

## RCF Guideline on Environmental and Social Management

### 1. INTRODUCTION

The **Regional Challenge Fund (RCF)** is a funding program aimed to strengthen the labour market relevance of vocational education and training by awarding grants for investments in equipment and infrastructure for VET providers that engage, or plan to engage, in cooperative training activities with partnering companies. RCF may provide financial & accompanying support to the selected partnerships for workshop infrastructure & equipment for training facilities within the VTIs, VTI teacher training and advisory support for cooperative training projects.

The RCF is commissioned by German Federal Ministry for Economic Cooperation and Development to KfW Development Bank and being executed by the Western Balkans 6 Chamber Investment Forum, a joint initiative of chambers of commerce from the WB region. The day to day management of the RCF is done through the Fund Management Unit and entrusted to the consortium of consulting companies led by the IPC, with Planco, Swisscontact and KPMG Bulgaria.

RCF is designed to contribute to increasing youth employability and boosting competitiveness of enterprises, by supporting cooperative training approach and raising quality and labour market relevance of VET in Western Balkan Region. Eventually, RCF funding also serves the objective of bringing VET approaches in the WB6 countries closer the EU standards with regard to the organisation and the quality of cooperative training measures and the inclusion of occupational health and safety and social and environmental management principles in vocational training institutes (VTIs) and partnering enterprises.

Thus, this document provides environmental and social protection general guidelines, which would help identify high and substantial risk activities based on environmental and social risks associated to such activities.

### 2. RELEVANT ENVIRONMENTAL AND SOCIAL STANDARDS

Projects funded under the RCF and all activities carried out for the purpose of project implementation either at VTIs or partner enterprises shall with no exception be in full compliance with relevant national regulations in the field of environmental and social standards, officially valid within the Western Balkan country where the project is being implemented.

Consortia composed of VTIs and enterprises shall demonstrate the strong commitment to be consistent with international standards in the field of environmental and social protection, namely the KfW Sustainability Guidelines, general World Bank Environmental and Social Standards, relevant Operational Policies – Environmental and Social Policies, and their General and sector-specific Environmental, Health and Safety (EHS) Guidelines as well as the Core Labour Standards of the International Labour Organization (ILO). As the Western Balkan 6 countries are countries with EU membership prospects, the projects financed under the RCF should also demonstrate the commitment to apply to the environmental and social standards of the EU apply, as far as they go beyond the above mentioned standards and guidelines.

In line with the overall objective of promoting sustainability and avoiding adverse environmental, social and climate impacts and risks, KfW Development Bank requires its financial cooperation measures to adhere to the following basic principles of environmental and social protection:

- to avoid, reduce or limit environmental pollution and environmental damage including climate-damaging emissions and pollution;
- to preserve and protect biodiversity and tropical rainforests and to sustainably manage natural resources;
- to consider probable and foreseeable impacts of climate change including utilizing the potential to adapt to climate change. In this context climate change is understood as climate variability and long-term climate change;
- to avoid adverse impacts upon the living conditions of communities, in particular indigenous people and other vulnerable groups, as well as to ensure the rights, living conditions and values of indigenous people;
- to avoid and minimize involuntary resettlement and forced eviction of people and their living space as well as to mitigate adverse social and economic impacts through changes in land use by reinstating the previous living conditions of the affected population;
- to ensure and support occupational health and safety as well as health protection in the workplace;
- to condemn forced labour and child labour, ban discrimination in respect of employment as well as occupation and support the freedom of association and the right to collective bargaining;
- to avoid all forms of discrimination;

Having in mind the specifics of the RCF aims and the content of the projects to be financed, the **World Bank's Environmental and Social Standards relevant for the RCF supported projects** include:

#### ESS1 Assessment and Management of Environmental and Social Risks and Impacts

According to the ESS1 and related Operational policy 4.01, the projects supported by RCF must identify, evaluate and manage environmental and social risks and impacts associated with each stage of project, in order to demonstrate the commitment to achieving environmental and social outcomes consistent with other WB standards. Environmental and social assessment process shall apply mitigation hierarchy according to which: (a) risks and adverse impacts needs to be anticipated and to the extent possible avoided, while positive impacts and benefits for the community and physical environment need to be maximized, (b) where avoidance is not possible, minimize or reduce risks and impacts to acceptable levels; (c) residual adverse impacts and risks need to be removed or mitigated to the acceptable level; (d) where significant residual impacts remain, compensate where technically and financially feasible.

#### ESS2 Labour and Working Conditions

The projects supported by RCF must promote sound worker-management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions, in accordance with international OHS guidelines and national legislations.

### ESS3 Resource Efficiency and Pollution Prevention and Management

The projects supported by RCF should apply technically and financially feasible measures to improve efficient consumption of energy, water and raw material, as well as other resources. Such measures shall integrate cleaner production principles into the product design and production processes in order to conserve raw material, energy, water and other resources.

Projects will avoid the release of pollutants or, when avoidance is not feasible, minimize and control the concentration and mass flow of their release using the performance levels and measures specified in national laws or the World Bank Group Environmental, Health and Safety Guidelines, whichever is most stringent. This applies to the release of pollutants to air, water and land due to routine, non-routine, and accidental circumstances, and with the potential for local, regional, and transboundary impacts. Pollution prevention and management should include management of: air pollution, hazardous and non-hazardous waste, chemicals and hazardous material, pesticides.

### ESS4 Community Health and Safety

The projects supported by the RCF will address the health, safety, and security risks and impacts on project-affected communities and avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.

The following standards are at this point perceived as not relevant for the RCF funded projects: ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement, ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources, ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities, ESS8 Cultural Heritage, ESS9 Financial Intermediaries, ESS10 Stakeholder Engagement and Information Disclosure - public consultations and participation.

## **3. APPRAISAL OF THE POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS**

As part of the review of environmental and social risks and impacts of projects to be supported by the RCF the IFC categorization will be in place during the assessment of the project proposals. IFC uses a process of environmental and social categorization to reflect the magnitude of risks and impacts. These categories are:

- Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
- Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures.
- **Category C:** Business activities with minimal or no adverse environmental or social risks and/or impacts.
- Category FI: Business activities involving investments in financial institutions (FIs) or through delivery mechanisms involving financial intermediation.

**The RCF funded VET-projects shall comply with Environmental and Social Standards Category C, meaning that no or only minor adverse environmental and social impacts or risks should be identified within the projects to be funded under the RFC.**

#### **4. POTENTIAL ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS**

The projects to be financed by the RCF should have anticipated no or only minor environmental and social impacts which will occur within close project boundaries on existing footprints, and will be of a temporary nature.

##### *Environmental and Social Standards Analysis*

No adverse impacts such as involuntary land acquisition, impacts on biodiversity, on cultural heritage, are expected. No major social or environmental impacts caused by the project, are not expected on sensitive receptors (e.g. existing schools, hospitals, healthcare centres and houses) located near the sites proposed for infrastructure work. As existing sewer systems already exist in VTIs, they should be used for wastewater discharges.

The projects supported by RCF might involve simple infrastructure or reconstruction works on the workshops or facilities within VTIs related to the improvement of existing, or introduction of new, cooperative VET programs. Only limited upgrading, refurbishment or renovation activities within the existing footprint are eligible for financing under the RCF. In case of these works any risks associated with following parameters shall be assessed and mitigation measures assured, in accordance with abiding national legislation: noise, waste management, water quality, air quality, potential toxic materials (asbestos), toxic hazardous waste materials.

The purchase of the equipment or technologies for the VTI workshops that supports work based learning, also calls for the careful consideration of the potential environmental and social risks. RFC funded projects shall commit to the application of clean, new and energy efficient technologies, whenever feasible.

##### *Climate change*

The projects shall commit to contribute to climate change mitigation and adaption. The RCF will primarily finance VTIs from public or private sector that work closely with enterprises and through these projects will include activities targeted at (i) raising awareness of opportunities and risks related to climate change and (ii) building mitigation and adaptation capacity in public and private sector through supporting projects in sectors that could potentially contribute to mitigation and adaptation. By addressing climate change issues, the projects should contribute to the commitments established by the Paris Agreement and the United Nations Framework Convention on Climate Change.

##### *Social impact*

The anticipated positive social impacts on target population are seen through better linkages between educational institutions and labour market needs as presented by partnering enterprises, beneficial for both in terms of VET graduates being more employable after gaining practical skills within the companies and enterprises gaining better access to skilled potential employees. Projects financed shall restrain from any form

of discrimination especially based on gender, ethnicity or else. At this moment, there are no specific adverse impacts anticipated.

### *Sustainable Procurement*

The standardized environmental and social clauses will be incorporated in the tender documentation and contract documents, in order for potential bidders (e.g. supplier, construction firm, plant manufacturer) contracted directly by the VTIs as main recipients of the financial support through the RCF, to be aware of the requirements to be met. The VTIs will also state that adherence to the national legislation regarding labour and employment relations and occupational health and safety is a prerequisite for participation in the project.

Tender documents shall be clear that forced labour, child work or disguised employment are unacceptable and may be the ground for exclusion from the project. The requirements should also include ban to discrimination, harassment and gender-based violence.

The bidders will be required to submit a statement confirming their awareness of WB ESF standards, their firm compliance with the national labour and employment and occupational health and safety laws and labour management procedures in accordance with WB ESS2, their willingness WB ESS2, to refrain to refrain from any practice that can be interpreted or perceived as discriminatory or unfair to their employees and in breach of ESS2 requirements.

The environmental risks anticipated will be small in magnitude, of temporary nature and directly associated with the listed investments under the projects funded by the RCF. The RCF will assure effective and rigorous screening criteria to exclude any sub project potentially affecting adversely the social and natural environment.

VTI and enterprises fulfil the environmental and social requirements according to these guidelines. The measures planned to ensure for OHS management as well as environmental and social management, as well as measures aiming at reaching EU VET standards will be discussed and agreed upon with the consortia. Moreover, technical selection experts will verify the funding amounts foreseen for the various project measures and investments. Any resulting modification to the initial project proposal, including those related to environmental and social management, shall be summarized in a “Technical Implementation Memo” which is added as annex to the Funding Agreement.

## **MONITORING THE IMPLEMENTATION OF CT PROGRAMMES**

To ensure a high quality of intervention through the RCF within the established VET Consortia the following monitoring activity will be also carried out in addition to others: **Application the RCF Guideline on Environmental and Social Management.**

If the projects are expected to have no or only minor adverse environmental and social impacts or risks, and if the implementation and operation of the FC-measure does not require any particular protection, compensation or monitoring measures, throughout the selection process, they will be classified as **Category C and eligible for the approval**. Category C FC-measures usually do not require any additional environmental and social assessment analysis within the scope of this Guideline or any further procedures. It is recommended that category C FC-measures should, however, be monitored for any relevant changes over their life cycle.

In order to assure the baseline framework for further monitoring and at the same time to demonstrate the commitment toward the acceptance of the international and EU standards in the field of environmental and social protection by awarded VTI consortia, they shall prepare simplified **Environmental and Social Management Plans (EMSP)**.

ESMP should contain detailed information on: Brief project description, Mitigation plan including risks identified, measures to be taken during implementation of certain activities in order to eliminate or compensate adverse environmental and social impact or reduce it to as lowest level as possible, and actions necessary to implement the said measures; Monitoring plan.

Applicants shall be responsible for site-specific ESMPs implementation of which shall be supervised and monitored by Fund Management Unit of the RCF.