opportunity and treatment; collective bargaining; grievance redress and labor dispute settlement; sustainable social security system, freedom of association, etc., are in compliance with International Labor Standards. Whether these laws and regulations are adequately implemented and enforced will be assessed during preparation. The same applies for occupational health and safety (OHS) issues that are fully in line with the ESS2 requirements.

Public Disclosure

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

ESS1 applies to the project due to the environmental risks associated with project activities, more specifically planned rehabilitation of court buildings under Component 2 - Strengthening investment and infrastructure management and rehabilitation of judicial facilities . The four specific court buildings to be rehabilitated that are confirmed at this stage



are at the locations of Zagreb, Varazdin, Vinkovci and Kutina. The conceptual design of three (for Vinkovci, Zagreb, and Kutina) of the four buildings is ready at this stage. Potential environmental risks and impacts are predictable and expected to be temporary and reversible, low in magnitude, and site specific. These impacts most commonly include: a) dust and noise due to excavation, demolition and construction; b) management of demolition / construction wastes and accidental spillage of machine oil, lubricants, etc., c) possible management of small amount of hazardous materials like asbestos or paints and varnishes; d) traffic disturbance; e) small scale surface or ground water pollution; f) soil pollution or erosion; g) workers safety; and h) impacts on cultural heritage sites and in some cases, although quite unlikely, cultural heritage chance finds . In addition, special attention to safety of employees, other users of the building and visitors will be put through mitigation measures as some of the works might go in parallel with the court operation. In most cases such impacts can be mitigated readily through good construction practice, environmental permitting process and through implementation of site-specific ESMP checklists. A site-specific ESMP checklist is proposed to tackle typical mitigation approaches to common civil works contracts with localized impacts. Given that location of court buildings is known and design is prepared for three of those, the MoJ will prepare three site specific ESMP checklists prior to appraisal. As the project might support preparation of design for the Varazdin building, ESMP checklist for the Varazdin court will be prepared during project implementation but in advance of construction activities at Varazdin. Project Environmental and Social Commitment Plan will indicate timeline, responsibility and due diligence for the Varazdin ESMP checklist. These site specific documents will constitute an integral part of bidding documents for contractors. Site specific ESMP checklist will be timely disclosed and discussed with public. Special condition for construction and mitigation measures will be issued by cultural heritage protection departments in Zagreb, Varazdin and Vinkovci, relative to the status of protection. ESMP checklist will have a site specific annex that will identify cultural protection measures and monitoring. It will also provide specific guidance on workers' OHS measures and safety of employees and visitors during the implementation of works as in some cases rehabilitation activities might be in parallel with the regular court operation activities. Prior to project appraisal following documents will be prepared and disclosed: a) Environmental and Social Plan Checklist (ESMP Checklist) for courts in Vinkovci, Zagreb and Kutina; b) Labor Management Procedure for project workers, and c) Stakeholder Engagement Plan (SEP) with consultation schedule for each of the four locations.

Areas where “Use of Borrower Framework” is being considered:

Croatia’s Environmental and Social legislation is not being proposed to be applied in whole or in part for this project. This will be further assessed during project preparation.

ESS10 Stakeholder Engagement and Information Disclosure

ESS 10 is relevant for the Project as one of its targets is improved efficiency for citizens and businesses and improved judiciary staff work environment and user interface. Some preliminary stakeholder engagement activities have already been initiated where court's users have ' expressed needs for improved reception areas/entrances and ; judges who have expressed need for improved office space (currently 3 to 4 judges are in one office). Shortage of courtrooms to hold open trials and conduct other court proceedings has been raised as well. City mayors have been consulted as well as well as other interested parties. standards. In order to focus on addressing the infrastructure gaps, the project will also focus on improving the internal workflow in court registries and archives, and enhancing the user interface and accessibility. Direct users of judicial facilities in the four towns and other relevant stakeholders will be identified, mapped and analyzed during project preparation and before appraisal. A Stakeholder Engagement Plan (SEP) with consultation schedule for each of the four locations will be developed and disclosed by appraisal, As



required, it will have a Grievance Redress Mechanism (GRM) the specificities of which will be elaborated by appraisal.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

ESS2 is relevant to the project. The project footprint is relatively small and does not entail a significant amount of labor as the interior rehabilitation works will be small scale so it is unlikely that large number of workers would be needed.. Project workers will include MoJ staff, consultants and contracted /subcontracted workers. Project activities will not require hiring of community workers. Based on the due diligence done, the national legislation meets objectives, requirements and prescriptions of ESS2 on Working Conditions and Management of Workers Relationships; Protecting the Workforce and Occupational Health and Safety (OHS issues and grievance mechanism). As currently envisioned, the project will be implemented by the MoJ staff (mainly from sectors of judicial infrastructure and strategic planning) who are civil servants who will remain subject to the terms and conditions of their existing public sector employment agreement. As already stated, there are no gaps between national legislation and ESS2 prescriptions. No instances of child or forced labor are likely to happen under the Project as legislation on employment and labor are fully harmonized with ILO conventions and EU Directives inclusive of convention on forced labor and convention on elimination of child labor and protection of children and young persons. Whether these laws and regulations are adequately implemented and enforced will be assessed during preparation. Potential institutional capacity strengthening may be required through hiring of a few consultants to perform specialized tasks such as procurement, financial management and environmental and social safeguards functions. These consultants would be part of project implementing unit and paid through the loan funds. This will be specified in the ESCP if they have not been hired by appraisal. The project will also deploy contractors and subcontractors for rehabilitation of judicial facilities but the number of workers to be contracted/subcontracted is not known yet. A Labor Management Procedure (LMP) will be developed for the project and LMP preparation process will outline the potential number and categories of workers involved. Civil works contractors will prepare contractors' LMP which will be prepared before project appraisal.

Based on the screening, no gaps have been identified in national labor legislation with regards to occupational health and safety issues stipulated in ESS2. In 2014 a new Act on Occupational Safety (OG 71/14) entered into force. The Act introduces for the first time measures to protect workers from psycho-social risks (stress) and psycho-physiological 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. Notwithstanding the alignment with the ESS2 provisions, the MoJ will prepare labor management procedures (LMP) for direct, contracted and subcontracted workers in line with the LMP template. It is not expected that primary supply workers are relevant as the project will unlikely source goods or materials from a single supplier on an on-going basis, however, it will be determined during preparation. The Ministry of the Labor and Pension System is the main administrative body for labor, safety and health at work in the Republic of Croatia. Its Labor Inspectorate publishes annual report of its work (the 2018 report was issued in March 2019 at the Ministry site: <http://www.mrms.hr/wp-content/uploads/2014/03/Izvješće-o-radu-Inspektoratarada-u-2018.-s-prilozima.pdf>)

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant to the project. Project activities will contribute to better resource efficiency as the rehabilitation of court buildings will include energy efficiency measures like improved insulation and heating efficiency. The project will not be significant user of water or material resources. The ESMP Checklists, will include mitigation measures avoid or minimize the release of pollutants like asbestos, lubricants, paints, etc. These would especially relate to air pollution like dust suppression, noise management related to works and equipment, organized waste management (predominately construction waste), management of hazardous substances like paint and varnishes, all typically associated with small scale construction. The rehabilitation activities will not require substantial material sourcing that would be relevant to this Standard.

ESS4 Community Health and Safety

ESS4 is relevant to the project. Since the project's civil works will mainly be undertaken in or around court buildings, maintaining the health and safety of employees and visitors, and nearby communities throughout the construction phase is critical. Movement of heavy goods vehicles can lead to accidents. Construction in such premises can also disrupt operation through dust emission, noise, increased generation of solid waste, etc. Potential threats to people and communities may be posed by uncovered or barricaded or not signage spots such as open holes, open electric cables, etc. The project will ensure safety of staff and other visitors during the rehabilitation works by identifying relevant measures in ESMP Checklist and adopting adequate OHS protocols following WBG EHS Guidelines. Those will be reflected in site specific environmental due diligence documents. Partition of construction area by putting in place fences, signaling, mitigation measures to control excessive noise and dust levels, and secure access to the area in the building for the office workers and public use will be ensured through a robust mitigation and management plan in site-specific ESMP Checklists. It is to be noted that the concept of universal access in the design and civil works will be respected. The Construction Law of 2004 introduced provisions of universal access to all public and business buildings/areas. So, judicial buildings are already accessible for people with disabilities and include the provision of wheelchair ramps, but the project might support construction of additional elevators and further improvements of business area accessibility. Given a small-scale nature of civil works primarily focused on court buildings rehabilitation the impact and risk on community's health and safety is expected to be minor and manageable. No risk with labor influx, gender-based violence (GBV) or security forces are expected under the project activities because the scale of civil works is very small so it is unlikely that large number of workers would be needed.



ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

No land acquisition will take place as the planned works will mainly be interior rehabilitation works of the four judicial facilities within the same physical footprint.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Potential environmental risks and impacts associated with this ESS have been screened and determined to be not currently relevant given the project’s context and timing.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

No indigenous people reside in Croatia.

ESS8 Cultural Heritage

The requirements of ESS8 apply to the project as the project involves works on that are likely to have risks or impacts on - court building in Varazdin which is located within a legally protected area / buffer zone; and buildings in Zagreb and Vinkovci are recognized as built cultural heritage site of local significance. For each of these sites a Cultural Heritage Management Plan with identified mitigation measures and monitoring, will be prepared in alignment with ESS8 and local, national, regional or international cultural heritage regulations and the Cultural Heritage Management Plan (CHMP) and consulted specifically prior to public disclosure with the relevant conservation / cultural heritage department . Template and required information for the CHMP will be defined prior to appraisal and used for Vinkovci and Zagreb sites, while for Varazdin site this template will be used after the design is over during project implementation. The plan itself will be included in the annex of Site specific ESMP checklist and part of the bidding documentation. The national legislation in Croatia related to cultural protection is developed and aligned with EU and international standards. The implementation of legislation is also satisfactory.

ESS9 Financial Intermediaries

The ESS9 is not relevant since no financial intermediaries will be party in the project implementation.

C. Legal Operational Policies that Apply

| | |
|--|-----------|
| OP 7.50 Projects on International Waterways | No |
| not relevant | |
| OP 7.60 Projects in Disputed Areas | No |
| not relevant | |

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

Public Disclosure



A. Is a common approach being considered?

No

Financing Partners

No common approach has been considered and the World Bank will be the only financing partner for the Project.

B. Proposed Measures, Actions and Timing (Borrower's commitments)

Actions to be completed prior to Bank Board Approval:

Development of Environmental and Social Management Plan Checklists (ESMP Checklist) document for Vinkovci, Zagreb, and Kutina.

Cultural Heritage Management Plans annexed to ESMP Checklist for Zagreb and Vinkovci.

Preparation of Labor Management Procedure

Preparation of Stakeholder Engagement Plan (SEP) with consultation schedule for each location.

Establishing Grievance Redress Mechanism at Project Level and/or Grievance Mechanism for all Direct and Contracted Workers.

Preparation of Environmental and Social Commitment Plan (ESCP).

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

Preparation of Environmental and Social Management Plan Checklists (ESMP Checklist) for Varazdin court building as the design will be prepared only during the project implementation. Project Environmental and Social Commitment Plan will state timeline, responsibility and due diligence for this ESMP checklist.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

14-Oct-2019

Public Disclosure

IV. CONTACT POINTS

World Bank

Contact: Andreja Marusic Title: Senior Private Sector Specialist

Telephone No: 473-0583 Email: amarusic@ifc.org

Contact: Alberto Leyton Title: Lead Public Sector Specialist

Telephone No: 473-9396 Email: aleyton@worldbank.org

Contact: Srdjan Svircev Title: Senior Public Sector Specialist

Telephone No: 5265+3713 Email: ssvircev@worldbank.org

Borrower/Client/Recipient

Borrower: Ministry of Finance



Implementing Agency(ies)

Implementing Agency: Ministry of Justice

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

| | |
|-------------------------|---|
| Task Team Leader(s): | Andreja Marusic, Alberto Leyton, Srdjan Svircev |
| Safeguards Advisor ESSA | Nina Chee (SAESSA) Cleared on 29-Aug-2019 at 08:17:52 EDT |