



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 10/16/2019 | Report No: ESRSA00298



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Serbia	EUROPE AND CENTRAL ASIA	P167634	
Project Name	Serbia Competitive Agriculture Project (SCAP)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Agriculture and Food	Investment Project Financing	9/30/2019	12/10/2019
Borrower(s)	Implementing Agency(ies)		
Republic of Serbia	Ministry of Agriculture, Forestry and Water Management		

Proposed Development Objective(s)

Improve agri-food market linkages of targeted beneficiaries

Financing (in USD Million)	Amount
Total Project Cost	83.70

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

No

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

The proposed PDO will be achieved by increasing the productivity and efficiency of targeted beneficiaries through improved access to technical support, information and finance.

While the 2015 Strategic Country Diagnostic (SCD) identified agriculture as a priority sector for the twin goals, the Country Partnership Strategy (CPF) for the period of FY16-20 did not originally envisage an operation because of counterpart readiness. However, engagement with a new team at the Ministry of Agriculture, Forestry and Water Management (MAFWM) demonstrates a new strategic drive and opportunity to make an impact. The Performance



and Learning Review (PLR) of the CPF (February 2019) identifies agriculture as one of the high priorities for the Government with an important dimension of shared prosperity.

Proposed project investments for achieving the PDO are designed around three components:

Component 1: Improving the value-added of agriculture (US\$37.7 million)

The objective of this component is to improve the economic performance on- and off-farm of small and medium agri-food producers, producer groups and SMEs in Serbia. The component will support with matching grants for half the total value per productive investment, for investments in the range of EUR25,000 and EUR50,000 for producers and EUR25,000 and EUR400,000 for producer groups and SMEs on- and off-farm (e.g. capital investments in equipment, machinery, processing units, packaging, storage, etc.) and the building of productive and entrepreneurial capacity of agri-food producers through the integration of production decisions with market requirements and technical and financial services. Activities will focus on improving land and labor productivity, broaden access to productive assets, technology, information, and credit, diversification of agricultural products and practices, compliance with standards and access to markets, including traceability and differentiation strategies and climate-smart approaches. Unlocking agricultural finance for productive investments, strengthening productive and entrepreneurial capacity, developing short value chains and market linkages, mainstreaming climate into business decision, will stimulate economic activities in rural areas and can lead to the creation of jobs. It will also create capacity for better absorption of IPARD funds for improving the rural development of Serbia, while also strengthening alignment to EU CAP.

Component 1 is structured into two sub-components: (i) Strengthening agricultural advisory and business development services (US\$4 million) – focusing on capacity building activities required to formulate business plans, investment decisions and financial support, from public and private sources; (ii) Facilitating access to finance for productive investments (US\$33.7 million) – comprising investments (through matching grants) in equipment and technical assistance to support implementation .

Component 2: Improving the capacity of MAFWM to support modern agriculture (US\$10 million)

The objective of this component is to improve the capacity of MAFWM and related public agencies to enable improved sector performance through evidence-based policy making and provision of public goods, such as an information delivery system and open data platform. This will be achieved through the upgrading and modernization of existing information systems and their integration into an open data platform that will benefit all agricultural producers of Serbia. The information system could also strengthen the Government's capacity for risk management by providing all agricultural stakeholders access to relevant agro-climatic and market information to enhance climate response at the farm and agribusiness level. The integration of information could also support the Government's broader pension reform efforts with the provision of data for social benefits assessment.

Component 2 is structured into two sub-components: (i) Improving MAFWM information systems (US\$8.1 million) - focusing on the modernizing of information systems through redesigning and upgrading of existing applications, and (ii) Developing an Agriculture Business Intelligence Information System (US\$1.9 million) - improve access to information to all sector stakeholders through an open public information system that brings together all relevant sector data.



Component 3: Project Management, Monitoring and Evaluation (US\$2.3 million)

This component will support the establishment of a project management team (PMT) in the Directorate of Agrarian Payments (DAP) and capacity needs related to project implementation, as well as project monitoring, including a comprehensive baseline, mid-term review and a final impact assessment of project investments.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The Serbia Competitive Agriculture Project (SCAP) will target its financial and technical support to small and medium agricultural producers, agribusiness and agro-processors for increased productivity and access to markets across Serbia and beyond. The project is covering the whole country, although it is expected that most beneficiaries will be in the Southeastern part of the country, where small and medium scale agricultural production predominates, volumes per producer are relatively small and private investment is limited. As main beneficiaries will be producers, agribusinesses and agro-processors, the project will predominantly be implemented in rural areas. Preferential treatment will be given to matching grant applicants from the following geographical locations: 1) areas with difficult working conditions in agriculture (high altitude, national parks, devastated); and 2) marginal areas, which refers to 47 underdeveloped municipalities whose level of development (gross domestic per capita) is 60-80% of the national average (group 3) and 44 extremely underdeveloped municipalities whose development rate is below 60% of the national average (group 4).

The project will target small and medium scale agri-food producers (i.e. agricultural production and processing units) that have or can have commercial focus. Its focus is not on the majority mixed-income farms that have marginal commercial activities. In fact, only 20% of rural household income comes from agriculture with non-farm employment and social assistance contributing most to household income in rural areas.

The social profile and sector background significant from a social risk management perspective: (i) Serbia's rural areas are characterized by outmigration and aging populations population (average farm holder is 61 years with female managers being older than men reflecting inheritance structures); (ii) 99.5% are family farms and most-farms are mixed income; (iii) majority of farm managers have only practical agriculture experience (58%, women even higher: 73%) with less than 5% having agricultural secondary school or faculty education; (iv) women's low (20%) participation in formal agriculture is constrained by: a) lack of access to land (84% of women do not own agricultural land), b) low decision making power (16% women manage agricultural holdings), and c) low access to finance; (v) higher activity and employment rates than in urban areas, but less protection of labor rights. Women often maintain the dual responsibility of farming and household production. Women also participate in direct sale of agricultural products in the fresh produce (also called green) markets. Hence their knowledge on both production needs and market dynamics is fundamental for modernization of the sector. More women are becoming grant recipients of government agricultural grant schemes and have an active role in the decision making for production and post-harvest.

D. 2. Borrower's Institutional Capacity

The Project will be implemented by a Project Management Team (PMT) consisting of seconded staff from MAFWM and consultants to support specialized functions, including Grant Coordinator, Grant Finance Specialist, M&E Specialist, ICT Specialist, Environmental and Social Specialist. The Central Fiduciary Unit (CFU) located in the Ministry



of Finance will perform the fiduciary function for the project. Additional fiduciary consultants will be hired to support the project. To implement the grant component, the MAFWM may engage a firm to help review proposals. The PMT will be housed in the Ministry's Directorate for Agrarian Payments (future Paying Agency) responsible for implementation of agriculture support programs. Although MoA has past experience gained from implementing a Bank operation (closed in 2013), at the present, they do not have staff knowledgeable about environmental and social risk management procedures. The existing Paying Agency has no staff experienced in environmental nor social screening and dealing with the environmental or social impacts of related investments. Thus, the PMT will be obliged to hire, prior to the Project effectiveness an Environmental and Social Specialist with experience on IFI's social and environmental standards to conduct social and environmental due diligence for the project, including environmental and social screening of business plans submitted under the grant scheme. The Project Operations Manual (POM) will detail implementation arrangements, including the roles and responsibilities of the Environmental and Social Specialist. The Bank team will also carry out ESF training of relevant PMT staff. It is expected that the financial mechanisms supported by the project, the agricultural grant scheme for small and medium farmers, will continue to operate beyond the duration of the project. As part of the project's environmental and social due diligence, project will support the development of durable environmental and social management procedures, systems and capacity within MoA to encourage responsible management of environmental and social risks of financially supported agricultural SMEs beyond the project period.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

- National institutions dealing with the environmental assessment, management and monitoring are at various stages of development in relation to implementation capacity and monitoring, and application of the enforcement mechanisms. Generally, they have limited capacities for implementation of ESF. Adoption of the common standards and implementation enforcement mechanisms for agricultural grant schemes will need to be designed and implemented during the project execution;

- Ministry of Agriculture and Paying Agency have no staff responsible for environmental risk identification, mitigation and monitoring. Due to organizational and legal constraints use of staff from other institutions at the national level is not likely - MoA will have to develop in-house capacity for screening and monitoring environmental risks associated with agricultural grant schemes. In order to mitigate the above risk, PA will hire suitable qualified and experienced staff, while the project will support internal and external training activities;

- Project related activities may fund on-farm investments for optimization and diversification of production, including small scale civil works, equipment, processing units, packaging and storage facilities. Application of good environmental and agricultural practices and development of respective guidelines will be part of the environmental and social due diligence activities related to agricultural grant schemes;

- The nature of environmental risks and impacts are directly linked to implementation of activities related small-scale construction works (small processing facilities, animal husbandry related structures; machine sheds and equipment storage facilities). The nature of environmental risks mainly relates to physical impacts, construction labor and site



management, material management on small construction sites, and in some cases possible local water/groundwater issues - that cannot be determined more specifically at this point;

- The project may finance limited activities related to internationally and nationally designated and/or protected areas. Management of relevant impacts of these activities on biodiversity and habitat preservation, however minor, will have to be implemented in accordance with the legally binding national, international and Bank's procedures;
- Activities related to training and advisory services will include environmentally friendly practices for use of new technologies, adherence to food safety and quality standards, technical standards on inputs including herbicides and pesticides;
- Given the low risk nature of the interventions, the limitations on implementation capacity and application of enforcement mechanisms related to future subprojects, the project's environmental risk is considered to be moderate.

Social Risk Rating

Moderate

The project will introduce integrated business support, improved access to agricultural market information and provide matching grants to small and agricultural production units with commercial potential currently excluded from other agricultural support programs. These activities are generally anticipated to have positive impacts on the targeted beneficiaries in terms of increased sales, income, and employment. The project will facilitate consolidation at product level and only provide financial support to private businesses. Thus, there is no/very little potential for involuntary land take. The project's inclusive design, including low up-front cash contribution (10%), targeted advisory support in business plan preparation and execution, and gender, age and location-sensitive selection criteria will lower vulnerable groups' (women, young farmers, those living in disadvantaged areas) barrier to participation in project activities. The project's grant mechanism includes a feedback mechanism to allow for adaptive design of both grant and TA support to targeted beneficiaries. Additionally, the project will reduce risks of economic loss for farmers by introducing two-way communication about plan and animal health risks and early warning systems for anticipating changing climate conditions. Most of the SME portfolio supported through the grant scheme is expected to support activities that have limited social risks, impacts that are site specific and predictable (e.g., potential pollution from intensified use of pesticides & fertilizers).

Given the prevalence of labor informality in the agricultural sector in Serbia, there is a medium to high risk that supported MSMEs will use informal labor, have irregularities in regards to worker overtime and holiday management and not register seasonal work. This risk will be minimized through application screening, labor and working conditions reporting requirements and by providing grantees workers access to the project grievance mechanism.

The project targets agricultural units that have commercial potential, which means that majority mixed-income farms that do not have this focus would not be eligible or have direct access to the agricultural grant schemes and financial products enabled by the credit guarantee fund. This creates a potential risk of perceived exclusion from project benefits which the project will address through an awareness raising campaign and communication strategy aimed at clarifying the project scope, eligibility and selection criteria, and application procedures. The project ESMF includes a methodology for social risk screening and identification of any unwanted direct and indirect impacts. Given the low risk nature of the intervention, the inclusive design, the prevalence of informal labor in the agriculture sector, the



potential of perceived exclusion from project benefits, and the low capacity of the client, the project's social risk is considered to be moderate.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Based on project screening, project description, discussions with the stakeholders and web-research, environmental risks mainly relate to lack of environmental risk assessment at design stage, inadequate monitoring and application of enforcement mechanisms for on-farm investments and agricultural grant schemes (in the range of EUR 12,500-200,000). Range of different tools will be used within the project cycle, among them the following: project level Environmental and Social Management Framework (ESMF) that will assess current level of implementing agencies capacities, gaps and responsibilities for application of ESF and mitigation measures, site-specific Environmental and Social Management Plans (ESMPs) or ESMPs Checklists for sub-projects implementation. Although, due to the size and nature of each particular investments, the project related activities are unlikely to result in major environmental risks or significant negative non-reversible impact, lack of the experienced staff in the implementing institutions (MoA and PA) and lack of formalized screening procedures with respect to environmental and social risks and impacts will necessitate development and implementation of a targeted methodology for environmental and social risks and impact screening for agricultural grant schemes as part of the project ESMF. The methodology will also consider/include development of good agriculture practice notes on related subjects, including but not be limited to: land use, labor, water use, herbicides/pesticides, etc.

The project has developed an ESMF with a targeted environmental and social screening methodology for agri-food producers/MSMEs in the agricultural sector. The screening process includes provisions on general environmental and social concerns, and then follows the issues related to each of the applicable ESSs. The ESMF provides step-by-step procedures for assessment and verification of risks, preparation of additional risk management tools (e.g. ESMP/ESIA), subproject approval, and monitoring and reporting through implementation. For activities with no environmental or social implications there will be no additional follow up beyond the initial screening. For activities with limited and site specific impacts the applicant MSME will need to prepare a site specific ESMP to be cleared by the PMT and the World Bank. The ESMF includes an elimination list of activities that cannot be financed by the project (including activities that involve involuntary land take, forced and child labor, informal labor) and guidelines within the screening process itself for triggers that would associate the given activity with a high environmental or social risk activity.

The ESMF includes a preliminary assessment of potential environmental and social risks for MSMEs operating in the agricultural sector. No specific risks have been identified for Component 2 (Improving the capacity of MAFWM to support modern agriculture) and Component 3 (Project Management, Monitoring and Evaluation). For Component 1, the preliminary environmental and social risk assessment concluded that:

- ESS1: There is a medium to high risk that MSMEs supported by the agricultural grant scheme are involved in labor rights breaches and inadequate management of occupational health and safety (OHS).
- ESS2: Direct and contracted workers under the project will have office jobs with no/low OHS and labor risks. Project workers are not characterized as vulnerable workers.



- ESS3: The ESMF will include sections on resource efficiency, Pollution Prevention and Management, and Pest Management. Assessment of risks and impacts and proposed mitigation measures related to relevant requirements of ESS3, including water and energy efficiency, pollution prevention, hazardous materials, and use of herbicides/pesticides in line with the best available technologies and international and FAO standards will be included within scope of the ESMF and ESMPs as relevant.
- ESS4: Community health and safety may be impacted from releases of untreated wastewater, air pollution emissions or from construction sites with no adequate health and safety considerations.
- ESS5: No/little risks related to involuntary land take have been identified provided that the project will target privately owned agri-businesses that cannot use the power of eminent domain to take over land/assets.
- ESS6: As some of the project activities that provide support for small scale community agriculture are likely to involve interaction with protected areas, critical habitats, wetlands and Ramsar sites, the ESMF will
- ESS7: Not applicable for Serbia
- ESS8: Unlikely interaction with cultural heritage sites. Standard not considered applicable.
- ESS9: Not applicable to the project
- ESS10: The stakeholder analysis identified targeted beneficiaries (agri-food producers/MSMEs) as having a high risk of unmet expectations due to high competition for matching grants.

The project-specific ESMF provides clear measures for managing the identified risks as described under the relevant standards below. The ESMF includes screening provisions that would guide the PMT Environmental and Social Specialist and the applicant in developing a mitigation plan for all of the potentially identified risks that are given above, to the extent that such risks and impacts are not substantial in nature and are fully mitigated. Commensurate with the negligible/low labor risk for ESS2 workers, the Labor Management Procedures (LMP) are brief and incorporated into the ESMF. A Stakeholder Engagement Plan is prepared separately and includes stakeholder identification, risk assessment and proposed engagement activities through the project cycle.

Potential breaches to labor rights and inadequate OHS have been identified as risks for workers of grantees as part of the ESS1 assessment. (These workers are not “project workers” as defined by ESS2). There is a medium to high risk that MSMEs supported by the project may: 1) use informal labor; 2) do not comply fully with the local labor code on management of workers’ overtime, holidays and regular payment of wages; 3) do not register seasonal workers and make mandatory contributions for their social security insurance; 4) inadequately protect workers’ health and safety in line with relevant OHS laws. 67 percent of employment in the agricultural sector in Serbia is informal with female workers representing 80 percent of all informal workers. Most informal work takes place on family farms as there is no legal obligation to register other family members than the head of the agricultural holding according to the Law on Pension and Health insurance. At seasonal peaks, 65% of women involved in agricultural activities perform agriculture-related work all seven days in a week. Unequal work load throughout year necessitates hiring short time seasonal workers who, given the nature of their engagement, are even more exposed to the risks associated with informal labor. This form of unreported employment leave workers without social security, pension and health insurance, provides them with inadequate wages and unsafe working conditions. In 2018, the Law on Simplified Work Engagement for Seasonal Workers came into effect with accompanying portal managed for registering seasonal workers by the Tax Administration. The Law improves the position of seasonal workers especially in regard of contributions for the mandatory social security insurance. The ESMF provides clear measures for managing this risk through subproject application screening, labor and working conditions reporting requirements and by providing grantee workers access to the project grievance mechanism.



Other potential social risks include the matching grant program predominantly benefitting older male agri-food producers, who are majority owners of agricultural land, and financially stronger (medium size) farmers. The risk of exclusion of women and young farmers has been addressed through the matching grant program design, which provides small and medium size producers (that may have collateral/capital constraints) the opportunity to access match grants with a small upfront investment (10%). The Project will enhance the financial inclusion of small producers (including women and youth) through facilitated access to commercial credit by using production assets (including equipment purchased with the matching grant support) as collateral rather than land. The Technical Assistance Provider and/or public Extension Services will support the applicants to develop ‘bankable’ business plans and prepare the client to approach the commercial banks for the remaining part of the matching grant. Women, youth and agri-food producers in disadvantaged areas (underdeveloped municipalities and locations with difficult agricultural conditions) will be given preferential treatment in the selection of grantees.

The ESS1 assessment confirmed that the improved efficiency of beneficiary commercial production units (including reduced price and enhanced quality) will not have a negative impact on non-beneficiary mixed-income farmers for whom agricultural sales represents an important safety net may also occur as they serve different markets (TBC during implementation).

Social risk screening was conducted based on the project appraisal document, consultations with government agencies, potential beneficiaries and donors. Screening was also informed by World Bank sector studies (review of agriculture in Serbia (2015), technical note on expanding agricultural export in Serbia (2017), and paper on employment patterns in agriculture in Serbia (2018) and reports prepared by other donors, including a UN Women-funded report on “Situation of rural women in Serbia” (2017) and FAO technical report on “Smallholders and Family Farms in the Republic of Serbia (2019, forthcoming). Assessment of labor risks in the sector was also informed by a meeting with ILO Serbia.

ESS10 Stakeholder Engagement and Information Disclosure

Direct beneficiaries are small and medium scale agri-food producers (i.e. agricultural production and processing units) that have or can have commercial focus. This includes agricultural holdings, cooperatives, entrepreneurs, agribusiness MSMEs that can provide direct link to smallholder farmers, education and research institutions, and community organizations. The project will directly benefit women farmers through targeted business training and financial services. The MoA and its Directorate for Agrarian Payments (future Paying Agency), Advisory Services, Veterinary and Phytosanitary Services will directly benefit from modernized information systems and improved capacity to deliver services. Public Extension Services will benefit from service gap assessment and improved market alignment. Larger producers and aggregators will benefit indirectly from better access to sector information and financial services. Financial institutions will benefit indirectly from expanded customer base of commercial production units. Other interested parties may include Farmer’s Associations, NGOs representing the interest of different farmer groups and rural populations and women business networks.

The Borrower has prepared a Stakeholder Engagement Plan (SEP) that outlines the timing and methods of engagements with different stakeholders, including underrepresented groups (e.g., women, young farmers, producers in disadvantaged areas). The project will launch a public awareness campaign to present the features of



the support program prior to each call for proposals and stimulate participation of agricultural SMEs, including targeted messaging for women and youth. Sample-based surveys of grant applicants will be conducted at critical phases of project implementation to ensure adaptive design of the grant program. Furthermore, regional workshops will be organized annually with direct beneficiaries and stakeholders to present applicant survey results and collect in-person feedback on the project progress. The project will also integrate feedback/comments space into the information platform developed under Sub-component 2.2 Open Data Platform. A Grievance Mechanism (GM) will be added to DAP's existing information center for the national support program. The GM will provide the opportunity for continued feedback on the grant scheme and resolution of individual grievances during implementation.

During project preparation there have been numerous consultations and key meetings with (i) government agencies at the national, regional and local level; (ii) potential beneficiary groups, including agri-businesses, and their representatives; (iii) commercial banks and other financial institutions that may offer services; (iv) agricultural producers and producer organizations as well as agricultural extension services; (v) Cooperative Union of Serbia; (vi) civil society organizations as well as academia, and (vii) national and international donors working in the agricultural sector (UN FAO, UNDP, IFC, EBRD, USAID projects), as well as with the European Commission.

A Stakeholder mapping exercise has been completed vertically (across the administrative space) and horizontally (within an individual space). Each stakeholder group is rated for their relative importance and influence; and those with a high stake are to be included into all engagement activities and require continuous and undisrupted engagement. This helps in shaping the SEP for the remainder of the project cycle. Among targeted project beneficiaries, women, youth and agri-food producers that live in disadvantaged areas have been identified as requiring targeted support and assistance to access project benefits and services. Based on the stakeholder analysis and the relative weight given to each stakeholder group, the SEP contains a strategy to design tailored outreach activities to be implemented for each of the stakeholder groups through project preparation and implementation.

The Project will develop a communication strategy for inclusive awareness raising about project scope, eligibility and selection criteria and critical milestones. The PMT, in close collaboration with the Extension Services and Municipalities, will agree on an action list to identify appropriate communication channels and tools across the different regions of the country. The SEP presents roles and responsibilities of key actors in the proposed stakeholder engagement activities to be conducted under the project.

The SEP is currently in the process of being translated and disclosed both in the WB and in-country.

B.2. Specific Risks and Impacts

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

ESS2 Labor and Working Conditions

The Project Management Team will consist of direct works – assigned staff from the Ministry of Agriculture, Forestry and Water Management (MAFWM) and the Ministry of Finance (MF) (civil servants) and independent consultants hired specifically in relation to the project (external consultants). The category of contracted workers includes the



workers of companies that would be providing services under Component 2 of the project, including hardware, software and the creation of an integrated information platform for the MAFWM. Both categories of project workers are anticipated to have office jobs with minimal risks to health and safety of those workers. It is expected that the providers of aforementioned ICT services would be reputable companies that employ qualified and educated workers who do not belong the vulnerable groups of workers. The risk of such companies not complying with conditions of work (for example, that they are not paying their workers regularly, that they practice informal labor or child labor) are very small. The Borrower has prepared Labor Management Procedures as part of the project's ESMF, which outline the Borrower's requirement for enforcing ESS2 requirements and service provider's obligation to report on ESS2 compliance. The LMP has a separate GRM to allow effective communication of issues related to labor and working conditions.

ESS3 Resource Efficiency and Pollution Prevention and Management

The standard is relevant to project Component 1 and activities that focus on agricultural knowledge support and technical assistance related to on-farm inputs and equipment required for the optimization of production and/or diversification, as well as technical advice on inputs, technologies and alternatives. It is also relevant to Component 2 – through demand driven training and advisory services, use of new technologies, adherence to food safety and quality standards and development of linkages with producer organizations. The project will promote the use of good environmental and agricultural practices to contribute to climate adaptation and mitigation and to improve the technical knowledge and skills of beneficiaries in, among others, water and energy efficiency, pollution prevention and use of herbicides and pesticides in line with the best available technologies, international and FAO standards. Agricultural knowledge support will be provided in the form of group-based interventions (training) and individual technical assistance (advisory services). While developing the above trainings/practices and guidance notes, the Borrower will additionally draw on WBG EHS guidelines, national legislation and codes of good agricultural and engineering practice. The above documents will be referenced in ESMF and through a generic matrix indicated if/when relevant for various project-related activities. The information contained in the ESMF will then be used in developing site or activity-related ESMPs.

ESS4 Community Health and Safety

The project is likely to lead to increased use of fertilizers and farm pesticides as a result of enhanced farm productivity. Production units supported by the project will be required to follow EU guidelines for safe and sustainable farming and food processing and FAO guidelines on herbicide/pesticide use. Thus, increase in risks to community health and safety is not expected although accidental pollution releases are possible. Project targets small and medium (often family owned) farms that do not use security personnel.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Under component 1, the project will encourage economic clustering of smaller production units to improve their competitiveness. Instead of consolidating land, the aggregation will take place at the product level while production will remain at the original farms. Provided that the project will only support private businesses and public enterprises will not be financed, the likelihood of involuntary take land is very small. Activities (including micro-scale construction projects) that may lead to involuntary resettlement associated with land take, will be excluded by means of a



screening process (elimination list) that has been defined in the Environmental and Social Management Framework (ESMF). Similarly, construction of on farm renewable energy facilities will be located on existing farms and hence unlikely to include land acquisition. They will be screened to ensure that only activities that have no involuntary resettlement are eligible for financing. Hence, based on the assessment of risks and impacts associated with ESS5, this ESS is not considered applicable.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The project area is the whole country, which includes several nationally and internationally recognized natural and critical habitats, protected areas, wetlands and Ramsar sites as well as hundreds of locally designated nature sites. At this point it is not known, but is assumed likely, that some of the project funded activities may include support to small scale community agriculture that is undertaken within areas under some level of protection. The environmental and social screening criteria, to be developed during the project implementation for the agricultural grant scheme for small and medium farmers, will screen for the relevant risks and apply mitigation hierarchy. The environmental screening criteria will ensure that no activities with potential negative impact are eligible for funding in natural or critical habitats. In case of activities to be funded by the project and to be implemented in modified habitats (like mushrooms harvesting and honey production), the project-level ESMF will present requirements for the Borrower to avoid or minimize the respective impacts on biodiversity and implement mitigation measures as appropriate. Where the activities in modified habitats are considered, the project will incorporate consultations with protected area sponsors, national and local guardian institutions and relevant stakeholders, including local communities, and NGOs. Where necessary, a site-specific biodiversity management plans will be reviewed, updated and/or developed. Where the above plans are not existing, development of a site-specific ESMPs will be considered as a part of the screening and approval procedure.

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

Serbia does not have distinct social and cultural groups as covered by ESS7. Thus, this standard is not applicable.

ESS8 Cultural Heritage

The project will aim to optimize production on already utilized agricultural land. As the project will not contribute to land use change, and the project will support only a very limited construction or rehabilitation of buildings within already existing agricultural processing complexes and/or operational agricultural farms, it is very unlikely that there will be any interaction with the known cultural heritage sites.

However, in the event of chance finds, the Borrower will deal with it taking into account national legal requirements that are fully consistent with UNESCO and good international practice.

ESS9 Financial Intermediaries

The project will provide technical support to producers for using private loans for financing part of the business plans, to commercial banks for the use of existing public guarantee funds to de-risk investments in small and medium agricultural producers, and to the Ministry on the needs assessment for a public guarantee fund to ensure



financial sustainability of these investments. The project will not finance the on-lending/risk sharing activities of the funds, therefore this standard is not applicable.

B.3 Other Relevant Project Risks

At this stage, no other risks are envisaged.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways Yes

Project may invest in on-farm irrigation and aquaculture activities.

OP 7.60 Projects in Disputed Areas No

III. BORROWER'S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

DELIVERABLES against MEASURES AND ACTIONS IDENTIFIED	TIMELINE
ESS 1 Assessment and Management of Environmental and Social Risks and Impacts	
Preliminary ESCP & ESMF	10/2019
ESS 10 Stakeholder Engagement and Information Disclosure	
Preliminary ESCP and ESMF	10/2019
ESS 2 Labor and Working Conditions	
Draft LMP	10/2019
ESS 3 Resource Efficiency and Pollution Prevention and Management	
Draft ESMF	10/2019
ESS 4 Community Health and Safety	
Throughout Project implementation, site-specific ESAs/ESMPs.	11/2024
ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	
ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources	
Throughout Project implementation, site-specific ESAs/ESMPs will require biodiversity assessments and mitigation measures when connected to the existing biodiversity in community agriculture related areas.	11/2024
ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	



ESS 8 Cultural Heritage

ESS 9 Financial Intermediaries

B.3. Reliance on Borrower's policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?

No

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

Given the nature and complexity of project activities and considering existing deficiencies and institutional capacities of the Borrower, the Borrower's E&S Framework will not be used for the project as a whole, nor for any of its parts.

IV. CONTACT POINTS

World Bank

Contact:	Svetlana Edmeades	Title:	Senior Agriculture Economist
Telephone No:	473-5627	Email:	sedmeades@worldbank.org
Contact:	Olivera Jordanovic	Title:	Sr Land Administration Specialist
Telephone No:	5265+3725	Email:	ojordanovic@worldbank.org

Borrower/Client/Recipient

Borrower: Republic of Serbia

Implementing Agency(ies)

Implementing Agency: Ministry of Agriculture, Forestry and Water Management

V. FOR MORE INFORMATION CONTACT

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

VI. APPROVAL

Task Team Leader(s): Svetlana Edmeades, Olivera Jordanovic

Practice Manager (ENR/Social) Javaid Afzal Cleared on 15-Oct-2019 at 14:58:51 EDT

