

**UKRAINE**

**ACCESS TO LONG TERM FINANCE PROJECT**

**(LOAN AGREEMENT No. 8727-UA dated 26.06.2017)**

**PUBLIC JOINT STOCK COMPANY  
“THE STATE EXPORT IMPORT BANK OF UKRAINE”**

**OPERATIONAL MANUAL**

**2017**

## GENERAL PROVISIONS

The International Bank for Reconstruction and Development (hereinafter IBRD) shall extend a loan to JSC Ukreximbank to implement the Access to Long Term Finance Project (hereinafter The Project or ALTFP). The Guarantee Agreement between Ukraine (hereinafter the Guarantor) and IBRD and Loan Agreement No. 8727-UA between JSC Ukreximbank and IBRD were signed on June 26, 2017.

The Project implementation envisages provision of finance to small and medium-sized enterprises (hereinafter SME or Sub-borrower).

The Project consists of the following parts:

Part A: Credit facility to provide financing to export-oriented SMEs

(i) JSC Ukreximbank on-lending through Participating Financial Institutions (hereinafter PFI):

The establishment and operation of a credit facility by Ukreximbank for financing (through Subsidiary Financing Agreements) to selected PFIs to provide loans (through Sub-financing) to private export oriented SMEs to finance the cost of carrying out Sub-projects.

(ii) JSC Ukreximbank direct lending as a PFI

The establishment and operation of a credit facility by Ukreximbank for providing Sub-loans to private export oriented SMEs.

Participating Financial Institutions are commercial banks that are duly established and operating within Ukraine and comply with IBRD's eligibility criteria under the Project.

The final beneficiaries under the Project are export-oriented SMEs that comply with IBRD's eligibility criteria under the Project. Export-oriented SMEs include both existing and potential exporters that assume export liabilities for the first time, as well as SMEs involved in domestic supply chains with sales to export-oriented enterprises of at least fifty percent (50%) of their total sales or other enterprises the revenues of which are generated in foreign currency in the territory of Ukraine, or which are foreign currency linked in accordance with the laws of Ukraine,.

The purpose of the "Operational Manual" is to make clear the decision-making process and requirements to be complied with during the Project implementation period. Furthermore, Ukreximbank has special duties and responsibility to ensure the Project implementation. These responsibilities are related to PFI, Sub-project/Sub-financing/Sub-loan evaluation procedures, environmental review procedures, effective procurement procedures, requirements to preparation of project progress reports, etc.

The Project implementation coordination and the overall information management are the responsibilities of the Project Implementation Unit (PIU) which has been established at JSC Ukreximbank as International Financial Institutions Programs Division.

## SECTION 1

### GENERAL TERMS AND CONDITIONS UNDER THE PROJECT FOR JSC UKREXIMBANK

#### 1. JSC Ukreximbank shall:

- comply with the applicable prudential regulations of the NBU throughout the Project implementation period;
- ensure that the Project is carried out in accordance with the provisions of:
  - Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, approved on October 15, 2006, and reviewed in January 2011 and on July 1, 2016 (hereinafter *Anti-Corruption Guidelines*);
  - International Bank for Reconstruction and Development General Conditions for Loans dated March 12, 2012 as amended and supplemented;
  - World Bank Disbursement Guidelines for Investment Projects Financing dated 2017;
  - Disbursement Handbook for World Bank Clients dated May 2006; etc.
- provide financing under the Project to PFIs selected in accordance with the eligibility criteria agreed with IBRD, using Subsidiary Financing Agreements (hereinafter SFA) based on the standard agreement form agreed with IBRD;
- for the duration of the project implementation period maintain the Project Implementation Unit (hereinafter PIU) staffed with qualified personnel capable to satisfactory implement all the Project requirements;
- for the duration of the project implementation period and starting from 2017, submit annual reports prepared as the results of audit by an international auditing company in compliance with the International Standards on Auditing and International Financial Reporting Standards;
- provide the required reports under the Project, in particular quarterly interim unaudited financial reports (IFR) approved by the bank management;
- monitor the Project implementation on a semi-annual basis using financial indicators agreed with IBRD, and provide IBRD with semi-annual Project progress reports, giving the details of the progress made during the Project implementation.
- monitor the overall Project implementation and PFI's fulfillment of their obligations under respective SFAs in compliance with the policy and procedures acceptable to IBRD.

2. JSC Ukreximbank shall exercise its rights and fulfill its obligations under each SFA and Sub-loan Agreement in the manner acceptable to IBRD, and to protect its interests and interests of the Guarantor and IBRD.

3. JSC Ukreximbank shall not assign, amend, abrogate cancel or waive any of its SFAs or any provisions thereof, without prior approval of the IBRD.

4. JSC Ukreximbank shall ensure that, except IBRD shall otherwise agree, the aggregate amount of outstanding Sub-loans to any single SME together with aggregate amount of outstanding Sub-financing from all PFIs to the same SME shall not exceed the equivalent of USD 8,000,000.

5. JSC Ukreximbank shall use its best efforts to utilize all repayments of Subsidiary Financing by PFIs under part A(i) of the Project and all repayments of Sub-loans by SMEs under part A(ii) of the Project (to the extent that such repayments are not required to meet the Ukreximbank`s obligations related to payments and repayments due to IBRD) to finance additional projects for further development of exporters.

## **SECTION 2**

### **SUBSIDIARY FINANCING**

#### **A. PFI ELIGIBILITY CRITERIA**

For the purposes of carrying out the Project, except as IBRD shall otherwise agree, JSC Ukreximbank shall select Commercial Banks as PFIs in accordance with the criteria and procedures, set forth in the Loan Agreement and this Operational Manual.

A Commercial Bank may be selected as a PFI only if it is duly established and operating in the territory of the Guarantor, and in respect of which JSC Ukreximbank shall have determined, and IBRD shall have agreed with the determination, that the Commercial Bank, as the case may be:

- (i) has total assets exceeding UAH 1,000,000,000 on average during the last two fiscal years preceding the Commercial Bank's signing of the Subsidiary Financing Agreement;
- (ii) is in compliance with applicable banking regulations and prudential regulations of the Guarantor and the National Bank of Ukraine, which is confirmed: (A) in each semiannual period by a financial report submitted by the Commercial Bank's management; and (B) at the end of each fiscal year by the National Bank of Ukraine in response to the Commercial Bank's request;
- (iii) is operating pursuant to investment and financing policies and procedures acceptable to the IBRD, JSC Ukreximbank and the Guarantor, and has undertaken to maintain the said policies and procedures;
- (iv) has adequate organization, management, staff and other resources, necessary for its efficient operation; and
- (v) applies appropriate procedures for appraisal, supervision, and monitoring of Sub-projects, including for the efficient evaluation and supervision of the procurement and environmental elements of Sub-projects, etc.

#### **B. TERMS AND CONDITIONS OF SUBSIDIARY FINANCING TO PFIs**

- The loan to be provided out of the proceeds of the Loan to PFI under its respective SFA shall be: (a) denominated in USD; and (b) equivalent of the aggregate amount of the principal of all Sub-financing to be made out of the proceeds of the Loan pursuant to the SFA for Sub-projects implementation;
- Each Subsidiary Financing shall be subject to interest, charges and/or fees applied to the principal amount of the loan withdrawn by PFI and outstanding, and which interest, charges and/or fees in the aggregate, shall not be less than the rate payable by JSC Ukreximbank to IBRD under the Loan Agreement, plus: (i) any premium, charges and fees payable under the Loan Agreement; (ii) administrative costs of JSC Ukreximbank and (iii) risk margin acceptable to IBRD ("Subsidiary Finance Rate");
- The Subsidiary Financing to each PFI shall be made available up to an amount not exceeding the equivalent of USD 50,000,000.

- The right of a PFI to use the proceeds of its respective Subsidiary Financing shall be:
  - (a) suspended upon failure of such PFI to perform any of its obligations under its respective Subsidiary Financing Agreement, or to continue to satisfy the eligibility criteria set forth in paragraph A of section 2 hereof;
  - (b) terminated if such right shall have been suspended pursuant to the abovementioned provision of sub-paragraph (a) for a continuous period of 60 (sixty) days.
- The funds available to PFIs will depend upon availability of the funds to Ukreximbank from IBRD.

### **C. REQUIREMENTS TO PFIS UNDER SUBSIDIARY FINANCINGS**

- PFI shall comply and maintain compliance with the eligibility criteria for PFI. Unless IBRD and/or Ukreximbank otherwise agree, a PFI's right to use proceeds of its respective SFA shall be suspended or terminated upon failure of a PFI to comply with the eligibility criteria or to fulfill other obligations under the Project;
- PFI shall ensure the Sub-borrowers' compliance with the IBRD rules for procurement of goods, works, non-consulting services, and consultants' services in accordance with Sub-financings and effective laws/regulations of Ukraine regarding environmental protection, and the World Bank's Environmental & Social Assessment Procedures;
- PFI shall provide the full set of documentation for all Sub-financings to JSC Ukreximbank in order to enable JSC Ukreximbank to maintain all project records and make them available for ex-post review by the IBRD or by external auditors as necessary.
- PFI shall provide sufficient information for the purposes of monitoring and assessment of the Sub-project during the Project implementation period (and 3 years after the Project completion) on demand from IBRD and JSC Ukreximbank.
- SFA shall contain provisions pursuant to which, inter alia, a PFI shall:
  - (a) carry out activities under the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than JSC Ukreximbank, with qualified management and staff in adequate numbers, and in conformity with the investment and lending policies and procedures referred to in this Operational Manual, and provide, promptly as needed, funds, facilities, services and other resources required for the purpose;
  - (b)
    - (i) provide, except as the IBRD shall otherwise agree, Sub-financing to SMEs on the terms and conditions set forth in SFA and this Operational Manual;
    - (ii) ensure that, except as the the IBRD shall otherwise agree: the aggregate amount of outstanding Sub-financing to any single SME from all PFIs together with the aggregate amount of outstanding Sub-loans from Ukreximbank to the same SME shall not exceed the equivalent of USD 8,000,000;
    - (iii) exercise its rights in relation to each Sub-financing in such a manner as to protect its interests and the interests of JCS Ukreximbank, Guarantor and

IBRD, comply with its obligations under its respective SFA and achieve the purposes of the Project;

- (iv) not assign, amend, abrogate or waive any of its agreements providing for Sub-financing or any provisions thereof without prior approval of JSC Ukreximbank;
  - (v) select and appraise Sub-borrowers and Sub-projects and supervise, monitor and report on the carrying out by the SMEs of Sub-projects all in accordance with SFA and this Operational Manual, and ensure that no Excluded Activities are included in any Sub-project;
  - (vi) ensure that each Sub-project shall comply with environmental and social review procedures set forth in this Operational Manual, which includes the Environmental and Social Management Framework. To that end, PFIs shall require each SME applying for a Sub-financing to furnish evidence satisfactory to IBRD showing that the Sub-project, in respect of which the application has been prepared, is in accordance with such procedures;
  - (vii) ensure that for Sub-projects which require an Environmental and Social Management Plan, the SME concerned shall carry out such plan in a timely manner, requiring such Environmental and Social Management Plan to be in compliance with the Operational Manual and Environmental and Social Management Framework, and shall include adequate information on the carrying out of such Environmental and Social Management Plans in the progress reports referred to in sub-paragraph (c) (ii) of this paragraph;
  - (viii) ensure that goods, works, non-consulting services and consultants' services to be financed out of the proceeds of the Loan shall be used exclusively for the carrying out of the Sub-project;
- (c)
- (i) exchange views with and furnish all such information to IBRD or JSC Ukreximbank, as may be reasonably requested by IBRD and JSC Ukreximbank, with regard to the progress of its activities under the Project, the performance of its obligations under its respective SFA, and other matters relating to the purposes of the Project;
  - (ii) prepare and submit to JSC Ukreximbank quarterly reports on Sub-financing disbursements and repayments, and semi-annual reports on the progress made in achieving the objectives of the Sub-projects under schedules 6-7 of the Operational Manual;
  - (iii) promptly inform JSC Ukreximbank of any circumstances that interfere or threaten to interfere with PFI's activities under its respective SFA;
- (d)
- (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, its operations and financial condition;
  - (ii) furnish to JSC Ukreximbank any information that IBRD and/or JCS Ukreximbank may reasonably request from time to time;
- (e) assume the credit risk of each Sub-financing;

(f) fulfill obligations under SFA and other obligations related to the Project implementation.

## SECTION 3

### TERMS AND CONDITIONS OF SUB-FINANCING TO SMES

#### SME ELIGIBILITY CRITERIA

1. Each Sub-financing shall be provided to a small and medium enterprise only if it has been established, to the satisfaction of JSC Ukreximbank and PFI, that the following have been satisfied and shall be maintained during the duration of the respective Sub-financing, namely it:
  - (a) is a SME;
  - (b) is an export oriented enterprise or an enterprise involved in domestic supply chains with sales to export oriented enterprises of at least fifty percent (50%) of its total sales, or other enterprise the revenues of which are generated in foreign currency in the territory of the Guarantor, or which are foreign currency linked in accordance with the laws of the Guarantor;
  - (c) is a Private Enterprise;
  - (d) has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project;
  - (e) employs less than 1000 employees;
  - (f) the SME business is not related to any Excluded Activities as defined in the Loan Agreement;
  - (g) satisfies the requirements of the Environmental and Social Management Framework.

#### SUB-PROJECT ELIGIBILITY CRITERIA

2. Unless otherwise agreed between IBRD and JSC Ukreximbank, each Sub-financing shall be provided for a Sub-project which is determined, on the basis of an appraisal carried out in accordance with procedures acceptable to the Bank:
  - (a) to be technically feasible and economically, financially and commercially viable;
  - (b) to be in compliance with all requirements pertaining to environmental and social protection applicable under the laws and regulations of Ukraine and with the Environmental and Social Management Framework. To that end, the PFI shall require each SME applying for Sub-financing to furnish evidence satisfactory to the PFI, JSC Ukreximbank and the IBRD, showing that the Sub-project in respect of which the application has been made, has been prepared in accordance with such procedures, such evidence to include, *inter alia*, an Environmental and Social Management Plan (if required) prepared in accordance with the requirements of the Environmental and Social Management Framework;
  - (c) not to be supporting or include the purchase of land; and
  - (d) not to be supporting or include any of the Excluded Activities in accordance with section 3.5 of the Environmental and Social Management Framework .

## **TERMS OF SUB-FINANCING TO SMES**

3. Except as IBRD shall otherwise agree, each Sub-financing shall be provided on terms, including those relating to the maturity, interest rate, charges and/or fees determined in accordance with the PFI's investment and lending policies and practices, provided that:
  - (a) the interest rate, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the Subsidiary Finance Rate applicable pursuant to Section 2.B of this Operational Manual plus the PFI's administrative costs and an appropriate risk margin; and
  - (b) each Sub-financing by PFIs to SMEs to finance an Investment Sub-project shall have a minimum maturity period of 24 (twenty four) months, and each Sub-financing for a Working Capital Sub-project shall have a minimum period of six (6) months.
4. Sub-financing to SMEs shall be provided for Working Capital Sub-projects and Investment Sub-projects.
5. No expenditures for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless such expenditures shall have been made no earlier than 360 (three hundred and sixty) days prior to the date on which the PFI shall have received the Sub-financing application.
6. No withdrawals shall be made for payments made prior to the date of the Loan Agreement, except that withdrawals up to an aggregate amount not to exceed USD 30,000,000 (for all PFIs and JSC Ukreximbank) may be made for payments made prior to this date but on or after December 15, 2015 for financing of eligible expenditures related to such Sub-financing.

## **CONDITIONS OF SUB-FINANCING TO SMES**

7. Each Sub-financing shall be provided on further conditions whereby the PFI shall obtain, by written contract with the SME or by other appropriate legal means rights adequate to protect its interests and the interests of JSC Ukreximbank, the Guarantor and the IBRD, including the right to:
  - (a) Require the SME to carry out and operate the facilities financed under the Sub-project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards, and in accordance with the provisions of the Anti-Corruption Guidelines, and to maintain adequate records.
  - (b) Without limitation to the generality of the provisions of the preceding paragraph (a), require the SME to carry out and operate the Sub-project in accordance with the Environmental and Social Management Framework and the provisions of the Operational Manual.
  - (c) For any Sub-project which needs an Environmental and Social Management Plan, require the SME to carry out such plan in a timely manner.
  - (d) Require that the goods, works, non-consulting services and consultants' services to be financed out of the proceeds of the Sub-financing shall be used exclusively for the carrying out of the Sub-project.

- (e) Inspect, by itself or jointly with representatives of the IBRD, JSC Ukreximbank or government bodies of Ukraine, if IBRD, JSC Ukreximbank or the Guarantor shall so request, such goods and the sites, works, plants and construction included in the Sub-project, the operation thereof, and any relevant records and documents.
- (f) Require that the SME shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Sub-financing to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the SME to replace or repair such goods.
- (g) Obtain all such information as IBRD or JSC Ukreximbank shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the SME and to the benefits to be derived from the Sub-project.
- (h) Require, except as IBRD and JSC Ukreximbank shall otherwise agree, that the SME shall:
  - (i) submit to the Borrower a cash flow statement or other form of financial reporting used by the SME on an ongoing basis.
  - (ii) have a ratio of a debt obligation to equity at a level not exceeding 85:15 after receiving a Sub-financing/Sub-loan calculated as the ratio of the Sub-borrower's total liabilities to its equity in accordance with the financial statements of the Sub-borrower;
  - (iii) have a ratio of debt service coverage ratio (DSCR) at a level of at least 1.0:1 during the Sub-financing/Sub-loan period, calculated as the ratio of the sum of cash on the reporting date and other cash equivalents (in the amount not lesser than the sum of actual net financial expenditures and actual debt repayment for the reporting period) to the amount of actual net financial expenditures for the reporting period and actual debt repayment for the reporting period.
- (i) Suspend or terminate the right of the SME to the use of the proceeds of the Sub-financing upon failure by such SME to perform its obligations under its contract with the PFI.

#### **APPROVAL PROCEDURES FOR SUB-FINANCING TO SMES**

7. Each Sub-financing shall be approved by JSC Ukreximbank on the basis of:
  - (a) a description of the SME and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan;
  - (b) the proposed terms and conditions of the Sub-financing, including the schedule of amortization of the Sub-financing;
  - (c) evidence of compliance with the Operational Manual and with the Environmental and Social Management Framework; and
  - (d) such other information as IBRD or JSC Ukreximbank shall reasonably request.

8. Unless otherwise agreed with IBRD, the first two Sub-financings by each PFI and the first two Sub-loans are subject to prior approval by IBRD.
9. A prior approval by IBRD will be required for every Sub-financing/Sub-loan to be provided to a SME in an amount exceeding the equivalent of USD 6,000,000.

#### **ADDITIONAL TERMS AND CONDITIONS FOR SUB-LOANS TO BE PROVIDED BY JSC UKREXIMBANK AS PFI**

JSC Ukreximbank shall make Sub-loans to SMEs under Sub-loan Agreements to be entered into between JSC Ukreximbank and a SME, on the terms and conditions set forth in the Operational Manual, including, without limitation, the terms and conditions set forth in Section 3 of this Operational Manual with the following modifications:

- (A) all references to “PFI” shall be treated as references to “JSC Ukreximbank”;
- (B) the term “Sub-financing” shall be replaced with “Sub-loan”;
- (C) Except as IBRD shall otherwise agree, each Sub-loan shall be provided on terms, including those relating to the maturity, interest rate, charges and/or fees, determined in accordance with Ukreximbank’s investment and lending policies and practices, provided that:
  - (a) the interest rate, charges and/or fees, in the aggregate, to be applied to the principal amount thereof withdrawn and outstanding from time to time, shall not be less than the Subsidiary Finance Rate;
  - (b) each Sub-loan by Ukreximbank to SMEs to finance a Sub-project shall have a minimum maturity period of: (i) 36 (thirty six) months for an Investment Sub-project to an SME, and (ii) 12 (twelve) months for a Working Capital Sub-project.

#### **SUB-FINANCING/SUB-LOAN DOCUMENTATION**

##### **SUB-FINANCING/SUB-LOAN APPLICATION**

In order to get financing out of the proceeds of the Project for the Sub-financing/Sub-loan PFI/SME shall provide JSC Ukreximbank with a package of documents consisting of:

- Sub-loan application (Schedule 1 "Sub-loan Application Form");
- Sub-financing/Sub-loan terms and conditions, including Sub-financing/Sub-loan amortization schedule;
- Procurement documents under the Sub-project;
- Copies of any reports or appraisals as may be required under the Environmental and Social Management Framework, including the Environmental and Social Management Plan; and
- Any other information reasonably required by JSC Ukreximbank or IBRD.

*The package of documents for the first two Sub-financings of each PFI, as well as all Sub-financings for an amount exceeding the equivalent of USD 6 million, shall be submitted by the PFI along with a translation into English. In other cases, the Borrower shall notify the PFI of the need to provide the relevant documents together with their translation into English.*

## **SUB-FINANCING / SUB-LOAN REVIEW**

- For the first two Sub-financings to be provided by each PFI and the first two Sub-loans to be provided by JSC Ukreximbank, as well as all Sub-financings/Sub-loans for an amount exceeding the equivalent of USD 6 million, IBRD shall make prior review of each package of documents and notify JSC Ukreximbank on the eligibility of a relevant package or the need to provide additional information, as the case may be.
- For all Sub-financings/Sub-loans, which are not subject to prior review by IBRD, JSC Ukreximbank shall confirm the eligibility of Sub-Financing/Sub-loan documents and shall notify the PFI/SME about it. All Sub-Financing/Sub-loan documents shall be subject to post-review by IBRD. All Sub-Financing documents shall be kept by the PFI within 3 years from the date of the Project completion, and shall be provided to IBRD and/or JSC Ukreximbank upon request.
- JSC Ukreximbank shall approve each Sub-financing/Sub-loan and assign the appropriate number for each Sub-financing/Sub-loan.

## SECTION 4

### REQUIREMENTS FOR PROCUREMENT DOCUMENTS

1. Sub-financings/Sub-loans will be consistent with the provisions on Eligibility (sections 3.21-3.23), Conflict of Interest (sections 3.14 -3.19), and Fraud and Corruption (section 3.32 and Annex IV) of the Procurement Regulations for IPF Borrowers dated July 2016.
2. JSC Ukreximbank/PFIs shall be responsible for ensuring compliance of procurement policies by SMEs under Sub-financing/Sub-loans. JSC Ukreximbank shall verify the compliance with the procurement procedures by SMEs of PFIs.
3. PFIs shall ensure that duly certified copies of all documents on SME procurement are provided to JSC Ukreximbank to verify their compliance with the requirements of IBRD.
4. Project implementation envisages that private sector procurement shall be carried out in accordance with the SME commercial practice. The commercial practice means the application of procedures for the procurement of goods, works and services, acceptable to the SME, which are based on the principles of transparency and competition, and include consideration of price proposals, qualitative characteristics, etc.
5. For procurement in the framework of commercial practices, all SME procurement documents shall be provided: draft contracts/contracts together with all annexes, supplemental agreements, invoices, documents on the delivery of goods (bills of lading, cargo customs declarations, acceptance certificates, etc.), payment orders properly marked by the bank as executed, and other documents at the request of JSC Ukreximbank. Besides, PFI/SME shall provide documents confirming that a contractor or supplier is not a subsidiary or an affiliated company of the SME and confirmation that private sector commercial practices are used by the SME on the principles of transparency and competition, and include consideration of price proposals.
6. Contracts between SMEs and their subsidiary or affiliated companies are not eligible for financing out of the proceeds of the Project.
7. Procurement of goods, works and services from companies that are included in the IBRD's List of Excluded/Temporarily Excluded or Precluded Companies shall not be eligible for financing out of the proceeds of the Project.
8. Procurement of used goods (second-hand goods) shall not be eligible for financing out of the proceeds of the Project. IBRD may consider deviating from this limitation subject to confirmation of economic expediency of the procurement of used goods and observance of the following requirements:
  - the procurement of used goods shall not be combined with the procurement of new goods;
  - providing information on measures to cover possible risks when the used goods are procured;
  - technical requirements/specifications of the goods shall describe the main characteristics of the used goods, including the date of manufacture, the period of operation, the technical condition of the goods, etc.

- providing warranty documents (for example, a certificate of modernization and/or a guarantee from the manufacturer) for the used goods that have been upgraded or renovated.

Financing out of the proceeds of the Project for procurement of the used goods shall be subject to the approval by IBRD.

9. Expenditures related to financing of taxes, fees, salaries, etc. shall not be eligible for financing out of the proceeds of the Loan.
10. Financing of expenditures from the "Negative list" of IBRD (Annex 5) shall not be eligible for financing out of the proceeds of the Project.

## **SECTION 5**

### **DISBURSEMENTS UNDER SFA**

1. Disbursement of Sub-financings shall be made out in accordance with the terms and conditions of the SFA.
2. The PFI shall inform JSC Ukreximbank about the contact person and/or department responsible for the Project implementation, in particular for SFA administration, reporting under the Sub-projects, preparation of disbursement requests ~~preparing~~, etc.
3. Under the approved Sub-projects, JSC Ukreximbank shall make disbursements to the PFI by refinancing payments under Sub-financings, which were provided by the PFI to the SME to finance the SME procurement under the relevant Sub-projects.
4. Upon receipt of a message from JSC Ukreximbank on approval of the Sub-loan package, in order to receive disbursements PFI shall provide JSC Ukreximbank with the following documents:
  - a duly certified copy of the signed Sub-Financing Agreement/supplemental agreement to a previously signed loan agreement stating that such loan agreement becomes a Sub-Financing Agreement;
  - information confirming the provision of the Sub-financing to the PFI (statement of SME debt towards the PFI under the Sub-financing, other documents upon request of JSC Ukreximbank);
  - documents on the SME procurement if such documents were not provided at the stage of the Sub-project review;
  - disbursement request and details of disbursement request in the form provided in Schedule 3 of the Operational Manual;
  - other documents at the request of JSC Ukreximbank.
5. JSC Ukreximbank shall verify documents provided by the PFI in order to receive disbursement, and in case of their eligibility, make disbursement of the subsidiary loan to the PFI.

## **SECTION 6**

### **ROLE OF THE PROJECT IMPLEMENTATION UNIT**

The Project shall be implemented by the Project Implementation Unit (PIU) created on March 9, 2010 under JSC Ukreximbank Order No.117. International Financial Institutions Programs Division of JSC Ukreximbank shall perform functions of the PIU.

PIU shall be responsible for:

- preparation and implementation of the Project;
- coordination of activity with JSC Ukreximbank divisions, branches and the PFI for the purpose of the Project implementation;
- analysis and monitoring of compliance with the requirements of the Project and project criteria of the participants (PFI and Sub-borrowers);
- participation in inspections of the Project participants, including in cooperation with IBRD, the Ministry of Finance of Ukraine, ministries, other government bodies;
- collection, processing, analysis and summarising of results of the Project implementation;
- preparation of reports under the Project;
- provision of methodological and consulting support to the Project participants concerning preparation of documents under the Sub-projects, including issues related to the disbursements and reporting, negotiating of environmental and social elements, procurement, etc.
- participation in negotiations with the Project participants, coordination of entering into respective agreements with them, monitoring of compliance with the terms and conditions of such agreements and eligibility criteria; analysis of compliance by the Sub-projects with the terms and conditions of participation in the Project;
- preparation and provision of certificates and other information concerning the Project to the state authorities, other institutions and organizations;
- disbursement, administration, monitoring of utilization of funds and reporting under the Project;
- servicing of IBRD loan, loan and special accounts under the Project;
- preparation and approval of documents on financing under the Project;
- support in the audit of the Project.

**SUB-FINANCING / SUB-LOAN APPLICATION FORM**

**ACCESS TO LONG TERM FINANCE PROJECT**

<b>Submitting PFI</b>	:	.....
<b>Submission Date</b>	:	.....
<b>Sub-financing / Sub-loan Amount and Currency:</b>	:	.....
<b>Sub-financing / Sub-loan Type</b> <i>(investment / working capital)</i>	:	.....

<b>1. INFORMATION ON SUB-BORROWER</b>			
1.1 Name of the SME (incl. EDRPOU Code)	.....		
1.2 Date of Registration	.....		
1.3 Paid-in Capital	.....		
1.4 Ownership (please provide EDRPOU Code in case the partner is a company)	<b>Name</b>	<b>Share (Hryvnia)</b>	<b>Share (%)</b>
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
	<b>Total</b>	<b>.....</b>	<b>100.0 %</b>

1.5 Sector of Activity	..... .....
1.6 Management (information on the Board of directors and professional management, qualifications and experience)	..... .....
1.7 Address (incl. tel. and fax number)	<u>Legal Address:</u> ..... <u>Actual Address:</u> .....
1.8 Number of Employees (statistical reporting form No.1-PIB (quarter) to be submitted)	.....
1.9 Affiliated Companies / Subsidiaries (Name, % share)	..... .....

<b>2. INFORMATION ON SUB-BORROWER'S ACTIVITY</b>	
2.1 Main Products/Activities of the Sub-borrower	.....

2.2 For exporting enterprises (potential exporters)

List of goods/works/services exported (planned to be exported)	Name of the country where goods / works / services are exported to (planned to be exported)	Volume of sales of goods / works / services (in USD equivalent) for the previous reporting year

For enterprises involved in domestic supply chains with sales to export-oriented enterprises of at least 50% (fifty percent) of its total sales

List of goods/works/services supplied to the exporting enterprises	Name of the exporting enterprise to which goods / works / services are supplied	Volume of sales of goods / works / services supplied to the exporting enterprise (in USD equivalent) for the previous reporting year	Share of goods / works / services supplied to the exporting enterprise in the total volumes of sales for the previous reporting year (%)

For other enterprises the revenues of which are generated in foreign currency in the territory of the Guarantor or which are foreign currency linked in accordance with the laws of the Guarantor

List of goods/works/services supplied/rendered to SME	Volume of sales of goods / works / services provided to SME (in USD equivalent) for the previous reporting year

<b>3. INVESTMENT PROJECT</b> (Applies only in case of an investment loan)	
3.1 Summary investment description	.....
3.2 Location (Region, District) of the Investment	.....
3.3 Implementation Timetable	.....

3.4 Total Cost of Investment (USD equivalent)	USD .....

<b>4. SUB-FINANCING/SUB-LOAN</b>	
4.1 Loan Amount	.....
4.2 Loan Type (investment or working capital)	.....
4.3 Total Maturity (months)	.....
4.4 Grace Period (months)	.....
4.5 Interest Rate	.....

<b>5. COMPLIANCE WITH ELIGIBILITY CRITERIA</b>	
5.1 Private Property of SME	(Yes/No)
5.2. Number of employees of SME (< 1000 employees)	(Yes/No)
5.3 Debt service coverage ratio (> 1.0 over duration of the Sub-financing / Sub-loan)	(Yes/No)
5.4 Debt to Equity Ratio (< 85/15 over duration of the Sub-financing / Sub-loan)	(Yes/No)
5.5 Technical feasibility, Financial and Commercial viability of the Project	(Yes/No)

**6. LIST OF PROCUREMENT CONTRACTS FINANCED UNDER THE SUB-FINANCING / SUB-LOAN**

Contractor / Supplier under the Contract	Procurement Contracts (Contract No. and Date)	Description (Brief Description of Procurement items)	Contract Amount and Contract Currency	Expenditures to be financed under the ALTFP * (USD)		
				Total Amount	Payment Amount	Actual / Target Date of Financing
					<b>Total</b>	

\* USD equivalent to be calculated at the NBU rate on the date of actual payment under the contract

<b><u>7. ENVIRONMENTAL AND SOCIAL ELEMENTS</u></b>	
Identification of environmental and social risk of the Sub-project, category	
<b>Application prepared by:</b>	
	Name(s): .....

Position(s):	.....
Date:	.....
Tel.:	.....
E-mail:	.....
Signature(s):	.....
<b>Sub-financing approved by the Credit Committee of the PFI</b>	.....(Yes/No)
<b>&lt;Name of the PFI&gt;</b>	
<b>Authorized Signatories</b>	
..... .....	..... .....

## ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

### 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 subprojects 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 subprojects, 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 required, 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 subproject 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).

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 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 subproject 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 subproject'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.

<b>Box 1: An Indicative List of Category A sub-projects</b>
<input type="checkbox"/> 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;
<input type="checkbox"/> 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 subprojects 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 subproject 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**

Small-scale infrastructure projects: power transmission and distribution networks, rural electrification, mini (run of the river with no major water impoundments) or microhydropower 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 agroindustries, 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:
  - facilities with a capacity of 5,000 m<sup>3</sup>/year and above for the extraction and processing of marble blocks or pieces, decorative stones, and facilities with an annual capacity of 100,000 m<sup>2</sup> 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 m<sup>3</sup>/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 subproject 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**

- 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 subprojects;

from substantial to moderate risk – by the Category B (B-high and B-low respectively) subprojects, 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 Subborrowers 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 (Minprirody) (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 Minprirody, 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 Expertyza***

There is a special Law "*On Ecological Expertyza (Environmental Review)*" (1995), the scope of objects which are regulated (*Ecological Expertyza* 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 Expertyza** (by the government authority). According to Article 13 of the Law the list of activities and objects, for which the *State ecological expertyza* 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 expertyza* 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:**

<b>Probable Involuntary Resettlement / Social Impacts</b>	<b>Yes</b>	<b>No</b>	<b>Not Known</b>	<b>Details</b>
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 subproject 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 subborrower 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 subborrowers 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 noncompliance, 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.

## Attachment I

### 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 subproject 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? <sup>2</sup>				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.

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

## Attachment II

### 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 subproject 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 subproject 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.

**Attachment III**

**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 Subproject 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 parameter is to be monitored?	Where is the parameter to be monitored?	How is the parameter to be monitored/ type of monitoring equipment?	When is the parameter to be monitored- frequency of measurement or continuous?	Monitoring Cost What is the cost of equipment or contractor charges to perform monitoring	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:

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

**Attachment IV**

**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/](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*
<i>Ia Extremely hazardous</i>	<i>5 or less</i>	<i>20 or less</i>	<i>10 or less</i>	<i>40 or less</i>
<i>Ib Highly hazardous</i>	<i>5 - 50</i>	<i>20 - 200</i>	<i>10 - 100</i>	<i>40 - 400</i>
<i>II Moderately hazardous</i>	<i>50 - 500</i>	<i>200 - 2000</i>	<i>100 - 1000</i>	<i>400 - 4000</i>
<i>III Slightly hazardous</i>	<i>Over 500</i>	<i>Over 2000</i>	<i>Over 1000</i>	<i>Over 4000</i>

*\* 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***

DISBURSEMENT REQUEST (PFI)

\_\_\_\_\_, 20\_\_

JSC Ukreximbank  
Kyiv

**Disbursement Request  
Access to Long Term Finance Project**

**Participating Financial Institution:** \_\_\_\_\_ (*specify the name of the PFI*)  
**Subsidiary Financing Agreement Number and Date:** No. \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_  
**Name of the SME:** \_\_\_\_\_  
**Sub-financing Number:** \_\_\_\_\_  
**Disbursement Request Number:** \_\_\_\_

In accordance with the terms and conditions of the Subsidiary Financing Agreement No. \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_ for the purpose of the Project jointly implemented with the International Bank for Reconstruction and Development, we request to make a payment in the amount of \_\_\_\_\_ (*specify amount and currency*) in favor of:

**Name of the Bank:** \_\_\_\_\_  
**Account Number:** \_\_\_\_\_

We confirm the eligibility of \_\_\_\_\_ (*specify the name of the SME*) and expenditures already incurred by \_\_\_\_\_ (*specify the name of the PFI*) in favor of \_\_\_\_\_ (*specify the name of the SME*) and are refinanced with the above requested payment. Please find the required documentation attached.

The payment herewith requested, once made, shall constitute a disbursement under the above mentioned Subsidiary Financing Agreement and shall create a valid and binding obligation upon \_\_\_\_\_ (*specify the name of the PFI*) to make repayment of principal amount together with the interest and all other applicable charges specified in the Subsidiary Financing Agreement.

_____	_____	_____
( <i>position</i> )	( <i>signature</i> )	( <i>name</i> )
_____	_____	_____
( <i>position</i> )	( <i>signature</i> )	( <i>name</i> )

**Place of Seal**

**DETAILS OF THE DISBURSEMENT REQUEST**

Expenditure Category	Goods	
	Works	
	Services	

<b>SFA Number and Date</b>	
<b>Sub-financing Number:</b>	
<b>Name of the SME</b>	
<b>Total Amount Previously Paid to the SME under the Sub-financing</b>	

No.	Country of the Suppliers	Names and Addresses of Counterparties/ Suppliers	Number and Date of the Contract/ other documents related to the procurement	Brief Description of Goods/Works/Services financed/ to be financed	Currency	Total Amount of Contract	Total Amount of Expenditures Covered by this Request	Eligibility, %	Amount Eligible for Financing	USD/Currency Exchange Rate	USD Equivalent	Notes

<b>Total Amount of Expenditures Covered by this Request</b>	
<b>Total Amount Eligible for Financing</b>	
<b>USD Total Equivalent</b>	

\_\_\_\_\_  
(position)                      (signature)                      (name)

\_\_\_\_\_  
(position)                      (signature)                      (name)

**Place of Seal**

**DISBURSEMENT REQUEST (DIRECT LENDING BY JSC UKREXIMBANK)**

JSC Ukreximbank  
Kyiv

\_\_\_\_\_, 20\_\_

**Disbursement Request  
Access to Long Term Finance Project**

**Sub-Loan Agreement Number and Date:** No. \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_

**Name of the SME:** \_\_\_\_\_

**Sub-loan Number:** \_\_\_\_\_

**Disbursement Request Number:** \_\_\_\_

*Option 1. Applies in case of financing of expenditures under the Project*

In accordance with the terms and conditions of the Sub-Loan Agreement No. \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_ for the purpose of implementation of the Sub-project under the Project, we request to make a payment in the amount of \_\_\_\_\_ (*payment currency*) in favor of:

Name of the Supplier/Counterparty under the Contract: \_\_\_\_\_

Name of the Bank: \_\_\_\_\_

Account Number: \_\_\_\_\_

*Option 2. Applies in case of refinancing of expenditures under the Project*

In accordance with the terms and conditions of the Sub-Loan Agreement No. \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_ for the purpose of implementation of the Sub-project under the Project, we request to make a payment in the amount of \_\_\_\_\_ (*payment currency*) in favor of:

Name of the SME: \_\_\_\_\_

Name of the Bank: \_\_\_\_\_

Account Number: \_\_\_\_\_

*Further the following wording applies to both options.*

We confirm the eligibility of expenditures to be *financed/refinanced (specify as appropriate)* with the above requested payment. Please find the required documentation attached.

The payment herewith requested, once made, shall constitute a disbursement under the loan agreement and shall create a valid and binding obligation upon the Borrower to make repayment of principal amount of debt, pay interest and fees and reimburse all expenditures set forth by the terms and conditions of the loan agreement.

\_\_\_\_\_  
(*position*)

\_\_\_\_\_  
(*signature*)

\_\_\_\_\_  
(*name*)

\_\_\_\_\_  
(*position*)

\_\_\_\_\_  
(*signature*)

\_\_\_\_\_  
(*name*)

**Place of Seal**

**DETAILS OF THE DISBURSEMENT REQUEST (DIRECT LENDING BY JSC UKREXIMBANK)**

Expenditure Category	Goods	
	Works	
	Services	

<b>Sub-loan Number:</b>	
<b>Name of the SME</b>	
<b>Total Amount Previously Paid to the SME under the Sub-loan</b>	

No.	Country of the Suppliers	Names and Addresses of Counterparties/ Suppliers	Number and Date of the Contract/ other documents related to the procurement	Brief Description of Goods/Works/Services financed/ to be financed	Currency	Total Amount of Contract	Total Amount of Expenditures Covered by this Request	Eligibility, %	Amount Eligible for Financing	USD/Currency Exchange Rate	USD Equivalent	Notes

<b>Total Amount of Expenditures Covered by this Request</b>	
<b>Total Amount Eligible for Financing</b>	
<b>USD Total Equivalent</b>	

\_\_\_\_\_ (position)                      \_\_\_\_\_ (signature)                      \_\_\_\_\_ (name)

\_\_\_\_\_ (position)                      \_\_\_\_\_ (signature)                      \_\_\_\_\_ (name)

**Place of Seal**

**IBRD'S "NEGATIVE LIST"  
(List of Items Ineligible for Financing under ALTFP)**

1. All kinds of military hardware;
2. Luxury goods for consumption purposes<sup>2</sup>;
3. Nuclear reactors, and parts thereof;
4. Tobacco, unmanufactured or manufactured;
5. Tobacco processing machinery;
6. Trade in wildlife and wildlife products prohibited under the Convention on International Trade in Endangered Species of Wild Fauna and Flora;
7. Release of genetically altered organisms into the natural environment;
8. Drift seine netting in the marine environment;
9. Radioactive products;
10. Hazardous waste storage, treatment and disposal;
11. Manufacturing of equipment and appliances containing CFCs, halons and other substances regulated under the Montreal Protocol;
12. Manufacturing of electrical equipment containing polychlorinated biphenyls (PCBs) in excess of 0,005 % by weight;
13. Manufacturing of asbestos-containing products; and
14. Pesticides of classes IA or IB according to WHO classification.

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<sup>2</sup> Luxury goods for consumption by the Beneficiary Enterprise itself (e.g., purchase by the Beneficiary Enterprise of a luxury car for one of its managers); inputs into the production of luxury consumption goods for export are eligible.

**PFI REPORTING  
QUARTERLY REPORT**

**Report date**

No.	SME name	Sub-financing No.	Sub-financing interest rate	Sub-financing maturity period	Sub-financing amount and currency	Indebtedness as of the reporting date	Repaid amount of Sub-financing	Sub-financing classification according to NBU requirements

**PFI REPORTS  
SEMI-ANNUAL REPORT**

Period: [reporting 6 months]

1.

Total loan portfolio of PFI for SME as of the reporting date	Average repayment period under loan portfolio of PFI for SME	Total SME Sub-financing portfolio under the Project	Average SME Sub-financing repayment period under the Project	Ratio between the average Sub-financing repayment period under the Project and the average repayment period under loan portfolio of PFI for SME not financed under the Project

2. Number of active loan accounts opened for SME under the Project: \_\_\_\_\_

3. Portfolio classification by risk categories:

Total loan portfolio of PFI for SME as of the reporting date	Risk category	Share in the total loan portfolio of PFI, %

4. Return on assets of PFI (ROA) (%): \_\_\_\_\_

5. Return on equity of PFI (ROE) (%): \_\_\_\_\_

6. Compliance with prudential regulations of NBU (Yes/No (if no, provide the list of and explain the reasons for non-compliance)): \_\_\_\_\_

7. Gender aspect:

SME name	Total number of employees	Including female employees	Ratio between the number of female employees and the total number of employees of SME, %

8. Information on SME activity under the Project

SME name	SME's area of activities	Total SME Sub-financing portfolio under the Project	Export indicators /other indicators of SME prior to the Sub-project implementation start, USD equivalent	Export indicators /other indicators of SME as of the reporting date, USD equivalent	Export indicators /other indicators of SME, cumulatively since the Sub-project implementation start as of the reporting date, USD equivalent

9. SME characteristics under the Project:

No.	SME name	Economy sector	Geographic location	Number of SME employees	Debt to equity ratio as of 01.01.20__	Debt service coverage ratio as of 01.01.20__


## INTERIM FINANCIAL REPORTS

<b>Ukraine: Access To Long Term Finance Project</b> <b>Project Sources and Uses of Funds Statement</b> <b>Loan No.8727-UA</b> <b>for the Period from [Data] to [Data]</b> <b>in USD</b>				
	Reporting period		Cumulative	
<b>Income</b>				
IBRD	0,00		0,00	
<b>Total Financing</b>		<b>0,00</b>		<b>0,00</b>
<b>Less: Expenditures by Components</b>				
Component 1:				
Sub-Component 1	0,00		0,00	
Sub-Component 2	0,00		0,00	
Front-end-fee	0,00		0,00	
<b>Total Expenditures</b>		<b>0,00</b>		<b>0,00</b>
<b>Income Less Expenditures</b>		<b>0,00</b>		<b>0,00</b>
Add: Exchange Difference	0,00		0,00	
<b>Net change in Cash</b>		<b>0,00</b>		<b>0,00</b>
<b>Opening Cash Balances</b>				
Designated account	<b>0,00</b>			
Other accounts	<b>0,00</b>			
<b>Total opening cash</b>		<b>0,00</b>		<b>0,00</b>
Add: Net change in cash		<b>0,00</b>		<b>0,00</b>
<b>Net cash available</b>		<b>0,00</b>		<b>0,00</b>
<b>Closing Cash Balances</b>				
Designated account	<b>0,00</b>		<b>0,00</b>	
Other accounts	<b>0,00</b>		<b>0,00</b>	
<b>Total closing Cash Balances</b>		<b>0,00</b>		<b>0,00</b>

Notes

<b>Ukraine: Access To Long Term Finance Project</b>			
<b>Uses of Funds: by Participating Financial Institutions (PFI) as well as SMEs</b>			
<b>Loan No.8727-UA</b>			
<b>for the Period from [Data] to [Data]</b>			
<b>in USD</b>			
<b>PFI</b> s or <b>SME</b> s	<b>Current quarter</b>	<b>Year to date</b>	<b>Cumulative to date</b>
<b>I. On-lending to PFIs</b>			
<i>PFI1</i>			
<i>PFI2</i>			
...			
<b>I. Subsidiary lending of UkrEximBank to SMEs</b>			
<i>Sub-borrower 1</i>			
<i>Sub-borrower 2</i>			
...			
<b>Total Component 1</b>			

**Ukraine: Access To Long Term Finance Project  
Designated Account Statement  
Loan No.8727-UA  
for the Period from [Data] to [Data]  
in USD**

	<b>Period</b>	
1 <b>Opening balance at [date]</b>	0,00	
2 Add: cumulative unexplained discrepancy	0,00	
3 IBRD advance during the period	0,00	
4 <b>Less: Refund to IBRD from DA during the period</b>	0,00	
5 Present outstanding amount advanced to DA		0,00
6 <b>DA closing balance as at [date] carried forward to next period</b>	0,00	
7 Add: Amount of eligible expenditures paid during the present period	0,00	
8 Service charges	0,00	
9 <b>Less: Interest earned</b>	0,00	
10 Total advance accounted for		0,00
11 Discrepancy (5)-(10) is to be explained		0,00

Explanation of discrepancy: