

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

**STRATEGY FOR CROATIA**

**REPORT ON THE INVITATION TO THE  
PUBLIC TO COMMENT**

## **1. INTRODUCTION**

The draft Strategy for Croatia was posted on the website for 30 days from 8 March 2007 along with an invitation to the public to comment. The public was invited to submit comments on the draft Strategy no later than 7 April 2007. For information, the previous Strategy was also made available on the website.

As of 7 April 2007, comments were received from 3 NGOs: Committee for Problematic of Ecological Treatment and Waste Management (PEPGO) Environment Protection Society "EKO - 2000", Zelena Istra, and Zelena akcija - Friends of the Earth Croatia. Details of the comments received and staff responses are provided in this Report, which becomes an addendum to the Strategy.

## **2. Staff Responses to Public Comments**

The first comment, from Committee PEPGO, expressed the organisation's opposition to waste incinerator projects, and any regional solid waste projects used to prepare waste for burning.

The second comment is from Zelena Istra (Green Istria), which is concerned with the planned development of Brijuni Rivijera. The Group also expressed its view on the Pula Waste Water project.

The third comment was received from Zelena Akcija (Green Action, Friends of the Earth Croatia). This comment was wide-ranging, covering concerns about local and national governmental entities' conduct of public participation, support for energy efficiency measures and opposition to investments in motorways and in aviation. Green Action raises the same concern as Zelena Istra with respect to Brijuni Islands National Park.

The issues are addressed in the order provided.

### **Public Comment:**

The organisation suggests the Bank "not to finance projects based on the waste burning, as well as build up of the regional centers". They suggest that the Bank should "financially and in the other ways stimulate projects of the consistent ecological waste treatment concept, based on the separate collection and recycling."

### **Staff Response:**

The Bank will only finance infrastructure projects which have met the requirements of the Bank (EU Environmental standards) and of Croatia with regard to public consultation and environmental impact assessments. Thus concerns regarding possible support for any waste incineration project may be expressed if and when they would be financed, through the applicable public consultation process. Waste recycling projects will also be explored.

### **Public Comment:**

The organisation notes that Brijuni islands became a National Park in the 1980s. "Brijuni National Park should be managed with the aim of adopting the relevant strict international standards and legislation on National Parks... Brijuni National Park, just like all the other National parks in the world, should be a destination for sustainable tourist excursions based on one day visits, not for large elite tourism developments..." Further, the organisation notes that any investment by the Bank into the Brijuni Rivijera project should be carried out with public participation and an EIA.

### **Staff Response:**

The organisation refers to both Brijuni Island National Park and the Brijuni Rivijera project. With regard to the former, the Bank fully shares the concern of the organisation with respect

to the need to preserve the nature on the island. The Bank's objective in expressing interest in the project is to support this objective as well as transparency in decision making on the investments.

The Brijuni Rivijera project encompasses several coastal developments in areas now owned by the State. The Bank would ensure that any of the projects it supports would be fully in line with its standards. The Bank will also encourage the local and regional authorities to learn from the best practices of other Istrian communities as mentioned.

**Public Comment:**

With respect to Pula Wastewater project, the organisation requests that the Bank should ask the authorities "to apply modern concepts of development rather than dated approaches and studies, with reference to a MEIP (Municipal and Environmental Infrastructure Programme) study from 1978".

**Staff Response:**

The original project has been updated a number of times and the current project proposal is structured to address existing as well as future needs. Moreover, the siting and design of a future wastewater treatment plant (not funded from the current Project) will result from a thorough Feasibility Study analysing the technical, economic and environmental requirements. EBRD has provided Technical Assistance funded by the Government of the Netherlands to assist in pre-signing project preparation, which includes technical, financial and social and environmental due diligence, and the previous studies will also be reviewed and updated. The Project is expected to provide significant environmental benefits in terms of the reduction of wastewater pollution in Pula Bay. In addition, improved collection of wastewater will reduce infiltration into water supply sources.

*The comments which follow are from Zelena Akcija:*

**Public Comment:**

"Green Action believes that increased stakeholder involvement would improve the quality of laws, strategies and projects and decrease the scope for corruption, and recommends that the EBRD as a subscriber to the Aarhus Convention should play a more pro-active role in ensuring that the public participation policies and procedures are improved and adhered to by project promoters in Croatia... The EBRD should also promote improvement of the Croatian EIA legislation and adoption of a law on SEA (Strategic Environmental Assessment)."

**Staff Response:**

The Bank will address concerns about public participation policies and their implementation in our projects and through regular discussions with Bank clients and the Croatian authorities.

**Public Comment:**

The organisation considers there is “no general justification for promoting the private sector over the public sector” with respect to municipal and environmental infrastructure. Green Action’s view is that “PPP arrangements must not include water supply services.” The organisation cites cost overruns on the Zagreb Wastewater Treatment Plant and general concerns re profitability of such operations from the perspective of the private concessionaire. Specifically, Green Action notes that “it seems likely that it could have been carried out less expensively”.

**Staff Response:**

The Bank agrees with the concern of the organisation regarding the risk that public consumers will bear the high cost of an imbalanced agreement for a PPP project. However, the Bank takes care to ensure that affordability concerns are addressed in project design, and that the risks and rewards are fairly balanced between the public and private partners of a PPP. While it may be true that the Zagreb Wastewater Treatment Plant could have been carried out more cheaply without a PPP structure, the capacity of the City of Zagreb to finance other priority projects would have been limited significantly by this large investment.

**Public Comment:**

The organisation expresses the view that if EBRD is to finance private companies, it should pay increased attention to monitoring of labour standards with direct involvement of trade unions and other stakeholders.

**Staff Response:**

It is the responsibility of the Bank’s investee companies to meet all legal requirements, including with respect to worker health and safety. Negotiations with employees on appropriate salaries, benefits and other policies are left to the management of the companies, which have to report to their shareholders on their policies.

**Public Comment:**

The organisation notes that significant resources have been spent on motorways and roads relative to railways. They indicate that maintenance of existing roads has also suffered due to the emphasis on motorway construction.

**Staff Response:**

A key focus of the Bank's financing in the road sector in Croatia has been on the rehabilitation and upgrading of existing road links. Financing of new road construction by the Bank is based on an assessment of the costs and benefits of the investment and addresses public concerns through the public consultation process in accordance with the Bank's environmental policy.

**Public Comment:**

The organisation expresses concern regarding support for aviation generally and for the development of Zagreb Airport at this time, given the lack of a new rail link to limit the further increase in road traffic which may result.

**Staff Response:**

The Bank has only expressed interest in the Zagreb Airport modernisation project. Should the Bank actually engage in financing of the project, the Bank would seek to ensure that public concerns are addressed through the EIA process. In project preparation, the potential impact on local traffic would be taken under consideration in project design.

**Public Comment:**

The organisation indicated that value for money and effectiveness of projects should be transparently calculated and that projects must not entail excessive costs for users. Clarification was requested with regard to the wastewater treatment project in Pula.

With respect to solid waste (regional landfill projects), the Bank was asked to state “how its investments in the waste sector will prioritise the preferred management methods, according to the waste hierarchy, i.e. reduction of waste, re-use, recycling, and composting.”

**Staff Response:**

The Bank will ensure that affordability and value for money calculations will be carried out by our clients in a transparent way. The Bank normally seeks for the utilities or city authorities to provide support for those citizens who are faced with economic hardship as a result of increases in tariffs.

The Bank is proceeding with its preparation of a loan to the City of Pula for the wastewater network and water treatment plant.

If and where possible, prioritisation of waste management methods will be addressed in investment projects. However, it is up to the authorities to set a general legislative framework for waste management prioritisation (Croatian National Waste Management Strategy), as this would normally be outside the scope of individual EBRD projects. EBRD prepares projects that are using the best international practices in this sector.

**Public Comment:**

The organisation welcomes the Bank’s priority to finance renewable energy sources, and suggests that in addition to wind power, the Bank support small biomass projects and solar thermal for home and tourism use. They suggest that hydropower should only be approached with caution when sited in areas of protected nature.

The Bank is asked to refrain from financing infrastructure leading to an increase in the transport and consumption of fossil fuels, particularly oil transit pipelines.

The organisation argues that the Bank should not, under any circumstances, support coal-fired energy generation. However, they welcome EBRD's plans to increase investments into energy efficiency and would like to see energy efficiency requirements being mainstreamed into all EBRD-financed projects.

**Staff Response:**

The Bank is open to all varieties of renewable energy projects and will seek to work with commercial banks to promote small scale investments. All projects in protected areas would be handled with a high degree of caution for the impact on the environment.

The Bank recognises other priorities which are served by oil transit pipelines and therefore may consider them.

Coal-fired power projects may be considered provided they meet EU and Croatian emissions standards. Energy efficiency is increasingly mainstreamed into EBRD financed investments.