

ENVIRONMENTAL AND SOCIAL SAFEGUARD DOCUMENTATION FOR
ACCESS TO LONG TERM FINANCE PROJECT

**ENVIRONMENTAL AND SOCIAL MANAGEMENT
FRAMEWORK**

(ESMF)

Borrower: Joint Stock Company «The State Export-Import Bank of Ukraine»

Guarantor: Ukraine

**Kyiv,
October 2016**

Table of Contents

| | | | |
|-----------------------|--|---|-----------|
| 1. | | INTRODUCTION | 4 |
| 2. | | BACKGROUND | 5 |
| 3. | | ENVIRONMENTAL SCREENING | 5 |
| | 3.1. | Sub-project Screening | 5 |
| | 3.2. | Category A sub-projects | 7 |
| | 3.3. | Category B sub-projects | 7 |
| | 3.4. | Category C sub-projects | 10 |
| | 3.5. | Rules and Procedures for Environmental Sub-projects Screening | 10 |
| 4. | | LEGAL AND REGULATORY FRAMEWORK AND APPLICATION OF THE WB SAFEGUARDS | 13 |
| | 4.1. | Legal and Regulatory Framework of the Project Activity | 13 |
| | 4.2. | World Bank Safeguard Policies | 16 |
| | 4.3. | Comparison of Ukrainian and World Bank Requirements on Environmental Assessment | 17 |
| 5. | | SOCIAL ASPECTS | 17 |
| | 5.1. | Occupational Health and Safety Screening | 17 |
| | 5.2. | Occupational Health and Safety Monitoring | 18 |
| | 5.3. | Involuntary Resettlement Impacts and Screening | 19 |
| | 5.3.1 | Social Screening Process to Ensure Due Diligence in Safeguards Compliance | 19 |
| 6. | | ENVIRONMENTAL ASSESSMENT | 20 |
| | 6.1. | Environmental Assessment Documentation | 20 |
| | 6.2. | Public Consultation | 22 |
| | 6.3. | Review and Approval | 22 |
| | 6.4. | Disclosure | 23 |
| | 6.5. | Related Conditionalities and Responsibilities | 23 |
| | 6.6. | Prior and Post Review | 24 |
| 7. | | ENVIRONMENTAL AND SOCIAL MANAGEMENT PLANNING | 24 |
| | 7.1 | Arrangements for Environmental and Social Management | 24 |
| 8. | | MONITORING | 24 |
| 9. | | CAPACITY DEVELOPMENT | 25 |
| 10. | | REPORTING | 25 |
| Attachment I | Environmental Eligibility Checklist for the Existing Enterprise and Screening Criteria for the Proposed Project | | 26 |
| Attachment II | Project Environmental Information Sheet | | 27 |
| Attachment III | Environmental and Social Management Plan (ESMP) Format | | 28 |
| Attachment IV | Pest Management Plan (PMP) Format | | 30 |

Abbreviations and Acronyms

| | |
|------|--|
| ALTF | Access to Long Term Finance Project |
| BE | Beneficiary enterprise |
| BP | Bank Procedures |
| CMU | Cabinet of Ministers of Ukraine |
| DBN | State Construction Norms |
| EA | Environmental Assessment |
| EIA | Environmental Impact Assessment |
| EIAR | Environmental Impact Assessment Report |
| ESIS | Environmental and Social Information Sheet |
| ESMF | Environmental and Social Management Framework |
| ESMP | Environmental and Social Management Plan |
| IBRD | International Bank for Reconstruction and Development |
| NGO | Nongovernmental organization |
| OHS | Occupational Health and Safety |
| OP | Operation Policy |
| PB | Participating Bank |
| PIU | Project Implementation Unit |
| PMP | Pest Management Plan |
| PP | Plant Protector |
| PPE | Personal Protective Equipment |
| SEE | State Ecological Expertise |
| SME | Small and Medium Enterprises |
| SSES | State Sanitary Epidemiological Service |
| UEB | Ukreximbank, JSC “The State Export-Import Bank of Ukraine” |
| WB | World Bank |
| WHO | World Health Organization |

1. INTRODUCTION

Environmental and social systems are continually under pressure worldwide as society endeavors to expand its development activities. Despite efforts of many nations and international organizations to adopt a more sustainable approach to development, we witness daily affronts to our environment. These are reflected in the continuing permanent losses of valuable natural resources that include agricultural soils, primeval forests, aquatic and other critical ecosystems, ocean fisheries, and species of animals and plants. These losses along with deteriorating air and water quality have serious economic costs, particularly the latter which often can be directly related to illnesses that have to be addressed by national health programs. Often the losses are small in any one instance but cumulatively they represent significant impacts to the environment and the economy.

The environment is the concern of everyone, not only governments but also to international watchdogs. Society as a whole has a responsibility to ensure that global resources are developed and managed on a sustainable basis and are protected for future generations. The various lending institutions that provide the necessary capital for development therefore have the responsibility to ensure that investments and working capital financed through them do not have an adverse impact on the environment. To this end, lending institutions must be aware of the effects that their financing actions can have on the environment and establish lending regulations and guidelines based on the concepts of sustainable development.

Investing in sound sustainable development makes good business sense. The world is increasingly becoming concerned with the state of the environment and many leading edge businesses already actively promote their own efforts towards sustainable and responsible environmental management. They recognize that such an approach provides a foundation for a strong and growing business. Loan officers, as part of their normal assessment and monitoring, should verify that loans meet a set of acceptable environmental parameters and that these investments will not cause or do harm to the environment.

The Loan would be utilized by Ukreximbank (UEB) for improving access to longer term finance for export oriented small and medium enterprises (SME).

The proposed Access to Long Term Finance Project (ALTF) includes two components: (1) wholesale lending through participating banks (PBs) and (2) direct lending by UEB. The credit line, guaranteed by the Ukrainian government, will be intermediated by UEB, which will be the Borrower and implementing agency.

Under Component (1), UEB will on-lend funds through PBs. UEB will select PBs pursuant to criteria agreed with the World Bank, and subject to no objection by the World Bank. The selected PBs will, in turn, provide sub-loans to export oriented SMEs, the final beneficiaries of the credit line. Under Component (2), UEB will act as a PB, lending directly to export oriented SMEs. Sub-loans under both Components will be for longer term investments and working capital financing.

All sub-projects to be financed under the ALTF Project will be subject to an environmental review process utilizing the procedures described in this Environmental and Social Management Framework (ESMF). This ESMF is intended to provide those responsible for assessing the viability of sub-projects simple step by step guidelines/procedures to ensure that the sub-projects receive the required attention from an environmental and social point of view. UEB and PBs will be required to follow these procedures as part of the overall appraisal of sub-borrowers/sub-projects. These procedures are consistent with both the environmental policies and regulations of the Government of Ukraine and the Bank (OP/BP 4.01 Environmental Assessment, Social Assessment Procedure).

2. BACKGROUND

The purpose of this ESMF document is to provide guidance to UEB, PBs and sub-borrowers for environmental assessment process to be followed in evaluating individual sub-projects to be considered for financial support from the ALTF Project. This framework document defines the contents, procedures and institutional responsibilities for Environmental Assessment (EA) of the sub-projects, whose purpose is to ensure that sub-projects are in compliance with both Ukrainian environmental regulations and in accordance with World Bank EA policies and procedures (OP/ BP 4.01 Environmental Assessment, Social Assessment Procedure).

The procedures will include the following aspects of sub-project preparation and implementation where applicable:

Preparation Phase

- Sub-project Screening
- Environmental Assessment (EA) Documentation
- Public Consultation
- Review and Approval
- Disclosure
- Related Conditionalities and Responsibilities
- Prior and Post Review

Implementation Phase

- Arrangements for Environmental Management
- Monitoring
- Capacity Development
- Reporting

In addition to the above, each beneficiary enterprise (BE) using pesticides in its activities has to be consistent with both relevant policies and regulations of Ukraine and the World Bank (OP 4.09 Pest Management). Therefore, the responsibility of each BE that envisions financing of pesticides under ALTF Project will be to arrange, jointly with respective PB, for a pest management plan, format of which is attached in the Attachment VI hereto. The PIU is keeping relevant Ukrainian legislation and regulations, and WB policy documents, on file and will provide them to PBs/BEs upon request.

3. ENVIRONMENTAL SCREENING

3.1. Sub-project Screening

The Sub-borrowers of Ukreximbank (UEB) and Participating Banks (PBs) are responsible for EA document preparation, public consultation, and disclosure. Sub-borrowers, UEB and the PBs undertake environmental screening of each proposed sub-project to determine the appropriate extent and type of EA. Sub-project screening will take into account the type of finance being considered, the nature and scale of anticipated sub-projects. Depending on the sub-project, environmental screening could be performed in two stages, including review of the sub-project based on Ukraine Environmental requirements and then screened and classified by loan officers of UEB and PBs into one of the three Categories (A, B, or C) based on World Bank OP/BP 4.01 Environmental Assessment procedure. Given the focus of this project and scope of the sub-projects, it is expected that the majority of sub-projects likely to be proposed would fall into Category B or C.

The first stage involves the normal review by Ukrainian environmental authorities if required by Ukrainian law, to determine if Environmental Expertise is required.

- The sub-borrower will discuss the proposed sub-project with appropriate local/regional or State Ukrainian environmental authorities and provide them the necessary information they

would require to estimate the environmental risks. Ukrainian environmental authorities will then screen the sub-project and determine if Environmental Expertise is required¹ or not and if the sub-project is in the list of projects with high environmental risks (Category A).

- The outcome of this first stage will be statement of said authorities whether Environmental Expertise is required or not required and if a full EIA is needed or not.

The second stage of screening will be performed by the UEB and PBs and confirmed by the UEB PIU based on World Bank OP/BP 4.01 Environmental Assessment procedure. The procedure will be as follows:

- The sub-borrower submits official government documentation to the UEB or PBs indicating whether Environmental Expertise required or not and if the sub-project is in the list of projects with high environmental risks
- UEB or PBs will then make an independent evaluation of sub-project eligibility and environmental assessment Category assignment based upon criteria of the existing facilities environmental performance (Items 1-4 of Attachment I) and World Bank EA screening policies for the proposed sub-project. If the existing facility is considered eligible, the proposed sub-project is assigned to one of three Categories: Category A, B or C using the World Bank environmental screening criteria presented as items 5, 6 and 7 in Attachment I in this Environmental and Social Management Framework. When Category is identified recommendations are given to the sub-borrower on further actions needed based on sub-project categorization.

Second stage of screening is provided to assess under which category (A, B or C) sub-project is falling.

The selection of the sub-project category should be based on professional judgment and information available at the time of sub-project identification. If the sub-project is modified or new information becomes available, Bank EA policy permits to reclassify a sub-project. For example, a Category B sub-project might become Category A if new information reveals that it may have diverse and significant environmental impacts when they were originally thought to be limited to one aspect of the environment. Conversely, a Category A sub-project might be reclassified as B if a component with significant impacts is dropped or altered. The option to reclassify sub-projects relieves some of the pressure to make the initial decision the correct and final one.

The selection of a screening category often depends also substantially on the sub-project setting, while the “significance” of potential impacts is partly a function of the natural and socio-cultural surroundings. There are a number of locations which should cause to consider an “A” classification:

- in or near sensitive and valuable ecosystems - wetlands, natural areas, habitat of endangered species;
- in or near areas with archaeological and/or historical sites or existing cultural and social institutions;
- in densely populated areas, where resettlement may be required or potential pollution impacts and other disturbances may significantly affect communities;
- in regions subject to heavy development activities or where there are conflicts in natural resource allocation;
- along watercourses, in aquifer recharge areas or in reservoir catchments used for drinking water supply; and
- on lands or waters containing valuable resources (such as fisheries, minerals, medicinal plants, agricultural soils).

¹ Ukrainian Environmental legislation defines list of objects which require Environmental Expertise. They are defined in Cabinet of Ministers of Ukraine Resolution # 808 as of 28-08-2013.

The World Bank's experience has shown that precise identification of the sub-project's geographical setting at the screening stage greatly enhances the quality of the screening decision and helps focus the EIA on the important environmental issues.

3.2. Category A sub-projects.

These sub-projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may be sensitive, irreversible, and diverse, with attributes such as direct pollutant discharges large enough to cause degradation of air, water, or soil; large-scale physical disturbances of the site and/or surroundings; extraction, consumption, or conversion of substantial amounts of forest and other natural resources; measurable modifications of hydrological cycles; hazardous materials in more than incidental quantities; and involuntary displacement of people and other significant social disturbances. The impacts are likely to be comprehensive, broad, sector-wide, or precedent-setting. Impacts generally result from a major component of the sub-project and affect the area as a whole or an entire sector. They may affect an area broader than the sites or facilities subject to physical works. The EA for a Category A sub-project examines the sub-project's potential negative and positive environmental impacts, compares them with those of feasible alternatives (including the "without project" scenario), and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A sub-project, the sub-borrower is responsible for preparing a report, normally a full EIA (or a suitably comprehensive regional or sectoral EIA).

The Category A sub-projects are provided in the "List of Increased Ecological Hazard Activities and Facilities", approved by the Resolution of CMU of 28.08.2013 #808.

Box 1 provides an indicative list of types of sub-projects typically classified as Category A.

| Box 1: An Indicative List of Category A sub-projects |
|---|
| <ul style="list-style-type: none"> • Large-scale infrastructure: ports and harbor development, transport (rail, road and waterways), large-scale water resources management (river basin development, water transfer); dams and large reservoirs, hydropower and thermal power, extractive industries and oil and gas transport; • Large-scale irrigation, drainage and flood control, aquaculture, agro industries and production forestry; • Major urban projects involving housing development, water treatment, wastewater treatment plants, solid waste collection and disposal; • Industrial pollution abatement, hazardous waste management, large-scale industrial estates, manufacture and large-scale use of pesticides; and • Sub-projects that, regardless of scale or type, would have severe adverse impacts on critical or otherwise valuable natural or cultural resources. • Land clearance and leveling; • Mineral development • Reclamation, new land development; • Resettlement and all sub-projects with potentially major impacts on people; • Thermal and hydropower development; • Manufacture, transportation, and use of pesticides or other hazardous and/or toxic materials |

3.3. Category B sub-projects.

Sub-projects in Category B often differ from A sub-projects of the same type only in scale. In fact, large irrigation and drainage sub-projects are usually Category A, however, small-scale sub-projects of the same type may fall into Category B, the same relates to aquaculture sub-projects and many others. Sub-projects entailing rehabilitation, maintenance or upgrading rather than new construction will usually be in Category B. A sub-project with any of these characteristics may have impacts, but

they are less likely to be “significant”. However, each case must be judged on its own merits. Many rehabilitation, maintenance and upgrading sub-projects as well as privatization sub-projects may require attention to existing environmental problems at the site rather than potential new impacts. Therefore, an environmental audit may be more useful than an impact assessment in fulfilling the EA needs for such sub-projects.

Depending on the type of sub-project, nature, location and magnitude of the impacts Category B sub-projects can also be categorized into two different sub-categories: Category B-high sub-projects (Substantial risk) and Category B-low sub-projects (Moderate Risk). Details are given below.

A proposed sub-project is classified as **Category B-high (*Substantial Risk*)** after considering, in an integrated manner, the risks and impacts of the sub-project, and determining the following:

- the sub-project may not be as complex as *Category A* projects, its ES scale and impact may be smaller (large to medium) and the location may not be in such a sensitive area. This would take into account whether the potential risks and impacts have the majority or all of the following characteristics;
 - they are mostly temporary, predictable and/or reversible, and the nature of the sub-project 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 sub-project, 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 *Category A* sub-projects;
 - 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 sub-project on areas of high value or sensitivity will be lower than *Category A* sub-projects;
- mitigatory and/or compensatory measures may be designed more readily and be more reliable than those of *Category A* sub-projects.
- the project 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 sub-projects, or changes to applicable legislation are being made, or enforcement is weak.
- There are some concerns over capacity and experience in managing stakeholder engagement but these could be readily addressed through implementation support.

A proposed sub-project is classified as **Category B-low (*Moderate Risk*)** after considering, in an integrated manner, the risks and impacts of the project, and determining the following:

- the potential adverse risks and impacts on human populations and/or the environment are not likely to be significant. This is because the sub-project is not complex and/or large, does not involve activities that have a high potential for harming people or the environment, and is located away from environmentally or socially sensitive areas. As such, the potential risks and impacts and issues are likely to have the following characteristics:
 - predictable and expected to be temporary and/or reversible;
 - low in magnitude;
 - site-specific, without likelihood of impacts beyond the actual footprint of the project

- low probability of serious adverse effects to human health and/or the environment (e.g., do not involve use or disposal of toxic materials, routine safety precautions are expected to be sufficient to prevent accidents, etc.)
- risks and impacts can be easily mitigated in a predictable manner.

Box. 2 provides an indicative list of Category B types of sub-projects.

| Box 2: An Indicative List of Category B sub-projects |
|--|
| <ul style="list-style-type: none"> • Small-scale infrastructure projects: power transmission and distribution networks, rural electrification, mini (run of the river with no major water impoundments) or micro-hydropower projects, small-scale clean fuel fired thermal power plants, renewable energy (other than hydropower), energy efficiency and energy conservation, rural water supply and sanitation, road rehabilitation, and maintenance; telecommunications, etc.; • Health care service delivery, HIV-AIDS, education (with limited expansion of existing schools/buildings), repair/rehabilitation of buildings when hazardous materials might be encountered (e.g., asbestos, stored pesticides); construction of new buildings greater than one or two rooms; and • Small-scale irrigation, drainage, agricultural and rural development sub-projects, rural water supply and sanitation, watershed management and rehabilitation, and small-scale agro-industries, tourism (small-scale developments). • Facilities designed for production of chemicals, production of lubricants from oil or processing of intermediary products, and recovery of waste oil; • Facilities where pesticides and pharmaceutical products, paints and waxes, elastomer based products and peroxides are produced or where elastomer based products are processed; • Soap or detergent production facilities; • Production or repairing of metal materials for railways or aircrafts; • Iron & steel or nonferrous metal facilities; • Textile; • Engines and motor vehicles production or assembly facilities; • Glass or fiberglass production facilities • Hide processing facilities (excluding facilities obtaining final products from processed hide) • All kinds of paper, cardboard or pasteboard production facilities; • Tire coating facilities; • Tire production facilities (inner tubes and tire covers for motor vehicles and airplanes, columns, tire cord, etc.); • Projects related to animal and plant products; • Mining Projects: <ul style="list-style-type: none"> - facilities with a capacity of 5,000 m³/year and above for the extraction and processing of marble blocks or pieces, decorative stones, and facilities with an annual capacity of 100,000 m² and above for cutting, processing and polishing marble; - extraction of a raw material, or any kind of processing thereof, in accordance with the Regulation for Quarries (25.000 m³/year and above) - extraction of 50,000 tons/year and above of salt, and/or all sorts of salt processing facilities • Clinker grinding facilities or facilities producing ready-mixed concrete or pre-stressed concrete components • Facilities producing brick or roof tiles (workshop-type of facilities excluded) • Facilities producing ceramic or porcelain (workshop-type of facilities excluded) • Lime factories |

3.4. Category C sub-projects.

An EIA or environmental analysis is normally not required for such sub-projects because the sub-project is unlikely to have adverse impacts; normally, they have negligible or minimal direct disturbances on the physical setting. Professional judgment finds the sub-project to have negligible, insignificant, or minimal environmental impacts. Beyond screening, no further EA action is required. Per national legislation the Category C sub-projects do not need to be passed through the formal procedures of EIA and SEE.

Box 3 provides an indicative list of Category C type sub-projects.

| Box 3: An Indicative List of Category C sub-projects |
|--|
| <ul style="list-style-type: none">• Education and Health projects not involving construction;• Rehabilitation of a limited number of small buildings (e.g., schools or health clinics where health care waste is not an issue); and• Institutional development, training and certain capacity building activities.• Manufacture of wood products/small scale furniture manufacturing, carving, crafting, etc.,• Small scale stone crafting,• Small scale meal fabrication and upgrading,• Small scale instruments and hardware manufacturing,• Software development and manufacturing,• Establishment and equipping of art, design and telecommunications studios,• Purchase of computer equipment,• Purchase of transportation equipment. |

3.5. Rules and Procedures for Environmental Sub-projects Screening

Introductory notes

Screening of each proposed sub-project for funding is to be undertaken in order to determine the appropriate extent and type of Environmental Impact Assessment as well as which one of ten World Bank's Policies will be triggered. The attribution of the sub-project type to WB's EA category and respectively, environmental risk that might be generated (i.e., high risk – by the Category A sub-projects; from substantial to moderate risk – by the Category B (B-high and B-low respectively) sub-projects, and from low to no risk - by the Category C sub-projects) is to some extent, an expert judgment.

Generally the significance of impacts and the selection of screening category accordingly, depend as specified above, on the *type* and *scale* of the sub-project, the *location* and *sensitivity* of environmental issues, and the *nature* and *magnitude* of the potential impacts.

In terms of type and scale of the sub-projects. Usually the following sub-projects are considered as having “significant” impacts and respectively should be qualified as Category A sub-projects:

- significantly affect human populations or alter environmentally important areas, including wetlands, native forests, grasslands, and other major natural habitats.
- “significant” potential impacts might be also considered the following: direct pollutant discharges that are large enough to cause degradation of air, water or soil;
- large-scale physical disturbance of the site and/or surroundings;
- extraction, consumption, or conversion of substantial amounts of forest and other natural resources;
- measurable modification of hydrologic cycle;
- hazardous materials in more than incidental quantities; and

- involuntary displacement of people and other significant social disturbances.

In terms of location. There are a number of locations which should be considered while deciding to qualify the sub-project as Category “A”:

- in or near sensitive and valuable ecosystems - wetlands, wild lands, and habitat of endangered species;
- in or near areas with archaeological and/or historical sites or existing cultural and social institutions;
- in densely populated areas, where resettlement may be required or potential pollution impact and other disturbances may significantly affect communities;
- in regions subject to heavy development activities or where there are conflicts in natural resource allocation; along watercourses, in aquifer recharge areas or in reservoir catchments used for potable water supply; and on lands or waters containing valuable resources (such as fisheries, minerals, medicinal plants, prime agricultural soils).

In terms of sensitivity. This is in the case when the sub-project might involve activities or environmental features that are always of particular concern to the Bank as well as to the borrower. These issues may include (but are not limited to): conversion of wetlands, potential adverse effects on protected areas or sites, involuntary resettlement, impacts on international waterways and other trans-boundary issues, and toxic waste disposal.

In terms of magnitude. There are a number of ways in which magnitude can be measured, such as the *absolute amount* of a resource or ecosystem affected, the *amount affected relative to the existing stock* of the resource or ecosystem, the *intensity* of the impact and its *timing* and *duration*. In addition, the *probability of occurrence* for a specific impact and the *cumulative impact* of the proposed action and other planned or ongoing actions may need to be considered.

Examples of sub-projects that fall under Categories A, B, and C are provided in the *Boxes 1-3* above. However, this list is just a starting point and framework for the screening decision. Because of other factors involved such as sub-project sitting, the nature of impacts, and the need for the EIA process to be flexible enough to accommodate them, the lists should not be used as the sole basis for screening.

As there is a general compliance between World Bank and national project categories liable to various types of the environment assessment while during conducting environmental screening it is necessary to take into consideration the following:

- *To the Category A sub-projects* will be attributed all planned activities which require a full EIA study and specified in the "List of Increased Ecological Hazard Activities and Facilities", approved by the Resolution of CMU of 28.08.2013 #808, - in case they attribute to newly planned activities/ enterprises, as well as those which the Ministry of Environment considers as sub-projects which also need a full EIA (sub-projects placed in or in the vicinity of environmentally sensitive areas and habitat of endangered species; in or near areas with archaeological and/or historical sites or existing cultural and social institutions).
- *To the Category B sub-projects* may be attributed all planned activities which may have adverse impacts on the environment but not listed in the specified “List of Increased Ecological Hazard Activities” but which may have some environmental and social impacts and for which the State Ecological Expertise is needed. Additionally, Category B might be attributed to those listed in above documents sub-projects/enterprises, which were already built and, respectively passed through the procedure of the State Ecological Expertise, but the purpose of funding is their upgrading/improvements. In these cases EIA is required only for their newly developing parts (construction, reconstruction, rehabilitation, expansion of industrial facilities, etc.).

- *To the Category C sub-projects* will be mainly attributed those which are expected to have minor impacts on environment and therefore are not needed to be passed through the formal procedures of EIA and SEE.

For Category C sub-projects beyond screening, no further EIA action is required. If the FIs and Sub-borrowers meet difficulties with WB categorization of sub-projects it should consult the PIU Environmental Specialist.

Types of sub-projects that will be not supported by the project

The project does not support the following sub-projects:

- (i) any investments related to wood harvesting and/or those that might have impacts on the forest health (Ref.: OP/BP 4.36 Forestry);
- (ii) production and processing of Genetically Modified Organisms (GMOs);
- (iii) located in protected areas, critical habitats or culturally or socially sensitive areas (Ref.: OP/BP 4.36 Forestry, OP/BP 4.04 Natural Habitats, OP/BP 4.11 Physical Cultural Resources);
- (iv) any sub-projects used to invest in a business which would require the involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to assets including standing crops, kiosks, fences and other (Ref.: OP/BP 4.12 Involuntary Resettlement);
- (v) large scale irrigation systems and sub-projects involving discharging waste waters directly in the international waterways, abstraction or diversion of international waters, sub-projects related to discharging waste materials in a location that could impact on international waters, construction of any dams that might affect international waters hydrological regime, etc. (Ref.: OP/BP 7.50 Projects on International Waterways).

The project will also not support other types of sub-projects that are specified in the IFC/WB Exclusion List (*Box 4*).

Box 4. The IFC/WB 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, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.*
- Production or trade in alcoholic beverages (excluding beer and wine).*
- Production or trade in tobacco.*
- Gambling, casinos and equivalent enterprises.*
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbounded 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.
- Production or activities involving harmful or exploitative forms of forced labor**/harmful child labor.***
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline,

kerosene, and other petroleum products.

- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

Notes:

* *This does not apply to sub-project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a sub-project sponsor's primary operations.*

** *Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.*

*** *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.*

4. LEGAL AND REGULATORY FRAMEWORK AND APPLICATION OF THE WB SAFEGUARDS

4.1. Legal and Regulatory Framework of the Project Activity

The Ukrainian legislative and regulatory base which governs environmental issues is quite comprehensive, sophisticated and sometimes contradictory. It consists of: international conventions, treaties, protocols and agreements ratified by the Parliament; laws; resolutions and decrees of the Cabinet of Ministers of Ukraine (CMU); orders of the Ministries. By Resolutions of the CMU and orders of the Ministries various norms, rules, standards and guidances, often jointly referred to as regulations are approved. To become legal, every piece of legislation has to be registered with the Ministry of Justice of Ukraine.

By-laws of numerous government bodies (Ministries, State Agencies, State Inspectorates, State Services and other central government organs) which define authority of the respective government organ and its branches on regional (oblast and district) level are also of major importance. This section of legislation underwent significant changes after the administrative reform of 2010, when the whole system of central government organs was changed.

The environmental aspects are also regulated by relevant legal provisions contained in other parts of the country's law (civil law, water code, land code, administrative legislation, criminal law, etc.). More specifically, these provisions specify the grounds and details of punitive actions/penalties of disciplinary, administrative, material and/or criminal nature, imposed on an environmental offender and related to the harm done by the offence, environmental risk, and severity of adverse impact produced.

Water Legislation

The legal framework for water management in Ukraine is provided in the Water Code (1995) and other legislative acts, designed to facilitate the conservation, sustainable and scientifically justified use, and restoration of water resources; the protection of waters against pollution, contamination and depletion; the prevention and mitigation of harmful effects of waters; the improvement of ecological state of water bodies; and the protection of water user's rights.

The main issues of the water supply and waste water sector are a permit to take water from the water source ("special water use" permit) and a permit to discharge treated or non-treated wastewater into the environment. These critical areas of legislation recently underwent significant changes in a wake of reorganization of the Ministry of Ecology and Natural Resources of Ukraine (Minpryrody) (new by-laws of the Ministry were approved by the Decree of the President of 13.04.2011 and accepted by the CMU 11.09.2013). One important novelty is that, since 18 May 2013, special water use permits are issued not by the Minpryrody, but by the Cabinet of Ministers of Crimea and oblast administrations (for water sources of national significance) and by Crimean Nature Protection

Committee and oblast councils (for water sources of local significance). The procedure for such permits, however, remained unchanged.

Key existing environmental regulations and standards in the field of water resource management include:

- Resolution by CMU "On the Order of Approval and Obtaining Permits for Special Water Use";
- Resolution by CMU "On the Procedure of Development and Approval of Pollution Discharge Limits and the List of Polluting Substances, for which the Discharge Limits are Set";
- State Sanitary Rules and Norms: "Drinking Water. Hygienic Requirements to the Centrally Supplied Drinking Water Quality";
- Order by the Ministry of Environment and Nuclear Safety of Ukraine "The Guidance on the Procedure for Developing and Setting the Discharge Limit Values for Polluting Substances Released into Surface Waters with Effluent Discharges";
- Regulation "On the Rules of Designing and Operation of the Sanitary-Protection Zones of the Sources of Drinking Water".

Air Protection Legislation

The legal and institutional frameworks and key environmental requirements in the field of ambient air protection are defined in the Law of Ukraine "On Ambient Air Protection" (1992). This Law aims to facilitate the maintenance and restoration of ambient air to its natural state, the provision of safe living conditions and environmental safety, and the prevention of harmful effects of ambient air on human health and environment.

Key existing regulations and standards in the field of air protection include:

- Resolution by the Cabinet of Ministers of Ukraine, approving the Regulation "On the Procedure for Determining the Level of Impacts on Ambient Air, Attributed to Physical and Biological Factors";
- Resolution by the Cabinet of Ministers of Ukraine, approving the Regulation "On the Air Emission Permitting Regime for Stationary Sources";
- Resolution by the Cabinet of Ministers of Ukraine, approving the Regulation "On the Execution of State Control Functions in the Field of Ambient Air Protection";
- Guidelines on Preparing the Inventory of Air Emissions and Sources;
- Maximum Admissible Concentrations and "Probable Safe Effect Levels" for Polluting Substances Present in the Ambient Air in the Populated Areas.

Waste Management Legislation

The legal framework for waste management in Ukraine is provided in the Law of Ukraine "On Waste" (1998) and other legislative acts, designed to regulate activity in order to avoid or minimize generation of waste, their storage and handling, the prevention and mitigation of harmful effects of waste generation, storage and handling on the environment and human health. This Law also covers the sphere of responsibility of Ministry of Ecology and Natural Resources, Ministry of Regional Development and Construction, several other ministries and local authorities.

Key existing regulations and standards in the field of waste management include:

- The Law of Ukraine "On Environmental Protection" (1999);
- The Law of Ukraine "On Sanitary and Epidemiological Well being of population" (1994);
- The Law of Ukraine "On Handling of Radioactive Wastes" (1995);
- The Law of Ukraine "On Metal Scrap" (1999);

- Resolution by the Cabinet of Ministers of Ukraine, approving the Regulation "On Governmental Accounting and Certification of Waste" (1999);
- Resolution by the Cabinet of Ministers of Ukraine, approving the Regulation "On Maintenance of Register of Waste Generation, Handling and Utilization Objects" (1998);
- Resolution by the Cabinet of Ministers of Ukraine, approving the Regulation "On Submission of the Declaration of Waste" (2016);
- Order by the State Committee on Standardization, Metrology and Certification, approving the "Waste Classifier" (1996).

Sanitary well-being

The Law "On Sanitary and Epidemiological Well-being of the Population" (1994) and regulations based on this law are of major importance for this sphere. The State Sanitary Epidemiological Service (SSES) within the Ministry of Health operates on the basis of this law and regulation and is responsible for enforcement of sanitary-epidemiological legislation. SSES oblast branches have rayon departments (one department serving one or several regions, and in each oblast there exist Oblast Laboratory Centers of SSES with their branches in districts.

Access to information and public participation

In Ukraine, the access to environmental information was ensured when the Parliament ratified the "Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters" in 1999. Several regulatory acts were developed by the Minpryrody, which specify provisions of this Convention.

Environmental Impact Assessment, State Ecological Expertiza

There is a special Law "*On Ecological Expertiza (Environmental Review)*" (1995), the scope of objects which are regulated (*Ecological Expertiza* in general) are listed in Article 7 (new legislative acts, new technologies, new materials, new substances and products with negative environmental impact). The Law also envisages the mandatory **State Ecological Expertiza** (by the government authority). According to Article 13 of the Law the list of activities and objects, for which the *State ecological expertiza* is required is determined in the "List of Increased Ecological Hazard Activities and Facilities ", approved by the Resolution of CMU of 28.08.2013 #808. The "no objection" decision of the *State ecological expertiza* is mandatory for such sub-projects.

Engineering survey, design and construction are regulated by the Minregion. There exists a whole set of design and construction norms and standards, including the State Construction Norms on Conducting *Environmental Impact Assessment Report* (EIAR) (DBN A.2.2-1-2003).

The key law which regulates all types of construction activities is the Law "On Regulation of City Planning Activity" of 12 March 2011. This law and the State Construction Norms "Contents of the Project Documentation for Construction" (DBN A.2.2-3-2014) prescribe what kind of documentation should be prepared for construction projects of different types, and how this documentation should be reviewed.

A full-scale EAIR (as stipulated by DBN A.2.2-1-2003, with materials of public consultations) is required only for projects of high environmental hazard (Article 31 of the Law "On Regulation of City Planning Activity"). To find out whether the project should be considered as such, a developer with the design organization should use criteria defined by the Law "On High Hazard Facilities" (2001) and Resolution by CMU "On Identification and Declaring of Safety of the Facilities of High Hazard" of 11.07.2002. Identification is the responsibility of the facility owner, and is based on the quantity of hazardous substance (e.g. chlorine). In addition to this, there exists a "List of Increased Ecological Hazard Activities and Facilities ", approved by the Resolution by CMU of 28.08.2013 and published in the official bulletin on 19.11.2013.

Part 2 of Article 31 of the Law “On Regulation of City Planning Activity” prescribes that an expert review (*expertyza*) of the design documentation is carried out by the licensed expert organizations in accordance with the rules set by the Resolution of the Cabinet of Ministers of Ukraine (CMU) of 11 May 2011 No 560. This Resolution specifies that the mandatory expert review, which includes environmental and sanitary-epidemiological components, should be conducted for the projects of IV and V categories of complexity. The rules of classification (what projects should be considered under IV or V categories) are defined by the Resolution by CMU of 27 April 2011 No 557. This classification is not related to "high hazard" objects described above, but takes into account number of people that could be permanently on site (over 300) or people outside the object (over 10,000) which could be affected by an accident. It is the responsibility of the sub-project sponsor to find out whether the sub-project falls into these categories.

4.2. World Bank Safeguard Policies

The World Bank has established its social and environmental safeguard policies in order to prevent and mitigate potential adverse impacts associated with the Bank's lending operations to people and their environment. Taking into account the nature of the proposed sub-projects, eight out of ten Operational Policies (OP/BP 4.04 - Natural Habitats; OP/BP 4.10 - Indigenous People, OP/BP 4.11 - Physical Cultural Resources, OP/BP 7.50 - International Waterways, OP/BP 4.37 - Safety of Dams, OP/BP 4.12 - Involuntary Resettlement; OP/BP 4.36 - Forests and OP/BP 7.60 - Disputed Areas OP/BP) are not triggered for purposes of the ALTF Project.

All sub-project proposals will be screened in the context of all above policies, and if discovered that any of them may require inter alia involuntary land acquisition, physical displacement or any other issues involving squatters that will trigger OP/BP 4.12, such sub-projects will not be eligible for financing under the loan proceeds.

OP 4.01: Environmental Assessment - is triggered for all sub-projects and one policy (4.09 - Pest Management) - for sub-projects which envisage the use of pesticides in their implementation.

OP/BP 4.01: Environmental Assessment

This policy is triggered if a project is likely to have potential (adverse) environmental risks and impacts in its area of influence, which is the case with sub-projects to be considered under ALTF. OP 4.01 covers impacts on the natural environment (air, water and land); human health and safety; physical cultural resources; transboundary and global environment concerns.

OP 4.09: Pest Management

OP 4.09 Pest Management assists borrowers to manage pests that affect either agriculture or public health. In agricultural sub-projects, the borrower addresses pest management issues in the context of the sub-project's environmental assessment to ensure pest management activities follow an Integrated Pest Management (IPM) approach, minimize environmental and health hazards due to pesticide use and to regulate and monitor the distribution and use of pesticides.

In case of using pesticides by beneficiary enterprises (BE) in their activity OP 4.09 applies to such agricultural sub-projects, whether or not the Bank loan finances pesticides. Even if procurement of the pesticides is not financed under sub-loan, an agricultural development sub-project may lead to substantially increased pesticide use and subsequent environmental problems.

The procurement of any pesticide in a Bank-financed sub-project is contingent on an assessment of the nature and degree of associated risks, taking into account the proposed use and the intended users. This assessment is made in the context of the sub-project's environmental assessment and is recorded in the sub-project documents. The sub-project documents also include a list of pesticide products authorized for procurement under the project, or an indication of when and how this list will be developed and agreed on.

4.3. Comparison of Ukrainian and World Bank Requirements on Environmental Assessment

The analysis of Ukrainian and the World Bank requirements on the Project Environmental Assessment and Environmental and Social Management Plan indicates that they are largely similar.

The World Bank's EA policy and procedure is generally compatible with the EIA system and practice established in Ukraine, both terminologically and methodologically.

A key common requirement, articulated in both systems, relates to the mandatory character of the environmental impact assessment as an integral part of sub-project preparation, design and development for any sub-project activity that involves a new construction and/or upgrade of an existing facility. Full-scale EIAR (as prescribed by Section 2 of the State Construction Norms DBN A.2.2-1-2003) is mandatory for all objects of "high hazard".

For "non-high-hazard" objects a shorter version of EIA can be prepared. The scope of this "shorter" version is agreed by the local environmental protection authorities and sanitary-epidemiological service.

In case of a full-scale EIA, the requirements to the scope of environmental and social assessment, as well as requirements to the disclosure of EA information according to Ukrainian legislation are similar to the requirements of the World Bank policies. Key Ukrainian document which regulates EIA process and stipulates requirements to EIA documentation is State Construction Norms DBN A.2.2-1-2003.

5. SOCIAL ASPECTS

5.1. Occupational Health and Safety Screening

In the framework of environmental and social assessment of prospective sub-projects to be financed under ALTF, the Occupational Health and Safety issues are to be reviewed and risks to occupational health and safety should be assessed.

Beneficiary enterprises are obliged to implement all reasonable precautions to protect the health and safety of workers. The focus should be placed not only on the operational phase of sub-projects, but also should cover construction and decommissioning activities.

Preventive and protective measures should be introduced according to the following order of priority:

- ***Eliminating the hazard*** by removing the activity from the work process (e.g. substitution with less hazardous chemicals, using different manufacturing processes, etc);
- ***Controlling the hazard*** at its source through use of engineering controls (e.g. local exhaust ventilation, isolation rooms, machine guarding, acoustic insulating, etc);
- ***Minimizing the hazard*** through design of safe work systems and administrative or institutional control measures (e.g. job rotation, training safe work procedures, lock-out and tag-out, workplace monitoring, limiting exposure or work duration, etc);
- ***Providing appropriate personal protective equipment (PPE)*** in conjunction with training, use, and maintenance of the PPE.

The review of prevention and control measures to occupational hazards should be based on comprehensive job safety or job hazard analyses and cover the following issues:

- ***General Facility Design and Operation***, including: *Integrity of Workplace Structures* (permanent and recurrent places of work should be designed and equipped to protect OHS); *Fire Precautions* (the workplace should be designed to prevent the start of fires through the implementation of fire codes applicable to industrial settings); *Potable water and air supply*; *Lighting*; *Safe access*; *First aid*; *Work environment temperature*.

- **Communication and Training**, including: *OHS Training; New Task Employee and Contractor Training; Hazardous Area Signage; Labeling of Equipment; Communicate Hazard Codes.*
- **Physical Hazards**, including: *Rotating and Moving Equipment* (injury or death can occur from being trapped, entangled, or struck by machinery parts due to unexpected starting of equipment or unobvious movement during operations); *Noise; Vibration; Electrical* (exposed or faulty electrical devices, such as circuit breakers, panels, cables, cords and hand tools, can pose a serious risk to workers); *Eye Hazards* (solid particles from a wide variety of industrial operations, and / or a liquid chemical spray may strike a worker in the eye causing an eye injury or permanent blindness); *Welding / Hot Work* (welding creates an extremely bright and intense light that may seriously injure a worker's eyesight); *Working at Height.*
- **Chemical Hazards**, including: *Air Quality; Fire and Explosions; Corrosive, oxidizing, and reactive chemicals; Asbestos Containing Materials.*
- **Biological Hazards** (biological agents represent potential for illness or injury due to single acute exposure or chronic repetitive exposure).
- **Radiological Hazards** (radiation exposure can lead to potential discomfort, injury or serious illness to workers)
- **Personal Protective Equipment (PPE)** (PPE provides additional protection to workers exposed to workplace hazards in conjunction with other facility controls and safety systems).

5.2. Occupational health and safety monitoring

Occupational health and safety monitoring should verify the effectiveness of prevention and control strategies. The selected indicators should be representative of the most significant occupational, health, and safety hazards, and the implementation of prevention and control strategies. The occupational health and safety monitoring should include:

- **Safety inspection, testing and calibration:** This should include regular inspection and testing of all safety features and hazard control measures focusing on engineering and personal protective features, work procedures, places of work, installations, equipment, and tools used. The inspection should verify that issued PPE continues to provide adequate protection and is being worn as required. All instruments installed or used for monitoring and recording of working environment parameters should be regularly tested and calibrated, and the respective records maintained.
- **Surveillance of the working environment:** Employers should document compliance using an appropriate combination of portable and stationary sampling and monitoring instruments. Monitoring and analyses should be conducted according to internationally recognized methods and standards. Monitoring methodology, locations, frequencies, and parameters should be established individually for each sub-project following a review of the hazards. Generally, monitoring should be performed during commissioning of facilities or equipment and at the end of the defect and liability period, and otherwise repeated according to the monitoring plan.
- **Surveillance of workers health:** When extraordinary protective measures are required, workers should be provided appropriate and relevant health surveillance prior to first exposure and at regular intervals thereafter. The surveillance should, if deemed necessary, be continued after termination of the employment.
- **Training:** Training activities for employees and visitors should be adequately monitored and documented (curriculum, duration, and participants). Emergency exercises, including fire drills, should be documented adequately. Service providers and contractors should be

contractually required to submit to the employer adequate training documentation before start of their assignment.

5.3. Involuntary Resettlement Impacts and Screening.

Implementation of the Access to Long Term Finance Project envisages financing of eligible export-oriented sub-projects by PB's and UEB's SME clients in different sectors of economy. Taking into account that prospective individual sub-projects could be of different type (investment/working capital) and scope of activity/investments, and therefore with different nature and magnitude of environmental and social impacts, it is obvious that such environmental and social risks and impacts could not be identified and assessed in advance.

However, if implementation of the specific sub-project could have possible social impact (e.g. creation of new jobs, loss of employment, influx of workforce, possible economic displacement, etc.), such direct or indirect effect on society should be assessed and included into Environmental and Social Information Sheet as well as possible mitigation measures should be set out in ESMP.

5.3.1 Social Screening Process to ensure due diligence in safeguards compliance

The project will not trigger OP/BP 4.12 on Involuntary Resettlement. Sub-project activities proposed under the ALTF Projects not expected to cause any temporary or permanent physical or economic displacement or loss of assets. Furthermore, the Project will not support any sub-projects that would necessitate involuntary land acquisition or any form of involuntary resettlement. UEB will do sub-lending together with other PBs to existing credit worthy sub-borrowers to develop their export potential.

Nevertheless, in order to ensure full compliance with social safeguards policies and requirements of the Bank, the UEB will carry out social screening of each sub-project using the following checklist. Social staff attached to project implementation unit then will reflect result of this social screening/due diligence in the Project Environmental and Social Information Sheet based on the magnitude of social risks/ impacts.

Social Screening checklist to assess involuntary resettlement impacts and social risks:

| Probable Involuntary Resettlement / Social Impacts | Yes | No | Not Known | Details |
|---|------------|-----------|------------------|----------------|
| 1. Will the sub-project includes new physical construction work? | | | | |
| 2. Does the sub-project includes upgrading or rehabilitation of existing physical facilities? | | | | |
| 3. Is the sub-project likely to cause any permanent damage to or loss of housing, other assets, resource use? | | | | |
| 4. Is the site chosen for this work free from encumbrances and is in possession of the Public/government/community land? | | | | |
| 5. Does this sub-project require private land acquisitions? | | | | |
| 6. If the site is privately owned, can this land be purchased through negotiated settlement? (Willing Buyer – Willing Seller) | | | | |
| 7. If the land parcel has to be acquired, is the actual plot size and ownership status known? | | | | |
| 8. Are these land owners willing to voluntarily donate the required land for this sub-project? | | | | |
| 9. Whether the affected land owners likely to lose more than 10% of their land/structure area because of | | | | |

| | | | | |
|---|--|--|--|--|
| donation? | | | | |
| 10. Is land for material mobilization or transport for the civil work available within the existing plot/ Right of Way? | | | | |
| 11. Are there any non-titled people who are living/doing business on the proposed site/sub-project locations that use for civil work? | | | | |
| 12. Is any temporary impact likely? | | | | |
| 13. Is there any possibility to move out, close of business/commercial/livelihood activities of persons during constructions? | | | | |
| 14. Is there any physical displacement of persons due to constructions? | | | | |
| 15. Does this sub-project involve resettlement of any persons? If yes, give details. | | | | |
| 16. Will there be loss of /damage to agricultural lands, standing crops, trees? | | | | |
| 17. Will there be loss of incomes and livelihoods? | | | | |
| 18. Will people permanently or temporarily lose access to facilities, services, or natural resources? | | | | |
| 19. Will sub-project cause loss of employment/Jobs | | | | |
| 20. Will sub-project generate excessive labor influx as a result of new constructions | | | | |
| Overall Assessment and proposed mitigations measures if any: | | | | |

6. ENVIRONMENTAL ASSESSMENT (EA)

6.1. Environmental Assessment Documentation

For Category A sub-projects (High Risk, Environmental Expertise Required under Ukrainian Legislation). An environmental assessment of Category A sub-projects focuses on the significant environmental issues of a sub-project. The scope of documents and level of detail should be commensurate with the sub-project's potential impacts. Depending on type, the nature and scale of anticipated sub-projects, the sub-borrower will be required to submit the following documentation to UEB/PBs:

- A copy of the official letter indicating a *Environmental Expertise* “Positive Decision” by relevant environmental authorities (EIA, prepared by third party, is satisfactory and is approved according to Ukrainian legislation)
- Any special requirements, conditions, or qualifications which accompany the “Positive Decision”.
- An English language Executive Summary of EIA.
- A complete English language and Ukrainian language version of the ESMP, in accordance with requirements of OP 4.01 (as specified in Attachment III of this Environmental and Social Management Framework), which reflects all the significant environmental impacts included in the Environmental Assessment and any of the special requirements, conditions or qualifications which accompanied the *Environmental Expertise* “Positive Decision”.
- If the enterprise has an existing operation, the sub-borrower should provide a list of certifications (for example emissions, discharge and waste disposal limits) and evidence that all environmental licenses, permits, approvals for this activity are valid, and an indication of the expiration dates for these requirements.

- As appropriate, details of two Public Consultations on the EIA.

All Category A sub-projects will go for “prior review” by WB safeguard experts and Executive Summary of EIA will be send to World Bank for information.

Category B sub-projects (Intermediate Risk, Environmental Expertise may or may not be required based on Ukrainian Environmental legislation). The scope of EA for a Category B sub-project may vary from sub-project to sub-project, but it is narrower than that of Category A EA. Like Category A EA, it examines the sub-project's potential negative and positive environmental impacts and recommends any measures needed to prevent, minimize, mitigate, or compensate for adverse impacts and improve environmental performance.

Depending on the type of sub-project and the nature and magnitude of the impacts sub-projects can be categorized into two different sub-categories: A) Category B-high sub-projects (require Environmental Expertise under Ukrainian Environmental Requirements) - which potential impacts on the environment are typically site-specific, reversible in nature, less adverse than those of Category A sub-projects and for which mitigation measures can be designed more readily; B) Category B-low sub-projects (require only ESMP) - which impacts can be readily identified of modest significance in terms of magnitude, extent, or duration and can be addressed by standard procedures of engineering design and good practice.

For Category B-high sub-projects

- The sub-borrower will be required to submit the following documentation to UEB/PBs: Project Environmental and Social Information Sheet (as specified in Attachment II of this Environmental Framework Document).
- A copy of the official letter indicating a “Positive Decision” by relevant environmental authorities (limited EIA is satisfactory and is approved according to Ukrainian legislation).
- Executive Summary of EIA.
- Any special requirements, conditions, or qualifications which accompany the “Positive Decision”.
- Environmental and Social Management Plan (ESMP) (as specified in Attachment III of this Environmental and Social Management Framework), identifying potential environmental risks and proposed mitigation measures.
- If the enterprise has an existing operation, the sub-borrower should provide a list of certifications (for example emissions, discharge and waste disposal limits) and evidence that all environmental licenses, permits, approvals for this activity are valid, and an indication of the expiration dates for these requirements.
- Details of one Public Consultation (as specified in Attachment III).

First Category ‘B High’ sub-project will go for “prior review” by WB safeguard experts.

For Category B- low sub-projects

The sub-borrower will be required to submit the following documentation to UEB/PBs:

- Project Environmental and Social Information Sheet (as specified in Attachment II)
- Environmental and Social Management Plan (ESMP) (as specified in Attachment III of this Environmental Framework Document), identifying potential environmental risks and proposed mitigation measures, and submit it to UEB or PB for review.
- If the enterprise has an existing operation, the sub-borrower should provide certification, including key standards for emissions and discharges and evidence that all environmental licenses, permits, approvals for this activity are valid, and an indication of the expiration dates for these requirements. Such approvals could include matters closely related to

Environmental Assessment, such as Cultural Property in those few cases where this could apply to sub-projects.

No 'prior review' of Category B sub-projects (except first sub-project of Category B-high is required as main review will be done by UEB/PBs as well as decisions taken for approval. WB safeguard specialist will randomly select sub-projects for post review during annual supervision missions to check if decisions made by PIU were performed up to Ukrainian and WB standards.

Category C sub-projects (Low Risk, Environmental Expertise Not Required). If a sub-project receives this classification, no environmental assessment documentation is needed, and no further environmental review or approvals are necessary.

6.2. Public Consultation

For all Category A and Category B-high sub-projects, during the EA process, the sub-borrower consults project-affected groups and local nongovernmental organizations (NGOs) about the sub-project environmental aspects and takes their views into account. The sub-borrower initiates such consultations as early as possible.

For Category A sub-projects - For Category A sub-projects, the sub-borrower consults these groups at least twice. Shortly after environmental screening and before the terms of reference for the EIA are finalized sub-borrower is requested to finalize and make public Statement of Intention for planned activity (as specified in Annex G of Ukrainian State Construction Standard DBN A.2.2.-1-2003) and carry out first public consultations. The sub-borrower provides for the initial consultation a summary of the proposed sub-project objectives, description, and potential impacts. Second public consultation should be carried out when draft EIA is completed. At the second stage of consultations draft EIA is reviewed and consulted.

The purpose of public consultations is to solicit views of groups or individuals who may be affected by the Sub-project regarding their environmental concerns. Affected groups or people should identify the environmental issues they believe to be significant. Any significant issues, established during the public consultation, should be incorporated into the EIA.

For Category B-high sub-projects – For Category B-high sub-projects, one public consultation is required, where draft ESMP (or limited EIA) are reviewed and consulted (as specified in Attachment III). Any significant issues, established during the public consultation, should be incorporated into the EIA.

The Sub-borrower responsibilities include: (a) public notification including disclosure of draft documents on which public was consulted, (b) conducting the consultation and (c) recording the significant findings, list of participants who attended the consultations, conclusions, recommendations and next steps. Details of the documentation required for the public consultation are presented in Attachment III of this Environmental and Social Management Framework.

Ukrainian language version of the ESMP and the record of the public consultation should be placed at a public location near the sub-project site and on the Sub-borrower website (as appropriate).

6.3. Review and Approval

Category A: Loan Officer at UEB or PB will review the EIA and ESMP making sure that all items identified during Project Environmental Expertise assessment as well as any conditions, requirements, and qualifications required by Bank OP 4.01 are properly incorporated. He/she will then submit EIA/ESMP to Environmental Specialist of the PIU at UEB with a recommendation for approval. The PIU of UEB will review those materials and if conforming to the requirements approve them. Then English Language versions of the: (a) Executive Summary of EIA, (b) ESMP, (c) copy of the official letter indicating a "Positive Decision" by the relevant authorities (Environmental Assessment is approved), and (d) documentation of any special requirements,

conditions, or qualifications which accompanied the “Positive Decision” will be send to the World Bank Safeguard Expert for “No Objection”.

No release of Bank funds are permitted by UEB or PBs until official Bank approval (No Objection) is provided.

Category B-high: Loan Officer together with Environmental specialist at UEB or PB will review and approve for Category B-high: Project Environmental and Social Information Sheet; a copy of the official letter indicating a “Positive Decision” by relevant environmental authorities; an Executive Summary of EIA; ESMP; list of certifications (for example emissions, discharge and waste disposal limits) and evidence that all environmental licenses, permits, approvals for this activity are valid, and an indication of the expiration dates for these requirements; and Details of one Public Consultation.

Category B-low: Loan Officer at UEB or PB will review for Category B-low: Project Environmental and Social Information Sheet; ESMP; list of certifications (for example emissions, discharge and waste disposal limits) and evidence that all environmental licenses, permits, approvals for this activity are valid, and an indication of the expiration dates for these requirements;

No ‘prior review’ of both Categories B (high and low) sub-projects (except first sub-project of Category B-high) is required as main review will be done by UEB/PBs as well as decisions taken for approval. WB safeguard specialist might post-review randomly selected sub-projects during annual supervision missions to check if decisions made by PIU were performed up to Ukrainian and WB standards.

Category C: Not applicable because no environmental assessment is required.

6.4. Disclosure

For meaningful consultations between the sub-borrower and sub-project-affected groups and local NGOs on all Category A and ‘B High’ sub-projects, the sub-borrower provides relevant material in a timely manner prior to consultation and in a form and language that are understandable and accessible to the groups being consulted. The Ukrainian EIA implementation regulations contained in the Standard DBN A.2.2.-1-2003 include provisions for public consultation and information disclosure as part of the implementation of the Aarhus Convention to which Ukraine is signatory. According to the Standard, for Annex E projects (i.e. with significant environmental impact), public hearings are mandatory, while for non – Annex E Projects only the decision on the result of the Environmental Assessment needs to be made public.

For Category A sub-projects and based on Ukrainian procedure for information disclosure sub-borrower is required to carry out Public Consultations and disclose Statement of Intention for planned activity and solicit views of groups or individuals who may be affected by the Sub-project regarding their environmental concerns. 1 month prior to the second consultation the sub-borrower will place a Ukrainian language copy of draft EIA in a public location (library, company office etc.) at sub-project site and provide a letter to UEB/PB Loan officer documenting the location where the EIA was placed and the date of the disclosure. After the second consultation period the final English version Executive Summary of EIA, which incorporates all comments from Public Consultations, will be send to the Bank, which will be posted in the InfoShop and provided for Information to World Bank.

6.5. Related Conditionalities and Responsibilities

All sub-loan agreements for all Category A and Category B sub-projects must include a condition requiring the sub-borrower implementing the mitigation, monitoring, and reporting measures specified in the EMP and strictly follow the procedures according to related Ukrainian laws and regulations in the event of chance finds of culturally significant artifacts or sites. Environmental

Specialist from PIU in UEB will exercise its responsibility to supervise implementation by UEB/PB's loan officers of those conditions.

It is the responsibility of the Sub-borrower to assure that all tender documents and construction contracts include all relevant requirements put forward in the ESMP. During Sub-project implementation, PIU at UEB or the PBs will have the right to check tender documents and construction contracts to verify this condition has been satisfied. Contractor agreement to satisfy these conditions should be one prerequisite for a contractor to win the bid.

6.6. Prior and Post Review

Prior and Post-Review - IBRD/PIU. Environmental evaluations and review procedures will be subject to "ad-hoc" review by the PIU and IBRD supervision missions. The World Bank will perform prior review and clearance of all sub-projects falling in Category A and the first Category 'B High' sub-project and on the "ad-hoc" basis thereafter. The review of evaluations will ensure that: the work was of satisfactory quality, the appropriate recommendations were made, all documentation was properly filed and recorded, and that the conditions of approval were met. During the Project implementation, IBRD missions will supervise the overall screening process and implementation of environmental recommendations for selected sub-borrowers/sub-projects. The IBRD supervision team will also review, on "ad-hoc" basis environmental documentation. Therefore, all this documentation should be kept on file with the PIU UEB as needed.

7. ENVIRONMENTAL AND SOCIAL MANAGEMENT PLANNING

7.1. Arrangements for Environmental and Social Management

The format for an Environmental and Social Information Sheet (ESIS), Environmental and Social Management Plan (ESMP), including institutional organization and arrangements is provided in Attachment III to this Environmental and Social Management Framework.

PIU of UEB should have throughout the sub-project lifetime a staff member or a consultant with an environmental background to undertake environmental due diligence. The individual must be able to recognize an activity for which a loan is being sought that may fall into Category A, B or C of the Bank and ensure that EA documents developed under the sub-project will meet World Bank requirements and Ukrainian Environmental legislation.

The Sub-borrower is responsible for insuring that all the requirements of ESMP are properly implemented. Mitigation of any environmental effects will be the responsibility of the sub-borrower. However, it will also be the responsibility of the PIU of UEB to ensure that mitigation is carried out successfully. This responsibility will be effected through monitoring system.

8. MONITORING

Loan officers at UEB and PBs will have ultimate responsibility for any environmental effects that may result from their sub-projects as defined in section below. To strengthen their capacities the project will provide at the initial stage an intensive training (see Section "Capacity Development") so that the Loan Officers will be able to monitor their sub-projects but often they will have to rely on consultations with the Environmental Specialist from PIU at UEB and/or World Bank Safeguard Expert. In the case the sub-projects will have significant impacts (Category A sub-projects) the sub-borrowers should hire qualified environmental consultants to prepare EA documents and later may also hire same consultants to conduct environmental monitoring. As it is expected to have a large number of Category B low sub-projects that will be assigned to each loan officer, monitoring will likely be conducted on a sample basis. Monitoring of category A and B-high will be fully performed and periodical reporting on the EMP implementation will be provided by the sub-borrower to the UEB and PBs. From an environmental viewpoint, those groups of sub-projects which have the

potential for creating the most serious environmental problems should be given highest priority. For monitoring to be effective, results must be acted upon, and as such, monitoring results will be considered when loan applications are reviewed and conditions are placed on subsequent loans.

Bank supervision missions should consider including an environmental safeguard specialist once a year to audit monitoring procedures and results and as well, provide an assessment of the effects, if any, that the sub-project may be having on cumulative impacts.

The loan officer at UEB/PBs will be responsible for:

- monitoring all Category A and Category ‘B High’ sub-projects to ensure that mitigation is carried out as planned and to ensure that no unanticipated effects have occurred;
- randomly reviewing/monitor Category ‘B low’ sub-projects to ensure that they are environmentally acceptable;
- where necessary, prescribing corrective actions to be taken, without which the loan will be cancelled/not renewed;

The project Operational Manual will be developed to set forth the rules and procedures for environmental assessment of sub-projects as described in the ESMF, eligibility criteria for enterprises that can benefit from the project financing, criteria for the eligible investments and working capital loans, terms and conditions of the sub-loans, and other modalities and agreements of the access to finance. The sub-projects’ ESMPs will be also integrated into the contracts for approved activities, both into specifications and bills of quantities and the contractors will be required to include the cost in their financial bids and grant proposals.

9. CAPACITY DEVELOPMENT

At the minimum, Loan Officers from UEB and PBs engaged in Project implementation should attend minimum a three day environmental safeguards training workshop that will demonstrate how financed sub-projects can affect the environment and the steps to be taken to avoid, mitigate impacts and carry out monitoring. And, as noted above, an environmental specialist will be hired by the PIU of UEB, who will supervise environmental due diligence of sub-projects together with loan officers at UEB and PBs.

Loan officers should have the capacity to recognize, in a general way, potential environmental risk of certain investments, in order that they are able to report potential problems to the head of PIU at UEB (Environmental expert at UEB PIU). Key personnel from the PIU of UEB and PBs should attend an environmental safeguards training workshop and all loan officers engaged in Project implementation should attend an environmental safeguards training workshop.

10. REPORTING

UEB and PBs should include a section in their regular supervision reports indicating whether the sub-borrower is complying with all requirements of the ESMP, if any environmental issues emerged during the reporting period, and, if so, how those issues were or are being addressed.

The status of compliance with agreed environmental mitigation measures is to be reported by UEB and PBs in their regular (semiannually) reports on sub-project implementation. In the case of non-compliance, the loan officers and in case of environmental accidents, non-compliance actions which provoked serious environmental effects also the State Environmental Inspectorate investigate the nature and reason(s) for non-compliance, and a decision has to be made on what is needed to bring a sub-project into compliance, or whether financing should be suspended.

The UEB and PBs make available information on monitoring of environmental management plans and mitigation measures in its routine reporting on sub-project implementation to the World Bank and during periodic Bank supervision missions.

Environmental Eligibility Checklist for the Existing Enterprise and Screening Criteria for the Proposed Sub-project

| CRITERIA | | N/A | YES | NO | COMMENTS |
|----------|---|-----|-----|----|---|
| 1 | Does the existing enterprise have a valid operating permit, licenses, approvals etc.? | | | | If no, either: All required licenses /permits/ approvals etc. must be obtained prior to sub-project approval, or Sub-project investment must provide key investments needed to obtain them |
| 2 | Does the existing enterprise meet all Ukrainian environmental regulations regarding air emissions, water discharges and solid waste management? | | | | If no: Facility must take corrective measures to meet all environmental regulations prior to sub-project approval, or Sub-project investment must provide key investments needed to meet them |
| 3 | If the existing enterprise has any significant outstanding environmental fees, fines or penalties or any other environmental liabilities (e.g. pending legal proceedings involving environmental issues etc.) will the investment be used to correct this condition? | | | | If the enterprise has outstanding liabilities the facility must take corrective measures to remove them prior to sub-project approval. |
| 4 | If there have been any complaints raised by local affected groups or NGOs regarding conditions at the facility will the investment be used to remedy these complaints? | | | | If yes: UEB or PBs should examine the nature of the complaints and actions taken to address them. If there are significant unresolved complaints, UEB/PBs should consult with WB regarding appropriate action |
| 5 | Will the sub-project likely have significant, diverse environmental impacts that are sensitive, diverse, or unprecedented? ² | | | | If yes, assign Category A |
| 6 | Will the sub-project have potential adverse impacts on human populations or environmentally important areas-including wetlands, forests, grasslands, and other natural habitats-are less adverse than those of Category A. Are the impacts site specific, few if any irreversible and mitigating measures are readily developed | | | | If yes, assign Category B-high if Environmental Expertise is required under Ukrainian Environmental Legislation is required or assign Category B-low in cases where Expertise is not required. |
| 7 | Will the sub-project likely have minimal or no adverse impacts? | | | | If yes, assign Category C |
| 8 | Will the sub-project involve involuntary land acquisition, physical displacement or any other issues that will trigger OP/BP 4.12. | | | | If yes, such sub-projects will not be eligible for financing. |

² Please refer to section 3 of the main text with the relevant clarifications in terms of deciding the scale and significance of the impacts

Project Environmental and Social Information Sheet

SECTION I (to be completed by the sub-borrower)

1. Sub-project Description: Describe the nature of the sub-project: equipment purchases, working capital financing, civil works construction, removal/demolition of existing structures etc.
2. Sub-project Location Description: Describe the general land use characteristics at or near the sub-project site. Indicate the nearest population centers (villages, cities etc.), any surface waters (lakes, rivers, etc.), any areas of particular human or ecological sensitivity or cultural interest (hospitals, schools, religious houses of worship, historical sites or monuments, natural areas protected by the government or international agreement, etc.), social characteristic (as appropriate). Confirm that neither involuntary land acquisition or physical displacement nor any other squatter issues will arise due to the Sub-project.

Environmental and Social Factors and possible impact

3. Air Pollution: Indicate any releases of gases to the atmosphere expected from sub-project implementation-either during construction or sub-project operation. Provide information about if these releases will be controlled, and if so, the nature of the control.
4. Water Pollution: Indicate the nature of any wastewater discharges to either surface waters or to ground waters anticipated from sub-project implementation-either during construction or sub-project operation. Provide information about the nearest drinking water sources. Indicate if these discharges will be treated, and if so, the nature of the treatment that will be used.
5. Solid Wastes: Describe the nature of solid material wastes that will be produced either during sub-project construction or operation phases. Distinguish between non-hazardous and hazardous wastes. Provide information about how each of these types of solid materials will be managed (e.g. recycled, used as a raw material elsewhere, burial, incineration, etc.).
6. Occupational Health and Safety issues, Social impact (as appropriate): Describe the precautions, implemented by the sub-borrower to protect the health and safety of workers, prevention and control measures to occupational hazards (e.g. general facility design and operation, communication and training, physical, chemical, radiological and biological hazards, personal protective equipment, safety inspection, surveillance of the working environment and workers health). Describe possible social impact (e.g. creation of new jobs, loss of employment, influx of workforce, possible economic displacement, etc.).

For an *Existing Operation*, provide copies or details that all environmental permits, licenses, approvals are valid and the expiration dates for these requirements.

SECTION II (to be completed by UEB or the PB)

7. Does the sub-project comply with all environmental regulations concerning atmospheric emissions, effluent discharges and solid waste management? If not, please provide an explanation.
8. Will the sub-project present a social risk or risk of significant impact to any sensitive areas of the natural and human environment? If the response is positive, please describe the nature of the impact and an assessment of the risks involved.
9. Does the sub-borrower have an existing system in place for environmental management, or is such a system currently being developed? If not, please provide description of provisions for effective management proposed for the sub-loan.
10. For an Existing Operation are all environmental permits, licenses, approvals valid and are the expiration dates in a reasonable time in the future?
11. Does the sub-borrower have a record of environmental penalties, legal judgments, etc. related to their environmental performance, or any outstanding liabilities related to their environmental management? If yes, please elaborate.

RECOMMENDED CATEGORY RATING

Please describe the basis upon which this Category rating is recommended.

Environmental and Social Management Plan (ESMP) Format

Sub-project Description: Present a brief description of the Sub-project. Include the nature of the investment, the location, and any characteristics of the area that are of particular interest, e.g. near a protected area, area of cultural, historical, religious interest etc. Also, very briefly describe the general land use characteristics (farming, small industry etc.), and the location(s) of the nearest population centers. Provide a brief summary of the major Sub-project related environmental issues, how will they be managed, who will manage them and what are the environmental risks, if any.

MITIGATION PLAN

| Phase | Issue | Mitigating Measure | Cost of Mitigation (if substantial) | Responsibility* | Start Date | End Date |
|--------------|--------|--------------------|-------------------------------------|-----------------|------------|----------|
| Construction | • • | | | | • • | • • |
| Operation | • • | | | | • • | • • |

*Items indicated to be the responsibility of the contractor should be specified in the bid documents

MONITORING PLAN

| Phase | What <i>parameter is to be monitored?</i> | Where <i>is the parameter to be monitored?</i> | How <i>is the parameter to be monitored/type of monitoring equipment?</i> | When <i>is the parameter to be monitored-frequency of measurement or continuous?</i> | Monitoring Cost <i>What is the cost of equipment or contractor charges to perform monitoring</i> | Responsibility | Start Date | End Date |
|--------------|--|---|--|---|---|----------------|------------|----------|
| Construction | • • | | | | | | • • | • • |
| Operation | • • | | | | | | • • | • • |

Institutional Arrangements: A brief narrative discussion should be prepared to indicate how monitoring data is going to be used to maintain sound environmental performance—who collects the data, who analyzes it, who prepares reports, whom the reports are sent to and how often, what he/she does with the information.

Public Consultation

Provide documentation of the following:

| Documentation |
|--|
| <i>Manner in which notification of the consultation was announced (Should include date(s) on which the draft document was made available to public prior to consultation meeting):</i> <ul style="list-style-type: none">- media(s) used, date(s), description or copy of the announcement |
| <ul style="list-style-type: none">• <i>Date(s) consultation(s) was (were) held</i> |
| <ul style="list-style-type: none">• <i>Location(s) consultation(s) was (were) held</i> |
| <ul style="list-style-type: none">• <i>Who was invited</i><ul style="list-style-type: none">- Name, Organization or Occupation, Telephone/Fax/e-mail number/address (home and/or office) |
| <ul style="list-style-type: none">• <i>Who attended</i><ul style="list-style-type: none">- Name, Organization or Occupation, Telephone/Fax/e-mail number/address (home and/or office) |
| <ul style="list-style-type: none">• <i>Meeting Program/Schedule</i><ul style="list-style-type: none">- What is to be presented and by whom |
| <ul style="list-style-type: none">• <i>Summary Meeting Minutes (Comments, Questions and Response by Presenters)</i> |
| <ul style="list-style-type: none">• <i>List of decisions reached, and any actions agreed upon with schedules and deadlines and responsibilities</i> |

Pest Management Plan (PMP) Format

Section I (to be completed by the sub-borrower)

Participating bank:

Sub-borrower:

Sub-project title:

Sub-project description: (description of the nature of the investment: equipment purchases, civil works construction, removal/demolition of existing structures, purchase or use of pesticides, herbicides, etc.).

Description of sub-project location: (description of the general land use characteristics at or near the sub-project site; indication of the nearest population centers (villages, cities, etc.), proximity of any surface waters (lakes, rivers, etc.), any areas of particular human or environmental sensitivity or cultural interest (hospitals, schools, religious houses of worship, natural areas protected by the government or international agreements, etc.).

List of pesticides used by the sub-borrower

| № | Name of Plant Protectors (PPs) | Main use | Active ingredient and/or formulated products | | Class of hazard (WHO) | Area of application | Maximum allowable concentration for usage according to existing environmental legislation | Actual usage rate | Producer | Certificate of state registration, date of registration, validity |
|---|--------------------------------|----------|--|---------|-----------------------|---------------------|---|-------------------|----------|---|
| | | | Common name | Content | | | | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Pesticides used by the sub-borrower | | | | | | | | | | |
| 1 | | | | | | | | | | |
| 2 | | | | | | | | | | |
| Pesticides proposed to finance under ALTF funds | | | | | | | | | | |
| 1 | | | | | | | | | | |
| 2 | | | | | | | | | | |

1. Number in order.
2. To indicate the name of PPs.
3. To indicate the main use of pesticide (herbicide, fumigant, fungicide, etc.). In most cases only a single use is given. This is only for identification purposes and does not exclude other uses.
4. Common name of the active ingredient approved by the International Organization of Standardization (ISO). To indicate formulation for formulated products in which the active ingredient is diluted with other materials (usually less toxic).
5. To indicate the content of active ingredient in unit of measurement (g/kg, g/l, g/ml).
6. To indicate the class of hazard, determined due to the classification recommended by the World Health Organization (WHO). The classification and guidelines to it are resulted in the WHO publication "Recommended Classification of Pesticides by Hazard and Guidelines to Classification". Copies of the classification, which is updated annually, are available in the Sectoral Library of the World Bank or to the electronic address http://www.who.int/ipcs/publications/pesticides_hazard/en/
7. To indicate agricultural crop or object the PP is used for (rye, wheat, oat, soya etc.).
8. To indicate maximum allowable concentration for usage according to existing environmental legislation (per area unit: l/ha, kg/ha etc).
9. To indicate actual usage rate.
10. To indicate the producer of PP.
11. To indicate the series, number, date of issue of the certificate of state registration and/or quality certificate and its period of validity

Environmental factors

The impact on the health of handlers including those who store, sell, transport and apply pesticides:

To give information regarding minimization of this factor's impact, namely:

- Do employees who handle pesticides as part of their normal work responsibilities receive any regular medical examination? If so, please describe.
- Is a logbook or other written record of pesticide application maintained? If so, what records are kept and who is responsible for this?
- Are pesticides used by Sub-borrower/ planned for procurement under ALTF funds permitted for usage within Ukraine and eligible for financing under ALTF *

The impact on the health of food consumers:

To give information regarding minimization of this factor's impact, namely:

- warning the food consumers about possible negative impact on their health caused by pesticides application and regarding their minimization (foods washing, etc.);
- usage of pesticides which minimize the residue and are the least harmful for food consumers, etc.

Air and surface waters contamination:

To give information regarding minimization of this factor impact, namely:

- application of pesticides which are the least hazardous;
- observance of rules of effective storage and application of pesticides;
- planning activities and implementation of optimal volumes and time schedules of application of pesticides, etc.

Wastes: To indicate the nature of wastes produced during the use of pesticides. To describe separately non-hazardous and hazardous wastes. To provide information on how each of these types of wastes will be handled (recycling, utilization, etc.).

For existing operations: To provide copies of all environmental permits, licenses, registration certificates, approvals, etc. To provide vendor's license to wholesale and retail trade of the pesticides (indicating the series, number, date of issue of the license and its period of validity).

* *For Sub-borrower information*

The Bank does not finance formulated products that fall in World Health Organization's (WHO) classes IA and IB, as well as Class II products whose toxicity level is equivalent to the WHO IA / IB categories, e.g. with oral LD50 for liquids = 200 mg/kg body weight or less (see table below).

| Hazard Class | LD 50 for the rat (mg/kg body weight) | | | |
|-------------------------|---------------------------------------|------------|------------|------------|
| | Oral | | Dermal | |
| | Solids* | Liquids* | Solids* | Liquids* |
| Ia Extremely hazardous | 5 or less | 20 or less | 10 or less | 40 or less |
| Ib Highly hazardous | 5 - 50 | 20 - 200 | 10 - 100 | 40 - 400 |
| II Moderately hazardous | 50- 500 | 200 - 2000 | 100 - 1000 | 400 - 4000 |
| III Slightly hazardous | Over 500 | Over 2000 | Over 1000 | Over 4000 |

* *The terms "Solids" and "Liquids" refer to the physical state of the active ingredient being classified.*

The Bank declines to finance pesticides which contain active ingredients from the WHO IA/IB classes regardless of how they are formulated, on the grounds that most of the commercially available formulations of these materials are quite hazardous and there are suitable alternatives for almost any application. However, if there is a clear technical case for doing so, and if the toxicity level of the formulated product is under the WHO IA/IB cut-off point, the Bank could finance such a product.

The Bank will finance formulations of products containing active ingredients from Class II, but only if it can be ensured that they will only be handled by appropriately trained and equipped people and with appropriate safeguards for distribution, storage and disposal. So, they can be financed if the country has well-established and effective legal and regulatory systems addressing these points (e.g. through a certification/licensing program). If the country does not have adequate national control systems, the Bank would normally not finance these products. However, in special cases it could be done if clear and concrete measures are built into the project to ensure that the necessary restrictions will be met for access to/use of the particular materials to be procured). Exceptions can be made for specific formulations which are very low hazard because the active ingredient is at very low concentration, but the case should be made that there is no suitable alternative using an active ingredient which falls below Class II.

However, there are also a few products that the Bank normally doesn't finance even though they don't fall into WHO Classes Ia or Ib, because they have hazardous features which make them unacceptable despite having a moderate oral toxicity (oral LD-50, which is the main criterion for WHO classification). This could include human health hazards or environmental hazards. For example, the Bank doesn't finance the herbicide Paraquat which falls into WHO Class II (oral LD 50 is 150 mg/kg) but is very easily absorbed through the skin and has high toxicity through that route, and for which there is no known antidote. Another example is granulated slow-release formulations of some pesticides, which are low hazard to people but present a major threat to birds.

Mentioned documents should be valid and contain expiration dates for these requirements. Copies of documents that confirm operations aimed at minimization of negative environmental impact and its consequences, and copies of relevant documents (certificate of state registration, quality certificate, etc.) for storage, selling, transportation and applying of pesticides are to be provided.

To provide information regarding applying of the integrated pest management (IPM) methods or approaches:

- (i) does the sub-borrower apply pesticides based on a predetermined schedule, or does the sub-borrower monitor pest populations in the field in order to determine when pest numbers are high enough to justify pesticide application? If monitoring of populations is practiced, please describe monitoring methods and the thresholds (factors) which trigger pesticide application;
- (ii) does the sub-borrower monitor numbers of beneficial species in the field (e.g. predatory insects, spiders). If so, which ones and how?
- (iii) does the sub-borrower use any non-chemical methods to reduce pest populations and impacts? If so, please describe;
- (iv) when applying pesticides, does the sub-borrower take any specific precautions to reduce contamination of soil or water, or to reduce impacts on beneficial species? If so, please describe.

Section II (to be completed by the participating bank)

Please provide information:

- (i) does the sub-borrower currently use or propose to purchase any pesticides which are not eligible for sub-project financing?
- (ii) does the sub-borrower appear to rely entirely or mainly on chemical control with no elements of IPM approach?
- (iii) does the sub-borrower have (or lack) adequate facilities to ensure safe storage of pesticides?
- (iv) does the sub-borrower have an adequate plan for disposing of excess pesticides and empty containers?
- (v) does the sub-borrower have a record of environmental penalties, legal judgments, etc. related to its environmental performance, or any outstanding liabilities related to relevant activities aimed at minimization of environmental impact and its consequences? If yes, please explain in details.

For each question where the answer indicates an environmental or safety risk, a specific mitigation plan should be proposed.

Date, signatures of empowered person on behalf of PB and sub-borrower, seal