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**Ministry of Ecology, Sustainable Development and Northern Region
Development**

Ministry of Agriculture, Forestry and Water Management



ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK (ESMF)

Prepared for

Montenegro Water Security and Climate Adaptation Phase 1 Project (P512709)

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Abbreviations and Acronyms

Abbreviation	Full Meaning
AMP	Asbestos Management Plan
ARAP	Abbreviated Resettlement Action Plan
EHS	Environmental, Health, and Safety
EIA	Environmental Impact Assessment
ESCP	Environmental and Social Commitment Plan
ESF	Environmental and Social Framework (World Bank)
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standard
GBV	Gender-Based Violence
GM	Grievance Mechanism
GRM	Grievance Redress Mechanism
IFC	International Finance Corporation
ILO	International Labor Organization
IPF	Investment Project Financing
LMP	Labor Management Procedure
LRP	Livelihood Restoration Plan
MAFWM	Ministry of Agriculture, Forestry and Water Management
MNE	Montenegro
MERS	Ministry of Ecology, Sustainable Development and Northern Region Development
OHS	Occupational Health and Safety
PAD	Project Appraisal Document
PIU	Project Implementation Unit
POM	Project Operational Manual
PPE	Personal Protective Equipment
RPF	Resettlement Policy Framework
RWMC	Regional Waterworks Management Company
SEA	Sexual Exploitation and Abuse
SEP	Stakeholder Engagement Plan
SH	Sexual Harassment
SH	Sexual Harassment
TSU	Technical Services Unit
WB	World Bank
WG	Working Group
W-GRM	Workers' Grievance Redress Mechanism

Executive Summary

The Montenegro Water Security and Climate Adaptation Project (WASEC) is financed by the International Bank for Reconstruction and Development¹ (IBRD, US\$35 million) and the OPEC Fund (US\$23 million), with a total project cost of approximately US\$58 million. It represents Phase 1 of a ten-year Multi-Phase Programmatic Approach (MPA) designed to transform Montenegro's water sector in support of the country's EU accession process. The project is implemented by PROCON through a dedicated Project Implementation Unit (PIU), with fiduciary functions managed by the Technical Services Unit (TSU) within the Ministry of Finance.

The Project Development Objective is to improve water security and climate-resilient water services in Montenegro. The project is organized into four components: Component 1 (approx. EUR 40 million) finances the rehabilitation, modernization, and expansion of water supply and sewer network infrastructure through 21 priority subprojects across municipalities nationwide; Component 2 (approx. EUR 5 million) addresses the declining reliability of the coastal water supply through the expansion of a supplementary lake water treatment facility at Malo Blato on Lake Skadar (Sub-component 2.1) and comprehensive hydromorphological and hydrogeological studies of the Morača River (Sub-component 2.2); Component 3 (approx. EUR 2.5 million) finances institutional and regulatory reform, including a Techno-Economic Analysis, a National Strategy for Water Services Development, tariff methodology revision, and a national digital utility benchmarking platform; and Component 4 (approx. EUR 2.5 million) finances project management and PIU operations.

The overall Environmental and Social (E&S) risk of the project is rated Substantial, reflecting the nationwide scope and scale of civil works, the sensitivity of key receiving environments — particularly Lake Skadar National Park (a Ramsar Wetland of International Importance and Important Bird and Biodiversity Area) and the Morača River basin — the presence of asbestos-cement pipes in aging water supply infrastructure across multiple municipalities, the complexity of multi-site implementation, and the limited prior experience of the newly established PIU with the World Bank Environmental and Social Framework (ESF).

Key environmental risks include: construction-phase noise, dust, and sediment runoff into rivers and the lake; the exposure of workers and communities to asbestos fibers during the replacement of aging water supply pipes; potential impacts on the aquatic ecology and endemic species of Lake Skadar from construction and operation of the Malo Blato facility expansion; and management of wastewater sludge and treatment by-products during operation. Key social risks include: temporary service interruptions; Health and Safety risks may arise from temporary water service disruptions or quality fluctuations during system upgrades, and exposure to hazardous materials, including asbestos and biological pollutants. There is also a potential risk that vulnerable groups—such as rural, low-income, and Roma households—could face unequal access to quality service or higher costs. Construction or infrastructure expansion may involve limited land acquisition or temporary disruption of access to land use (ESS5), with potential physical or economic displacement that will require Resettlement Policy Frameworks (RPFs) or Resettlement Action Plans (RAPs). Temporary disruptions to access ecosystem services, and local businesses may occur, especially in rural or remote areas. Even though larger subprojects may temporarily increase non-local labor; labor and OHS risks are typical and manageable under national regulations and a project LMP with a worker GRM. ESS10 risks include uneven stakeholder engagement and weak/fragmented grievance mechanisms, potentially contributing to social tension where service quality or tariffs change.

This ESMF has been prepared as the primary environmental and social management instrument for the project, given that the specific locations and detailed designs of the majority of subprojects are not fully defined at the time of appraisal. It establishes the overarching framework, including E&S screening procedures, a four-tier risk classification

¹ The International Bank for Reconstruction and Development (IBRD) is the legal entity within the World Bank Group that finances this project. "World Bank" and "IBRD" are used interchangeably throughout this document and refer to the same institution.

matrix (High, Substantial, Moderate, Low), an exclusion list, instrument requirements by risk tier, and institutional roles and responsibilities, within which site-specific Environmental and Social Management Plans (ESMPs) or Environmental and Social Impact Assessments (ESIAs) will be prepared for each subproject once designs are finalized.

Eight of the ten World Bank Environmental and Social Standards (ESSs) are assessed as relevant to the project. ESS 7 (Indigenous Peoples) and ESS 9 (Financial Intermediaries) are not applicable. All eight applicable ESSs are addressed through the project-level and site-specific instruments.

Four project-level ESF instruments have been prepared and disclosed prior to appraisal: this ESMF; a Stakeholder Engagement Plan (SEP); a Resettlement Policy Framework (RPF); and Labor Management Procedures (LMP). For the existing Malo Blato treatment facility, which became operational in 2025 without a prior World Bank E&S review — an Environmental and Social Audit and preliminary ESMP will be prepared and cleared by the World Bank before negotiations. For all Component 1 subprojects, site-specific ESMPs or ESMCs will be prepared, disclosed, and cleared prior to the signing of civil works contracts. All TA activities financed under the project will be subject to E&S screening. The Terms of Reference for TA activities will be drafted to ensure that the advice and outputs are consistent with applicable E&S standards, and will be submitted to the World Bank for review prior to commencement. TA outputs will also be reviewed to ensure continued consistency with ESF requirements.

The ESMF establishes a two-tier Grievance Redress Mechanism (GRM), operating at site- contractor/municipal and PIU levels, accessible to all project-affected persons free of charge, including through dedicated channels for SEA/SH-related complaints. The PIU Environmental, Social and OHS Specialists will conduct regular site supervision — monthly for Substantial risk subprojects — and will report on E&S performance through semi-annual progress reports to the World Bank. The ESMF is a living document and will be updated as subproject designs are confirmed and lessons are learned during implementation. The Project comprises of the following four components:

Component 1 – Strategic Investments in Water Services Infrastructure and Resilience (approx. EUR 40 million)

supports the rehabilitation, modernization, and expansion of water services infrastructure across Montenegro to improve access, efficiency, safety, and climate resilience. It finances 21 priority subprojects — selected from a broader pipeline of 62 municipal proposals — covering the rehabilitation and expansion of centralized water supply systems, construction of sewer networks connecting households to existing wastewater treatment plants, and modernization of decentralized water services for rural and remote populations. Subprojects are organized into two implementation phases: Phase I.1 (11 subprojects, approx. EUR 17.7 million) targeting early implementation following project effectiveness, and Phase I.2 (10 subprojects, approx. EUR 22.7 million) to follow within the project timeframe.

Component 2 – Integrated Approaches for Coastal Water Security (approx. EUR 5 million) addresses the declining reliability of the coastal water supply resulting from extensive gravel extraction from the Morača River, which has caused significant riverbed deepening and a reduction in discharge from the strategically critical Bolje Sestre spring. The Component operates on two tracks. Sub-component 2.1 (approx. EUR 2.5 million) finances the expansion of supplementary lake water treatment capacity at Malo Blato (Lake Skadar) by an additional 250 liters per second, bringing total supplementary capacity to 350 liters per second, targeted for completion by 2028. Sub-component 2.2 (approx. EUR 2.5 million) finances the technical studies, hydromorphological and hydrogeological surveys, monitoring systems, and stakeholder engagement needed to develop a long-term solution for stabilizing spring discharge, including the development of a National Integrated Sediment Management Strategy aligned with EU water directives.

Component 3 – Strengthening Enabling Environment for Effective Water Sector Governance and Management (approx. EUR 2.5 million) supports the policy, regulatory, and institutional reforms required to ensure the long-term sustainability and effectiveness of water sector investments. It is organized around three clusters of activity. Under policy and legislative support, the Component finances a Techno-Economic Analysis (TEA) and a National Strategy for Water Services Development — both mandated by the forthcoming Law on Water Services — which will guide decisions on service area rationalization, potential regionalization, and private sector engagement options. Under regulatory support, the Component finances an updated tariff methodology for the national regulator REGAGEN, as well as a national digital platform for performance data collection, validation, and benchmarking, replacing the current manual system and transforming regulatory oversight into a data-driven function. Under capacity building, training will be delivered through the Association of Water Works and the Union of Municipalities, targeting multi-annual business

planning, non-revenue water (NRW) management, and performance data reporting, in direct support of the broader reform agenda.

Component 4 – Project Management (approx. EUR 2.5 million) finances the establishment and operation of a Project Implementation Unit (PIU) within PROCON, responsible for overall project coordination, environmental and social safeguards management, monitoring and reporting, and stakeholder engagement. Fiduciary functions will be handled by the Technical Services Unit (TSU) within the Ministry of Finance. The Component also supports knowledge management and dissemination of lessons learned throughout project implementation.

1. Introduction²

The project is being prepared and will be implemented in accordance with the World Bank's Environmental and Social Framework (ESF)³. To ensure consistency with the ESF requirements and national legislation, an Environmental and Social Management Framework (ESMF)⁴ has been developed to guide the identification, assessment, and management of environmental and social risks and impacts associated with all project activities.

In line with the provisions of Environmental and Social Standard 1 (ESS1): Assessment and Management of Environmental and Social Risks and Impacts, as well as ESS2: Labor and Working Conditions, ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement, and ESS10: Stakeholder Engagement and Information Disclosure, the following key framework documents have been prepared to support the overall environmental and social risk management of the Project:

- Environmental and Social Management Framework (ESMF)
- Resettlement Policy Framework (RPF)
- Labour Management Procedures (LMP)
- Stakeholder Engagement Plan (SEP)

These instruments collectively establish the environmental and social management approach for the project and provide practical guidance for ensuring compliance with national legal requirements and the World Bank ESF throughout the project lifecycle.

1.1. PURPOSE OF THE ESMF

This Environmental and Social Management Framework (ESMF) is the guiding document for environmental and social risk assessment and management under the Project. It has been prepared in full compliance with the World Bank's Environmental and Social Framework (ESF) as per the guidance of Environmental and Social Standard 1 (ESS1): *Assessment and Management of Environmental and Social Risks and Impacts* (ESS1, p 24).

The ESMF ensures that environmental and social risks associated with the investments are identified, assessed, and proposes suitable mitigation measures to manage these risks and impact, in a structured and transparent manner, aligned with both Montenegrin legislation and the World Bank ESF. The framework approach has been adopted for all investments for which design documentation is either in preparation or is still to be prepared under this project. This ESMF will be updated as necessary in the event of any material changes to the project description, scope of activities, or environmental and social risk profile during the project cycle, subject to World Bank review and clearance.

The ESMF also complements and should be read together with other key safeguard instruments prepared for the Project, including:

- The Stakeholder Engagement Plan (SEP),
- The Resettlement Policy Framework (RPF)

² The project description has been prepared based on information available during project preparation, including draft Project Appraisal Document (PAD) materials and official inputs from the Ministry of Agriculture, Forestry and Water Management (MAFWM). The PAD itself will be finalized during Negotiations and disclosed publicly only after Board approval in line with World Bank procedures. (<https://www.gov.me/mpsv>).

³ The ESF is accessible at - <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>. Latest accessed on November 3, 2022.

⁴ This ESMF will be updated as necessary in the event of any material changes to the project description, scope of activities, or environmental and social risk profile during the project cycle, subject to World Bank review and clearance.

- The Environmental and Social Commitment Plan (ESCP), and
- The Labor Management Procedures (LMP).

The ESMF is a living document and will be updated, as necessary, throughout Project implementation to reflect evolving project conditions, legal developments, lessons learned, and updated World Bank guidance.

1.2. APPLICATION AND SCOPE OF THE ESMF

This Environmental and Social Management Framework (ESMF) applies to all components and activities financed under the Montenegro Water Security and Climate Adaptation Project (WASEC), throughout the entire project lifecycle — from preparation, through implementation, until completion and closure. It covers:

- Hard investments, including water supply rehabilitation and expansion, sewer network construction, lake water treatment capacity expansion, and SCADA and monitoring equipment; and
- Soft investments, including Morača River basin studies, National Integrated Sediment Management Strategy, Techno-Economic Analysis and National Strategy for Water Services Development, tariff methodology reform, development of a National digital benchmarking platform, and capacity building activities.

The ESMF establishes the overarching procedures, principles, and tools for the identification, assessment, management, and monitoring of environmental and social (E&S) risks and impacts across the entire WASEC Project. It serves as the primary framework for ensuring the application of the World Bank Environmental and Social Framework (ESF) and complements Montenegrin legislation in areas where national requirements do not fully address ESF provisions.

Under national legislation, investments involving the construction or significant expansion of water supply and wastewater infrastructure fall under List I or List II of Montenegro's EIA legislation, triggering requirements for a full or simplified EIA depending on the scale and nature of the works. Smaller rehabilitation works and technical assistance activities — such as those under Component 3 and Sub-component 2.2 — do not fall under either list and will not require EIA under national legislation.

At the time of ESMF preparation, detailed designs for the majority of the 21 priority subprojects under Component 1 and for the Malo Blato treatment facility expansion under Sub-component 2.1 are not yet finalized. Where national EIA requirements are triggered, the Borrower will ensure that EIA procedures are initiated and completed in accordance with both Montenegrin legislation and ESF requirements. For Sub-component 2.1, given that the existing Malo Blato facility became operational in summer 2025, an Environmental and Social Audit will be conducted prior to the commencement of expansion works to identify and address any legacy environmental and social issues. The scope of site-specific ESIA and ESMPs will fully integrate assessment of associated facilities (e.g., access roads, utility connections, intake structures), incorporate biodiversity criteria — particularly given the proximity of works to Lake Skadar — and provide a comprehensive framework for water quality and biodiversity monitoring, consistent with the guidance of this ESMF.

The relevant national legislative requirements and ESS provisions are presented in detail in Chapter 3. Once site-specific environmental and social instruments are prepared, disclosed, consulted upon, and formally adopted for individual subprojects, they will guide the management of risks and impacts related to those specific activities.

In particular, the ESMF:

- Guides the preparation of site-specific instruments (ESIAs, ESMPs) once detailed designs and subproject locations are confirmed;
- Establishes screening and exclusion criteria to identify risks and manage subprojects where locations or designs — including associated facilities — are not yet fully defined;
- Ensures that activities not subject to a full ESIA are still managed in line with ESF objectives and good international practice;
- Identifies and manages new or emerging risks that may arise during implementation due to design changes, unforeseen impacts, or additional activities;

- Ensures that the preparation of supplementary instruments, where required, maintains alignment with the World Bank ESF and national requirements;
- Applies the World Bank Interim Guidance Note on Protected Areas, ensuring that any activities located within or near protected areas incorporate enhanced due diligence, stakeholder engagement, and biodiversity conservation measures consistent with ESS6 and international best practice;
- Defines institutional roles and responsibilities for environmental and social risk management across the PIU, implementing entities, and contractors;
- Provides guidance for integrating environmental and social requirements into procurement, including adaptation of World Bank Standard Procurement Documents (SPDs);
- Outlines provisions for stakeholder engagement, grievance redress, capacity building, monitoring, and reporting; and
- Sets out an indicative budget for environmental and social management measures.

The detailed applicability of each Environmental and Social Standard (ESS) to the WASEC Project is provided in Chapter 3, section 3.2.2 of this ESMF.

2. Project Description

Phase 1 (hereinafter, Project) of the MPA will focus on three key areas: (i) Strategic Investments in Water Services Infrastructure and Resilience; (ii) Integrated Approaches for Coastal Water Security; and (iii) Strengthening the Enabling Environment for Effective Water Sector Governance and Management to support Montenegro's water sector and climate resilience.

The Project offers a timely opportunity to advance the modernization and strengthening of Montenegro's policy, institutional, and regulatory framework as part of the ongoing water sector reform and in the context of climate-induced water scarcity and change precipitation patterns. In addition, it will tackle the most urgent water security challenges exacerbated by climate change, with a particular focus on the coastal region, while promoting broader improvements in access, quality, and efficiency of water supply and sanitation services nationwide. The proposed Project will be structured around four key components.

(i) PDO Statement

The objective of the project is to improve water security and climate resilient water services in Montenegro.

(ii) PDO Level Indicators

The following four indicators will be used to measure achievement of the PDO:

1. Number of people provided with access to improved (safely managed) water supply services (number, disaggregated by gender)
2. Number of people provided with access to improved sanitation services (number, disaggregated by gender)
3. Number of people benefiting from climate resilient infrastructure (number, disaggregated by gender)
4. Percentage reduction in non-revenue water in targeted utilities (percentage points reduction from baseline)

These four indicators form a unified set that together demonstrate achievement of the full PDO across both its dimensions - water security and climate-resilient water services, which are closely interlinked. For the purposes of this project, it is clarified that "water services" encompasses both water supply and sanitation services. Indicators 1 and 2 are Corporate Results Indicators (CRIs) tracking expanded access to improved water supply and sanitation services respectively. Indicator 3 is a CRI capturing beneficiaries of climate-proofed infrastructure investments, covering the coastal population served through the Lake Skadar treatment capacity under Component 2 and eligible Component 1 water supply beneficiaries where climate resilience is a documented design feature. Indicator 4 tracks efficiency and water security performance across targeted utilities. Baselines and end targets will be confirmed at appraisal. As noted above, given the identical PrDO and PDO, these four indicators also serve as the PrDO-level outcome indicators for the MPA, with program-level targets to be confirmed at Phase 2 preparation.

2.1. Project Components

Component 1 - Strategic Investments in Water Services Infrastructure and Resilience (approx. EUR 40 million)

This component aims to rehabilitate, modernize and expand water services infrastructure, thereby increasing access, efficiency, safety, and climate resilience of services for households and businesses. This includes targeted investments in: (a) the rehabilitation and expansion of centralized water supply systems; (b) the construction of sewer networks to connect households to existing wastewater treatment plants, reducing water pollution and improving environmental and public health; and (c) the modernization and expansion of decentralized water services infrastructure to better serve rural populations in remote areas - all of which ultimately contributes to increased climate resilience.

The Component 1 investment program comprises 21 priority subprojects, selected from a broader pipeline of municipal proposals, targeting water supply rehabilitation and expansion as well as sewer network connections across Montenegro. Priority projects to be supported under Component 1 have been defined in close cooperation with water sector stakeholders in Montenegro, drawing on the Single List of Priority Infrastructure Projects and other relevant sector documents. Following a preliminary assessment of 62 subprojects proposed by municipalities with a combined value exceeding EUR 100 million, the project team has narrowed down the investment program to 21 subprojects with an estimated total value of approximately EUR 40.4 million (excluding two subprojects for which budgets are yet to be confirmed). These subprojects consist predominantly of rehabilitation and expansion of centralized water supply systems, complemented by a small number of sewer network extensions connecting households to existing wastewater treatment plants. The investments are organized into two implementation phases. Phase I.1 comprises 11 priority subprojects with an estimated value of EUR 17.7 million (excluding one subproject with a budget to be confirmed), which are in an advanced stage of preparation and are targeted for early implementation following project effectiveness. Phase I.2 comprises 10 additional subprojects with an estimated value of EUR 22.7 million (excluding one subproject with a budget to be confirmed), to be implemented in the subsequent period within the project timeframe. The full list of proposed investments under both phases is provided in Annex 4. The final list of projects will be agreed with the client during appraisal, following which detailed assessments and preparation of required documents - including environmental and social instruments, bills of quantities, and procurement packages - will be initiated to enable a quick start of implementation and secure 20–30 percent commitment in the first year of project implementation.

Component 2 - Integrated Approaches for Coastal Water Security (approx. EUR 5 million)

This component addresses the most immediate and strategically significant water security challenge facing Montenegro: the declining reliability of the coastal water supply managed by the Regional Water Supply Company for the Montenegrin Coast (RWSC). As described above, extensive gravel extraction from the Morača River has caused significant riverbed deepening and a marked reduction in discharge from the Bolje Sestre spring over the past decade - the most strategic water asset in the country. Component 2 responds to this challenge on two tracks: near-term investment to expand emergency treatment capacity, and technical assistance to develop the evidence base for a long-term solution to be implemented under Phase 2 of the MPA.

Sub-component 2.1 – Expansion of lake water treatment capacity (approx. EUR 2.5 million) - To address the immediate shortfall in coastal water supply, the RWSC has already constructed a supplementary water abstraction and treatment facility at the Malo Blato area of Lake Skadar - hydrologically connected to the main lake with a capacity of 100 liters per second, which became operational in summer 2025. Sub-component 2.1 will finance the **expansion of this treatment capacity by an additional 250 liters per second**, bringing the total supplementary capacity to 350 liters per second. Construction is targeted for completion by 2028. Given the urgency of the situation, advanced procurement for the detailed design and build contract may be initiated before project effectiveness, subject to compliance with World Bank fiduciary and Environmental and Social Framework as well as national level requirements.

Sub-component 2.2 - Technical Assistance for Morača River Basin Management and Sustainable Sediment Management (approx. EUR 2.5 million) - Sub-component 2.2 will finance the **technical studies, assessments, and strategic planning work needed to identify and design a durable long-term solution for stabilizing Bolje Sestre spring discharge** - the evidence base on which infrastructure investments under Phase 2 of the MPA will be grounded. Building on the initial assessment of the Morača River's hydromorphological regime, the sub-component will finance a comprehensive hydromorphological and hydrogeological surveys and modeling of the Morača River, incorporating current and future climate projections; assessment of sediment transport dynamics and their relationship to spring discharge and adjacent groundwater bodies; development of monitoring systems for river morphology and groundwater, including strengthening the capacity of the Institute of Hydrometeorology and Seismology and the Water Administration; development of

rehabilitation and intervention plans for the Morača River, including assessment of structural measures such as riverbed management interventions, for implementation under Phase 2; and broad stakeholder engagement and participatory planning to ensure interventions are evidence-based and widely supported.

In parallel, and complementing the river-specific work, the sub-component will support the development of a **National Integrated Sediment Management Strategy**, addressing sustainable sediment management at the national level, balancing sediment transport needs, ecosystem protection, and flood risk mitigation in alignment with EU water directives. This work will complement ongoing activities under the Sava-Drina Integrated River Corridor Project, including efforts related to Lake Plav where sediment management is also a central issue.

Component 3 - Strengthening Enabling Environment for Effective Water Sector Governance and Management (approx. EUR 2.5 million)

Component 3 finances the policy, regulatory, and capacity reforms that are essential to making water sector investments sustainable and effective. The preparation of a new Law on Water Services is underway with support from the World Bank's Climate Support Facility (CSF) and is expected to be adopted in 2026. Component 3 builds directly on this foundation, financing the implementation of the reform agenda that the new law sets in motion - organized around three clusters of activity: policy and legislative support, regulatory support, and capacity building.

Policy and Legislative Support

The new Law on Water Services will mandate two critical analytical instruments that Component 3 will finance. The first is a **Techno-Economic Analysis (TEA)**, planned to be completed within 24 months of the law entering into force. The TEA will serve as the foundational document for determining future water service areas and the basis for potential regionalization, planned to cover next to others: analysis of water source positions, capacities, and quality; population distribution and geographic characteristics; assessment of existing water supply and wastewater infrastructure; financial and operational sustainability of utilities; asset valuation; and NRW risk assessments for all public utility companies. As a follow-up and based on the TEA findings, the Government will take decisions on WSS Service Areas, guiding investment priorities and utility governance reform.

The second instrument is the **National Strategy for Water Services Development**, planned to be prepared within 12 months of the TEA's adoption. The Strategy will integrate the TEA findings alongside existing EU directive implementation plans. Key areas include sector objectives and current situation analysis; water source diversification and protection measures; NRW reduction targets; improvements to technical and financial sustainability; climate resilience; and digitalization. It will serve as the primary reference document for developing individual Service Area Plans and aligning sector investment with Montenegro's EU accession commitments. The Strategy development process will also allow exploring opportunities for piloting private sector engagement, such as through Performance-Based Contracts (PBCs) for NRW reduction. Together, the TEA and National Strategy are key strategic outputs of Component 3 and constitute important inputs for the design of Phase 2 of the MPA. They will also provide the analytical foundation for assessing options for private sector participation in water services - including service contracts, management contracts, and potential PPP arrangements - ensuring that any such options are evaluated on an evidence-based basis as part of the broader service area reform process.

Regulatory Support

Building on the legislative reforms supported under the new Law on Water Services, Component 3 will provide expert assistance to **review and update REGAGEN's tariff methodology**. The current methodology does not adequately account for depreciation and asset reinvestment needs, and political interference in tariff-setting by local self-governments

continues to undermine financial planning. The revised methodology is planned to enable important steps towards full cost recovery while incorporating social protection provisions and transparency requirements, covering tariff-setting principles, cost classification and allocation rules, and performance and efficiency incentives. A modernized tariff methodology is a precondition for the financial sustainability of the sector, for improving utility creditworthiness, and for attracting the scale of investment - including from private sources - that EU compliance requires.

Component 3 will also finance the development of a **national digital platform** for the collection, validation, and benchmarking of performance indicator data from water service operators. REGAGEN currently relies on manual Excel-based questionnaires and utility-provided estimates - a system that generates significant administrative burden, data quality and consistency issues, and bottlenecks that prevent timely regulatory decision-making. The new platform will replace this with an integrated digital solution featuring two core modules: an Operator Module allowing utilities to submit data through automated bulk upload with real-time validation and built-in consistency checks; and a Regulator Module providing REGAGEN with advanced analytical tools, AI-assisted anomaly detection based on historical trends, a digital audit trail, and a performance management dashboard for sector-wide monitoring. A public-facing data portal will publish aggregated results to support transparency and open data principles, with REGAGEN retaining full ownership of the source code and database. Implementation will be accompanied by capacity building and supported by data reporting requirements. This platform will transform benchmarking from an administrative burden into a strategic regulatory tool, providing the data foundation for incentive-based tariff regulation, evidence-based investment planning, and EU compliance monitoring.

Capacity Building

Component 3 will **strengthen capacity at both the utility and local government levels**, building on ongoing training under the Danube Learning Partnership (D-LeaP) and working through the Association of Water Works (AoWW) and the Union of Municipalities (UoM) as implementing partners. Training will focus on key priority areas, including multi-annual business planning, to strengthen utilities' ability to plan and manage investments, costs, and revenues over a medium-term horizon consistent with the reformed tariff and governance framework, and to improve their attractiveness to private investors and lenders; non-revenue water management, to build operational capacity for systematic NRW monitoring, detection, and reduction; and performance indicator data collection and benchmarking, directly linked to the introduction of the new digital platform, ensuring that utilities and local governments are equipped to meet the associated data reporting requirements and to use benchmarking results as a management tool. These training streams are designed to reinforce the policy and regulatory reforms supported under the other two clusters of Component 3, translating improved frameworks into strengthened operational practice at the utility and municipal level.

Component 4 – Project Management (approx. EUR 2.5 million)

Component 4 will finance effective project management and coordination to ensure timely and efficient implementation of all project activities. The Project Implementation Unit (PIU) will be established within PROCON - the national project implementation unit in the field of communal services and environment - and will be responsible for overall project coordination, environmental and social safeguards management, and monitoring and reporting. PIU staffing will include a project manager, environmental specialist, social development specialist, civil engineer, M&E specialist, and project assistant. Fiduciary functions will be handled by the TSU within the Ministry of Finance, as described under Section IV.B. Component 4 will also support knowledge management, dissemination of lessons learned, and the implementation of a communications and stakeholder engagement strategy.

2.2. EXCLUSION LIST AND JUSTIFICATION

Given that a site-specific Environmental and Social Impact Assessment (ESIA) can only be developed after final feasibility studies and technical designs have commenced, it is important that under the ESMF has robust interim environmental and social safeguards in place during the early project implementation phases.

To this end, the Environmental and Social Management Framework (ESMF) establishes a clear Exclusion List to guide the screening and early selection of project activities (see Annex 4 and Annex 5). The purpose of the Exclusion List is to ensure that no activity under the Project creates unacceptable environmental and social risks before site-specific E&S instruments are prepared and approved. This approach is fully aligned with Montenegro's national EIA legislation and with the requirements of the World Bank Environmental and Social Framework (ESF), which extend this obligation also to associated and auxiliary infrastructure. In particular, the Exclusion List supports compliance with ESS1: Assessment and Management of Environmental and Social Risks and Impacts, ESS3: Resource Efficiency and Pollution Prevention and Management, and ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

The WASEC Project excludes the financing or implementation of any activity that:

- May cause long-term, permanent, irreversible adverse impacts, particularly affecting sensitive or critical natural habitats;
- Has a high probability of causing serious adverse effects on human health and/or the environment;
- May generate significant adverse social impacts, including risks of social conflict or loss of livelihoods;
- Involves forced labor, harmful child labor, or any labor practices inconsistent with ESS2;
- Adversely affects cultural heritage sites, unless retrofitting or conservation measures are carried out within legally permitted frameworks;
- Leads to significant conversion or degradation of critical habitats, threatens endangered species, or undermines the sustainable management of living natural resources (ESS6).

The adoption of the Exclusion List is a key risk management measure to maintain the Project's overall environmental and social risk rating at Substantial or lower. It ensures that activities likely to trigger higher risk categorization are systematically excluded, while allowing the Project to proceed with detailed site-specific ESIA's, ESMPs, RAPs and other necessary instruments developed, disclosed, and adopted. (Annex 5 – Exclusion List).

2.3. PROJECT E&S RISK RATING

The WASEC project has been screened under the World Bank's Environmental and Social Framework (ESF), and the overall environmental and social (E&S) risk rating is assessed as Substantial. This reflects the nature, scale, and geographic spread of the planned infrastructure investments and institutional reforms, the sensitivity of receiving environments — particularly Lake Skadar and the Morača River basin — as well as the current capacity of the Project Implementation Unit (PIU). The PIU will be established within PROCON, an experienced national implementation entity with a track record in managing environmentally complex infrastructure projects, and will be reinforced with dedicated environmental and social specialists, a civil engineer, and an M&E specialist to respond to the diversity and complexity of this project.

The project includes the rehabilitation and expansion of 21 water supply and sewer network subprojects across Montenegro under Component 1, the expansion of a supplementary lake water treatment facility at Malo Blato on Lake Skadar under Sub-component 2.1, and a comprehensive program of hydromorphological and hydrogeological studies on the Morača River under Sub-component 2.2. These civil works and associated

operational activities are expected to generate a range of E&S risks and impacts, including but not limited to:

Construction-phase risks: Noise, dust, vibration, and traffic disruptions associated with pipeline rehabilitation, trenching, and sewer network construction across multiple municipalities; management of excavated materials, including potential exposure to asbestos-containing materials in aging water supply infrastructure; turbidity and sediment runoff into rivers, wetlands, and lake environments during earthworks near sensitive water bodies; occupational health and safety (OHS) hazards in confined spaces and during works on or near water; and construction-related waste generation and improper disposal risks. Social, community health and safety risks include temporary disruption to local communities during construction, such as restricted access, increased traffic accidents risk, and reduced air quality from dust and emissions, which may affect nearby residents and sensitive receptors. There are also potential nuisances such as noise and vibration as well as water service disruption or quality aggravation that could impact well-being and daily activities of surrounding communities,

Operation-phase risks: At the expanded Malo Blato treatment facility, risks include water abstraction impacts on the hydrology and ecology of Lake Skadar, management of treatment by-products and sludge, and potential water quality effects on the lake if operational procedures are inadequate. Rehabilitated water supply and sewer systems may also pose risks related to chlorination by-products, wastewater discharge quality, and the long-term management of increased volumes of wastewater directed to existing treatment plants.

Land acquisition: There is a strong intention for all infrastructure investments to be implemented within existing rights-of-way or on publicly owned land. However, Component 1 subprojects involving new pipeline alignments, reservoir expansions, or access works in rural and peri-urban areas may give rise to involuntary resettlement impacts unforeseen at this stage. These may include temporary access restrictions, potential displacement of informal land users, or adverse effects on agricultural livelihoods — particularly for smallholder farmers in rural municipalities — during construction.

Biodiversity: Project activities under Sub-component 2.1, located in the Malo Blato area of Lake Skadar — a Ramsar Wetland of International Importance, a national park, and a designated Important Bird and Biodiversity Area — may affect aquatic habitats, endemic fish species, and migratory bird populations if not carefully managed. While no direct impacts on critical natural habitats are anticipated, biodiversity risks will be managed in line with ESS 6, applying strict mitigation measures to avoid conversion or degradation of sensitive habitats and protect endangered species. Given the proximity of project activities to protected areas and high-biodiversity ecosystems, ESIAAs and ESMPs will also take into account the provisions of the World Bank Interim Guidance Note on Managing the Risks of Projects Involving Protected Areas (January 2025), which sets out specific requirements for assessing, mitigating, and monitoring risks in and around protected and high-biodiversity areas. Component 1 subprojects located near rivers, wetlands, or other ecologically sensitive areas will similarly be subject to site-specific biodiversity screening.

Cultural heritage: Although no significant impacts on known cultural heritage sites are anticipated, civil works involving excavation, trenching, and groundworks across multiple municipalities — including historically significant areas of Montenegro — may uncover previously unidentified archaeological or cultural assets. To address this, all site-specific ESMPs will include Chance Find Procedures and relevant measures in accordance with ESS 8: Cultural Heritage, and coordination with the Directorate for the Protection of Cultural Property will be ensured where relevant.

Inclusion risks: There is a risk of excluding vulnerable groups — including low-income households, Roma communities, rural populations in remote areas, women, elderly persons, and persons with disabilities — from equitable access to improved water services, project benefits, and consultation processes. If unaddressed, this could exacerbate existing inequalities in access to safe and reliable water and sanitation services, particularly in underserved rural and peri-urban communities targeted by the project.

To address the above risks, the following environmental and social risk management measures will be implemented:

Exclusion list and screening procedures for all hard and soft activities supported by the project will be applied to identify and avoid downstream E&S risks at the earliest stage of subproject preparation.

Environmental and Social Impact Assessments (ESIAs) and site-specific Environmental and Social Management Plans (ESMPs) will be prepared as applicable for all infrastructure works under Component 1, in line with ESS 1 and Montenegrin law. For the Malo Blato treatment facility expansion under Sub-component 2.1, an Environmental and Social Audit of the existing facility will precede the preparation of the ESMP. These instruments will define mitigation measures, monitoring protocols — including water quality and biodiversity monitoring — and institutional responsibilities for implementation and supervision.

Labor Management Procedures (LMPs) will guide the treatment of all project workers — direct, contracted, and primary supply chain workers. These will include OHS standards for all identified risks, including asbestos handling, confined-space works, and construction near water bodies; codes of conduct; worker grievance mechanisms; and protocols for preventing child or forced labor, in line with ESS 2.

Community Health and Safety (CHS) protocols will be incorporated into site-specific ESMPs to manage traffic safety, construction noise and dust, temporary water service disruptions, site security, and safe materials handling, following ESS 4. Particular attention will be given to communities in the vicinity of Lake Skadar and along the Morača River corridor where Component 2 activities are concentrated.

Waste and pollution control measures (ESS 3) will be applied across all construction sites to reduce emissions, manage excavated and construction materials — including hazardous materials such as asbestos-cement pipes — control sediment runoff into rivers and the lake, and ensure safe handling and disposal of treatment by-products and sludge generated at the expanded Malo Blato facility during operation.

Resettlement Policy Framework (RPF): Where Component 1 subprojects require land acquisition, easements, or temporary restrictions on land use, site-specific Resettlement Action Plans (RAPs) or abbreviated RAPs will be prepared in line with ESS 5, ensuring that affected persons — including informal land users and smallholder farmers in rural areas — are identified, consulted, and compensated prior to the commencement of civil works. Stakeholder Engagement Plan (SEP) will ensure continuous, inclusive, and gender-responsive consultations throughout the project lifecycle, in line with ESS 10. SEP will be critical for managing potential misperception risks by outlining specific project communication channels. Engagement mechanisms will be tailored to the diverse stakeholder landscape of the project — spanning municipal governments, water utilities, rural communities, environmental authorities, civil society organizations, and Lake Skadar area residents — and will facilitate transparency, accountability, and meaningful participation of vulnerable groups.

Grievance Redress Mechanism (GRM): A project-level GRM will be established within the PIU as a broader stakeholder feedback mechanism capable of handling complaints from local communities, project workers, and other affected parties. The GRM will operate through a cascading model — from the central PIU level, through municipal implementing entities, down to individual contractors — with all levels required to collect, record, and manage grievances in a consistent and transparent manner, escalating unresolved cases upward as appropriate. The GRM will be accessible, gender-sensitive, and adapted to the needs of vulnerable groups, including through channels sensitive to SEA/SH concerns.

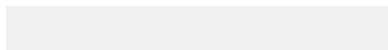
SEA/SH Risk Mitigation: Although SEA/SH risk is assessed as Low, project-specific prevention protocols — including worker training, codes of conduct, and designated focal points — will be put in place, aligned with ESS 2 and ESS 4. Both the project-level GRM and the workers' grievance mechanism will be equipped to handle SEA/SH complaints confidentially and safely.

Climate Resilience: All infrastructure investments under Components 1 and 2 will incorporate climate-resilient design standards, including flood-proofing of infrastructure in low-lying or flood-prone areas, energy-efficient equipment, and the use of durable materials suited to projected climate conditions. Technical studies under Sub-component 2.2 will explicitly incorporate current and future climate projections into hydromorphological modeling of the Morača River, ensuring that long-term solutions for coastal water security are grounded in climate-informed evidence. These measures support adaptation objectives aligned with the Paris Agreement and ESS 3 and ESS 6.

Table 1 Identification of Relevant Environmental and Social Standards (ESS) to WASEC Project Components

Standard	Relevance
ESS1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant

ESS2: Labor and Working Conditions	Relevant
ESS3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS4: Community Health and Safety	Relevant
ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not relevant
ESS8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not relevant
ESS10: Stakeholder Engagement and Information Disclosure	Relevant



3. Environmental and Social Policies, Regulations, and Laws

3.1. NATIONAL ENVIRONMENTAL AND SOCIAL LEGISLATION RELEVANT FOR THE PROJECT

Montenegro's national environmental and social legislative framework provides the foundational context for the successful implementation of the Montenegro Water Security and Climate Adaptation Project (WASEC). The WASEC project aims to advance the modernization and strengthening of Montenegro's policy, institutional, and regulatory framework as part of the ongoing water sector reform and in the context of climate-induced water scarcity and change precipitation patterns. It will also respond to the most pressing water security challenges driven by climate change, with a focus on coastal areas, while contributing to wider improvements in access, quality, and efficiency of water supply and sanitation services across the country.

The relevant national legislation outlined below establishes critical legal and administrative responsibilities, procedural requirements, and safeguards necessary for the sustainable and inclusive realization of WASEC's objectives.

3.1.1. National EIA legislation and procedures

Environmental Impact Assessment (EIA) procedure is regulated by the Law on the Environmental Impact Assessment (Official Gazette of Montenegro No. 75/18) and the Regulation on Projects for which Environmental Impact Assessment is required (Official Gazette of Montenegro No. 20/07, 47/13, 53/14 and 37/18).

The Regulation classifies projects into two groups (lists): Projects under List 1, subject to mandatory EIA, and Projects under List 2, for which the competent state or local authority should decide whether development of an EIA study is required (depending on the potentially significant environmental impacts). The Law on EIA prescribes the procedures for developing EIA studies for projects that may have significant environmental impacts. The Law also addresses the contents of the EIA study, participation of interested parties, evaluation of EIA studies and issuing approvals, notification of other states on projects with potential transboundary effects, supervision and other issues relevant to EIA.

EIA process includes three specific procedures: i) screening as the stage of determining whether an EIA is required; ii) scoping as the stage of determining the scope or extent of the EIA; iii) review as the stage of reviewing the EIA Study to see if it has been undertaken to an acceptable standard and in accordance with the legal requirements. The competent authorities for EIA are: Environmental Protection Agency for projects subject to Construction Permits, and the local self-government units (municipalities) for projects not subject to the Construction Permits and which need a Construction Notification. The EIA procedure must be conducted before the Construction Permit is issued and before starting any construction activities. The public and other parties need to be consulted as well.

Screening procedure steps:

► 1. Full Environmental Impact Assessment (Full EIA)

Required for Projects listed under List I of the EIA Decree, which are presumed to have significant environmental impacts due to their nature, scale, or location.

► 2. Screening Procedure (Preliminary EIA)

Applies to Projects listed under List II of the EIA Decree and/or Projects not listed but potentially impactful due to their characteristics or location.

Key considerations for classification:

- Project Characteristics: Size, nature, and design.
- Location Sensitivity: Proximity to protected areas, residential zones, or water bodies.
- Potential Impacts: Magnitude, complexity, duration, and reversibility of effects.

Table 2 National EIA legislation Application to WASEC Project Components

Subproject / Investment	Likely EIA Category	Expected Procedure as per National Requirements
Water supply rehabilitation works (Component 1 – Phase I.1 and I.2)	List II or below threshold	Simplified EIA or screening, depending on works scale and location; rehabilitation within existing networks likely below threshold
New water supply pipeline extensions and expansions in rural/peri-urban areas (Component 1)	List II	Simplified EIA required for new alignments above applicable capacity/length thresholds
Sewer network construction connecting households to existing wastewater treatment plants (Component 1)	List II	Simplified EIA required; scope depends on length of network and number of connections
Expansion of Malo Blato lake water treatment facility – 250 l/s additional capacity (Sub-component 2.1)	List I*	Full EIA required; facility located within Lake Skadar National Park boundary (Ramsar site) – Environmental and Social Audit of existing facility also required prior to works
Hydromorphological and hydrogeological studies, Morača River (Sub-component 2.2)	Not subject to EIA	Not applicable; technical studies and monitoring activities only
National Integrated Sediment Management Strategy (Sub-component 2.2)	Not subject to EIA	Not applicable; policy and planning instrument
Techno-Economic Analysis, National Strategy for Water Services, tariff methodology reform, digital benchmarking platform (Component 3)	Not subject to EIA	Not applicable; institutional reform, technical assistance, and software development
Capacity building and training (Component 3)	Not subject to EIA	Not applicable
Project management – PIU operations (Component 4)	Not subject to EIA	Not applicable

**List I may be triggered for the Malo Blato expansion due to the scale of the new treatment capacity (350 l/s total) and the sensitivity of the location within a nationally designated protected area and Ramsar wetland. This needs to be checked with the Regional Water Utility, if they received official opinion by the relevant Ministry/Environment Agency on the need to full E(S)IA*

► EIA Institutional Responsibilities

- Environmental Protection Agency (EPA): Competent authority for EIA approvals requiring state-level development consent.
- Municipalities: Competent for smaller projects not requiring state permits.
- Ministry of Ecology, Sustainable Development and Northern Region Development: Oversight of policy compliance, including transboundary impact coordination where relevant.

The WASEC Project will fully comply with Montenegro’s national EIA requirements, applying either the Full EIA or Screening procedure based on the nature and potential impacts of each subproject. In addition, the Project will adhere to the World Bank’s ESF, ensuring robust environmental and social risk management, transparent decision-making, and meaningful stakeholder engagement throughout the project lifecycle.

3.1.2. Other relevant Legislation to WASEC Project

The national legal system provides comprehensive regulations covering environmental protection, natural resource management, labor, occupational health and safety, and cultural heritage.

The legislation applicable to WASEC regulates key areas of relevance to the Project, including:

- Sustainable management of agriculture and fisheries,
- Environmental impact assessment and permitting,
- Water and waste management,
- Labor and workplace safety,
- Biodiversity and nature conservation,
- Cultural heritage preservation,
- Public consultation and access to information.

The table below presents the main national laws and regulations that will govern the design, permitting, construction, and operation of WASEC project activities. Each law is summarized along with its relevance to the Project's various components, including physical investments and technical assistance or capacity-building activities.

Table 3 Applicable Montenegrin national laws and regulations

Law / Regulation	Official Gazette Reference	Description and Relevance to WASEC	Applicable to WASEC Activities	Components
Law on Waters	No. 27/07, 32/11, 47/11, 48/15, 52/16, 55/16, 2/17, 80/17, 84/18	Water use, management, abstraction permitting, and pollution control. Directly governs water supply abstraction from Lake Skadar and the Morača River, and discharge from wastewater systems.	Water supply rehabilitation and expansion, Malo Blato treatment facility expansion, Morača River studies, sewer network construction	Components 1, 2
Law on Environment	No. 52/16, 73/19	General environmental protection principles, environmental permitting, and institutional responsibilities. Applies to all physical investments under the project.	All physical investments	Components 1, 2
Law on Environmental Impact Assessment (EIA)	No. 75/18	EIA requirements, procedures, and public participation obligations. Determines the scope and process for ESIA required for project investments.	Water supply and sewer network works, Malo Blato treatment facility expansion	Components 1, 2.1
Decree on Projects Requiring EIA	No. 20/07, 47/13, 53/14, 37/18	Defines the list of projects requiring full EIA (List I) or screening (List II). Determines the applicable EIA category for each subproject investment.	Water supply rehabilitation and expansion, sewer network construction, Malo Blato treatment facility expansion	Components 1, 2.1
Law on Nature Protection	No. 54/15, 18/19	Biodiversity conservation, ecological network protection, and management of protected areas. Directly relevant to works within and adjacent to Lake Skadar National Park and Ramsar site, and to biodiversity-sensitive subproject locations.	Malo Blato treatment facility expansion, Morača River hydromorphological studies, Component 1 subprojects near protected or ecologically sensitive areas	Components 1, 2
Law on National Parks	No. 56/09, 26/10	Establishes the legal framework for the management of national parks, including permissible activities and	Malo Blato treatment facility expansion	Component 2.1

Law / Regulation	Official Gazette Reference	Description and Relevance to WASEC	Applicable to WASEC Activities	Components
		development restrictions within national park boundaries. Applies to works at the Malo Blato area within Lake Skadar National Park.		
Law on Waters — Sediment and River Management Provisions	No. 27/07 and amendments	Governs the regulation of sediment extraction, riverbed interventions, and watercourse management. Directly relevant to Sub-component 2.2 studies and the future Morača River rehabilitation interventions under Phase 2.	Morača River hydromorphological and hydrogeological studies, National Integrated Sediment Management Strategy	Component 2.2
Law on Waste Management	No. 34/24	Waste management, including construction waste, hazardous materials (e.g., asbestos-cement pipes), and treatment by-products (sludge). Applies to all civil works and to the operation of expanded water treatment capacity.	All civil works, Malo Blato treatment facility expansion, water supply rehabilitation involving asbestos-cement pipe removal	Components 1, 2.1
Law on Air Protection	No. 25/10, 40/11, 43/15, 73/19	Air quality and emission standards. Applies to dust and exhaust emissions generated during construction activities across all subprojects.	All construction activities	Components 1, 2.1
Law on Protection from Noise in the Environment	No. 28/11, 1/14, 2/18	Environmental noise limits for construction and operational activities. Applies to civil works in residential and ecologically sensitive areas.	Construction and operation of all physical investments	Components 1, 2.1
Law on Occupational Health and Safety	No. 34/14, 44/18	Workplace safety and health obligations for employers and contractors. Applies to all civil works, including high-risk activities such as asbestos-cement pipe removal, confined space works, and construction near water bodies.	All civil works and facility operations	Components 1, 2.1
Labor Law	No. 74/19, 8/21, 59/21, 68/21, 145/21, 77/24	Employment terms, workers' rights, non-discrimination, and working conditions. Provides the national legal basis for the project's Labor Management Procedures (LMP).	All investments and project-related employment; basis for LMP	Components 1, 2, 3, 4
Law on Cultural Heritage Protection	No. 49/10, 40/11, 44/17, 18/19	Protection of archaeological, historical, and cultural resources. Applies to excavation and groundworks across multiple municipalities where unidentified cultural heritage may be encountered.	All civil works involving excavation or trenching	Components 1, 2.1
Law on Construction of Structures	No. 19/25	Building permits and construction approvals. Applies to all infrastructure investments requiring a construction permit under national law.	All infrastructure components	Components 1, 2.1
Law on Spatial Planning	Official Gazette of Montenegro	Regulates land use planning, rights-of-way for utility infrastructure, and spatial plan compliance for new infrastructure alignments.	Water supply and sewer network construction, Malo Blato facility expansion	Components 1, 2.1

Law / Regulation	Official Gazette Reference	Description and Relevance to WASEC	Applicable to WASEC Activities	Components
Law on Energy Efficiency	No. 57/14, 3/15, 25/19, 140/22	Establishes minimum energy efficiency standards for buildings and infrastructure. Applies to the design and construction of the expanded Malo Blato treatment facility and any ancillary structures.	Malo Blato treatment facility expansion	Component 2.1
Law on Water Services	(forthcoming, expected adoption 2026)	New legislative framework for water utility governance, tariff regulation, service area definition, and sector reform. Directly mandates the Techno-Economic Analysis (TEA) and National Strategy for Water Services Development financed under Component 3, and provides the legal foundation for the regulatory and institutional reform agenda.	Techno-Economic Analysis, National Strategy for Water Services Development, tariff methodology revision, digital benchmarking platform, capacity building	Component 3
Law on Expropriation	No. 55/00 and amendments	Establishes the legal basis for acquisition of privately owned land in the public interest, compensation procedures, and appeal rights. Provides the national framework for the project's Resettlement Policy Framework (RPF).	Land acquisition for pipeline alignments, sewer networks, and facility expansion where state land is insufficient; basis for RPF	Components 1, 2.1
Law on Local Self-Government	Official Gazette of Montenegro No. 88/2009 and 3/2010	Establishes responsibilities of municipalities in relation to communal infrastructure, land management, and utility governance. Relevant to the role of municipalities as co-implementers of Component 1 subprojects.	Water supply and sewer network subprojects implemented in cooperation with municipalities	Components 1, 3
Law on Communal Activities	Official Gazette No. 55/16, 74/16, 2/18, 66/19, 140/22	Defines public water supply and municipal wastewater management as communal activities and regulates the conditions under which they are performed	Relevant to all Component 1 subprojects and the utilities involved	
Law on Regional Water Supply of the Montenegrin Coast	Amendments in 2026	Confirmation of the strategic importance of the Regional Water Supply System for a stable and high-quality water supply of the Montenegrin Coast, especially in the context of further development of tourism, economy, and local communities.	Ensuring sustainable financing of the regional water supply company.	Sub-component 2.1
Law on Safety at Work	Official Gazette of Montenegro, No. 34/14, 44/18	Establishes the obligations of employers to ensure safe and healthy working conditions, defines the rights and duties of employees regarding occupational safety, and sets out the system of prevention of work-related injuries and occupational diseases.	Water supply and sewer network subprojects implemented in cooperation with municipalities	Components 1 and 2
Law on Gender Equality	Official Gazette of Montenegro, No. 46/07	Guarantees equal rights and opportunities for women and men in public and private life, prohibits	All Project activities	Components 1, 2, 3 and 4.

Law / Regulation	Official Gazette Reference	Description and Relevance to WASEC	Applicable to WASEC Activities	Components
		gender-based discrimination, and establishes mechanisms for promoting gender equality across key areas such as employment, education, and political participation.		
Law on Prohibition of Discrimination	Official Gazette of Montenegro, No. 46/10, 40/11, 18/14, and 42/17	Prohibits discrimination on any grounds (including race, ethnicity, gender, religion, disability, sexual orientation, etc.) in all spheres of life, defines forms of discrimination, and establishes legal remedies and institutional mechanisms for protection against discriminatory treatment.		
Law on Free Access to Information	Official Gazette No. 44/12	This Law and associated regulations on public participation in law preparation govern the consultation and disclosure obligations relevant to stakeholder engagement.	Relevant to all stakeholder engagement activities throughout the Project.	Components 1, 2 and 3

3.1.3. Overview of the National institutional framework

The WASEC will be implemented in accordance with the provisions of this ESMF, which serves as the key instrument for identifying and addressing gaps between Montenegro's national legal and institutional framework for environmental and social management and the World Bank's Environmental and Social Framework (ESF). This ESMF introduces consolidated procedures and measures to ensure full compliance with national and the ESF throughout project implementation. Key national institutions responsible for environmental and social policy development, permitting, monitoring, and enforcement are outlined below.

Table 4 Key national institutions relevant for the Project

Institution	Responsibility
Ministry of Ecology, Sustainable Development and Northern Region Development (MERS)	Developing environmental policies and legislation; adopting Strategic Environmental Assessments (SEA); overseeing integrated environmental protection, sustainable natural resource management, and climate change adaptation strategies.
Environmental Protection Agency (EPA)	Environmental monitoring (air, water, soil, biodiversity, noise, radiation); issuance of environmental permits (including EIAs and IPPC licenses); oversight of compliance with environmental standards and reporting on the state of the environment.
Water Administration	Management and regulation of water resources; issuance of water use permits; enforcement of water quality standards and pollution prevention measures, particularly for infrastructure and industrial activities.
Institute for Nature Protection of Montenegro	Expert assessments related to biodiversity conservation and potential impacts of development on protected areas and sensitive ecosystems; advises regulatory authorities during EIA processes.
Ecological Inspection	Inspecting and enforcing compliance with environmental legislation; overseeing adherence to permit conditions during construction and operation of project-financed infrastructure.
Ministry of Labor, Employment and Social Dialogue	Development and enforcement of labor laws; oversight of occupational health and safety (OHS) standards; ensuring fair working conditions and the protection of workers' rights in accordance with national legislation and international standards.

Ministry of Human and Minority Rights	Developing and implementing policies to protect the rights of vulnerable and minority groups, including women, ethnic minorities, and persons with disabilities; overseeing gender equality policies and minority representation.
Ministry of the Interior	Issuing residence and work permits for foreign nationals; processing applications for combined temporary residence and work permits for employment purposes; managing the legal status, stay, and registration of foreign nationals in Montenegro; coordinating with border police and migration services to ensure legal entry and residence conditions.
Ministry of Labor and Social Welfare	Defining and implementing national employment policies, including for foreign workers; establishing and publishing the annual quota for foreign employment; regulating the Labor Law; ensuring that migrant workers receive equal treatment and protection under labor standards; overseeing the work of the Labor Inspectorate.
Employment Agency of Montenegro	Conducting the labor market test to determine the availability of qualified national candidates before authorizing foreign worker employment; facilitating the registration of migrant workers in the labor market and providing employment mediation; supporting employers and migrant workers through legal employment procedures and reintegration services.
Labor Inspectorate	Monitoring labor law compliance, including conditions for migrant worker employment; preventing labor exploitation, undeclared work, and discrimination; issuing sanctions and corrective measures for violations related to foreign labor regulations.
Protector of Human Rights and Freedoms (Ombudsman)	Safeguarding human rights; investigating complaints of discrimination, social exclusion, or rights violations — including alleged discrimination or abuse of migrant workers' rights; acting as an independent grievance redress mechanism beyond administrative and project-level channels; monitoring the protection of vulnerable groups, including foreign nationals and stateless persons.
Agency for the Protection of Personal Data and Free Access to Information	Enforcing personal data protection regulations and standards; monitoring the lawful use and processing of personal information collected through stakeholder engagement, grievance mechanisms, project implementation activities, and the recruitment and registration of foreign workers.

3.2. OVERVIEW OF THE WORLD BANK ENVIRONMENTAL AND SOCIAL STANDARDS

The World Bank Environmental and Social Framework (ESF) establishes the Bank's commitment to supporting sustainable development by applying its Environmental and Social Policy and ten Environmental and Social Standards (ESS). These Standards aim to help Borrowers deliver projects that foster sustainable development, end extreme poverty, and promote shared prosperity, while protecting people and the environment.

The ESF promotes green, resilient, and inclusive development by advancing:

- Labor standards and fair working conditions,
- Social inclusion and non-discrimination,
- Gender equality,
- Climate change mitigation and adaptation,
- Pollution prevention and resource efficiency,
- Biodiversity conservation,
- Community health and safety, and
- Meaningful stakeholder engagement.

It also emphasizes the importance of strengthening Borrowers' environmental and social management systems and enhancing institutional capacity.

The Environmental and Social Standards (ESS) set out mandatory requirements for Borrowers and projects. They provide the framework for systematically identifying, assessing, managing, and mitigating environmental and social risks and impacts throughout project preparation and implementation. The ESSs are applied in conjunction with national laws and policies; however, where differences exist, ESF requirement will prevail. In such cases, supplementary measures and instruments are developed to bridge gaps and ensure full compliance with the World Bank's ESF.

3.2.1. Environmental and Social Standards (ESS)

The ESF includes 10 Environmental and Social Standards (ESS). Each ESS specifies objectives and requirements that the Borrower and the project must meet.

In the context of the preparation of this Environmental and Social Management Framework (ESMF), the Project Implementation Unit (PIU), with support from the Ministry of Agriculture, Forestry and Water Management and in close consultation with the World Bank, has undertaken a preliminary screening and assessment of the relevance of each Environmental and Social Standard (ESS) for the WASEC Project. The results of this ESS screening are presented in the table below.

Table 5 Assessment summary of ESSs relevant to WASEC

Environmental and Social Standard (ESS)	Objective	Assessment Summary/Relevance to project activities
ESS1 – Assessment and Management of Environmental and Social Risks and Impacts	Requires assessment, management, and monitoring of environmental and social risks and impacts throughout the project life cycle and application of the mitigation hierarchy.	ESS 1 is applicable to the entirety of the project and provides the overarching framework within which all other ESSs are implemented. The project involves a wide range of civil works across multiple municipalities in Montenegro, including the rehabilitation and expansion of water supply systems, construction of sewer networks, and expansion of lake water treatment capacity at Malo Blato on Lake Skadar. These activities carry a range of environmental and social risks and impacts that require systematic identification, assessment, and management. Key risks driving the applicability of ESS 1 include: construction-related impacts on sensitive aquatic and terrestrial ecosystems; the potential presence of hazardous materials such as asbestos-cement pipes in aging infrastructure; management of wastewater sludge; temporary service disruptions to water supply during rehabilitation works; and the complexity of coordinating environmental and social management across 21 subprojects implemented in different geographic, institutional, and environmental contexts. Given that specific subproject locations and detailed designs are not fully defined at the time of appraisal, this ESMF has been prepared as the primary instrument for managing environmental and social risks under ESS 1. Site-specific Environmental and Social Management Plans (ESMPs) will be prepared for each subproject as designs are finalized, consistent with the procedures set out in this framework. An Environmental and Social Audit will also be conducted for the existing Malo Blato facility prior to the expansion works under Sub-component 2.1, to identify and address any legacy environmental and social issues. The Environmental and Social Commitment Plan (ESCP) sets out the specific time-bound commitments of the Borrower under this standard.
ESS2 – Labor and Working Conditions	Promotes fair treatment, non-discrimination, occupational health and safety (OHS), a prohibits child and forced labor, supports principle of freedom of association and collective bargaining in a manner consistent with national law and requires workers are provided with accessible means to raise workplace	ESS 2 applies to the project due to the significant civil works program under Components 1 and 2, which will involve direct workers engaged by contractors and subcontractors, as well as PIU staff and consultants engaged under the project. The Labor Management Procedures (LMP) have been prepared to address the applicable requirements of ESS 2. Labor risks are rated as Moderate. The majority of works are expected to rely on local labor, but larger subprojects — particularly those involving specialized infrastructure or works in remote locations — may attract non-local or migrant workers, increasing the risk of labor rights violations and poor working conditions. Key risks include: inadequate occupational health and safety (OHS) practices during civil works, particularly in confined spaces (trenching and pipe laying), on construction sites near water bodies, and during the handling of asbestos-containing materials; the potential use of child labor or forced labor through supply chains; and inadequate

	concern.	grievance mechanisms for workers. The LMP sets out requirements for: compliance with national labor law and World Bank requirements; OHS standards and training; prohibition of child and forced labor; a workers' grievance mechanism; and contractor obligations to be embedded in procurement documents and civil works contracts. Given the risk of asbestos exposure during the replacement of aging pipeline infrastructure, specific OHS protocols for asbestos management will be required as part of site-specific ESMPs.
ESS3 – Resource Efficiency and Pollution Prevention and Management	Promotes the sustainable use of resources (including energy, water, and raw materials), pollution prevention and control, waste minimization, and the reduction of greenhouse gas (GHG) emissions. It requires the application of Good International Industry Practice (GIIP) throughout the project life cycle. Key requirements include: efficient use of energy, water, and materials during both construction and operational phases, pollution prevention through control of air emissions, wastewater discharges, noise, and hazardous substances, greenhouse gas (GHG) minimization and climate change considerations in design and operation, sound waste management, including hazardous and non-hazardous wastes, and responsible disposal, compliance with the World Bank Group Environmental, Health and Safety Guidelines (EHSG) and GIIP.	ESS 3 is applicable given the range of pollution risks associated with civil works and the operation of water supply and wastewater infrastructure. The project's investments, while ultimately aimed at improving environmental outcomes — particularly through reduced water pollution and improved wastewater management — carry construction- and operational-phase risks that must be managed in accordance with this standard. Key pollution risks include: generation of construction waste, including hazardous materials (asbestos-cement pipes, contaminated soils); management and disposal of wastewater sludge from treatment facilities; potential for fuel, oil, and chemical spills from construction machinery; turbidity and sediment runoff into water bodies during earthworks near rivers and the lake; and water quality impacts on Lake Skadar and the Morača River during the construction and operation of water abstraction and treatment infrastructure under Component 2. Resource efficiency considerations are also relevant: the project supports improved non-revenue water (NRW) management and energy efficiency in water utilities, contributing to more sustainable use of water and energy resources across the sector. Sub-component 2.2's hydromorphological and hydrogeological studies of the Morača River will include assessments of sediment transport dynamics, directly relevant to pollution and resource management at the basin scale. Waste management plans, spill prevention and response measures, and protocols for the handling and disposal of hazardous materials will be required as part of site-specific ESMPs. Compliance with applicable EU environmental directives — to which Montenegro is committed under its EU accession process — will also be ensured.

ESS4 – Community Health and Safety	Anticipates and avoids risks to community health and safety, including risks from infrastructure, traffic, hazardous materials, and emergency events.	ESS 4 applies due to the potential for civil works to adversely affect the health, safety, and security of communities living near construction sites and along pipeline corridors. Risks are present across both urban and rural settings where subprojects will be implemented. Key community health and safety risks include: traffic disruption and road safety hazards from construction vehicles and excavation works, particularly in densely populated areas or along rural roads with limited capacity; noise and dust affecting residents near active construction sites; temporary interruption or degradation of water supply services during rehabilitation of existing infrastructure, which may disproportionately affect vulnerable households; risks associated with open trenches and excavations in public areas; and potential impacts on public health from inadequate management of wastewater or contaminated materials during construction. For Sub-component 2.1, the works at Malo Blato on Lake Skadar are located near communities that depend on the lake for livelihoods, recreation, and drinking water, and construction activities must be managed to minimize impacts on water quality and community access. The GRM established under the project will provide communities with a mechanism to raise concerns about health and safety issues throughout implementation. Traffic Management Plans and Community Health and Safety Plans will be required as part of site-specific ESMPs where relevant. The project does not involve the use of security personnel in circumstances that would trigger the security provisions of ESS 4; however, this will be monitored throughout implementation.
ESS5 – Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement	Seeks to avoid or minimize involuntary resettlement. If unavoidable, requires compensation at replacement cost and livelihood restoration.	ESS 5 is applicable because a number of subprojects under Component 1 — particularly the expansion of water supply systems and the construction of new sewer network connections in rural and peri-urban areas — may require temporary or permanent acquisition of land or imposition of easements on private or communally held land. Although the majority of works are expected to follow existing infrastructure corridors and rights-of-way, some subprojects involving new pipeline alignments, reservoir expansions, or access road construction may require land that is currently used for agricultural, residential, or other purposes. Physical displacement is not anticipated; however, economic displacement through the temporary or permanent loss of access to land, crops, or livelihoods — particularly for smallholder farmers in rural areas — cannot be excluded for all subprojects at this stage of project preparation. A Resettlement Policy Framework (RPF) has been prepared to guide the assessment and management of land acquisition and resettlement impacts for individual subprojects. Where land acquisition or restrictions on land use are confirmed through subproject preparation, site-specific Resettlement Action Plans (RAPs) or Livelihood restoration plans LRP will be prepared, disclosed, and implemented prior to the commencement of civil works.
ESS6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources	Protects biodiversity, promotes the sustainable use of living natural resources, and applies the mitigation hierarchy and precautionary approach.	ESS 6 is applicable due to the location of certain project activities in or near environmentally sensitive areas, most notably Lake Skadar — one of the largest lakes in the Balkans, a Ramsar site, a national park, and a designated Important Bird and Biodiversity Area (IBA) — and the Morača River, a significant freshwater ecosystem whose hydromorphological regime is central to Component 2. The expansion of the Malo Blato water treatment facility under Sub-component 2.1 is located in a hydrologically connected arm of Lake Skadar and poses risks to aquatic habitats, fish populations, migratory birds, and endemic species if not carefully managed. Particular attention will be paid to impacts on the aquatic ecology of the lake during construction, including turbidity, noise disturbance to bird colonies, and alteration of water flow patterns. Under Sub-component 2.2, the hydromorphological and hydrogeological surveys and modeling of the Morača River will generate important data on the relationship between sediment dynamics, riverbed morphology, and biodiversity — informing the design of river rehabilitation interventions planned under Phase 2 of the MPA. The sub-component's technical work will incorporate biodiversity-sensitive approaches and stakeholder engagement with environmental authorities and civil society. Under Component 1, pipeline rehabilitation and sewer network construction near rivers, wetlands, or protected areas may affect riparian habitats or watercourse ecology. Site-specific biodiversity screening will be conducted for all subprojects during ESMP preparation, and appropriate mitigation measures — including no-go periods for works during sensitive ecological periods — will be defined where required. The project will not finance activities that result in significant conversion or degradation of critical natural habitats.

ESS8 – Cultural Heritage	Protects cultural heritage and requires meaningful consultation and chance finds procedures.	ESS 8 is applicable given the extent of civil works — including trenching, excavation, and groundworks — across multiple sites in Montenegro, a country with a rich archaeological and cultural heritage. While no known cultural heritage sites are expected to be directly affected by the planned subprojects, the possibility of chance finds during excavation cannot be excluded, particularly in historic urban areas or in locations near known archaeological zones. Site-specific ESMPs will include Chance Find Procedures consistent with national law and the requirements of ESS 8, requiring contractors to halt works and notify relevant authorities in the event of the discovery of any physical cultural resources during construction. During subproject screening and preparation, proximity to registered cultural heritage sites will be assessed, and if required, coordination with the relevant national cultural heritage authority (the Directorate for the Protection of Cultural Property) will be undertaken. All design and construction activities will seek to avoid adverse impacts on cultural heritage; where avoidance is not possible, mitigation measures will be defined in consultation with the competent authority.
ESS10 – Stakeholder Engagement and Information Disclosure	Requires open, inclusive stakeholder engagement, a Stakeholder Engagement Plan (SEP), and an accessible grievance mechanism.	ESS 10 is applicable to the project and is among the most important standards given the nationwide geographic scope, the diversity of project beneficiaries and affected parties, and the complexity of the institutional landscape. A Stakeholder Engagement Plan (SEP) has been prepared and disclosed prior to appraisal, setting out the approach to identifying and engaging all relevant stakeholders — including project-affected communities, local governments, water utilities, civil society organizations, national regulators, and other government agencies — throughout the project cycle. Key stakeholder engagement considerations include: ensuring meaningful participation of vulnerable groups — including low-income households, Roma communities, rural populations in remote areas, and persons with disabilities — who may face barriers to accessing information or participating in consultation processes; managing community expectations around service disruptions during rehabilitation works; engaging affected communities in the vicinity of Lake Skadar and the Morača River regarding Component 2 activities; and supporting broad participatory planning processes for the National Integrated Sediment Management Strategy and river rehabilitation interventions under Sub-component 2.2. The project's Grievance Redress Mechanism (GRM) needs to be designed to be accessible to all stakeholders, including through channels sensitive to sexual exploitation and abuse/sexual harassment (SEA/SH) concerns. Information disclosure will be carried out in the Montenegrin language through locally accessible media and channels to ensure inclusivity. Stakeholder engagement activities will be integrated into subproject preparation and ESMP consultation processes throughout implementation.

3.2.2. Environmental, Health and Safety Guidelines (EHSg)

The World Bank Group Environmental, Health, and Safety Guidelines (EHSg) are technical reference documents that provide general and industry-specific examples of Good International Industry Practice (GIIP). These guidelines help Borrowers and projects achieve environmental, health, and safety performance consistent with international best practices.

The EHSg define performance levels and measures that are generally achievable in new facilities. For existing facilities, they provide a framework for establishing site-specific targets and timelines for compliance, considering the facility's context and operating conditions.

The applicability of the EHSg is determined based on the hazards and risks identified during the environmental and social assessment, taking into account:

- Country context;
- Assimilative capacity of the environment; and
- Project-specific factors.

If national regulations differ from EHSg standards:

- The project must comply with whichever is more stringent.
- Where applying less stringent levels is justified by project-specific circumstances, a detailed justification must be provided in the environmental and social assessment.

The EHSg comprise four main categories:

1. Environmental
 - Air Emissions and Ambient Air Quality
 - Energy Conservation
 - Wastewater and Ambient Water Quality
 - Water Conservation
 - Hazardous Materials Management
 - Waste Management
 - Noise
 - Contaminated Land
2. Occupational Health and Safety
 - General Facility Design and Operation
 - Communication and Training
 - Physical Hazards
 - Chemical Hazards
 - Biological Hazards
 - Radiological Hazards
 - Personal Protective Equipment (PPE)
 - Special Hazard Environments
 - Monitoring
3. Community Health and Safety
 - Water Quality and Availability
 - Structural Safety of Project Infrastructure
 - Life and Fire Safety
 - Traffic Safety
 - Transport of Hazardous Materials
 - Disease Prevention

- Emergency Preparedness and Response
- 4. Construction and Decommissioning
 - Environmental Management
 - Occupational Health and Safety
 - Community Health and Safety

3.2.3. Good International Industry Practice (GIIP)⁵

Good International Industry Practice (GIIP) refers to the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of activity under similar circumstances globally. GIIP serves as a benchmark for environmental and social performance, particularly where local standards may be absent, outdated, or less stringent than international norms.

Under the **World Bank Environmental and Social Framework (ESF)** and its **Environmental and Social Standards (ESS)**, Borrowers are required to apply GIIP throughout the project life cycle—including preparation, design, construction, operation, and decommissioning. The application of GIIP ensures that environmental and social risks and impacts are managed in line with the latest technical standards, scientific understanding, and operational best practices.

Application of GIIP in the WASEC Project

The WASEC Project applies GIIP across the following key areas:

Environmental Assessment and Management (ESS 1): Screening, assessment, and mitigation procedures incorporate GIIP to ensure that all potential impacts are identified, evaluated, and managed using best international practices, particularly where national standards may be insufficient or silent. This is especially relevant for subprojects located in or near environmentally sensitive areas such as Lake Skadar National Park and the Morača River corridor.

- Labor and Working Conditions (ESS 2): GIIP informs labor management practices, occupational health and safety (OHS), emergency preparedness, and health risk prevention across all civil works under Components 1 and 2. Particular attention is given to GIIP standards for the handling and removal of asbestos-containing materials in aging water supply infrastructure, and for works in confined spaces and near water bodies.
- Resource Efficiency and Pollution Prevention (ESS 3): Design and operation of project investments — including the expanded Malo Blato lake water treatment facility and rehabilitated water supply and sewer network infrastructure — apply GIIP in resource use (energy, water, materials), emissions control, sludge and waste management, and reduction of non-revenue water (NRW). GIIP standards for water treatment plant design and operation are incorporated into the technical specifications for Sub-component 2.1.
- Community Health and Safety (ESS 4): Traffic safety management, structural safety during civil works, hazardous materials handling — particularly asbestos-cement pipe removal — and emergency response measures are developed in accordance with GIIP, minimizing risks to communities located along pipeline corridors and near active construction sites.
- Land Acquisition and Resettlement (ESS 5): Where land acquisition, easements, or temporary restrictions on land use arise from Component 1 subproject alignments or the Malo Blato facility expansion, compensation and livelihood restoration will follow GIIP principles consistent with ESS 5 and as set out in the project's Resettlement Policy Framework (RPF).
- Biodiversity Conservation (ESS 6): Biodiversity assessments and management measures — including those to be defined in site-specific ESMPs for works within and adjacent to Lake Skadar National Park and along the Morača River — follow internationally recognized standards and methodologies aligned with GIIP. In

⁵ In addition, the World Bank's Interim Guidance Note on Projects in and near Protected Areas (2025) provides specific guidance that will be applied under the Project for activities located near sensitive or protected areas.

addition, the World Bank's Interim Guidance Note on Projects in and near Protected Areas (2025) provides specific guidance that will be applied for all WASEC activities located near sensitive or protected areas.

- Cultural Heritage (ESS 8): Procedures for cultural heritage screening, chance finds management during excavation and trenching activities across multiple municipalities, and engagement with the Directorate for the Protection of Cultural Property incorporate GIIP standards for documentation, conservation, and stakeholder consultation.

Reference Framework for GIIP

Key sources of GIIP for the Project include:

- World Bank Group Environmental, Health, and Safety Guidelines (EHSGs);
- Environmental, Health, And Safety Guidelines Ports, Harbors, and Terminals
- International Labour Organization (ILO) conventions and guidelines;
- International Maritime Organization (IMO) and Food and Agriculture Organization (FAO) standards for fisheries and maritime sectors;
- European Union (EU) Directives, particularly those already transposed into Montenegrin legislation (e.g., EIA Directive, Habitats Directive, Birds Directive);
- FAO Code of Conduct for Responsible Fisheries;
- ISO Standards relevant to environmental management, occupational safety, and energy management (ISO 14001, ISO 45001, ISO 50001);
- IFC Performance Standards, where applicable and complementary.

Integration into the ESMF

The Environmental and Social Management Framework (ESMF) for the WASEC Project embeds GIIP through:

- Exclusion list and Screening procedures, including exclusion criteria to prevent financing of activities with elevated or unacceptable risks;
- Environmental and Social Impact Assessment (ESIA) terms of reference and methodologies;
- Site-specific Environmental and Social Management Plans (ESMPs);
- Environmental and social performance requirements for contractors and suppliers;
- Monitoring, reporting, and adaptive management mechanisms to ensure continuous alignment with GIIP during implementation.

By applying GIIP, the WASEC Project ensures alignment with the World Bank's ESF, supports Montenegro's harmonization with EU environmental and social standards, and promotes sustainable, safe, and inclusive project outcomes.

3.3. GAP ANALYSES OF ESS AND NATIONAL LEGISLATION COMPLIANCE

Montenegro, as an EU candidate country since 2010, continues to align its environmental and social regulatory frameworks with European Union directives and international best practices.

A comprehensive review of Montenegro's legal and institutional frameworks was conducted during the preparation of this Environmental and Social Management Framework (ESMF). The review concluded that Montenegro's environmental regulations generally align with the World Bank Environmental and Social Framework (ESF), particularly because of the country's ongoing harmonization with EU directives. However,

some important differences and gaps remain. These relate mainly to social risk assessment, advanced labor protections, biodiversity management planning, and formalized, proactive stakeholder engagement—all of which are addressed through the ESF and the Project’s environmental and social instruments.

The following table summarizes the compliance status between Montenegro’s national framework and the World Bank’s Environmental and Social Standards (ESS) applicable to the Project.

Table 6 Compliance Analysis of ESS and National Legislation

Environmental and Social Standard (ESS)	National Environmental and Social Framework	Compliance Analysis (Gaps)
ESS1: Assessment and Management of Environmental and Social Risks and Impacts	Law on Environment Law on Environmental Impact Assessment (EIA) Law on Nature Protection Law on Spatial Planning and Construction Law on Occupational Health and Safety	EIA legislation provides a robust framework for environmental assessment. However, Montenegro’s legislation does not require social risk assessments as per ESS1 (e.g., labor influx, community impacts), cumulative impacts assessment, or adaptive management—all of which are mandatory under ESS1. The Project will address these gaps through the ESMF, site-specific ESIA/ESMPs, and the ESMF.
ESS2: Labor and Working Conditions	Labor Law Law on Occupational Health and Safety	National laws cover core labor rights, OHS, and prohibit child and forced labor. However, there are no explicit legal requirements for gender-balanced OHS committees, protections against retaliation, or dedicated grievance mechanisms for project workers. These are provided for under the Project Labor Management Procedures (LMP).
ESS3: Resource Efficiency and Pollution Prevention and Management	Law on Environment Law on Air Protection	Montenegro’s legislation generally aligns with EU directives on pollution prevention, waste management, and resource efficiency. However, national law lacks explicit requirements for GHG accounting and climate change
	Law on Waste Management Law on Water Law on Energy Efficiency	mitigation planning. Some gaps also exist in enforcement capacity. The Project ESMF and ESMPs apply GIIP and the EHS to fill these gaps.
ESS4: Community Health and Safety	Law on Environment Law on Occupational Health and Safety Law on Traffic Safety Law on Water	Community health and safety are not comprehensively addressed under Montenegro’s national EIA and construction permitting frameworks. Current legislation does not mandate community engagement or the development of formal CHS plans during construction or operational phases. To bridge these gaps and ensure alignment with ESS4, community health and safety considerations are or will be integrated into the Project’s ESMF, LMP and site-specific ESIA/ESMPs.
ESS5: Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement	Law on Expropriation	In Montenegro, national legislation does provide for compensation in cases of expropriation, and the Law on Expropriation allows for negotiated settlements between the expropriation beneficiary and property owners on the amount and type of compensation. However, several gaps remain relative to the requirements of ESS5. The law does not address informal land occupants or mandate broader livelihood restoration measures, and does not meet the requirement to pay transaction costs. While compensation is based on the market value of similar properties — which is broadly compatible with the replacement cost principle — there is no formal regulatory mechanism to guarantee that valuations consistently reflect full replacement cost in practice, particularly for agricultural land and rural properties. National provisions also do not require the preparation of resettlement plans or income restoration programmes for project-affected persons, do not establish mandatory timeframes for compensation payment prior to displacement, and do not

		include specific provisions for vulnerable groups — such as women, elderly, or low-income households — who may be disproportionately affected by land acquisition. Finally, public consultation requirements under national expropriation procedures are more limited in scope and timing than those required under ESS5, which mandates meaningful engagement with affected communities from an early stage. To address these gaps and ensure alignment with the World Bank's ESS5, a dedicated Resettlement Policy Framework (RPF) has been developed. The RPF will guide the identification, assessment, and mitigation of any land-related risks that may arise during implementation, and establish procedures for fair compensation, stakeholder engagement, and grievance redress in compliance with ESS5.
ESS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Law on Nature Protection Law on Environmental Impact Assessment	National law incorporates biodiversity protection aligned with EU Natura 2000 principles. However, it does not mandate Biodiversity Management Plans (BMP) or fully apply the ESS6 mitigation hierarchy (avoidance, minimization, restoration, offsetting).
ESS7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not applicable	ESS7 does not apply, as no Indigenous Peoples as defined by the ESF are present in Montenegro.
ESS8: Cultural Heritage	Law on Protection of Cultural Heritage	Montenegro has a strong legal framework for cultural heritage protection. However, chance find procedures are not systematically required in all project contracts. Chance Finds Procedure will be applied to all project civil works through the ESMF and ESMPs.
ESS9: Financial Intermediaries	Not applicable	Not relevant to the Project, as no financial intermediaries are involved.
ESS10: Stakeholder Engagement and Information Disclosure	The Constitution of Montenegro, Law on Environment, Law on Environmental Impact Assessment, Law on Free Access to Information, Law on Personal Data Protection, Law on Spatial Planning and Construction Arhus Convention	Montenegro's national legislative framework is broadly aligned with the spirit of ESS10 — particularly given the constitutional right to environmental information and the Aarhus Convention commitments — but falls short in several practical and procedural respects. The primary gap is the absence of a legal obligation to prepare a SEP, conduct continuous engagement, and implement targeted outreach to vulnerable groups. These gaps are addressed under the WASEC project through the preparation of a dedicated Stakeholder Engagement Plan (SEP) and the establishment of a project-level GRM, which go beyond national requirements in line with ESS10.

4. Environmental and Social Baseline Information

4.1. COUNTRY OVERVIEW AND GEOGRAPHIC CONTEXT

Montenegro is a small, upper-middle-income country in the Western Balkans with a population of approximately 620,000 (2023 Census). It covers a total area of 13,812 km² and is characterized by exceptional geographic and ecological diversity, ranging from the Adriatic coastline in the south to the high Dinaric Alps in the north. The country is administratively organized into 25 municipalities, which vary significantly in terms of population density, economic activity, and access to infrastructure.

Montenegro's landscape is dominated by karst terrain, which profoundly shapes its hydrology, groundwater dynamics, and the spatial distribution of water resources. Despite being one of the most water-rich countries in Europe in terms of average annual precipitation, the Dinaric Karst creates significant spatial and temporal mismatches between water availability and demand. Surface water and groundwater systems are highly interconnected, making them simultaneously productive and sensitive to human intervention.

The economy is highly dependent on tourism, which contributes over 30% of GDP and is concentrated along the Adriatic coast, particularly in the municipalities of Budva, Kotor, Tivat, and Ulcinj. Agriculture and water-related sectors contribute modestly to GDP but remain important for rural livelihoods, particularly in the northern and central regions. Unemployment stood at approximately 11–12% in 2024, with higher rates among youth and in the northern municipalities. Montenegro is a candidate country for EU accession, with water sector reforms, including alignment with the EU Water Framework Directive (WFD), forming a central part of its accession commitments.

4.2. ENVIRONMENTAL BASELINE

4.2.1. Hydrological and Water Resources Baseline

4.2.2.1 Surface Water

Montenegro's river network drains into two main basins: the Adriatic basin in the west (including the Bojana and Morača rivers) and the Black Sea basin in the east (including the Tara, Lim, and Piva rivers). The country is endowed with significant river resources, but the karst geology means that many surface water flows are highly seasonal and spatially variable.

The Morača River is one of the most hydrologically significant rivers in Montenegro, flowing southward from the central highlands into Lake Skadar. It is the primary water source for the country's coastal water supply system through its connection to the Bolje Sestre spring — the most strategically important water asset in Montenegro. The spring supplies bulk water to the Regional Water Supply Company for the Montenegrin Coast (RWSC), which serves the coastal municipalities during the peak tourism season. Over the past decade, extensive gravel extraction from the Morača River has caused significant riverbed deepening, altering sediment transport dynamics and resulting in a marked and documented reduction in spring discharge. This has emerged as the most critical water security challenge facing the country.

Lake Skadar, located on the Montenegro–Albania border, is the largest lake in the Balkans. It is hydrologically connected to the coastal water supply system through the Morača River basin and the Bolje Sestre spring. The Malo Blato area — a hydrologically connected arm of the main lake — serves as the location of the supplementary water abstraction and treatment facility constructed by RWSC to address the declining spring discharge.

Other significant surface water bodies include the Zeta River, which flows through the Nikšić plateau and joins the Morača River near Podgorica. The Zeta has moderate to good water quality in its upper reaches but is subject to urban and industrial runoff influences in its lower sections near Podgorica.

4.2.2.2 Groundwater

Groundwater resources in Montenegro are extensive but complex, governed largely by the karst geology. Major karst aquifers supply a significant proportion of the country's municipal water. The Bolje Sestre spring is itself a karst

spring, drawing on groundwater from the broader Morača River basin. Groundwater vulnerability is high in karst systems due to the direct connectivity between surface and subsurface water, meaning that pollution or hydromorphological changes at the surface can rapidly affect groundwater quality and quantity.

In coastal areas, over-abstraction from coastal aquifers has contributed to saltwater intrusion in some zones, compromising the quality of drinking water sources and reducing the availability of freshwater for municipal and agricultural use. This is expected to worsen under projected sea-level rise scenarios.

4.2.2.3 Water Supply and Wastewater Infrastructure

Montenegro's water supply infrastructure is aging, fragmented, and characterized by high levels of non-revenue water (NRW). The national average NRW rate exceeds 55%, with some utilities reporting rates above 70%, reflecting significant physical losses from leaking pipes, many of which are asbestos-cement or other legacy materials, as well as commercial losses. Water supply coverage is relatively high in urban areas but declines significantly in rural and mountainous municipalities.

Sewerage and wastewater treatment coverage is considerably lower. Only approximately 54% of the population is connected to a sewerage network, and only around 40% of generated wastewater is treated before discharge. Many existing wastewater treatment plants face operational difficulties, including challenges with sludge management and energy efficiency. This has significant implications for water quality in receiving rivers and coastal waters.

4.2.2. Air Quality Baseline

Air quality monitoring in Montenegro is conducted by the Environmental Protection Agency (EPA) and the Centre for Ecotoxicological Research (CETI), with monitoring stations in major urban centers. The baseline air quality situation varies by location:

- Coastal areas (Ulcinj, Bar, Budva): Generally good air quality, benefiting from sea breezes and limited heavy industry. Seasonal tourist traffic contributes to temporary increases in traffic-related emissions.
- Podgorica and the central region: Moderate air quality, with seasonal pollution episodes linked to traffic, domestic heating, and the legacy of industrial activity in the Zeta valley.
- Nikšić: Experiences moderate pollution episodes in winter, associated with domestic heating (solid fuel combustion) and the legacy of steel manufacturing. PM_{2.5} concentrations in urban areas have been recorded at 15–20 µg/m³, exceeding the WHO guideline of 5 µg/m³. PM₁₀ and NO₂ also show seasonal and traffic-related exceedances.
- Northern municipalities: Generally good air quality due to low industrial activity and population density, though domestic solid fuel combustion contributes to localized winter pollution.

4.2.3. Waste management

4.2.3.1. National Overview

Waste management in Montenegro remains a significant environmental and public health challenge. Despite recent progress, issues persist including limited infrastructure, insufficient waste separation and recycling, illegal dumping, and low public awareness. Poor waste handling practices contribute to soil, water, and air pollution, with leachate contaminating groundwater and burning waste releasing toxic air pollutants. These impacts are particularly serious for vulnerable populations near illegal dumpsites or non-compliant landfills.

The National Waste Management Plan (2023–2028) and the Law on Waste Management set the legal and strategic framework for Montenegro's gradual alignment with EU waste directives. However, infrastructure gaps and funding constraints hinder comprehensive implementation.

4.2.3.2. Current Practices

Montenegro generates various waste streams:

- Municipal Solid Waste (MSW): Mostly organic materials, plastics, paper, and metals.
- Industrial Waste: From sectors like mining, energy, and manufacturing.
- Hazardous Waste: Including medical and some industrial wastes.
- Construction and Demolition Waste.

Urban areas have rather good waste collection coverage (75–80%), while rural areas lag. Recycling rates remain low nationwide, and most waste ends up in landfills, many of which do not meet EU standards. Hazardous and industrial waste management is inconsistent, especially among smaller enterprises.

4.2.4. Noise

4.2.4.1. National context

Noise pollution is an increasing environmental concern in Montenegro, particularly in urban centers, coastal tourist areas, and regions with significant industrial and transportation activities. The primary sources of noise include vehicular traffic, construction activities, industrial operations, and maritime and air transport.

Prolonged or high noise exposure poses risks to public health, including hearing impairment, sleep disturbances, cardiovascular stress, and reduced quality of life. Vulnerable groups—such as children, the elderly, and individuals with pre-existing health conditions—are especially sensitive. Wildlife, particularly birds and marine organisms, can also experience disruptions to communication, mating, feeding, and navigation patterns, especially in coastal and rural ecosystems.

Ambient noise conditions across project-relevant areas reflect the character of land use and economic activity in each location. Urban areas in Podgorica and Nikšić experience typical urban noise levels driven by road traffic, with levels generally ranging from 55–70 dB(A) during daytime hours. Coastal municipalities experience significant seasonal noise increases during the tourist season (June–September) associated with increased traffic, hospitality activity, and marine vessels. Rural municipalities and pipeline corridors outside urban centers are predominantly quiet, with ambient noise levels typically below 45 dB(A). Lake Skadar and the Morača River corridor are largely rural and represent acoustically sensitive environments, particularly in relation to bird colonies and aquatic wildlife.

4.2.5. Nature protection

Montenegro has an exceptionally rich biodiversity for its size, with five national parks covering approximately 10% of its territory:

- Durmitor National Park (UNESCO World Heritage Site): Located in the northwest, characterized by glacial lakes, canyon landscapes, and high-alpine ecosystems.
- Biogradska Gora National Park: One of the last remaining primeval forests in Europe.
- Lovćen National Park: Coastal karst terrain and Mediterranean flora.
- Prokletije National Park: High-alpine terrain in the southeast.
- Lake Skadar National Park: The largest lake in the Balkans, covering approximately 400 km² on the Montenegrin side. A Ramsar Wetland of International Importance, a UNESCO Biosphere Reserve candidate, and a designated Important Bird and Biodiversity Area (IBA) hosting over 280 bird species, including the globally significant Dalmatian Pelican (*Pelecanus crispus*) colony. The lake supports over 50 fish species, many of which are endemic, and extensive aquatic vegetation habitats.

In addition to national parks, Montenegro's ecological network includes numerous nature reserves, protected landscapes, and Natura 2000-equivalent areas designated under national legislation.

Montenegro's biodiversity reflects its position at the intersection of Mediterranean, continental, and alpine biogeographical zones. The country hosts over 3,000 plant species — approximately 20% of the European flora — including a significant number of endemic species. Key vegetation types include Mediterranean maquis and garigue on the coast, mixed deciduous and coniferous forests in the central highlands, and subalpine and alpine meadows in the north.

Lake Skadar is of particular ecological importance for the project. Its aquatic ecosystems support endemic fish species including the Skadar bleak (*Alburnus scoranzoides*), the Skadar rudd (*Scardinius knezevici*), and the Ohrid trout (*Salmo letnica*), as well as significant populations of European eel (*Anguilla anguilla*). The lake is a critical staging and wintering site for migratory waterbirds on the Adriatic Flyway.

The **Morača River** supports riverine habitats of conservation significance, including riparian forests, gravel bar habitats, and populations of freshwater fish species. The river's hydromorphological condition is currently affected by past gravel extraction, with documented changes to channel morphology, substrate composition, and flow dynamics.

4.2.6. Climate change

Montenegro has a diverse climate driven by its geography. The coastal zone experiences a Mediterranean climate with hot, dry summers and mild, wet winters. The central and northern regions have a continental and sub-alpine climate, with cold winters, significant snowfall, and more evenly distributed precipitation throughout the year. Average annual precipitation ranges from approximately 1,500 mm on the coast to over 3,000 mm in the mountainous north, making Montenegro one of the wettest countries in Europe.

Notwithstanding this overall abundance, the country is increasingly experiencing the effects of climate variability and change. Key observed and projected trends include:

- **Rising temperatures:** Average temperatures have increased over recent decades and are projected to rise by between 2.5°C and 4°C by 2100 under moderate-to-high emission scenarios.
- **Altered precipitation patterns:** Projections indicate a reduction in summer precipitation and an increase in the frequency and intensity of extreme rainfall events, contributing to both drought and flash flood risk.
- **Peak demand misalignment:** Peak water demand in tourism-intensive coastal areas coincides with the driest periods of the year (July–August), creating acute seasonal pressure on water supply systems.
- **Drought frequency:** More frequent and severe summer droughts are already affecting both urban water supply reliability and agricultural productivity in the central and northern regions.
- **Sea-level rise:** Projected sea-level rise of between 0.2 and 1 meter by 2100 poses a risk of saltwater intrusion into coastal aquifers, further threatening the quality and availability of coastal groundwater resources.

Montenegro has submitted its Nationally Determined Contribution (NDC) under the Paris Agreement, committing to a 35% reduction in GHG emissions by 2030.

4.3. SOCIAL BASELINE

4.3.1. Demography

Montenegro's population is approximately 620,000 (2023 Census), with a median age of around 39 years reflecting a progressively aging demographic profile. The country is experiencing significant rural depopulation, as younger generations migrate to urban centers — primarily Podgorica — or emigrate abroad in search of employment. This trend is most pronounced in the northern and central municipalities, many of which are targeted by Component 1 subprojects. Montenegro has a diverse ethnic composition: Montenegrins (45%), Serbs (28.7%), Bosniaks (8.6%), Albanians (4.9%), and Roma and other minorities. The Roma population — concentrated primarily in Podgorica, Nikšić, and coastal municipalities — faces disproportionate levels of social exclusion, poverty, and limited access to public services, including safe water and sanitation.

4.3.2. Economic and Livelihood Baseline

The Montenegrin economy is dominated by the services sector, with tourism contributing over 30% of GDP and serving as the primary engine of employment and foreign exchange. The water sector is directly interlinked with tourism competitiveness: reliable, high-quality water supply is essential for hotels, restaurants, and visitor facilities concentrated on the Adriatic coast.

Agriculture, including smallholder farming and livestock production, remains an important source of livelihoods for rural households in the northern and central regions, where many Component 1 subproject communities are located. Rural households in these areas may rely on agricultural land adjacent to planned pipeline alignments or reservoir expansions, making their livelihoods directly relevant to the project's land access and resettlement considerations.

Unemployment stood at approximately 11–12% nationally in 2024, with higher rates among youth (estimated at 25–30%) and in northern municipalities such as Berane, Plav, and Gusinje — areas where water service deficiencies are also most pronounced.

4.3.3. Cultural heritage

Montenegro has a rich cultural heritage, including two UNESCO World Heritage Sites: the Natural and Culture-Historical Region of Kotor (coastal medieval fortifications and urban fabric) and Durmitor National Park. Numerous archaeological sites, historic settlements, and intangible cultural heritage assets are distributed across the country, including in municipalities targeted by Component 1 subprojects. The Directorate for the Protection of Cultural Property is responsible for the inventory and protection of cultural heritage assets under national legislation.

4.3.4. Water and Sanitation Service Access

Access to water supply varies significantly across Montenegro. Urban municipalities on the coast and in the central region generally have relatively high connection rates, though service reliability — particularly continuous 24-hour supply during summer peaks — remains a challenge. Northern municipalities face the most acute service gaps: communities in Plav, Berane, Gusinje, and surrounding areas frequently experience water supply interruptions during summer months due to aging infrastructure, high NRW, and seasonal demand increases. Decentralized water systems serving remote rural settlements are often poorly maintained and do not meet drinking water quality standards.

Sewerage access and wastewater treatment coverage is considerably lower than water supply coverage, with approximately 54% of the population connected to sewerage networks and only around 40% of wastewater receiving treatment. The gap between water supply and wastewater service levels creates significant water pollution pressure on rivers and coastal waters.

4.3.5. Vulnerable Groups

The following groups have been identified as potentially vulnerable in the context of the project:

- **Low-income and rural households:** Particularly in northern and peri-urban municipalities, who may face affordability challenges under reformed tariff structures and may have limited capacity to engage in formal consultation processes.
- **Roma communities:** Facing disproportionate barriers to accessing safe water and sanitation services, and to participating in project consultations due to language, literacy, and social exclusion factors.
- **Women:** Represent approximately 24% of the water utility workforce in Montenegro, reflecting gender inequality in the sector. Women in rural households bear a disproportionate burden when water supply is unreliable, including time spent collecting water.
- **Elderly persons:** Who may face mobility limitations affecting access to consultations and services during construction-related disruptions.
- **Persons with disabilities:** Who may face barriers to accessing information and consultation processes, and whose needs must be considered in the design of infrastructure and engagement activities.
- **Youth:** Particularly in northern municipalities experiencing population decline, for whom improved water services and associated economic opportunities are important retention factors.

4.3.6. Gender and Social Inclusion

Montenegro has made progress on formal gender equality commitments through legislation and institutional structures, but gender gaps persist in practice, particularly in economic participation, leadership in public institutions, and access to services in rural areas. The project's institutional reform agenda under Component 3 presents an opportunity to embed gender-sensitive approaches in the governance and management of the water sector, including through the development of the National Strategy for Water Services Development and the capacity building program targeting utilities and municipalities.

5. Potential Environmental and Social Risk and Impacts and Standard Mitigation Measures

The WASEC Project's environmental and social (E&S) risks primarily arise from the construction and operation of investments under two key components:

- Component 1 — rehabilitation and expansion of water supply systems and sewer network construction across 21 priority subprojects in municipalities throughout Montenegro
- Sub-component 2.1 — expansion of the Malo Blato lake water treatment facility at Lake Skadar

The hydromorphological and hydrogeological studies under Sub-component 2.2 involve technical fieldwork and assessments only and do not involve civil works; their environmental and social risks are limited and managed through the ESMP provisions applicable to field survey activities.

For the Malo Blato treatment facility, the existing facility became operational in summer 2025 without a prior World Bank-reviewed environmental and social assessment. For this reason, an Environmental and Social Audit of the existing facility will be conducted prior to the commencement of expansion works under Sub-component 2.1. The Audit will identify any legacy environmental and social issues associated with the existing facility and define corrective action measures to be implemented alongside the expansion works and included in the preliminary ESMP to be included in tender documents for selection of Design and Build (D&B) Contractor. This ESMP will be updated by the PIU and approved by the Bank once the detailed design is available and prior to any on ground works. The ESMF provides the framework for preparing these instruments, depending on which will:

- If applicable, apply the World Bank Interim Guidance Note on Projects in or near Protected Areas (2025) to ensure no significant adverse impacts on the lake's endemic species, aquatic habitats, and bird colonies as well as access to ecosystems services ;
- Clarify and establish monitoring protocols for water quality and biodiversity impacts across construction and operation phases;
- Assess cumulative effects, including interactions with existing water abstraction, tourism, and fishing activities on Lake Skadar;
- Identify and manage any land acquisition, access restrictions, or livelihood impacts — including those affecting fishing communities around Malo Blato — in line with the project's Resettlement Policy Framework (ESS 5); and
- Prepare subproject SEP and GRM and conduct updated stakeholder consultations in line with ESS 10, including with Lake Skadar National Park management, local communities, and civil society organizations.
- Prepare any other plan as needed (emergency preparedness and response plan, traffic management plan etc.)

For Component 1 subprojects, site-specific ESMPs will be prepared for each subproject once detailed designs are confirmed, following the screening and assessment procedures set out in this ESMF.

Table 7 Cross Cutting mitigation tool

Tool/Instrument	Application
Environmental and Social Management Framework (ESMF)	Provides overarching guidance for the identification, screening, risk classification, and mitigation planning for all subprojects, particularly where detailed designs are not yet available. It outlines procedures for preparing site-specific instruments and ensures consistency with World Bank ESF and national legislation. May be complemented by other frameworks or assessments (e.g., RPF, ESCP, SEP and LMP) as relevant.
Environmental and Social Management Plans (ESMPs/ESMP Checklists)	Define detailed, site-specific environmental and social mitigation measures. These are based on screening outcomes and include monitoring plans, institutional responsibilities, and cost estimates. Checklists may be used for lower-risk, standardized activities.

Contractor ESMP (CESMP)	Prepared by contractors prior to mobilization, based on the ESMP, to detail how E&S mitigation measures will be implemented during construction. Covers site-specific risks such as dust, noise, waste, worker safety, and includes method statements for sensitive works. Must be approved by the PIU before works commence.
Stakeholder Engagement Plan (SEP)	Guides inclusive, transparent, and culturally appropriate stakeholder consultations throughout the project lifecycle. Includes mechanisms for information disclosure, feedback collection, and a functioning Grievance Redress Mechanism (GRM) accessible to all stakeholders, including vulnerable groups.
Labor Management Procedures (LMP)	Facilitate the planning for the project and help identify the resources necessary to address the labor issues associated with the project. The labor management procedures help to (a) identify the different types of project workers that are likely to be involved in the project, and (b) set out the ways of meeting the requirements of ESS2 that apply to the different types of workers and workers GRM
Chance Finds Procedures	Established to ensure that any physical cultural heritage unexpectedly encountered during excavation or construction works is properly protected, in compliance with national laws and ESS8. Includes stop-work protocols and reporting chains.
Traffic Management Plans	Prepared for each construction site to manage increased traffic volumes and ensure road safety for workers and communities. Includes vehicle routing, scheduling, signage, access control, and pedestrian safety near worksites.
Environmental and Social Commitment Plan (ESCP)	A binding document agreed between the Borrower and the World Bank that sets out all environmental and social commitments (instruments, staffing, timelines, etc.) required to ensure compliance with the ESF. Monitored throughout the project lifecycle.
Resettlement Policy Framework (RPF)	To be prepared when exact locations and impacts of land acquisition are not known at appraisal. It outlines principles, organizational arrangements, and procedures to guide preparation of Resettlement Action Plans (RAPs) when necessary.
Resettlement Action Plans (RAPs) (site-specific)	Developed if land acquisition is confirmed. Identifies affected people, provides compensation and livelihood restoration measures, and ensures consultation and grievance redress in accordance with ESS5.
Waste Management Plans (WMP) (if needed)	Particularly important for facilities that will generate hazardous and non-hazardous waste. Outlines how waste will be segregated, stored, transported, treated, and disposed of safely, including responsibilities and monitoring.
Biodiversity Management Plans (if needed)	To be developed if subproject screening identifies significant impacts on habitats or species, especially relevant near coastal or protected areas. Provides mitigation, restoration, and monitoring measures in line with ESS6.

Table 8 Environmental and Social Risks and Mitigation Measures

Activity / Aspect	Environmental Risks and Impacts	Social Risks and Impacts	Mitigation Measures
Pre-Construction (Design and Preparation) Phase			
Subproject screening and site selection (Component 1 — 21 subprojects)	Potential selection of alignments or sites that intersect ecologically sensitive areas, flood zones, or protected habitats; risk of overlooking asbestos-cement pipe sections in existing networks	Temporary or permanent land acquisition and restriction of access to private or communally used land required for pipe laying, sewer network construction, or anchorage of infrastructure; potential physical or economic displacement of affected households or businesses;; inadequate or inequitable community consultation across geographically dispersed subproject sites, particularly for rural and remote communities; limited access to	Apply E&S screening and exclusion criteria to all subprojects; biodiversity and social screening checklists completed for each subproject prior to design finalization; identify asbestos-containing infrastructure through pre-design surveys; preference for rehabilitation within existing rights-of-way to minimize land impacts. Resettlement Policy Framework (RPF) and, where required, site-specific Resettlement Action Plans (RAPs) or Abbreviated

Activity / Aspect	Environmental Risks and Impacts	Social Risks and Impacts	Mitigation Measures
		water supply services during rehabilitation works, disproportionately affecting vulnerable households dependent on continuous supply; and risk of inadequate grievance capture at the site level where contractor-level GRM mechanisms are absent or poorly communicated to affected communities. Risk of overlooking vulnerable communities along proposed alignments; inadequate identification of informal land users or smallholder farmers affected by new pipeline routes. Possible potential concerns from local communities about the purpose and implications of river surveys, particularly in communities previously affected by gravel extraction.	Resettlement Action Plans (ARAPs) prepared, disclosed, and consulted upon prior to commencement of civil works; fair and timely compensation at replacement cost for all affected persons, including informal land users, prior to displacement; community notification, exclusion zones, and a public health communication protocol for sites involving asbestos-cement pipe removal; traffic management plans and community access maintenance measures integrated into ESMPs, ensuring uninterrupted access to properties and services during works; Code of Conduct for all construction workers, covering prohibitions on SEA/SH, community interaction standards, and disciplinary procedures; Labor Management Procedure (LMP) with provisions for worker OHS, fair grievance mechanisms, and prohibition of child and forced labor; proactive stakeholder engagement and prior notification to affected communities before works commence at each subproject site, in line with the project-level SEP; alternative water supply arrangements — such as temporary water trucking or connection to adjacent networks — for households affected by service interruptions during pipe rehabilitation; Cascading GRM operating from PIU level through municipal implementing entities to individual contractors, with site-level complaint registers, regular community feedback sessions, and timely response and escalation procedures; and targeted outreach to vulnerable groups — including low-income households, women, elderly, and persons with disabilities — to ensure equitable access to information and grievance channels throughout implementation
Environmental and Social Audit — Malo Blato existing facility	Risk of unidentified legacy pollution, habitat disturbance, or non-compliant discharge from existing facility operations	Risks of unaddressed legacy. Public misperception, impacts on fishing communities or land	Conduct E&S Audit of the existing Malo Blato facility prior to commencement of expansion works; prepare Corrective Action

Activity / Aspect	Environmental Risks and Impacts	Social Risks and Impacts	Mitigation Measures
(Sub-component 2.1)		users adjacent to the existing facility	Plan (CAP) to address all identified legacy issues; disclose Audit and CAP to the World Bank and publicly Prepare Sub project SEP and GRM before the start of the work and any other plan as necessary (example -Emergency preparedness and response plan, Traffic management plan, communication plan etc). Community consultation through SEP prior to and during construction; GRM accessible to all community members including fishing households; Contractor Code of Conduct with SEA/SH prevention provisions; assessment of land and livelihood impacts in line with RPF; worker OHS induction and water safety protocols.
Sub-component 2.2 — Morača River basin studies and sediment management - Field surveys and assessments	Localized disturbance to riverbank and aquatic habitats during hydromorphological field surveys; minor sediment disturbance during water sampling or monitoring equipment installation.	Limited social risk; potential concerns from local communities about the purpose and implications of river surveys, particularly in communities previously affected by gravel extraction.	Proactive community communication about the scope and purpose of studies; stakeholder engagement consistent with SEP; findings shared with affected communities and local governments through participatory planning processes. Adherence to ecological survey best practice; minimal footprint approach to field work; coordination with Institute for Nature Protection during fieldwork design
Procurement and contractor selection (all civil works)	Risk of contractors with inadequate environmental management capacity being engaged	Risk of contractors with poor labor practices or inadequate OHS systems being engaged	Embed LMP, ESMF, and ESMP compliance requirements in all bidding documents and civil works contracts; include environmental and social management capacity as an evaluation criterion; Code of Conduct and workers' grievance mechanism requirements included in all contracts
Construction Phase			
Site preparation, clearing, and earthworks (all civil works)	Dust, noise, and vibration affecting air quality and ambient conditions near residential areas and sensitive ecosystems; soil compaction and erosion from machinery movement; vegetation clearance and disturbance of topsoil; risk of fuel, oil, or chemical spills from	Community exposure to asbestos fibers during removal of asbestos-cement pipes if handling procedures are inadequate; disruption to access roads, pedestrian pathways, and entry to properties, businesses, and public services during	Site-specific C-ESMPs with dust suppression measures (water spraying on exposed surfaces and access tracks); machinery pre-shift inspection and maintenance to prevent leaks; secondary containment for all fuels and chemicals stored on site; defined haulage routes and speed limits

Activity / Aspect	Environmental Risks and Impacts	Social Risks and Impacts	Mitigation Measures
	construction equipment contaminating soil and groundwater	excavation and pipe-laying works; traffic safety risks to community members — particularly children and elderly — from increased construction vehicle movements across residential areas; labor influx risks including community friction, increased pressure on local services, and potential SEA/SH risks from non-local construction workers.	for construction vehicles; exclusion fencing and signage around all active excavation sites; community notification at least 48 hours prior to disruptive works Community notification, exclusion zones, and a public health communication protocol for sites involving asbestos-cement pipe removal, traffic management plans and community access maintenance measures integrated into ESMPs, ensuring uninterrupted access to properties and services during works; Code of Conduct for all construction workers, covering prohibitions on SEA/SH, community interaction standards, and disciplinary procedures; Labor Management Procedure (LMP) with provisions for worker OHS, fair grievance mechanisms, and prohibition of child and forced labor; proactive stakeholder engagement and prior notification to affected communities before works commence at each subproject site, in line with the project-level SEP; alternative water supply arrangements — such as temporary water trucking or connection to adjacent networks — for households affected by service interruptions during pipe rehabilitation; Cascading GRM operating from PIU level through municipal implementing entities to individual contractors, with site-level complaint registers, regular community feedback sessions, and timely response and escalation procedures.
Trenching and pipe-laying — water supply (Component 1)	Sediment runoff and turbidity in surface water bodies near open trenches; disturbance to riparian habitats and vegetation along pipeline corridors; risk of contamination of groundwater in karst terrain through open excavation near recharge zones	Temporary disruption or interruption of water supply services to households during rehabilitation of live systems, disproportionately affecting vulnerable groups including elderly persons, Roma households, and low-income families; risk of open trench hazards in public areas. Potential economic losses to businesses along pipeline	Erosion and sediment control measures (silt fences, straw bales) near watercourses; trench dewatering managed and discharged to vegetated areas away from water bodies; service interruption protocols with minimum 48-hour advance community notification; contingency water supply arrangements (e.g., water tankering) during interruption

Activity / Aspect	Environmental Risks and Impacts	Social Risks and Impacts	Mitigation Measures
		corridors from prolonged loss of access or customer footfall; damage to crops or agricultural land along rural pipeline alignments not covered by formal acquisition processes.	periods; daily inspection and covering of open trenches in public areas
Asbestos-cement pipe removal (Component 1) – if applicable	Release of airborne asbestos fibers posing serious environmental contamination risk if not properly contained; improper disposal of asbestos waste potentially contaminating soil or groundwater at disposal sites	Serious occupational health risk to workers from asbestos fiber inhalation; risk of community exposure to airborne asbestos fibers if works are conducted without adequate containment. Community exposure during transport of asbestos waste through residential areas; inadequate communication to residents about health risks and the measures in place, leading to public anxiety or misinformation.	Site-specific Asbestos Management Plan prepared prior to works; pre-works asbestos survey and mapping of all affected pipe sections conducted and prepared by certified and trained contractors only. Public health information campaign for residents in affected areas explaining risks and protective measures; exclusion zones clearly demarcated and enforced during removal and loading operations. Conduct air quality monitoring during pipe removal works at the site perimeter.
Malo Blato treatment facility expansion construction (Sub-component 2.1)	Turbidity and sediment disturbance in Lake Skadar from construction of intake and treatment structures; noise and light disturbance to bird colonies and aquatic habitats within the National Park; fuel and chemical spill risk in an ecologically sensitive environment; waste generation from construction materials; risk of temporary alteration of local water flow patterns	Disturbance to local communities near Malo Blato; potential temporary restrictions on access to lake shore areas used for fishing and small-scale agriculture; OHS risks to workers; risk of SEA/SH associated with labor influx into a rural community. Risk of child labor or exploitative labor practices in the supply chain for construction materials procured locally; risk of increased road traffic and heavy vehicle movements through local communities accessing the construction site.	C-ESMP preparation prior any construction works, implementation during works. Community consultation prior to and during construction; GRM accessible to households in vicinity; Contractor Code of Conduct with SEA/SH provisions. Supply chain labor standards requirements included in procurement specifications; develop traffic management plan for haul routes through residential areas, including weight and speed restrictions.
General OHS across all construction sites	No additional environmental risk beyond those listed above	Risk of workplace accidents, injuries, and fatalities across dispersed, concurrent construction sites; risk of inadequate OHS systems due to multiple simultaneous contractors. Risk of heat stress and other climate-related occupational health hazards, particularly during summer construction periods in Montenegro; risk of mental health impacts and fatigue among workers on extended or remote assignments; inadequate emergency	OHS induction training for all workers prior to site commencement; where needed, site-specific OHS Plans before works begin; mandatory PPE on all active sites; accident reporting to PIU within 24 hours and to World Bank within 48 hours for serious incidents; quarterly PIU supervision visits to all active sites. Site-specific emergency response and first aid plan, including procedures for medical evacuation from remote sites; heat stress prevention protocols (rest periods, hydration, shade) for summer

Activity / Aspect	Environmental Risks and Impacts	Social Risks and Impacts	Mitigation Measures
		response capacity at remote or dispersed subproject sites. All other social risks and impacts related to community health and safety, SEA/SH risks listed earlier apply here as well.	works; worker welfare facilities (adequate sanitation, rest areas, potable water) at all sites as a contractual requirement; anonymous worker feedback mechanism separate from the general GRM to allow reporting of OHS concerns without fear of retaliation. All other mitigation measures listed earlier, related to timely community notification and consultation, GRM accessible to all community members, Contractor Code of Conduct with SEA/SH prevention provisions, etc. apply here as well.
Post-construction Phase			
Site reinstatement and restoration (all civil works)	Risk of incomplete restoration of disturbed areas — including revegetation of pipeline corridors, access tracks, and temporary staging areas — leading to ongoing erosion, habitat degradation, or invasive species establishment. Risk of topsoil lost or mixed with subsoil during excavation, reducing post-restoration soil fertility; risk of establishment of invasive plant species on disturbed ground during revegetation.	Risk of temporary staging areas or unused materials remaining on sites in communities, causing safety hazards or community nuisance. No community verification mechanism to confirm that reinstatement meets community expectations, particularly in rural areas where informal land use may have been affected.	Contractor reinstatement obligations included in all civil works contracts; PIU site inspection prior to contract completion sign-off; revegetation with locally native species; removal of all temporary structures, materials, and waste from sites; photographic documentation of reinstatement. Topsoil to be stripped, stockpiled separately, and reapplied during reinstatement; revegetation monitoring for a minimum of one growing season post-completion. Community sign-off or feedback session on reinstatement outcomes at each subproject site prior to final contract payment.
Operational Phase			
Sewer network operation and increased wastewater flows (Component 1)	Risk of hydraulic overloading of existing wastewater treatment plants receiving increased household connections; risk of untreated sewage overflow to receiving rivers or coastal waters during peak flows or equipment failure; sludge generation and management. Greenhouse gas emissions (methane and nitrous oxide) from wastewater treatment processes; risk of groundwater contamination from leaking or deteriorating sewer infrastructure in karst terrain over the operational life of the network.	Improved public health outcomes for connected households — a positive social impact; risk of odor nuisance near wastewater infrastructure for adjacent communities. Risk that connection and tariff costs associated with the expanded sewer network are unaffordable for low-income households, reducing uptake and equity of access; no reference to positive public health impacts being monitored and reported.	Pre-connection assessment of treatment plant receiving capacity; operational protocols and contingency plans for treatment plant hydraulic overload; sludge management and licensed disposal plan; compliance with EU Urban Wastewater Treatment Directive discharge standards; community notification of planned maintenance activities that may temporarily affect service. Periodic structural condition assessment and leakage monitoring of the sewer network, particularly in karst areas; affordability assessment for sewer connection fees and tariffs, with

Activity / Aspect	Environmental Risks and Impacts	Social Risks and Impacts	Mitigation Measures
			social protection provisions for low-income households; public health monitoring indicators (e.g., waterborne disease incidence).
Malo Blato treatment facility operation (Sub-component 2.1)	Risk of excessive water abstraction impacting Lake Skadar hydrology, water levels, and aquatic ecology including endemic fish species and bird habitats; generation and management of treatment sludge and chemical residuals; energy consumption of expanded 350 l/s capacity; ongoing operational noise from facility equipment. Risks from storage, handling, and accidental release of treatment chemicals (e.g., chlorine, coagulants) in proximity to Lake Skadar; risk of groundwater contamination from sludge disposal sites if not lined and monitored.	Potential community concern about long-term abstraction volumes and effects on ecosystem services through decreased lake levels, fish populations, and fishing livelihoods; cumulative impacts on local tourism and recreation activities around the lake.	Real-time water quality and hydrological monitoring for Lake Skadar; abstraction limits and protocols agreed with Water Administration and National Park management; annual biodiversity monitoring report shared with National Park management and local communities; energy-efficient operational procedures; sludge management plan with licensed disposal; GRM for ongoing community and fisher feedback; annual stakeholder briefing on facility performance and monitoring results
Digital benchmarking platform and regulatory reform (Component 3)	Potential energy consumption and carbon footprint of digital infrastructure hosting the platform.	Risk of data privacy violations in the collection and processing of utility and personal performance data; risk that tariff reform disproportionately affects low-income households without adequate social protection provisions. There are also potential impacts of regulatory reforms and tariff adjustments on user affordability, particularly for low-income and vulnerable households, which could affect equitable access to water and sanitation services if not accompanied by appropriate social protection measures. Cybersecurity risk — unauthorized access to utility performance data or user data through the platform; digital exclusion risk — stakeholders without digital literacy or internet access being unable to engage with or benefit from the public-facing data portal.	Compliance with national data protection legislation and Agency for the Protection of Personal Data requirements; social protection provisions incorporated into revised tariff methodology; affordability analysis conducted as part of tariff reform process; transparent public disclosure of aggregated benchmarking results through public-facing data portal. Cybersecurity assessment and data protection controls implemented in platform design in line with national legislation and World Bank requirements; non-digital communication channels (printed reports, community meetings) provided alongside the online portal to ensure inclusive access to benchmarking information; independent affordability review prior to any tariff adjustment, with results disclosed publicly.

6. Environmental and Social Risk Management

6.1. METHODOLOGY FOR SCREENING AND ASSESSMENT OF E&S IMPACTS

What is screening and why does it matter? Before any subproject gets approved and funded, it must be checked ("screened") to understand what environmental and social risks it may cause. This helps decide what type of assessment is needed and ensures no harmful activities get financed.

Since the WASEC Project includes a range of subprojects that will be further defined and prepared during project implementation, it is necessary to ensure a robust E&S risk screening and assessment process for all subprojects.

In line with the World Bank Environmental and Social Framework (ESF), particularly ESS1 – Assessment and Management of E&S Risks and Impacts, the Project Management team (PMT) will assess the environmental and social risks and impacts of each subproject by applying the methodology defined in this Environmental and Social Management Framework (ESMF).

For each subproject, the PIU will apply the **Exclusion List and Screening Procedures** (see Annex 4 and Annex 5) outlined in this ESMF.

Screening procedure

For each subproject, the PIU Environmental and Social Specialists will conduct a screening assessment in accordance with the procedures set out in this ESMF and the POM and will propose the appropriate E&S risk classification and required E&S instruments. The proposed classification and instruments will be submitted to the World Bank team for review and confirmation before subproject preparation advances to the design and procurement stage. No civil works contracts shall be signed and no works shall commence until the World Bank has confirmed the E&S risk classification and cleared all required instruments for the relevant subproject. The Environmental and Social assessment follows the 5-step process to identify risks associated with specific sub-projects, screen out any high-risk activity, identify potential impacts and define mitigation measures to prevent or minimize negative impacts and determine the type of management instruments required to meet the project standards. For the implementation of planned sub-projects under Component 1 (infrastructure/hard components) the following 5 steps concerning the E&S assessment process must be undertaken:

Screening procedure

Step 1 — Screen each subproject individually (including exclusion check)

The PIU fills out a screening form for every single subproject. The **first thing to check** is whether the subproject appears on the **Exclusion List** — a list of activities that can never be financed under the project, regardless of any other considerations.

Subprojects are automatically excluded if they are likely to cause:

- Significant, severe, or irreversible environmental impacts
- Significant land acquisition, forced displacement, or physical/economic resettlement of people
- Major changes in land use
- Significant damage to critical natural habitats or biodiversity
- Significant harm to cultural heritage sites

If a subproject meets **any one** of these exclusion criteria, it is immediately declared ineligible and goes no further in the process.

If the subproject passes the exclusion check, the PIU then proceeds to assess the following:

- What kind of work is planned (new construction, rehabilitation, etc.)
- Where it is located (near protected areas, cultural heritage, water bodies?)
- How big and sensitive the activity is
- Whether it involves any land acquisition or displacement of people

1.1.Sub-Project Preparation and Technical Documentation Review

The majority of Component 1 subprojects have been selected from a well-developed pipeline of municipal proposals and are expected to have technical documentation, including detailed designs, specifications, and construction

permits already prepared by the respective municipalities or water utilities at the time of project effectiveness. Following the completion of E&S screening for each subproject, and prior to the preparation of site-specific E&S instruments, the PIU Environmental and Social Specialists will review all existing technical documentation prepared by the respective municipalities or water utilities — including detailed designs, specifications, bills of quantities, and any permits or approvals already obtained under national legislation.

The purpose of this review is to ensure that existing documentation is sufficiently advanced and complete to inform the preparation of the required E&S instruments, and to identify any technical gaps that need to be addressed before subproject preparation can proceed. The review will confirm:

- That the scope, location, and design of the subproject are sufficiently defined to allow a meaningful E&S assessment;
- That all required national permits and approvals — including construction permits and water use permits — have been obtained or are being actively pursued by the beneficiary municipality or water utility; and
- That existing designs adequately integrate resource efficiency, pollution prevention, and waste management measures consistent with ESS 3 and GIIP, or that these will be addressed through the site-specific ESMP.

Where the review identifies that existing documentation is incomplete or insufficiently detailed to support E&S instrument preparation, the PIU will require the responsible municipality to address the identified gaps before proceeding. The PIU will track the documentation review status for all subprojects and report on progress in its semi-annual progress reports to the World Bank.

Step 2 — Classify the risk level

Based on the screening, each subproject is placed into one of four categories: 1

Risk Level	What it means	Can it be financed?
Low	Minor, short-term impacts; no EIA needed	Yes — no site-specific E&S instrument is required beyond the standard environmental, social, and OHS clauses embedded in civil works or service contracts and the POM
Moderate	Manageable impacts; may require national EIA check	Yes — prepare ESMP Checklist or full ESMP
Substantial	Significant impacts that need detailed assessment	Yes — prepare full ESMP or ESIA
High	Severe, potentially irreversible impacts	No — not eligible for financing

Detailed description is provided in the [Table 9](#) below.

Table 9 Matrix of risk classification for eligible subprojects

Risk Level	Description	Eligibility / E&S Instruments
Low Risk	Subprojects with negligible environmental and social impacts for which an environmental impact assessment is not necessary. Activities that are neither on List I nor List II of the Regulation on Projects for which Environmental Impact Assessment is required. Typically includes: minor rehabilitation or adaptation works within existing infrastructure footprints (e.g., pipe replacements within existing alignments, meter installations, equipment upgrades at existing facilities); technical assistance, capacity building, and advisory activities (Components 3 and 4); field surveys and monitoring activities (Sub-component 2.2); not located in or near protected areas, Ramsar sites, or ecologically sensitive habitats; not located in socially sensitive areas; no land acquisition, easements, or restrictions on land use required; no confirmed or suspected presence of asbestos-containing materials; no historic land acquisition undertaken in anticipation of or in direct relation to the project.	Eligible for financing. No formal EIA required under national legislation. PIU will prepare an Environmental and Social Management Checklist (ESMC). Standard environmental, social, and OHS clauses to be embedded in all civil works or service contracts, consistent with the requirements of this ESMF and the Project Operations Manual (POM). Chance find procedures applicable. Project level SEP and LMP to be implemented.
Moderate Risk	Subprojects with manageable, temporary, and localized E&S impacts. Typically falling under List II of the national EIA Regulation or below threshold. Typically includes: rehabilitation and expansion of centralized water supply systems within or close to existing rights-of-way in urban and peri-urban areas; modernization of decentralized water services infrastructure in rural and remote areas; small-scale sewer network extensions in non-sensitive environments; construction or replacement of pumping stations or storage reservoirs within existing facility footprints; located in non-sensitive environments, with no direct proximity to protected areas, Ramsar sites, or ecologically important habitats; confirmed or suspected presence of asbestos-cement pipes requiring managed removal; may require minor temporary land access or easements without physical displacement of residents or removal of informal occupants from public land; limited economic displacement of short duration (e.g., temporary loss of access to agricultural land during construction); not located in socially sensitive areas or areas with significant concentrations of vulnerable groups; no historic land acquisition cases.	Eligible for financing. PIU to prepare a site-specific Environmental and Social Management Plan (ESMP) or Environmental and Social Management Checklist (ESMC), depending on the complexity of identified risks. Where asbestos-containing materials are confirmed, and are planned to be removed, a dedicated Asbestos Management Plan is required as part of the ESMP. The beneficiary municipality will submit a request to the relevant national authority (EPA) to determine whether a national EIA is required under applicable legislation, and the PIU will follow up and monitor this process. Where minor land access or easements are required, RPF provisions apply and an abbreviated RAP will be prepared and implemented prior to commencement of civil works. Project level SEP and LMP to be implemented, or if needed site specific SEP to be prepared, disclosed and consulted prior to construction works. Where subprojects are located in the vicinity of registered cultural heritage assets, a Cultural Heritage Management Plan (CHMP) will be prepared for the individual subproject, otherwise chance find procedures apply.

Substantial Risk	Subprojects with potentially significant, diverse, or complex E&S impacts. Likely to fall under List I of the national EIA Regulation, or List II projects in environmentally or socially sensitive locations. Typically includes: direct in-water construction, water abstraction from an ecologically sensitive lake, and potential impacts on endemic species, bird colonies, and fishing community livelihoods; new water supply pipeline extensions with new alignments exceeding 5km passing through agricultural land, ecologically sensitive areas, or areas with confirmed or probable asbestos-cement pipe presence in proximity to sensitive receptors; sewer network construction in environmentally sensitive locations or near watercourses; any subproject located in or adjacent to a national park, Ramsar-designated wetland, or Natura 2000-equivalent area; subprojects with confirmed historic land acquisition cases; subprojects requiring land acquisition and resettlement involving both economic and physical displacement; subprojects affecting significant concentrations of vulnerable groups, including Roma communities or populations with no alternative water supply.	Eligible for financing, subject to preparation and World Bank clearance of the required instruments prior to commencement of civil works. PIU to procure and prepare a full Environmental and Social Impact Assessment (ESIA) and/or comprehensive site-specific ESMP. If applicable, site-specific Resettlement Action Plans (RAPs) will be prepared, disclosed, consulted upon, and fully implemented — including payment of all compensation — before contracts for civil works are signed. In addition, specific management plans will be developed in line with the requirements of this ESMF, including as applicable: Asbestos Management Plan, Biodiversity Management Plan, Traffic Management Plan, Community Health and Safety Plan, and, if applicable, for subprojects near protected areas application of the World Bank Interim Guidance Note on Projects in or near Protected Areas (2025). If applicable, PIU will procure the national EIA as required under national legislation. Project level SEP and LMP to be implemented, or if needed site specific SEP to be prepared, disclosed and consulted prior to construction works.
High Risk / Not Eligible	Subprojects that would result in irreversible significant adverse environmental or social impacts that cannot be adequately avoided or mitigated; activities on the project Exclusion List, including: significant conversion or degradation of critical natural habitats; physical relocation of households or communities; permanent loss of more than 10% of the productive assets of any affected person without compensation and livelihood restoration; manufacture or new use of asbestos or other internationally banned substances; activities contravening national environmental legislation or Montenegro's EU accession obligations; activities involving forced or child labor; destruction of registered cultural heritage assets without prior authorization; activities inconsistent with the project's development objectives.	n/a

After risk categorization the PIU submits the proposed risk category to the World Bank for approval.

Step 3 — Prepare the right environmental/social document

Depending on the risk level, the PIU prepares the appropriate instrument:

Low risk → no site-specific E&S instrument is required beyond the standard environmental, social, and OHS clauses embedded in civil works or service contracts and the POM, as confirmed during screening.

Moderate risk → **ESMP Checklist or Environmental and Social Management Plan (ESMP)** covering as a minimum: construction-phase environmental and social mitigation measures; asbestos management provisions where asbestos-containing materials are confirmed or suspected; community notification and service interruption protocols; occupational health and safety requirements; waste management; and monitoring and reporting obligations. Subproject SEP with site specific GRM is required. Where subprojects are located near registered cultural heritage assets, a Cultural Heritage Management Plan (CHMP) will also be prepared.

Substantial risk → **Full ESMP or Environmental and Social Impact Assessment (ESIA)**.— incorporating all relevant mitigation measures, monitoring protocols, and institutional responsibilities across construction and operational phases. Specific management plans — including, as applicable, an Asbestos Management Plan, Traffic Management Plan, and Community Health and Safety Plan — will be prepared as annexes to the ESMP. Where land acquisition or access restrictions are confirmed, a Resettlement Action Plan (RAP) or abbreviated RAP will be prepared in parallel, consistent with the RPF.

If the subproject is in a protected cultural/historical area → a Cultural Heritage Management Plan is also needed

All site-specific E&S instruments will be prepared in Montenegrin and English language and in sufficient detail to serve as operational documents for contractors and supervision engineers during implementation. When confident that the documents meet WB quality and content requirements, the environmental and social specialist submits the draft documents in English language for the review by the World Bank.

Step 4— Consult stakeholders

Every subproject must include public consultation and stakeholder engagement as part of the assessment process — no exceptions. A Stakeholder Engagement Plan (SEP) must be implemented at subproject level .

4.1. -World Bank Review, Clearance, Disclosure, and Consultation

All site-specific E&S instruments prepared under Step 3 — with the exception of Low risk subprojects — will be submitted to the World Bank for review and clearance prior to the initiation of procurement for civil works. No civil works contracts shall be signed and no works shall commence until the World Bank has confirmed its clearance of all required instruments for the relevant subproject.

Prior to or alongside submission to the World Bank, all site-specific ESMPs, ESIAs, and RAPs will be:

- **Disclosed publicly** in Montenegrin, in a format and through channels accessible to affected communities and the general public, including on the PIU (PROCON) website and at the offices of the relevant municipality; and
- **Consulted upon** with project-affected persons and other relevant stakeholders, in accordance with the project SEP. Consultations will be documented, and a summary of key issues raised and how they have been addressed will be included in the final instrument submitted to the World Bank.

For Substantial risk subprojects where a national EIA is required under Montenegrin legislation, the beneficiary municipality or water utility will initiate the national EIA procedure in parallel with the preparation of the ESF-compliant ESMP or ESIA. The PIU will monitor and support this process to ensure that national permitting requirements are met without causing unnecessary delays to project implementation. Where the national EIA process identifies additional mitigation requirements beyond those in the ESF instruments, these will be incorporated into the relevant ESMP.

The PIU will maintain a disclosure and consultation register for all subprojects, recording the dates, methods,

and outcomes of all disclosure and consultation activities, and will report on the status of instrument clearance in its semi-annual progress reports to the World Bank.

Step 5. Implementation, Supervision, and Monitoring

Following World Bank clearance of all required E&S instruments and completion of all disclosure and consultation obligations, subprojects may proceed to procurement and civil works implementation. The PIU bears primary responsibility for ensuring that E&S requirements are effectively implemented and monitored throughout the construction and operational phases of all subprojects.

Contractor obligations: All environmental and social requirements — including ESMP provisions, OHS standards, the Code of Conduct, LMP requirements, and chance find procedures — will be embedded in civil works contracts and bidding documents. Contractors will be required to prepare and submit a Contractor's ESMP (C-ESMP) to the PIU for review and approval before mobilization to site. No contractor shall commence works until its C-ESMP has been approved by the PIU.

Supervision: The PIU Environmental and Social Specialists will conduct regular supervision visits to all active construction sites to monitor contractor compliance with E&S requirements. Supervision frequency will be consistent with the risk classification of each subproject — monthly for Substantial risk subprojects and quarterly for Moderate risk subprojects. Supervision findings, including any instances of non-compliance and the corrective actions required, will be documented in site supervision reports maintained by the PIU.

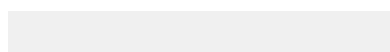
Monitoring: The PIU will monitor the implementation of all site-specific ESMPs and RAPs against the indicators and protocols defined in each instrument. Key monitoring parameters include: OHS incident rates; compliance with asbestos management requirements; status of community notification and service interruption protocols; GRM grievance receipt and resolution rates; and — for subprojects near Lake Skadar or the Morača River — water quality and ecological monitoring results. Where RAPs have been prepared, post-implementation reviews will be conducted within six months of completion of resettlement activities to confirm that affected persons have achieved living standards at least equivalent to those prior to displacement.

Reporting: The PIU will consolidate monitoring findings across all active subprojects into semi-annual Environmental and Social Progress Reports, submitted to the World Bank. Reports will cover: the status of E&S instrument preparation and clearance across the subproject portfolio; construction-phase compliance findings; GRM performance; OHS incidents; and any emerging environmental or social issues requiring management attention. Significant non-compliance or serious incidents will be reported to the World Bank within 48 hours of occurrence.

Adaptive management: Where monitoring identifies that mitigation measures are not achieving their intended outcomes, or where unforeseen environmental or social impacts emerge during implementation, the PIU will update the relevant ESMP and agree corrective measures with the World Bank. This adaptive management approach ensures that E&S risk management remains responsive to changing conditions throughout the project lifecycle.

Key rules to remember:

- No subproject is approved without completing the screening first.
- The World Bank must endorse the final risk classification.
- High-risk subprojects are automatically excluded from financing.
- For water projects in Montenegro, a Water Requirements permit (and later a Water Consent and Water Permit) must be obtained from water authorities before construction begins.
- If the project touches international waterways (e.g., rivers connected to the Adriatic or Danube basin), World Bank policy OP 7.50 on International Waterways is triggered and must be addressed.



7. ESMF Implementation Procedure

7.1. IMPLEMENTATION INSTITUTIONS

The Government of Montenegro, through the Ministry of Agriculture, Forestry and Water Management (MAFWM) and the Ministry of Ecology, Sustainable Development and Development of the North (MEOR), will serve as the lead implementing agency for the WASEC project. The Project Implementation Unit (PIU) will be established within PROCON — the national project implementation unit in the field of communal services and environment — and will be responsible for the day-to-day management and coordination of all project activities, including environmental and social risk management, monitoring and reporting, and stakeholder engagement.

Fiduciary functions — including procurement and financial management — will be centralized under the Technical Services Unit (TSU) within the Ministry of Finance, consistent with the fiduciary implementation model applied under previous World Bank-financed projects in Montenegro. The PIU and TSU will work in close coordination to ensure timely procurement processing, disbursement, and financial accountability in line with World Bank requirements.

Project Implementation Unit (PIU) — PROCON

The PIU will be established within PROCON at project effectiveness and will serve as the core unit responsible for overall project coordination and implementation across all four components. Apart from other technical, fiduciary and administrative staff, the PIU will be staffed with Environmental Specialist and Social Development Specialist responsible for:

- Management and oversight of environmental and social risk management, including the preparation, implementation, and monitoring of all ESF instruments (ESMF, SEP, LMP, RPF, ESCP, and site-specific ESMPs and RAPs);
- Integration of E&S requirements into bidding documents and civil works contracts, ensuring that contractors carry direct contractual responsibility for implementing mitigation and monitoring measures;
- Operation and administration of the project-level Grievance Redress Mechanism (GRM), including grievance intake, tracking, resolution, and reporting;
- Monitoring, evaluation, and reporting on project performance, including ESSs compliance, GRM trends, and progress against the Results Framework;
- Stakeholder engagement and public disclosure, in accordance with the project SEP; and

The PIU may also engage external consultants and advisory firms to provide specialized inputs in areas such as infrastructure design supervision, environmental and social assessments, digital system support, training delivery, and stakeholder engagement facilitation.

All E&S requirements, including those specified in site-specific ESMPs, OHS provisions, and chance find procedures will be systematically integrated into all bidding documents and civil works contracts. The TSU, under the guidance of the PIU, will ensure that these requirements are incorporated using the World Bank's Standard Procurement Documents (SPDs), which include mandatory clauses for E&S management. This arrangement ensures that contractors bear direct contractual responsibility for implementing mitigation and monitoring measures, while the PIU retains oversight and accountability for verifying compliance and ensuring alignment with both the ESF and national legislation.

Beneficiary Municipalities and Water Utilities

The municipalities and public water utility companies that are the direct beneficiaries of Component 1 subprojects will serve as key partners in subproject preparation and implementation. Their responsibilities include:

- Providing existing technical documentation — including designs, specifications, and permits — for review by the PIU;
- Obtaining all required national permits and approvals (construction permits, water use permits,

national EIA decisions) from the competent authorities;

- Supporting social screening through provision of local land registry and cadastral records;
- Serving as local points of contact for the GRM and facilitating community consultations at the municipal level; and
- Coordinating access to subproject sites during construction and supervision.

Regional Waterworks for the Montenegrin Coast (RWMC)

The RWMC is the direct beneficiary of Sub-component 2.1 and will be responsible for the operation of the expanded Malo Blato treatment facility. The RWMC will cooperate with the PIU in the preparation and implementation of the Environmental and Social Audit, ESIA and/or ESMP for the Malo Blato expansion, and will obtain all required national permits for the expansion works.

Environmental and Social Risk Management

Environmental and Social Specialists in the PIU will be responsible for E&S risk management throughout project implementation. Their core responsibilities include:

- Conducting E&S screening of all subprojects and proposing risk classifications and required instruments for World Bank confirmation;
- Leading or overseeing the preparation of all site-specific E&S instruments and submitting them to the World Bank for review and clearance;
- Reviewing existing technical documentation prepared by municipalities and water utilities against ESMF and ESF requirements, and identifying gaps to be addressed prior to procurement;
- Providing technical guidance to contractors and supervision engineers on the identification, assessment, and mitigation of E&S risks;
- Conducting regular supervision visits to all active construction sites and documenting findings in site supervision reports;
- Ensuring continuous compliance with the Environmental and Social Commitment Plan (ESCP) and all applicable ESSs;
- Coordinating and supervising the GRM, including grievance intake, tracking, resolution, and reporting, with particular attention to grievances involving vulnerable groups and any cases related to SEA/SH. GRM responsibilities are assigned at three levels: (i) the PIU level, where the Environmental and Social Specialists will oversee and consolidate grievance management across the portfolio; (ii) the municipality level, where designated focal points will serve as local admission desks for grievance intake and first-line response; and (iii) the site level, where contractors will maintain grievance logbooks and manage site-specific complaints related to construction activities;
- Supporting the delivery of the SEP, ensuring that consultations are inclusive, gender-sensitive, and accessible to vulnerable groups; and
- Preparing and submitting Environmental and Social Progress Reports to the World Bank.

Table 10 Environmental and Social Roles and Responsibilities

Responsible Entity	Key Responsibilities
PIU / PROCON (overall)	Ensure overall compliance with the ESMF and all ESF instruments; oversee E&S monitoring, evaluation, and reporting; maintain coordination with the World Bank and relevant national authorities; supervise implementation of site-specific ESMPs, manage the GRM and ensure timely resolution of grievances; provide capacity building to municipalities, utilities, and contractors.
PIU Environmental Specialist	Lead environmental screening and risk classification of all subprojects; oversee preparation and review of site-specific environmental instruments; review existing municipal technical documentation against ESMF requirements; conduct regular site supervision visits; ensure integration of E&S requirements in bidding documents and contracts; prepare semi-annual E&S progress reports; liaise with World Bank on environmental compliance

PIU Social Development Specialist	Lead social screening of all subprojects, including land acquisition and vulnerable group assessments; oversee preparation of RAPs and abbreviated RAPs; lead stakeholder engagement activities consistent with the SEP; ensure inclusion of vulnerable groups in consultations; support preparation of site specific SEPs; coordinate Project level GM with municipal and site-level GRM focal points; ensure timely disclosure of social instruments; monitor gender and inclusion indicators; manage SEA/SH-sensitive grievance channels
Supervision Engineer	Supervise contractor adherence to E&S requirements and mitigation measures specified in site-specific ESMPs; review and recommend approval of Contractor ESMPs (C-ESMPs); report regularly to the PIU on E&S compliance; participate in joint monitoring visits and follow up on corrective actions
Contractors	Prepare and implement a Contractor ESMP (C-ESMP) covering all mitigation measures specified in the site-specific ESMP; ensure application of OHS standards, Code of Conduct, and LMP requirements; implement Asbestos Management Plan where applicable; train workers on OHS, Code of Conduct, SEA/SH prevention, and waste management; operate a workers' GRM; maintain a site grievance logbook; report regularly to the Supervision Engineer on E&S performance and incidents
Beneficiary municipalities and water utilities	Provide existing technical documentation and permits; obtain required national approvals; support social screening through local land records; designate municipal GRM focal points; facilitate community consultations; coordinate site access during construction
RWSC	Cooperate with PIU on E&S Audit, ESIA, and/or ESMP preparation for Malo Blato expansion; obtain national EIA decision; operate expanded treatment facility in compliance with ESMP operational requirements and monitoring program
TSU — Ministry of Finance	Manage procurement processes in accordance with World Bank Procurement Regulations; ensure E&S requirements are embedded in bidding documents using World Bank SPDs; oversee disbursement and financial management; support financial reporting and audit requirements

7.2. MONITORING AND REPORTING

The PIU (PROCON) will be responsible for establishing and maintaining a robust monitoring and evaluation (M&E) system to track implementation progress, assess results, and ensure timely reporting across all project components and the subproject portfolio.

The M&E system will align with the Results Framework outlined in the PAD and will incorporate indicators related to project development objectives — disaggregated by gender where relevant — climate co-benefits, and environmental and social commitments under the ESCP. Environmental and social monitoring will be integrated into the overall project M&E system rather than managed as a separate parallel process.

The PIU will be responsible for:

- Collecting and consolidating environmental and social monitoring data across all active subprojects;
- Tracking project outputs, outcomes, and compliance with World Bank fiduciary and ESF requirements;
- Monitoring contractor compliance with site-specific ESMPs, Asbestos Management Plans, OHS plans, and the Code of Conduct through regular supervision visits;
- Tracking GRM performance, including grievance receipt, resolution rates, and response times, disaggregated by grievance type and complainant category;
- Monitoring the implementation of RAPs and conducting post-implementation reviews within six months of completion of resettlement activities; and
- Reporting regularly on the achievement of results targets, including on gender, citizen engagement, and climate resilience.

Key municipal and utility focal points will submit monitoring data from their respective subproject areas including local consultation records, ESF implementation status, and construction progress which the PIU will consolidate into periodic project reports.

The PIU will prepare quarterly Environmental and Social Progress Reports for submission to the World Bank, covering: E&S instrument preparation and clearance status across the subproject portfolio; construction-

phase compliance findings from site supervision; GRM performance; SEP activities progress, OHS incidents and corrective actions; RAP implementation status; and any emerging environmental or social issues requiring management attention. Serious incidents, including fatalities, serious injuries, or significant environmental pollution events, will be reported to the World Bank within 48 hours of occurrence.

7.3. ESMF CAPACITY DEVELOPMENT AND TRAINING PLAN

While PROCON has institutional experience in managing World Bank-financed infrastructure projects in Montenegro, the municipalities and water utilities implementing Component 1 subprojects — will require targeted capacity building on ESF requirements, site-specific E&S instrument preparation, and the specific risk profile of the WASEC project. The project will implement a Capacity Development and Training Plan covering the following target groups and topics:

For PIU staff in PROCON:

- ESF and Environmental and Social Standards (ESS 1–ESS 10) compliance, including roles, responsibilities, and reporting requirements;
- Preparation and implementation of E&S screening, site-specific ESMPs, RAPs, and Contractor ESMPs (C-ESMPs);
- Occupational health and safety standards and monitoring;
- Gender, social inclusion, and SEA/SH prevention;
- Temporary or Permanent Restriction of Access to Livelihood or Land / Resettlement Issues / RAP
- Information disclosure and stakeholder engagement
- Grievance management; and
- Environmental and social incident reporting, including serious incident reporting using World Bank templates.

For Contractors and Supervision Engineers:

- Preparation, approval, and implementation of C-ESMPs aligned with site-specific ESMPs and ESMCs;
- OHS procedures for high-risk construction activities including confined space entry, works near water bodies, and heavy machinery operation;
- Code of Conduct requirements for all workers, including SEA/SH prevention;
- Environmental mitigation, pollution prevention, sediment control near water bodies, and waste management;
- Community health and safety measures, including traffic management and service interruption notification; and
- Chance find procedures for unexpected cultural heritage discoveries.
- Grievance management

For Municipalities and Water Utilities:

- Roles and responsibilities in grievance management, including receiving, documenting, and referring grievances through the project GRM;
- Facilitating public engagement and supporting the implementation of the SEP;
- Participating in environmental and social monitoring at the community level, including reporting of potential incidents or non-compliance;
- Supporting information dissemination and raising awareness about project activities, E&S mitigation measures, and the rights of affected persons; and
- Temporary or Permanent Restriction of Access to Livelihood or Land / Resettlement Issues / RAP
- Information disclosure and stakeholder engagement

- Grievance management
- Supporting consultations and information disclosure during preparation and implementation of site-specific E&S instruments.

Training Delivery

Training will be delivered through workshops, on-the-job training, and field-based learning. The World Bank will provide initial ESF and ESS orientation training to PIU staff at project effectiveness, with additional technical support provided by specialized consultants as needed. Site-level induction training for all construction workers will be delivered by contractors prior to commencement of works on each site, and will be verified by the PIU through supervision visits.

The PIU will maintain comprehensive training records including participant lists, training materials, and attendance logs. Training effectiveness will be assessed through periodic refresher sessions, feedback mechanisms, and the practical application of training content observed during supervision missions. The Capacity Development and Training Plan will be updated as necessary to respond to emerging challenges or knowledge gaps identified during implementation.

7.4. ESMF BUDGET FOR IMPLEMENTATION

The WASEC project will allocate sufficient and dedicated budgetary resources to ensure the effective preparation, implementation, supervision, and monitoring of all environmental and social management activities across the project lifecycle. Budget allocations will cover the following ESMF activity categories:

ESMF Activity	Estimated Budget (EUR)	Funding Source
Preparation of site-specific ESMPs for Component 1 subprojects	TBD per subproject	Project budget
Preparation of RAPs or abbreviated RAPs if and where land acquisition is confirmed	TBD per subproject	Project budget
Capacity building and training for PIU, municipalities, utilities, contractors, and community stakeholders	TBD	Project budget
Environmental and social supervision and monitoring across the subproject portfolio, including site visits and reporting	TBD	Project budget
Operation of the GRM, including workers' GRM and SEA/SH-sensitive reporting mechanisms	TBD	Project budget
SEA/SH prevention measures, Code of Conduct monitoring, and awareness campaigns	TBD	Project budget
Communication, disclosure, and stakeholder engagement activities	TBD	Project budget
Adaptive management contingency reserve for unforeseen E&S risks or impacts	TBD	Project budget

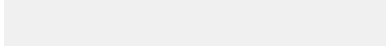
A detailed activity-based budget breakdown will be developed and reflected in the Project Operations Manual (POM) upon project effectiveness. The POM will include cost estimates for each ESMF activity category, specifying annual and cumulative allocations.

Integration of ESMP Costs into Civil Works Contracts

The costs of implementing all mitigation measures specified in site-specific ESMPs will be fully integrated into the construction costs of the respective civil works contracts. This requirement will be specified in all bidding documents, ensuring that:

- Contractors are required to price and include all E&S mitigation, monitoring, and corrective measures in their bids;
- The accepted contract amount will be deemed sufficient to cover full compliance with ESMP requirements and any corrective actions identified during supervision; and

- The Supervision Engineer and the PIU will verify during contract execution that E&S provisions are being implemented and financed adequately.



8. Stakeholder Engagement, Disclosure, and Consultations

8.1. STAKEHOLDER ENGAGEMENT

The WASEC project has a fully developed stakeholder engagement framework, documented in the project's Stakeholder Engagement Plan (SEP), prepared by the PIU within PROCON and disclosed prior to project appraisal. The overall objective of the SEP is to define a program for stakeholder engagement — including public information disclosure and consultation — throughout the entire project cycle, from preparation through implementation and project closure. The SEP outlines the ways in which the project team will communicate with stakeholders and includes a mechanism by which people can raise concerns, provide feedback, or make complaints about project activities.

The WASEC project is designed to deliver benefits to a diverse set of stakeholders across Montenegro — primarily households and businesses in the 21 municipalities targeted by Component 1 subprojects, the coastal population served by the Regional Water Supply Company for the Montenegrin Coast (RWSC), and water utilities and regulatory institutions nationwide. Given the geographic breadth of the project — spanning municipalities across the coastal, central, and northern regions of Montenegro — the stakeholder landscape is diverse, and engagement approaches must be tailored accordingly.

Stakeholders involved in the project are categorized into three groups: Project-Affected Parties (PAPs), Other Interested Parties (OIPs), and vulnerable or disadvantaged groups. The project places strong emphasis on the inclusion and meaningful participation of disadvantaged and vulnerable groups, in alignment with the World Bank's ESF and the Gender Strategy.

8.1.1 Project-Affected Parties (PAPs)

Households and communities in participating municipalities (Component 1)

Households and communities located in municipalities targeted by the 21 priority subprojects under Component 1 are the primary project-affected parties. These include: households that will benefit from improved, reliable water supply; residents living adjacent to construction corridors who may experience temporary disruption from noise, dust, traffic, and water service interruptions during rehabilitation works; landowners and land users — including smallholder farmers — along new pipeline alignments or near expanded facilities who may be subject to land access arrangements or easements; and service users affected by temporary water supply interruptions during rehabilitation of live systems. In rural and remote municipalities in the northern region, where water service deficiencies are most acute, community members will be both direct beneficiaries and parties potentially affected by construction-phase disruptions.

Coastal population and fishing communities — Lake Skadar area (Sub-component 2.1)

Residents of coastal municipalities served by the RWSC are direct beneficiaries of Sub-component 2.1, which addresses the declining reliability of the coastal water supply. Local fishing communities and other households in the vicinity of the Malo Blato area of Lake Skadar are project-affected parties whose livelihoods, access to lake resources, and daily activities may be temporarily affected during the construction of the expanded treatment facility.

Water utilities and municipal public enterprises

The public water utility companies (JKP) operating in participating municipalities are direct institutional beneficiaries of Component 1 investments and key implementing partners in subproject preparation and supervision. They will be directly affected by the operational requirements introduced through rehabilitated infrastructure, performance benchmarking obligations under Component 3, and the tariff reform agenda.

Water sector regulatory and institutional stakeholders

REGAGEN (the national utility regulator), the Water Administration, and the Ministry of Ecology, Sustainable Development and Northern Region Development (MERS) are directly engaged in and affected by the institutional reform agenda under Component 3, including the revision of the tariff methodology, the

development of the National Strategy for Water Services Development, and the introduction of the national digital benchmarking platform.

8.1.2. Other Interested Parties (OIPs)

A broad range of national and local institutions have an interest in the WASEC project and will be engaged through structured coordination mechanisms throughout implementation, including:

- **Environmental Protection Agency (EPA):** For environmental permitting, EIA decisions, and compliance monitoring, particularly for Sub-component 2.1 works within Lake Skadar National Park;
- **Water Administration:** For water use permitting and oversight of water abstraction from Lake Skadar and the Morača River;
- **Institute for Nature Protection of Montenegro:** For biodiversity assessments and expert opinions related to works near Lake Skadar and the Morača River;
- **Institute of Hydrometeorology and Seismology (IHS):** A direct partner in Sub-component 2.2, responsible for river monitoring system development and institutional capacity strengthening;
- **National Parks of Montenegro (Lake Skadar National Park management):** For coordination on works within and adjacent to the national park boundary;
- **Municipal authorities:** For construction permitting, land-use planning, and local coordination of community consultations;
- **Association of Water Works (AoWW) and Union of Municipalities (UoM):** As implementing partners for capacity building activities under Component 3;
- **Civil society organizations and NGOs** active in environmental protection, public health, water governance, and community development;
- **Academic and research institutions** engaged in water resources, hydrology, and biodiversity research;
- **Media** (national and local print, broadcast, and online): For project information dissemination; and
- **The European Union Delegation to Montenegro** and other development partners active in the water sector and EU accession process.

8.1.3. Social Inclusion and Vulnerable Groups

The following groups have been identified as potentially vulnerable in the context of the WASEC project and will receive particular attention in the design and delivery of stakeholder engagement activities:

- **Low-income households:** Particularly in northern and peri-urban municipalities, who may face affordability challenges under reformed tariff structures and may have limited capacity to engage in formal consultation processes;
- **Roma communities:** Concentrated primarily in Podgorica, Nikšić, and coastal municipalities, facing disproportionate levels of social exclusion, limited access to safe water and sanitation services, and barriers to accessing information due to language, literacy, and social marginalization;
- **Women:** Who bear a disproportionate burden when water supply is unreliable, and who are underrepresented in the water utility workforce and sector governance structures. Women's participation will be actively promoted in project consultations, training, and institutional planning processes;
- **Elderly persons:** Who may face mobility limitations affecting access to consultations and services, and who may be disproportionately affected by temporary water supply disruptions;
- **Persons with disabilities:** Who may face barriers to accessing project information and participating in consultation activities, and whose needs must be considered in the design of engagement mechanisms;
- **Persons with limited digital access or literacy:** Particularly in rural and remote communities, who may not be reached through digital disclosure channels alone; and
- **Rural populations in remote areas:** Particularly in northern municipalities experiencing population decline, where water service deficiencies are most severe and where outreach requires targeted non-digital engagement strategies.

The SEP includes specific engagement mechanisms for vulnerable groups, with participation tracked through disaggregated monitoring indicators. All consultation activities will be designed to be accessible, gender-

sensitive, and free of charge to participants.

8.2. STRATEGY FOR CONSULTATION

Stakeholder engagement under WASEC will be conducted as a continuous, two-way process throughout the project lifecycle — from preparation through implementation and closure — rather than as a one-time or project-milestone-driven activity. Different engagement methods are proposed to reflect the different needs, interests, and influence of various stakeholder groups, and will be adapted to the geographic, social, and institutional context of each subproject location. Engagement methods include: public hearings and community meetings at the municipal level; focus group discussions with specific stakeholder groups, including vulnerable populations; thematic workshops with technical and institutional stakeholders; individual meetings with government agencies and regulatory bodies; written submissions by post, email, or in person; and phone-based communication for stakeholders in remote areas with limited connectivity. All engagement activities will be conducted in Montenegrin, using plain, non-technical language. Non-digital communication channels — including printed materials, community notice boards, and in-person meetings — will be used systematically to reach stakeholders without reliable internet access.

Outreach and engagement will be gender-appropriate, taking into account the time constraints and mobility limitations of women — particularly in rural areas — including the scheduling of meetings at times and locations that do not conflict with domestic and caregiving responsibilities. Targeted messaging will encourage women's participation and highlight project characteristics designed to respond to their specific needs. Consultations with vulnerable groups will be designed and facilitated to create a safe and inclusive environment, with particular attention to Roma communities, elderly persons, and persons with disabilities.

During the construction phase, the PIU will ensure that affected communities receive advance notification — at least 48 hours — of planned water service interruptions, construction activities that may cause noise or dust, and any temporary access restrictions. Notification will be provided through a combination of channels appropriate to the local context, including direct community meetings, municipal notice boards, social media, and local radio where available.

Six months after project effectiveness, and at regular intervals thereafter, the PIU will conduct sample-based stakeholder satisfaction surveys to collect feedback on: (i) the quality and effectiveness of engagement methods; (ii) the level of inclusiveness of the engagement process; and (iii) the quality of communication and dialogue with the PIU, contractors, and GRM channels during construction. Survey data will be disaggregated by age, gender, and location. Survey results and proposed corrective measures will be published on the PIU (PROCON) website and discussed at subsequent consultation meetings.

All ESF instruments — including the ESMF, SEP, RPF, and LMP — will be disclosed prior to project appraisal in both English and Montenegrin, on the PROCON and World Bank external websites, and at the offices of participating municipalities. Site-specific ESMPs and RAPs will be disclosed prior to the commencement of civil works on the relevant subproject, following the same procedures. Disclosure channels include:

- PIU (PROCON) official website;
- MERS official website;
- MAFWM official website
- World Bank external website;
- Municipal offices of participating municipalities (hard copies); and
- Local and national media outlets for project-level announcements.

Contractors' documents related to the management of environmental and social risks — including Traffic Management Plans, Emergency Preparedness and Response Plans, Asbestos Management Plans, and Codes of Conduct — will be made available to the PIU and disclosed at the relevant construction sites. During the construction phase, the Supervision Engineer will prepare monthly E&S performance reports for the PIU and the World Bank, which will include an update on stakeholder engagement implementation. These reports

will feed into the PIU's semi-annual Environmental and Social Progress Reports. Significant updates to ESF documents during project implementation will be re-disclosed and opened for public consultation for a minimum of 15 days before the updated version is finalized.

8.3. PROJECT GRIEVANCE REDRESS MECHANISM

The Grievance Redress Mechanism (GRM) has been established to manage complaints, feedback, questions, and suggestions from all stakeholders related to the WASEC project. Its primary objective is to ensure that project-affected communities and individuals can voice their concerns and receive timely, transparent, and fair resolutions. The GRM is designed to be accessible, effective, free of charge, and protective of complainants from retaliation.

The GRM is structured as a **two-tier mechanism** and covers all phases of the project — preparation, design, construction, and operation.

Tier 1 — Site and Municipal Level

At the site level, contractors are responsible for maintaining a grievance logbook on each active construction site and for managing site-specific complaints related to construction activities — including noise, dust, traffic, service disruptions, and worker conduct. Contractors must designate a grievance focal point whose contact details are posted at the construction site and communicated to the community before works commence. At the municipal level, designated municipal focal points serve as local admission desks for community grievances, providing a first-line response and escalating unresolved complaints to the PIU.

Tier 2 — PIU Level

The PIU Social Development Specialist serves as the central GRM coordinator, maintaining the project grievance register, tracking all complaints across the portfolio, overseeing resolution processes, and preparing GRM performance reports. Complaints not resolved at Tier 1 within the stipulated timeframe are escalated to Tier 2 for PIU-level resolution. The PIU will ensure that all grievances are:

- **Acknowledged** within 3 working days of receipt;
- **Screened and categorized** within 5 working days; and
- **Resolved and communicated to the complainant** within 15 working days (or within 30 working days for complex cases, with notification to the complainant of the extended timeline).

Submission Channels

Stakeholders may submit grievances through the following channels:

- **Email:** grievances_wasec@procon.me
- **Telephone:** +382 20 201 545
- **Written submission:** by post or in person at PIU offices (PROCON, Podgorica) or at the offices of participating municipalities
- **In-person:** during public consultation meetings or directly to site-level contractor focal points
- **Anonymous submissions:** through grievance boxes installed at active construction sites

SEA/SH Grievances

Although the SEA/SH risk is assessed as Low, the GRM includes a dedicated, confidential, and survivor-centered channel for SEA/SH-related complaints, consistent with ESS 2 and ESS 4. SEA/SH complaints may be submitted directly to the PIU Social Development Specialist or through a designated female focal point, and will be handled with strict confidentiality and referred to appropriate support services. Details of the SEA/SH-sensitive GRM channel are communicated to all workers through the Code of Conduct induction and to communities through the SEP engagement activities.

Workers' Grievance Mechanism

In addition to the community-level GRM, all project workers — including direct, contracted, and primary supply chain workers — have access to a separate Workers' Grievance Mechanism, as described in the project LMP. The Workers' GRM provides multiple channels for submitting workplace concerns, protects

workers from retaliation, and is managed at the contractor level with PIU oversight. The PIU regularly reviews workers' grievances and includes a summary of trends and resolutions in semi-annual reports to the World Bank.

World Bank Grievances Redress Service:

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit: <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>

8.4. GRM ACCOUNTABILITY AND CONTACT INFORMATION

Accountability:

- The PIU will manage the centralized grievance register, monitor progress on complaint resolution, and prepare quarterly summaries of GRM performance for internal and World Bank reporting.
- The PIU will ensure grievance data is disaggregated (e.g., by gender, type, vulnerable status) and analyzed to identify trends.
- Final decisions on complex or escalated grievances will rest with the PIU, which will liaise with relevant Directorates, Working Groups (WGs), and the Technical Services Unit (TSU) under the Ministry of Finance, as needed.

The following contact details are in effect from the time of project effectiveness. This information will be maintained and updated throughout project implementation, including upon the designation of municipal focal points and the establishment of SEA/SH-specific channels.

Project Name	Montenegro Water Security and Climate Adaptation Project (WASEC)
Project Implementing Agency	PROCON — National Project Implementation Unit in the field of Communal Services and Environment
Address	PROCON, Podgorica, Montenegro
GRM Email	grievances_wasec@procon.me
Telephone	+382 20 201 545
Website	www.procon.me

8.5. ESMF DISCLOSURE AND CONSULTATION

The ESMF, together with the SEP, RPF, and LMP, has been disclosed in both English and Montenegrin on the PIU (PROCON) website and the World Bank external website prior to project appraisal. Public consultations were held at national and municipal levels to solicit stakeholder feedback on the draft ESMF and accompanying ESF instruments. Vulnerable and disadvantaged groups were specifically invited and supported to participate in accordance with the project SEP.

All comments and feedback received during the consultation process have been documented, considered, and integrated into the final versions of the disclosed instruments. A Consultation Summary Report — including a list of participants and photo documentation — is included as an annex to this ESMF.

Site-specific instruments will be disclosed and consulted upon prior to the commencement of civil works on each relevant subproject, following the same disclosure procedures and using locally accessible

channels consistent with the SEP. Non-technical summaries of site-specific instruments will be prepared in plain Montenegrin and made available in hard copy at the offices of the relevant municipality.

8.6. ADAPTIVE MANAGEMENT AND ESMF UPDATES

The ESMF is a living document and will be reviewed periodically and updated as necessary throughout the WASEC project lifecycle. Updates may be required in response to:

- Changes in project design, scope, or subproject locations;
- The emergence of new or unforeseen environmental or social risks or impacts during implementation;
- Lessons learned from E&S supervision, monitoring, and GRM performance;
- Feedback received through stakeholder engagement and consultation activities; and
- Changes to World Bank ESF policies or applicable national legislation, including developments related to Montenegro's EU accession process.

Any substantive updates to the ESMF will be prepared by the PIU's Environmental and Social Specialists, submitted to the World Bank for review and clearance, and publicly re-disclosed following the same procedures as the initial disclosure, with a minimum 15-day public comment period before finalization.

Annex1– Environmental and Social Screening Form Template

Environmental and Social Screening Form Montenegro Water Security and Climate Adaptation Project(WASEC) — P512709

This screening form must be completed by the PIU Environmental and Social Specialists for every subproject proposed for financing under the WASEC project, prior to the commencement of detailed design and procurement. The form is used to: (i) record key subproject information; (ii) identify potential environmental and social risks and impacts; (iii) assign a preliminary E&S risk classification consistent with the ESMF risk classification matrix; and (iv) determine the E&S instruments required before the subproject can proceed to procurement and civil works.

The completed screening form must be submitted to the World Bank for review and confirmation of the risk classification and required instruments before subproject preparation advances further. No civil works contracts shall be signed until the World Bank has confirmed the risk classification and cleared all required E&S instruments.

A separate screening form must be completed for each individual subproject. Where a subproject involves multiple works in different locations, each location must be screened individually and the most stringent classification applied to the subproject as a whole.

PART A: SUBPROJECT IDENTIFICATION

Field	Information
Subproject Name	
Subproject Reference Number	
Municipality / Location	
Beneficiary Water Utility (JKP)	
Component / Sub-component	☐ Component 1 — Water supply rehabilitation/expansion ☐ Component 1 — Sewer network construction ☐ Component 1 — Decentralized water services ☐ Sub-component 2.1 — Malo Blato expansion ☐ Sub-component 2.2 — Technical studies ☐ Component 3 — Institutional reform / TA ☐ Component 4 — Project management
Screening Completed by (PIU E&S Specialist)	Name:
Reviewed and Confirmed by (PIU Project Manager)	Name:
World Bank Confirmation	Name: Date: Risk classification confirmed: ☐ Yes ☐ No — comments:

PART B: SUBPROJECT DESCRIPTION

B1. Provide a brief description of the subproject, including the type and scope of works, key infrastructure components, and geographic coverage.

B2. What is the current status of technical documentation for this subproject?

Document	Status
Detailed design drawings and specifications	☐ Complete ☐ In preparation ☐ Not yet started ☐ Not applicable
Bills of quantities	☐ Complete ☐ In preparation ☐ Not yet started ☐ Not applicable
Construction permit	☐ Obtained ☐ Applied for ☐ Not yet applied ☐ Not applicable
Water use permit	☐ Obtained ☐ Applied for ☐ Not yet applied ☐ Not applicable

Document	Status
National EIA decision	☐ Obtained ☐ In progress ☐ Not required (confirm in Part D) ☐ Not yet initiated
Environmental permit / consent	☐ Obtained ☐ Applied for ☐ Not yet applied ☐ Not applicable
Other permits (specify):	☐ Obtained ☐ In preparation ☐ Not yet started ☐ Not applicable

B3. Has an Environmental and Social instrument been previously prepared for this subproject under national legislation or any other financing framework?

☐ Yes — specify type and date: _____ ☐ No

If yes, attach a copy and note whether a gap assessment against ESF requirements has been conducted:

☐ Gap assessment completed — findings: _____ ☐ Gap assessment not yet conducted — to be completed as part of ESMP preparation

PART C: LOCATION AND SITE SENSITIVITY SCREENING

For each criterion below, mark the applicable response and provide brief explanatory notes where relevant.

C1. Protected Areas and Ecological Network

Criterion	Yes	No	Notes
Is the subproject located within the boundary of a national park, nature reserve, or other nationally designated protected area?	☐	☐	
Is the subproject located within a Ramsar Wetland of International Importance (e.g., Lake Skadar)?	☐	☐	
Is the subproject located within an Important Bird and Biodiversity Area (IBA)?	☐	☐	
Is the subproject located within 500 meters of the boundary of a protected area?	☐	☐	
Is the subproject located within a Natura 2000-equivalent zone or ecological corridor?	☐	☐	
Are there known records of threatened, endangered, or endemic species in or adjacent to the subproject area?	☐	☐	
Does the subproject involve activities in or near critical natural habitats as defined under ESS 6?	☐	☐	

→ If any answer in C1 is YES, the subproject is unlikely to be classified below Substantial risk. Consult the ESMF risk classification matrix and consider whether High risk classification is warranted.

C2. Water Bodies and Hydrology

Criterion	Yes	No	Notes
Does the subproject involve direct in-water construction, abstraction, or works within a river, lake, or wetland?	☐	☐	
Is the subproject located within 50 meters of a river, stream, lake, or wetland?	☐	☐	
Is the subproject located within 200 meters of a surface water body?	☐	☐	
Is the subproject located in a karst area with direct connectivity between surface and groundwater?	☐	☐	
Could the subproject affect a drinking water source (spring, well, or reservoir) used by communities?	☐	☐	
Is the subproject located in a flood-prone area or within a mapped flood zone?	☐	☐	
Could the subproject result in changes to drainage patterns, water flow, or sediment dynamics?	☐	☐	

C3. Cultural Heritage

Criterion	Yes	No	Notes
Is the subproject located within or adjacent to a registered archaeological site or cultural heritage zone?	☐	☐	
Is the subproject located within or adjacent to a UNESCO World Heritage Site or its buffer zone?	☐	☐	
Does the subproject involve excavation, trenching, or groundworks in an area with known or probable below-ground archaeological assets?	☐	☐	
Have chance finds of archaeological or cultural artifacts been previously reported in the project area?	☐	☐	

→ If any answer in C3 is YES, Chance Find Procedures must be included in the site-specific ESMP and all civil works contracts.

C4. Hazardous Materials — Asbestos

Criterion	Yes	No	Uncertain	Notes
Does the subproject involve the rehabilitation or replacement of existing water supply pipelines?	☐	☐	☐	
Have asbestos-cement (AC) pipes been identified through a pre-works survey in the project area?	☐	☐	☐	
Is the presence of asbestos-cement pipes suspected based on the age or type of existing infrastructure?	☐	☐	☐	
Are there residential areas, schools, health facilities, or other sensitive receptors within 100 meters of planned pipe replacement works?	☐	☐	☐	

→ If asbestos is confirmed or suspected, a dedicated Asbestos Management Plan must be prepared as part of the site-specific ESMP, prior to works commencement.

Asbestos survey completed? ☐ Yes — date: _____ ☐ No — to be completed before ESMP preparation *Findings (if survey completed):*

PART D: NATIONAL EIA SCREENING

D1. Does this subproject fall under List I of the Decree on Projects Requiring Environmental Impact Assessment (requiring a full EIA)?

☐ Yes — Full national EIA required. Initiate EIA procedure immediately. ☐ No — proceed to D2. ☐ Uncertain — consult with EPA and PIU Environmental Specialist.

Basis for determination:

D2. Does this subproject fall under List II of the Decree on Projects Requiring Environmental Impact Assessment (requiring screening or simplified EIA)?

☐ Yes — Beneficiary municipality/utility to submit screening request to EPA. ☐ No — national EIA not required. Document basis for this determination below. ☐ Uncertain — consult with EPA and PIU Environmental Specialist.

Basis for determination:

D3. Has the beneficiary municipality or water utility been notified of their obligation to initiate the national EIA procedure?

☐ Yes — date of notification: _____ ☐ No — notification to be issued by PIU within 5 working days of screening completion. ☐ Not applicable — national EIA not required.

PART E: ENVIRONMENTAL RISK SCREENING

Environmental Criterion	Yes	No	Uncertain	Notes / Observations
Will the subproject involve significant excavation or earthworks (>500 m ³ of material)?	☐	☐	☐	
Will the subproject generate construction waste, including potentially hazardous materials?	☐	☐	☐	
Will the subproject generate significant dust, noise, or vibration affecting nearby sensitive receptors (residential areas, schools, health facilities)?	☐	☐	☐	
Is there a risk of fuel, oil, or chemical spills from construction machinery that could contaminate soil or water?	☐	☐	☐	
Will the subproject involve vegetation clearance, removal of trees, or disturbance of natural habitats?	☐	☐	☐	
Will the subproject involve works in or near sensitive aquatic habitats (rivers, wetlands, lake margins)?	☐	☐	☐	
Could the subproject cause erosion or sedimentation of watercourses during construction?	☐	☐	☐	
Will the subproject generate wastewater or sludge during operation that requires management and treatment?	☐	☐	☐	
Could the subproject result in significant energy consumption during operation?	☐	☐	☐	
Could the subproject result in hydraulic overloading of an existing wastewater treatment plant?	☐	☐	☐	
Will the subproject involve chlorination or other chemical treatment of drinking water,	☐	☐	☐	

Environmental Criterion	Yes	No	Uncertain	Notes / Observations
with potential by-product risks?				
Are there any cumulative environmental impacts to consider in combination with other project or non-project activities in the area?	☐	☐	☐	

PART F: SOCIAL RISK SCREENING

F1. Land Acquisition and Resettlement

Criterion	Yes	No	Uncertain	Notes
Will all works be implemented entirely within existing rights-of-way, established easements, or state-owned land?	☐	☐	☐	
Will the subproject require permanent acquisition of privately or communally owned land?	☐	☐	☐	
Will the subproject require temporary access to or use of privately or communally owned land?	☐	☐	☐	
Will the subproject result in the loss of or damage to crops, trees, or other agricultural assets?	☐	☐	☐	
Will the subproject result in physical displacement of any households or businesses?	☐	☐	☐	
Are there informal users or occupants (without formal title) on land required for the subproject?	☐	☐	☐	
Was any land acquisition carried out in advance of or in direct anticipation of this subproject?	☐	☐	☐	
Will the subproject result in restrictions on access to natural resources, common areas, or community assets? (if yes go to F6 for detailed screening)	☐	☐	☐	

→ If any answer in F1 (other than the first) is YES, RPF provisions apply. Specify the resettlement instrument required:

☐ Full RAP (physical displacement or >200 persons affected) ☐ Abbreviated RAP (<200 persons affected, no physical displacement) ☐ ESMP-level measures (purely temporary access restrictions <3 months, no livelihood loss) ☐ To be determined following socioeconomic survey

Estimated number of potentially affected households/persons: Estimated area of land affected (m² or ha):

F2. Service Disruption

Criterion	Yes	No	Notes
Will the subproject require temporary interruption of water supply services to households?	☐	☐	
If yes, estimated duration of interruption:			☐ <24 hours ☐ 1–3 days ☐ 3–7 days ☐ >7 days
Estimated number of households affected by service interruption:			
Are alternative water supply arrangements available for affected households during interruption?	☐	☐	
Will construction works disrupt public access routes, roads, or pedestrian pathways?	☐	☐	

F3. Vulnerable Groups

Criterion	Yes	No	Notes
Are there low-income or economically marginalized households in the project-affected area?	☐	☐	
Are there Roma communities or other ethnic minority settlements in the project-affected area?	☐	☐	
Are there households headed by women, elderly persons, or persons with disabilities in the project-affected area who may be disproportionately affected?	☐	☐	
Are there communities in the project-affected area that rely entirely on the affected infrastructure as their sole water source?	☐	☐	
Are there communities with limited access to digital information channels requiring non-digital engagement approaches?	☐	☐	

→ If any answer in F3 is YES, describe targeted engagement and mitigation measures to be included in the ESMP and SEP:
(Free text)

F4. Labor and Occupational Health and Safety

Criterion	Yes	No	Notes
Will the subproject involve a large workforce (>50 workers at peak)?	☐	☐	
Is significant labor influx from outside the local community anticipated?	☐	☐	
Will the subproject involve high-risk construction activities (asbestos removal, confined space entry, works near water, heavy machinery)?	☐	☐	
Is there a risk of child or forced labor in the civil works supply chain?	☐	☐	
Is the SEA/SH risk elevated due to labor influx or proximity to vulnerable communities?	☐	☐	

F5. Community Health and Safety

Criterion	Yes	No	Notes
Will construction activities generate significant traffic in residential areas?	☐	☐	
Are there schools, health facilities, markets, or other sensitive community facilities within 200 meters of active construction sites?	☐	☐	
Could construction activities pose direct safety risks to community members (open trenches, falling objects, vehicle movements)?	☐	☐	
Could the subproject affect the quality of drinking water supply to nearby communities during construction or operation?	☐	☐	
Could the subproject generate noise or air quality impacts that significantly affect community health or wellbeing?	☐	☐	

F6. Access to livelihoods and ecosystem services

Criterion	Yes	No	Obligatory explanation
Could the subproject restrict or alter access to forests, wetlands, rivers, or other ecosystems that provide livelihood support to local communities?	☐	☐	
Are there communities — including vulnerable or Indigenous groups — who rely on ecosystem services (provisioning, regulating, or cultural) within or adjacent to the project area?	☐	☐	
Could the subproject reduce the quantity or quality of water available for agricultural, domestic, or pastoral use by nearby communities?	☐	☐	
Could the subproject affect cultural or spiritual sites associated with natural ecosystems (sacred groves, rivers, landscapes)?	☐	☐	

PART G: EXCLUSION LIST VERIFICATION

Confirm that the proposed subproject does not include any of the following activities, which are ineligible for financing under WASEC:

Exclusion Criterion	Confirmed — Not Applicable
Significant conversion or degradation of critical natural habitats	☐
Physical relocation or displacement of households or communities	☐
Permanent loss of more than 10% of productive assets of any affected person without compensation and livelihood restoration	☐
Manufacture or new use of asbestos or other internationally banned substances (managed removal of pre-existing asbestos is permitted subject to an approved Asbestos Management Plan)	☐
Activities contravening national environmental legislation or Montenegro's EU accession obligations	☐
Activities involving forced or child labor in any form	☐
Destruction of registered cultural heritage assets without prior authorization from the Directorate for the Protection of Cultural Property	☐
Activities with a significant risk of irreversible environmental damage that cannot be adequately	☐

Exclusion Criterion

Confirmed — Not
Applicable

mitigated

Activities inconsistent with the project's development objectives as defined in the PAD

☐

→ If any exclusion criterion requires further review, the subproject cannot proceed until the concern has been resolved and confirmed with the World Bank.

PART H: PRELIMINARY RISK CLASSIFICATION AND INSTRUMENTS REQUIRED

H1. Preliminary Risk Classification

Based on the responses in Parts C through G, and applying the highest risk rating triggered by any single criterion consistent with the ESMF risk classification matrix, assign the preliminary E&S risk classification for this subproject:

☐ Low Risk — Minor works within existing footprints; no significant environmental or social risks identified; all exclusion criteria confirmed as not applicable.

☐ Moderate Risk — Manageable, temporary, and localized E&S impacts; works within or close to existing rights-of-way; asbestos-cement pipes confirmed or suspected; minor temporary land access required; no physical displacement; no proximity to protected areas.

☐ Substantial Risk — Potentially significant impacts; new pipeline alignments or facility expansions near sensitive environments; confirmed asbestos in proximity to sensitive receptors; land acquisition with economic displacement confirmed; subproject located near protected areas or water bodies.

☐ High Risk / Not Eligible — Significant irreversible impacts; subproject triggers one or more exclusion criteria; works within critical natural habitats or Ramsar sites with inadequate mitigation options. Subproject cannot proceed without World Bank consultation and redesign.

Rationale for classification (*describe the primary risk drivers determining the classification*):

(Free text)

H2. E&S Instruments Required

Based on the risk classification assigned in H1, specify the E&S instruments required for this subproject:

Instrument	Required	Responsibility
Environmental and Social Management Checklist (ESMC)	☐ Yes ☐ No	PIU Environmental Specialist
Site-specific Environmental and Social Management Plan (ESMP)	☐ Yes ☐ No	PIU Environmental Specialist
Full Environmental and Social Impact Assessment (ESIA)	☐ Yes ☐ No	PIU / appointed consultant
Asbestos Management Plan	☐ Yes ☐ No ☐ TBD pending survey	PIU Environmental Specialist
Biodiversity Management Plan	☐ Yes ☐ No	PIU / appointed consultant
Traffic Management Plan	☐ Yes ☐ No	Contractor (reviewed by PIU)
Community Health and Safety Plan	☐ Yes ☐ No	PIU / Contractor
Cultural Heritage Management Plan / Chance Find Procedures	☐ Yes (all subprojects with earthworks) ☐ No	PIU Environmental Specialist
Full Resettlement Action Plan (RAP)	☐ Yes ☐ No	PIU Social Development Specialist
Abbreviated Resettlement Action Plan	☐ Yes ☐ No	PIU Social Development Specialist
ESMP-level land access measures only	☐ Yes ☐ No	PIU Social Development Specialist
National EIA (List I — full EIA)	☐ Yes ☐ No	Beneficiary municipality / utility (coordinated by PIU)
National EIA (List II — screening / simplified EIA)	☐ Yes ☐ No	Beneficiary municipality / utility (coordinated by PIU)
Standard E&S and OHS clauses in contract only (Low risk)	☐ Yes ☐ No	TSU / PIU

PART I: REVIEW OF EXISTING TECHNICAL DOCUMENTATION

Assessment Criterion	Adequate	Gaps Identified	Not Applicable
Scope, location, and design sufficiently defined to support E&S assessment	☐	☐	☐
Resource efficiency and pollution prevention measures integrated into design	☐	☐	☐
Asbestos survey conducted and findings reflected in design	☐	☐	☐
Land access within existing rights-of-way confirmed or land acquisition assessment initiated	☐	☐	☐
Construction permit obtained or in process	☐	☐	☐
Water use permit obtained or in process	☐	☐	☐
National EIA initiated or confirmed as not required	☐	☐	☐

PIU Environmental Specialist

PIU Social Development Specialist

Annex 2. ESMP Checklist Template

The template presented below will be revised for each specific sub-project to reflect the detailed scope of works and Environmental and Social (E&S) concerns.

The **ESMP Checklist** provides “pragmatic good practice” and is designed to be user-friendly and compatible with the World Bank’s Environmental and Social Framework (ESF) requirements. The checklist-type format covers typical mitigation approaches to common **small to medium-scale civil works contracts with localized impacts**, such as the renovation and upgrading of existing buildings.

This document helps assess potential environmental and social impacts associated with the proposed sub-project, identify potential environmental improvement opportunities, and recommend measures for prevention, minimization, and mitigation of adverse E&S impacts.

The **ESMP Checklist** is prepared and owned by the final beneficiary (Ministry of Agriculture, Forestry and Water Management, through the PMT and relevant implementing entities).

The Checklist contains an **introduction section** and three (3) main parts: **Introduction (Foreword) section** includes:

- **Introduction (sub-project description)**
- **Environmental and Social risk category** (environmental and social risk rating)
- **Potential environmental and social impacts** (identified and described)
- **ESMP Checklist concept and application** (explained)
- **Monitoring and reporting** (brief description of the monitoring and reporting process including the responsibilities of the involved stakeholders)

Part 1 – Descriptive Part (“Site Passport”):

- Describes the sub-project specifics in terms of:
 - **Physical location**
 - **Institutional and legislative aspects**
 - **Detailed sub-project description**
 - **Need for capacity building program (if applicable)**
 - **Stakeholder engagement**
 - **Public consultation process**

Part 2 – Environmental and Social Screening:

- Includes **screening in a Yes/No format** for potential impacts
- Provides **mitigation measures** for each identified risk/activity
- Incorporates standard mitigation measures aligned with **ESS1, ESS2, ESS3, ESS4, ESS8**, and relevant national legislation

Part 3 – Monitoring Plan:

- Establishes a monitoring plan for activities during the **construction/rehabilitation phase** and **operational phase**
- Retains the same format required for standard World Bank ESMPs
- Defines monitoring indicators, responsibilities, and frequency

➤ **Part I — General Project and Site Information**

INSTITUTIONAL & ADMINISTRATIVE

Details

Country

Montenegro

Project title
Component/Subcomponent

Scope of project and activity

Institutional arrangements (WB)

Task Team Leader

(To be completed — WB TTL)

Implementation arrangements (Borrower)

Environmental and Social (E&S) Supervision

Works Supervisor

(To be completed based on the specific sub-project)

Inspectorate Supervision

(To be determined — e.g., municipal inspectorate or relevant body)

Works Contractor

(To be identified post-procurement)

SITE DESCRIPTION

Details

Name of site

Describe site location

Who owns/uses the land?

Valid operating permit, licenses, approvals etc.

To be confirmed during design and permitting process

LEGISLATION

Details

National & local legislation and permits applicable

INSTITUTIONAL CAPACITY BUILDING

Yes/No

Will there be any capacity building?

☐ Yes ☐ No

ATTACHMENTS

Attachment 1

Site plan /photo

Attachment 2

Agreement for waste disposal

Other permits/agreements

As required

➤ **Part II - Environmental/Social screening**

Will the site activity include / involve any of the following potential issues/risks?	Activity	Status (Yes/No)	Additional References / Comments
A. General conditions and social risk management	- Application of WB ESF and ESMF requirements - Labor management and community health & safety risks (ESS2, ESS4, ESS10)	☐ Yes ☐ No	See Section A
B. Construction/Reconstruction activities	- Increase in dust from construction/renovation activities - Transport of materials - Increase in noise and vibration - Sediment load increase (if any earthworks) - Pollution risks to soil/water from temporary waste, fuel, lubricants or accidental spills	☐ Yes ☐ No	See Sections A, B, F
C. Cultural and historical heritage (ESS8)	- Risk of damage to known/unknown historical buildings or cultural sites - Chance finds potential	☐ Yes ☐ No	See Section C
D. Biodiversity (ESS6)	- Proximity to protected areas, Natura 2000 sites, or ecological corridors - Disturbance to any protected flora/fauna - Cutting of trees or alteration of green areas	☐ Yes ☐ No	See Section D
E. Waste generation and management (ESS3)	- Generation of solid construction waste - Potential hazardous waste (asbestos, paints, solvents) - e-Waste (from possible replacement of electrical or HVAC systems)	☐ Yes ☐ No	See Section E
F. Traffic disturbance	- Increased site-specific vehicular traffic - Proximity to sensitive receptors (schools, clinics, public offices)	☐ Yes ☐ No	See Sections A, B, F
G. Disruption of public/medical/educational services (ESS4)	- Potential interruption or limited access to PARO services - Disruption to beneficiaries (farmers, agribusinesses accessing PA services)	☐ Yes ☐ No	See Section G

Mitigation Measures Reference (linked to Sections A–G)

Section	Key Mitigation Measures
A. General and Social Risk Management	- Apply WB ESF and national E&S legislation. - SEP implementation. - Labor Management Procedures (LMP) application. - Workers' and community GRMs operational.
B. Construction/Reconstruction Activities	- Dust suppression, noise control, proper equipment maintenance. - Spill prevention and control. - Proper scheduling to minimize disruption.
C. Cultural and Historical Heritage	- Pre-screening for cultural assets. - Chance Finds Procedure. - Compliance with national heritage laws and ESS8.
D. Biodiversity	- Limit works to existing developed areas. - Avoid removal of vegetation. - If unavoidable, restore native species.
E. Waste Management	- Segregate waste. - Use licensed waste contractors. - Handle hazardous waste per regulations and WB ESS3.
F. Traffic Disturbance	- Traffic management plan. - Inform community about road use. - Schedule transport outside peak hours.
G. Public Service Disruption	- Schedule works to minimize disruption. - Provide alternative access if required. - Maintain close communication with PA users and staff.

➤ **Part III - Prototype of Environmental and social mitigation measures**

Activity	Parameter	Mitigation measures checklist
A General conditions and social risk management	Site organization, occupational and health safety, permits and certificates	a) the state inspectorate has to be notified of upcoming activities and the copy of notification is available at the construction site, b) construction Work Plan has to be available at the construction site (in case that two or more contractors perform construction activities), c) a person responsible for communication and receiving requests/complaints of the local population has been appointed, d) avoid construction activities at night, e) all legally required permits have to be acquired and kept on site, f) contractor/subcontractors have valid operating licenses, g) all work must be carried out in a safe and disciplined manner designed to minimize impacts on neighboring residents and environment, h) mandatory use of protective equipment, workers' personal protective equipment and safety procedures comply with legislation and international good practice (e.g. wearing protective helmets, masks and safety glasses, harnesses and safety boots, etc.), i) appropriate informative and warning signposting of the sites inform workers of key rules and regulations to follow, j) the construction location must be fenced and marked, k) public is informed on the works through appropriate notification in the media and/or at publicly accessible sites (including the site of the works), l) entry for unemployed person within the project location is prohibited (within the warning tapes and fences when/where deem needed), m) open pits must be covered and clearly marked when not worked on, n) the surrounding area near the project must be kept clean, o) machines must be handled only by experienced and appropriately trained personnel, thus reducing the risk of accidents. p) no fires are allowed on site under any circumstance. q) devices, equipment and fire extinguishers must always be functional, so in case of need they could be used rapidly and efficiently. The contractor shall have operational fire- fighting equipment available on site at all times. Their position is communicated to workers and marked. The level of fire-fighting equipment must be assessed and evaluated through a typical risk assessment. There is an appointed person on the site responsible for the fire protection. Procedures in the case of fire are well known to all employees. r) first aid kits must be available on the site and personnel trained to use it, s) staff should be properly trained for the positions and work performed, workers must

Activity	Parameter	Mitigation measures checklist
		hold valid workers certificates for e.g. certificates for electrical safety (for li-censed electrician), etc., t) procedures for cases of emergency (including spills, accidents, etc.) must be available at the site, u) adequate lavatory facilities (toilets and washing areas) in the work site with adequate supplies of hot and cold running water, soap, and hand drying devices has to be provided, v) purchased equipment must be installed and used respecting all safety measures prescribed by the producer of equipment and best practices, w) in the case of construction/reconstruction activities, if construction site is of such a nature that it is not possible, in line with construction practice, to disable access to the construction site to anyone except work site workers, then it is necessary to provide adequate replacement nearby, x) there should be no temporary storage of construction materials and waste occurs within any type of private property, y) suitable arrangements for all necessary welfare and hygiene requirements and for the prevention of diseases (regular delivery PPEs, ensure protocols for regular disinfection of rooms, equipment, tools, are in place and followed, ensure handwashing and other sanitary stations are always supplied with clean water, soap, and disinfectant, etc.) should be ensured, z) trainings for workers on hygiene and other preventative measures against diseases should be carried out. aa) In the case works are taking place while the institution is in operation, the works must be separated/sealed off by screens, fences and similar to minimize risks and prevent impacts, bb) any health and safety incidents should be reported to project manager immediately and to WB within 48 hours according to incident reporting procedure.
	Notification, workers and community safety	a) Emergency Preparedness and Response Plan should be prepared and updated accordance with national legislation. b) OHS implementation Plan should be prepared and updated in accordance with national legislation (part of the plan of works) and ESMF (ESMP Checklist). c) The local construction and environment inspectorates and communities should be notified of upcoming activities. d) Workers code of conduct acceptable to PMT will be a part of contracting documentation and training to all workers to manage Sexual Exploitation and Abuse / Sexual Harassment risks in the sub-projects will be provided e) All legally required permits must be acquired for construction and/or rehabilitation. f) All work must be carried out in a safe and disciplined manner designed to minimize

Activity	Parameter	Mitigation measures checklist
		impacts on students, staff, neighboring residents and environment. g) Workers should be well trained in using potentially dangerous equipment. h) Any health and safety incidents should be reported to project manager immediately and to WB within 48 hours. This should be well communicated to the construction staff. i) Workers' PPE will comply with international good practice (obligatory wearing of hardhats at all times, masks and safety glasses as needed and prescribed, harnesses and safety boots). j) Appropriate signposting of the sites will inform workers of key rules and regulations to follow. k) All construction sites must be equipped with appropriate sanitary facilities and resting places for workers. l) Construction sites shall be fenced off or protected by properly designed barricades or tape- marked. m) Material stockpiles or stacks, such as pipes, must be made stable and well secured to avoid collapse and possible injury to site workers. n) Potentially hazardous areas (e.g., trenches, manholes, excavations) must be clearly marked.
	Stakeholder Engagement	a) The MSE will engage with stakeholders throughout the project life cycle, commencing such engagement as early as possible in the project development process and in a time frame that enables meaningful consultations with stakeholders on project design and implementation. b) Availability of an effective, responsive and accessible GRM
B Reconstruction/adaptation works	Air Quality	a) sprinkle water to limit dust emissions in the area near the construction materials and non-asphalted roads. Use water with all land clearing, grubbing, scraping, excavation, land levelling, grading, cut and fill and demolition activities which may cause dusting and particles emissions, b) cover surfaces with plastic coverings during material storage and transportation, c) adequate locations for storage, mixing and loading of construction materials should be established, d) limit vehicles speed (30 km/h) in the area and access roads, e) periodically clean location and access roads from debris, f) use modern attested construction machinery to minimize emissions, provided with mufflers and maintained in good and efficient operation condition, g) additionally, to minimize dust (mainly PM₁₀) from construction material collection, material retention time at the site should be reduced to a minimum, in order to

Activity	Parameter	Mitigation measures checklist
		minimize exposure to wind. h) Since the works are taking place while the universities or public buildings are in operation, the works must be separated/sealed off by screens and similar to prevent spreading of dust and other emissions.
	Noise	a) It is necessary to adhere to maximum permissible noise levels prescribed by the law, b) It is desirable to carry out works in the period from 8 to 18 hours and not to carry works during the nights, c) community should be informed in advance of any work activities to occur outside of normal working hours or on weekends, d) all equipment must be maintained in good operating condition and be attested, e) during operations the engine covers of generators, air compressors and other powered mechanical equipment shall be closed, and equipment placed as far away from residential areas as possible. f) since the works are taking place while the university and public buildings are in operation, the works must be separated/sealed off by screens and similar to prevent noise pollution and disturbance of staff. Particularly noisy works will take place outside of institutions working hours.
	Water quality	a) responsible handle the liquid waste, b) adding oil activities carry out on the part of the construction site that is derived from an impermeable working surface, c) handle all materials in accordance with instructions included in Material safety data sheets (MSDS) which have to be available at the construction site, d) in the case of an accident, any hazardous liquid remove from the soil using adsorption materials such as sand, sawdust or mineral adsorbents. Such waste material you have to collect in tanks, store in the space provided for hazardous waste storage and hand over to authorized companies, e) ensure that water pumped back to natural waterways never exceeds the regulatory water quality standards, f) prevent hazardous spillage coming from tanks, containers (mandatory secondary containment system, e.g. double walled or banded containers), construction equipment and vehicles (regular maintenance and check-ups of oil and gas tanks, tend to park (manipulate) machinery and vehicles only on asphalted or concrete surfaces with surface runoff water collecting system, g) organize and cover material storage areas, h) isolate wash down areas of concrete and other equipment from watercourse by selecting areas for washing that are not free draining directly or indirectly into watercourse,

Activity	Parameter	Mitigation measures checklist
		i) do not extract groundwater on unregulated way, nor discharge cement slurries, or any other contaminated waters into the ground or adjacent streams or rivers on uncontrolled way, j) ensure proper storm water drainage systems installed and take care not to silt, pollute, block or otherwise negatively impact natural streams, rivers, ponds and lakes by repair / rehabilitation activities.
	Soil	a) regular maintain and service the construction machines, b) adhere the measures and standards for construction machinery, c) try to avoid fuel and lubricant storage on construction site, d) if installation of fuel storage tanks will be needed, they should have secondary tanks with sufficient volume to contain a spill from the largest fuel tank in the structure. The containment area has to have a device (pump) to remove accumulated water, e) the containers with hazardous substances should be kept in a leak-proof container to prevent spillage and leaking. This container should possess secondary containment system such as bunds (e.g. bunded-container), double walls, or similar. Secondary containment system must be free of cracks, able to contain the spill, and be emptied quickly, f) the containers with hazardous substances must be kept closed, except when adding or removing materials/waste. They must not be handled, opened, or stored in a manner that may cause them to leak.
	Materials management	a) Construction material must originate from the licensed companies (e.g. company has to be able to present licenses for excavation of natural minerals, stone, lime, clay, etc.). The company has to present a proof of conformity with all national environmental and H&S legislation. b) Organization of works is such that construction materials is kept at the site in minimal quantities and for minimal amount of time. c) Sand and gravel used in construction works should be traceable to licensed companies with valid concessions. d) Quality of sand and gravel has to fulfil technical requirements and be unpolluted with oils, toxic, corrosive or hazardous substances and free of impurities. e) Producer of concrete has to obtain/hold all required working and emission permits and quality certifications. f) Ensure all transportation vehicles and machinery have been equipped with appropriate emission control equipment, regularly maintained and attested. g) Water used for production of concrete can be technical water, but free of hazardous and toxic pollutants, heavy metals and other substances hazardous to human health and environment.

Activity	Parameter	Mitigation measures checklist
	Labor Management	a) Mitigation of labor related risks will follow the labor management procedures, which will also be included in the contractor ESMP. b) Contractors will ensure that workers are hired, compensated and managed in adherence to national legislation and ESS2. This includes issues of contracts, labor rights, access to workers GRM without retaliation, prevention of SEA/SH including an accessible channel in the GRM to lodge related complaints, adherence to OHS and community health and safety measures.
	Transportation of Materials	a) Construction routes are clearly defined, b) Safety measures to prevent accidents are taken, c) All materials prone to dusting are transported in closed or covered trucks or wagons. d) All materials prone to dusting and susceptible to weather conditions are protected from atmospheric impacts either by windshields, covers, watered or other appropriate means, e) Roads are regularly swept and cleaned at critical points. Spilled materials are immediately removed from a road and cleaned. Access roads are well maintained. f) Access of the construction and material delivery vehicles are strictly controlled, especially during the wet weather, g) Topsoil and stockpiles are kept separate, h) Stockpiles are located away from drainage lines, natural waterways and places susceptible to land erosion, i) All loads of soil are covered when being taken off the site for reuse/disposal, j) Stockpiles do not exceed 2m in height to prevent dissipation and risk of fall.
C Cultural and historical heritage	Cultural heritage and Chance finds	a) if the building is located in a protected cultural and historical area or it is about buildings designated and protected as cultural heritage, notify and obtain approval/permits from competent authorities and address all construction activities in line with legislation, b) if during excavations some archaeological finds are encountered, works have to be stopped immediately and the competent authority informed. Works should be resumed only after appropriate measures have been taken as required by relevant authority and after it confirms that works may continue for all cases where the cultural heritage and its fundamental values can be protected at the existing location with special protection measures protect the cultural heritage on the spot,
D Biodiversity	Biodiversity	a) limit work to the visible part of the day, b) restrict the movement of heavy machinery to the road corridor, c) professionally and carefully handle of equipment and machinery to try to break out accidents such as fires or spills of large amounts of harmful substances into the environment, and thus adversely impact on the present flora and fauna, d) limit work along watercourses and on watercourses and canals to as small an area as

Activity	Parameter	Mitigation measures checklist
		possible, e) avoid, where possible, cutting of trees and other natural vegetation, f) in the case of removing vegetation, to prevent unnecessary loss of vegetation in the project area, clearly marked the areas where vegetation will be removed, g) for the restoration of the removed natural vegetation cover, use only autochthonous plant species that occur in the vegetation communities present in the wider area of the sub-project, h) the potential removal of vegetation plan for the period when birds do not nest. All birds that nest they need to protect until their birds can fly. In case of finding the nests of endangered bird species, prevent their disturbance, and inform about the discovery the central state body responsible for nature protection, i) where possible, the area under construction/reconstruction fence to lessen even occasional disturbance and dust on habitats and biodiversity. If noise barriers need to be constructed, they should be opaque or with a design and density of stickers that will prevent birds from entering the barriers as much as possible.
E Waste generation and management	Waste management	a) each type of generated waste on the location has to be temporary stored in separate waste containers which have to be labelled with waste type name and waste code and located at the solid surface foreseen for that purpose on the construction site, b) records of waste streams and amounts has to be kept for each type of generated waste at the location c) all waste has to be handed over with appropriate documentation to the companies authorized for the waste management (companies that have adequate waste permit), d) in the case of hazardous waste information on handing over waste to the final destination must be obtained, e) whenever feasible the contractor should reuse and recycle appropriate and viable materials (except asbestos), f) mineral (natural) construction and demolition waste has to be separated from general refuse, organic, liquid and chemical wastes by on-site sorting and temporarily stored in appropriate containers. Depending on its origin and content, mineral waste has to be reapplied to its original location or reused, g) burning or illegal dumping of waste is strictly prohibited.
	Hazardous waste (asbestos and medical waste)	a) The containers holding ignitable or reactive wastes must be located at least 15 meters (50 feet) from the working facilities, b) All hazardous wastes, including liquids, contaminated packaging and solids are transported by specially licensed carriers and disposed in a licensed facility, c) Temporary storage of liquid toxic or hazardous waste on site; all hazardous or toxic liquid substances will be kept in safe containers labelled with appropriate classification

Activity	Parameter	Mitigation measures checklist
		code in accordance with the Regulation on categories, types and classification of waste with a hazardous waste catalogue. These containers should be leak-proof in order to prevent spillage and leaching. The containers should possess secondary containment system such as bunds (e.g. bunded-container), double walls, or similar. Secondary containment system must be free of cracks, able to contain the spill and be emptied quickly, d) Solid hazardous waste should be kept in safe containers labelled with appropriate classification code in accordance with the Ordinance on waste management. These containers should be leak-proof in order to prevent spillage and leaching. These containers should be covered and protected from weather impact (rain and other), e) Oils, grease and sludge from the oil and grease collecting pits must be removed from the pits, transported and disposed/recovered by a licensed company only and at the licensed landfills or other licensed facilities, f) Regular checks of containers containing toxic and hazardous wastes should be performed, g) Asbestos Removal and Management Plan, subject to PMT and WB approval, must be prepared. Plan shall include procedures for removing materials containing asbestos before proceeding with the removal of the building structures, describe application of necessary measures to protect workers health and safety, all according to national legislation and WB policies, h) the strong-bound asbestos prior to removal must be treated with a wetting agent to minimize asbestos dust. Wetting is carried out by spraying or spraying with low-pressure sprayers. It is not allowed to spray water under high pressure. Asbestos fibers that have accumulated in the drains must be soaked so that a thick mixture is formed, which can be removed with a spatula in a polyethylene bag (PE). The bag must be tightly sealed. Drills, saws or high-speed tearing tools must not be used during disassembly of ACM parts. If the ACM parts cannot be removed without the use of tools, it is important to use only hand tools or mechanical aids for processing asbestos cement with built-in vacuum cleaners that have HEPA filters (HEPA = high efficiency particulate air). The area from which the ACM were removed must be carefully inspected for debris. The structure must be carefully cleaned with a vacuum cleaner with a HEPA filter, i) after removal, asbestos waste must be properly stored at the location and handed over to the authorized waste collector/waste treatment facility as early as possible in accordance with the waste management regulations, j) asbestos waste must be stored in a covered container or tightly closed bags (for construction rubble), thus preventing spreading, dispersing and spillage of that waste out of construction site due to weather conditions. Asbestos located on the Project site

Activity	Parameter	Mitigation measures checklist
		must be marked clearly as hazardous material, k) removed asbestos will not be reused. It will be disposed to a licensed landfill before closing of the Sub-Project, l) it is forbidden to dispose asbestos waste into the mixed municipal waste and mixing with other waste and other non-waste materials, m) in the case of soft-bound asbestos is found, specific measures for asbestos removal will be applied in line with the national legislation and best practices. Finding of soft-bound asbestos will be reported to the PMT/WB without delay, n) medical waste must be correctly segregated at the source and disposed of according to health and safety guidelines and national regulations, o) medical waste should be stored in secure, clearly labeled containers that are resistant to leakage, puncture, and tampering, and kept away from construction areas, p) there should be systems in place for the safe transportation and disposal of medical waste, including the use of licensed waste management companies, q) Strict enforcement of regulations regarding medical waste management and regular monitoring of compliance r) construction workers should be trained on the risks of medical waste and equipped with personal protective equipment (PPE) like gloves, masks, and protective clothing to minimize direct exposure, s) conduct regular environmental assessments of construction sites to identify and address potential risks associated with hazardous medical waste.
F Traffic disturbance relate to the increased frequency of external transport of materials and techniques	Traffic disturbance	a) traffic management have to be conducted in accordance with provisions of traffic legislation (e.g., appropriate lighting, traffic safety signs, barriers and flag persons that are seen easily or are easy to follow, road speed should be clearly posted), b) it is desirable to avoid transport on access roads during rush hours.
G Emergency preparedness Procedures	Prepare for safety of project workers during an emergency	a) Emergency Preparedness and Response Plan must be prepared for works (as part of C-ESMP) and it must cover actions that must be taken to ensure staff safety from emergencies. It shall include, but it is not limited to a list of all emergency equipment at the work site (such as fire extinguishing systems, spill control equipment, communications), and alarm systems (internal and external), and decontamination equipment (where this equipment is required), contacts of responsible persons, competent authorities, other emergency numbers, communication procedures and evacuation plan. Plan must be kept up to date. In addition, the plan must include the location and a physical description of each item on the list, and a brief outline of its capabilities, b) employees will be trained/instructed in all emergencies, waste management, first aid

Activity	Parameter	Mitigation measures checklist
		and firefighting and other relevant procedures and procedures will be available at the site.
G Maintenance and safety in operational period	Maintenance and safety in operational period	a) Final beneficiary updates a maintenance plan to meet ESF requirements before completion of works. b) Maintenance plan is implemented and periodically updated. c) Emergency Preparedness and Response Plan is updated in accordance with national legislation.
H Public, medical, educational services disruption	Disruption of public services	a) Implement SEPs to ensure early consultation with stakeholders, including management staff, employees, and service users (students, medical staff, patients, etc.), to understand their needs and potential concerns, b) Use of clear communication channels like emails, notices, websites, and physical information boards to keep stakeholders informed about project schedules, potential disruptions, and safety measures. c) Implement and maintain grievance redress mechanisms to allow public service users to voice concerns about disruptions, ensuring these grievances are addressed promptly and effectively. d) Maintain specialized GRM for workers and include project GRM provisions for handling sensitive complaints, such as those related to discrimination or SEA/SH. e) Maintain accessible formats (including for vulnerable groups such as persons with disabilities, elderly, patient) for all communications and feedback mechanisms. f) Implement temporary adjustments to service delivery such as reorganization of classrooms or offices to minimize disruption to teaching and administrative activities, ensure temporary relocation of critical health and justice services to nearby facilities. g) In case of relocation develop checklist for the selection of alternative locations. Checklist should include consideration on: accessibility, vicinity, safety and security, adequate spaces and equipment, availability of minimum number of parking lots h) During construction, maintain access to essential areas (e.g., elevators, ramps) for vulnerable groups, including people with disabilities, elderly individuals, and patients. i) Implement clear signage and physical barriers adapted also for vulnerable groups to guide users safely through or around construction zones. j) Schedule noisy and dusty construction work outside peak hours for public services. k) Priority given to renovation of critical rooms (e.g., those for victims and witnesses) d) Inform judicial staff and security services to manage access and flows of persons for safety of victims and witnesses.

Annex 3 – outline of the site-specific ESMP

1. INTRODUCTION AND PURPOSE

- 1.1 BACKGROUND AND SUBPROJECT DESCRIPTION
- 1.2 PURPOSE AND SCOPE OF THE ESMP
- 1.3 RELATIONSHIP TO THE ESMF AND OTHER ESF INSTRUMENTS
- 1.4 APPLICABLE NATIONAL LEGISLATION AND WORLD BANK ESS

2. SUBPROJECT DESCRIPTION

- 2.1 LOCATION AND SITE DESCRIPTION
- 2.2 SCOPE OF CIVIL WORKS AND KEY INFRASTRUCTURE COMPONENTS
- 2.3 IMPLEMENTATION SCHEDULE AND PHASING
- 2.4 CONTRACTOR AND SUPERVISION ARRANGEMENTS
- 2.5 ASSOCIATED FACILITIES

3. ENVIRONMENTAL AND SOCIAL BASELINE

- 3.1 PHYSICAL ENVIRONMENT (TOPOGRAPHY, HYDROLOGY, GEOLOGY, SOILS)
- 3.2 ECOLOGICAL ENVIRONMENT (HABITATS, FLORA, FAUNA, PROTECTED AREAS)
- 3.3 WATER QUALITY BASELINE
- 3.4 AIR QUALITY AND NOISE BASELINE
- 3.5 SOCIOECONOMIC BASELINE (POPULATION, LIVELIHOODS, VULNERABLE GROUPS)
- 3.6 WATER SUPPLY AND SANITATION SERVICE BASELINE
- 3.7 LAND USE AND TENURE
- 3.8 CULTURAL HERITAGE

4. STAKEHOLDER ENGAGEMENT AND CONSULTATION

- 4.1 STAKEHOLDERS IDENTIFIED FOR THIS SUBPROJECT
- 4.2 CONSULTATIONS CONDUCTED DURING ESMP PREPARATION
- 4.3 KEY ISSUES RAISED AND HOW THEY HAVE BEEN ADDRESSED
- 4.4 DISCLOSURE OF THE ESMP
- 4.5 ONGOING ENGAGEMENT DURING IMPLEMENTATION

5. ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT

- 5.1 METHODOLOGY FOR IMPACT IDENTIFICATION AND ASSESSMENT
- 5.2 PRE-CONSTRUCTION PHASE IMPACTS
- 5.3 CONSTRUCTION PHASE ENVIRONMENTAL IMPACTS
- 5.4 CONSTRUCTION PHASE SOCIAL IMPACTS
- 5.5 OPERATIONAL PHASE ENVIRONMENTAL IMPACTS
- 5.6 OPERATIONAL PHASE SOCIAL IMPACTS
- 5.7 POST-CONSTRUCTION AND DECOMMISSIONING IMPACTS
- 5.8 CUMULATIVE IMPACTS
- 5.9 IMPACT SIGNIFICANCE SUMMARY TABLE

6. ENVIRONMENTAL AND SOCIAL MITIGATION MEASURES

- 6.1 PRE-CONSTRUCTION MEASURES
- 6.2 CONSTRUCTION PHASE ENVIRONMENTAL MITIGATION
- 6.3 CONSTRUCTION PHASE SOCIAL MITIGATION
- 6.4 OPERATIONAL PHASE MITIGATION
- 6.5 CHANCE FIND PROCEDURES
- 6.6 SITE REINSTATEMENT AND RESTORATION

8. LABOR MANAGEMENT

- 8.1 WORKFORCE OVERVIEW (CATEGORIES, ESTIMATED NUMBERS)
- 8.2 KEY LABOR RISKS FOR THIS SUBPROJECT
- 8.3 OHS REQUIREMENTS SPECIFIC TO THIS SUBPROJECT
- 8.4 CODE OF CONDUCT REQUIREMENTS
- 8.5 WORKERS' GRIEVANCE MECHANISM AT SITE LEVEL
- 8.6 CONTRACTOR COMPLIANCE OBLIGATIONS

10. GRIEVANCE REDRESS MECHANISM

- 10.1 PROJECT-LEVEL GRM — SUMMARY AND CONTACT DETAILS
- 10.2 SITE-LEVEL GRM ARRANGEMENTS
- 10.3 GRM FOR VULNERABLE GROUPS
- 10.4 SEA/SH COMPLAINT PATHWAY

11. ENVIRONMENTAL AND SOCIAL MONITORING PLAN

- 11.1 MONITORING OBJECTIVES AND APPROACH
- 11.2 MONITORING PARAMETERS, INDICATORS, AND FREQUENCY
- 11.3 MONITORING RESPONSIBILITIES (PIU, SUPERVISION ENGINEER, CONTRACTOR)
- 11.4 MONITORING DURING PRE-CONSTRUCTION PHASE
- 11.5 MONITORING DURING CONSTRUCTION PHASE
- 11.6 MONITORING DURING OPERATIONAL PHASE
- 11.7 POST-CONSTRUCTION MONITORING AND SITE REINSTATEMENT VERIFICATION
- 11.8 ENVIRONMENTAL AND SOCIAL MONITORING TABLE

THE MONITORING TABLE SHOULD INCLUDE FOR EACH PARAMETER: INDICATOR, METHOD, FREQUENCY, RESPONSIBLE PARTY, REPORTING MECHANISM, AND CORRECTIVE ACTION TRIGGER.

12. INSTITUTIONAL ARRANGEMENTS AND RESPONSIBILITIES

- 12.1 PIU RESPONSIBILITIES
- 12.2 SUPERVISION ENGINEER RESPONSIBILITIES
- 12.3 CONTRACTOR RESPONSIBILITIES (C-ESMP REQUIREMENT)
- 12.4 BENEFICIARY MUNICIPALITY / WATER UTILITY RESPONSIBILITIES
- 12.5 COORDINATION WITH NATIONAL AUTHORITIES (EPA, WATER ADMINISTRATION, NATIONAL PARK WHERE APPLICABLE)

13. REPORTING

- 13.1 CONTRACTOR MONTHLY E&S REPORTING TO PIU
- 13.2 PIU SEMI-ANNUAL E&S PROGRESS REPORTS TO WORLD BANK
- 13.3 INCIDENT REPORTING PROCEDURES AND TIMELINES
- 13.4 GRM REPORTING

14. ESMP BUDGET

- 14.1 COSTS OF MITIGATION MEASURES (TO BE EMBEDDED IN CIVIL WORKS CONTRACTS)
- 14.2 COSTS OF MONITORING ACTIVITIES
- 14.3 COSTS OF MANAGEMENT PLANS
- 14.4 PIU SUPERVISION COSTS
- 14.5 ESMP BUDGET SUMMARY TABLE

ANNEXES

- ANNEX 1: SITE LOCATION MAP AND PHOTOGRAPHS
- ANNEX 2: E&S SCREENING FORM (COMPLETED)
- ANNEX 3: ASBESTOS SURVEY REPORT AND FINDINGS (*WHERE APPLICABLE*)
- ANNEX 4: CONSULTATION RECORDS AND ATTENDANCE LISTS
- ANNEX 5: GRIEVANCE REGISTER TEMPLATE
- ANNEX 6: OHS INCIDENT REPORT TEMPLATE
- ANNEX 7: CHANCE FIND PROCEDURE (STANDALONE DOCUMENT FOR CONTRACTORS)
- ANNEX 8: CONTRACTOR ESMP (C-ESMP) TEMPLATE / REQUIREMENTS
- ANNEX 9: RELEVANT NATIONAL PERMITS AND APPROVALS
- ANNEX 10: REFERENCES TO APPLICABLE NATIONAL LEGISLATION AND ESS PROVISIONS

Annex 4 - Contractors- ESMP content Outline and template

Section	Content Description	To be Completed by Contractor
1. Sub-Project Description	Brief description of the construction activities, timeline, materials, equipment, and workforce.	
2. Contractor Details	Name of Contractor and Subcontractors, EHS Manager contact details.	
3. Compliance Statement	Statement of commitment to comply with the national law, CRFADS ESMF, ESMP, World Bank ESF, and relevant permits.	
4. Legal and Institutional Framework	List of applicable national laws, permits obtained, ESS standards to be followed.	
5. Roles and Responsibilities	Names and roles of Contractor's EHS staff, site managers, and other responsible personnel.	
6. Environmental and Social Mitigation Measures	Site-specific mitigation measures for: • Air quality • Noise and vibration • Water and soil protection • Waste management • Biodiversity • Occupational health and safety • Community health and safety • Labor and working conditions • Cultural heritage • SEA/SH risks	
7. Environmental and Social Monitoring Plan	Monitoring indicators, frequency, methodology, and reporting requirements.	
8. Occupational Health and Safety (OHS) Plan	Site-specific OHS risk assessment, provision of PPE, worker training, emergency procedures.	
9. Labor Management Plan (LMP)	Worker hiring practices, non-discrimination measures, Worker Code of Conduct, worker GRM, SEA/SH prevention measures.	
10. Traffic Management Plan	Routes, safety measures, signage, speed limits, coordination with authorities.	
11. Waste Management Plan	Procedures for segregation, storage, transport, disposal of all waste streams including hazardous waste and asbestos (if applicable).	
12. Resource Efficiency and Pollution Prevention Plan	Measures to minimize energy, water use, control dust, emissions, and manage spills.	
13. Emergency Preparedness and Response Plan (EPRP)	Emergency scenarios, roles and contacts, available emergency equipment, evacuation procedures.	
14. Cultural Heritage Protection and Chance Finds Procedure	Actions to protect known cultural heritage and steps to be followed in case of chance finds.	
15. Community Health and Safety Plan	Measures to protect the public, community GRM access, SEA/SH risk mitigation.	
16. Stakeholder Engagement Plan	Communication strategy with stakeholders and local communities, information disclosure, feedback mechanisms.	
17. Reporting Plan	Types of reports to be submitted, frequency, and format (aligned with PMT requirements).	
18. Grievance Redress Mechanism (GRM)	Procedures for receiving, processing, and resolving grievances from workers and community.	
19. Training and Capacity Building Plan	Types of training for workers and staff (OHS, SEA/SH, environmental management, cultural heritage awareness).	
20. Attachments	Any supporting documents, such as permits, insurance certificates, training records, and MSDS sheets.	

Annex 5 –IFC Exclusion List

In line with the World Bank Environmental and Social Framework (ESF) and the principles of responsible environmental and social management, the Project will not support or finance any activity or subproject that involves sectors, goods, or practices included in the IFC Exclusion List (2007)⁶, the World Bank Group Environmental, Health and Safety (EHS) Guidelines, or any activity prohibited under applicable Montenegrin legislation or international conventions and agreements.

Project activities or subprojects will not be eligible for financing if they involve any of the following:

- Production or trade in any product or activity deemed illegal under Montenegrin laws, international conventions, or agreements, including but not limited to:
 - Pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), and wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Production or trade in weapons, munitions, or military equipment.
- Gambling, casinos, and equivalent enterprises.
- Production or trade in radioactive materials, except for medical, quality control, or other equipment where the radioactive source is adequately shielded and deemed safe under international guidelines.
- Production or trade in unbonded asbestos fibers. *(Note: This does not apply to the purchase or use of bonded asbestos cement products where the asbestos content is less than 20% and permitted under national regulations.)*
- Coal-related activities, including coal mining, coal transportation, coal-fired power plants, or infrastructure exclusively dedicated to such activities. *(An exception may apply to captive coal-fired power plants used for industrial processes, subject to prior review.)*
- Drift net fishing in marine environments using nets longer than 2.5 kilometers.
- Production or trade in alcoholic beverages (excluding beer and wine), unless part of a legally approved and regulated small-scale agrifood value chain.
- Production or trade in tobacco or tobacco-related products.
- Commercial logging operations in primary tropical moist forests.
- Production or trade in wood or other forestry products that are not sourced from sustainably managed forests, as certified by credible schemes (e.g., FSC, PEFC).
- Production or activities involving harmful or exploitative forms of forced labor or child labor, as defined in ILO Convention No. 138 (Minimum Age) and Convention No. 182 (Worst Forms of Child Labor).

In addition, the Project will not support any activity or subproject that:

⁶ [IFC's Exclusion List \(2007\)](#)

- May result in the significant conversion or degradation of critical habitats (as defined under ESS6);
- Involves involuntary resettlement that cannot be addressed in accordance with ESS5 requirements;
- Poses unacceptable environmental, health, or safety risks to communities without adequate mitigation measures.
- All proposed investments and subprojects will be screened against this exclusion list during the environmental and social screening process outlined in the Environmental and Social Management Framework (ESMF).

Any activity found to be noncompliant with these criteria will be excluded from financing under the Project.

ANNEX 6: SAMPLE TERMS OF REFERENCE FOR ESIA PREPARATION

Background

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The objectives of the assignment are:

- (i) To prepare an **Environmental and Social Impact Assessment (ESIA)** and a **General Environmental and Social Management Plan (ESMP)** for the whole Project, which will outline the main procedures and responsibilities to manage environmental and social risks associated with the implementation of the Project activities. This document will guide the development of general ESMP for railway sections whose design will not be available at the early stage of project preparation;
- (ii) To prepare a **Social Assessment** based on (a) existing socio-economic studies of the roadway area; (b) a census of settlements, entities (businesses, households, vendors (particularly informal vendors and squatters), etc.), farms and agricultural businesses, etc. along the railway section; (c) public consultations with Project Affected People (PAPs) along the railway section.
- (i) To prepare **Environmental and Social Impact Assessment Reports** and **Management Plans** for each railway section to be supported by the proposed Project, which would identify and assess the potential environmental and social risks of the proposed Project, determine adequate mitigation measures.

All work undertaken and outputs produced must comply with:

- World Bank environmental and social standards, while taking into consideration the environmental and social procedures of the Government of Montenegro
- World Bank guidance on the conduct of public consultations with PAPs along the proposed alignment (right-of-way) of the railway section.
- World Bank guidance and structure provided on Social Assessments, ESIA's.
- World Bank Environmental Health and Social (EHS) Guidelines for General and Toll Roads.

Required Contents of the Environmental and Social Impact Assessment

This section provides a summary of the required contents of each section of the ESIA. The contents of the ESIA Report should follow the outline listed below, subject to any comments for addition or amendment from appropriate permitting and the relevant national environmental agencies:

Title Page

Executive Summary

Abbreviations and Acronyms

Table of Contents

List of Tables

List of Figures

List of Annexes

Section 1 Description of the Project

Section 2 Legal, Regulatory and Policy Framework

Section 3 Environmental and Social Baseline Information and Data

Section 4 Impacts and Risks Statement

a) Socio-economic Impacts and Risks Assessment

b) Assessment of Environmental and Social Impacts and Risks

Section 5 Analysis of Alternatives

Section 6 Environmental and Social Mitigation Measures

Section 7 Environmental and Social Monitoring and Management Plan

Section 8 Community and Social Risk Management Plan

Section 9 Public Consultation and Disclosure Plan

Appendices

List of ESIA Preparers/Consultants and Their Qualifications

List of References

Record and Documentation of Agency Meetings and Agreements

Record and Documentation of Consultation Meetings

Overview of ESIA Report Contents

i) Title Page and Table of Contents The title page and table of contents shall be consistent with the proposed outline (previous section).

ii) Executive Summary A summary of the project objectives; a brief project description; a brief description of significant findings and recommendations for environmental and social management that will be adopted to eliminate or minimize adverse impacts to acceptable levels as defined by the appropriate authorities and standards. This product will serve as the main consultation document and should be available in Montenegrin and English.

iii) Section 1 Description of the Project

Provides a brief overview of the Project background and specific description of the Project components. The following technical information shall be included: the study area, size and capacity of the Project; all associated infrastructure (construction and operation workforce, housing, water supply, gravel sources, batching plants, machine and maintenance yards, technological roads, borrow pits, building materials deposits, etc.); description of the construction and operation activities (phased construction activities, associated manpower size and skill levels necessary, opportunities for local labor, size and skill of local workforce as per Feasibility Study assessment); hazardous waste use, handling, and storage (diesel, fuel gasoline, lubricants); worker health and safety, emergency preparation and response (including community response and notification); temporary construction areas; site location alternatives considered; clean-up activities; implementation schedule; staffing and support, and worker facilities and services.

Maps (in a common GIS format) are required at appropriate scales to show project-related development sites, pre-construction and construction activities as well as surrounding areas likely to be impacted. These maps should include topographic contours as well as locations of major surface waters, roads, railways, villages and communities, administrative boundaries, existing land use and all critical habitats including parks and recreation areas, and historical and cultural resources.

iv) Section 2 Legal, Regulatory and Policy Framework

- a) WB policies, EHS guidelines, including a gap analysis explaining what additional efforts are needed to meet the WB requirements. The gap analysis should be expanded to the WB safeguards requirements, which include emissions thresholds into the Environment, Health and Safety Guidelines, and these should be compared against national standards as the most stringent requirements should be identified and further applied.
- b) The Laws on Environmental Impact Assessment will be followed. Also, the provisions of the Directive 2014/52/EU transposed in the national legislation and the requirements of the Competent Environmental Protection Agency –National Environmental Protection Agency will be followed. These laws incorporate relevant Montenegrin and EU Directives that apply to this project, where relevant Annexes make clear compliance to meet national/regional permitting requirements.
- c) Describe applicable environmental policy and administrative requirements and associated regulations and standards of the Government of Montenegro and the EU. Particular reference should be made to requirements governing environmental quality, protection of sensitive areas, protection of endangered species, land use controls, etc., at national, regional and local levels.

Legal and institutional framework relevant for social aspects (i.e. legislation on land acquisition, land tenure, expropriation, building codes and legislation relevant to universal accessibility of new infrastructure, legislation pertinent to ethnic minorities and particularly Roma, legislation regarding consultations, labor laws, etc.).

v) Section 3 Environmental and Social Baseline Information and Data

- a) The Consultant shall assemble, evaluate and present baseline data on relevant environmental characteristics of the study area as it relates to the Project. The environmental description should be concise and focused on the potential impacts of the Project, clearly defining the area of influence. Detailed baseline data should be presented when it is relevant to corresponding mitigation measures. When extensive background information is required for documentation purposes, and/or for project files, this information should be provided in appendices. In addition, the Consultants will carry out any

field surveys, interviews, and consultations needed to fill information gaps critical to the potential impacts and to development of mitigation measures. Such information should be assimilated in illustrative maps at an appropriate scale. The following will be included as part of this activity:

Physical environment: Geology; topography; soils; climate and meteorology; ambient air quality; surface and groundwater hydrology; existing sources of noise and air emissions; existing water and air pollution discharges; receiving water quality; all existing operational and past associated processing facilities (as described in existing technical documents);

Biological environment: Flora; fauna; rare or endangered species; sensitive habitats, including parks or preserves, significant natural sites, etc.; species of commercial importance; and species with potential to become nuisances, vectors or dangerous;

Socio-economic baseline: Any earlier social assessments in the area and the initial findings and baseline should be used to update any needed social assessment and provide a clear scoping statement of the anticipated impacts arising from the Project. This updated social assessment will describe current social and economic impacts on directly- and indirectly-affected communities. This socio-economic information will provide a baseline for evaluation of impacts and mitigation measures to reduce negative impacts and to enhance positive impacts and opportunities. Data will be obtained from a combination of secondary sources and suitable primary data, such as personal interviews and household or community surveys as relevant. The assessment will verify and update as needed: where likely impacts are identified; social and economic baselines; social and economic impacts; mitigation of adverse impacts and enhancement of positive impacts; and identification of community development opportunities. The following will be included as part of this activity:

Socio-cultural environment (include both present and projected where appropriate): Population; land use; planned development activities; settlement and community structures; employment; distribution of income, goods, and services; recreation; public health; and historical, archeological and cultural resources.

The Consultant shall ensure that any specialized anthropological and sociological experts contributing to the Social Assessment is experienced to address issues relevant to World Bank requirements (this effort shall be linked to the RPF and RAP studies).

- **Socio-Economic Conditions**: Identify and map nearby human settlements in the proposed road corridor, paying special attention to communities or people potentially affected by the road widening including bypasses, if any. For such it will be necessary to collect socio-economic data as may be necessary to assess potential impacts on their income, livelihood status etc. Demographic data would include: population (size, gender and age distribution); cultural characteristics (religion, ethnic composition, languages spoken, etc.); population migration over the last few years, livelihood and economic activities; literacy rates and levels of education; community organizations and social networks; public health and safety;
- **Infrastructure**: For each settlement potentially affected, describe the infrastructure such as access roads linking main road corridor and traffic patterns on existing roads. Public health, education infrastructure as appropriate if it is to be used or adversely affected:
- **Poverty and Social Risks**- For each settlement potentially affected, analyze the level of poverty and vulnerability including social risks such as prevalence of sexual exploitation and abuse and sexual harassment (SEA/SH), high-risk behaviors among youth, child and forced labor in the construction sector, community cohesiveness etc.;
- **Cultural, archaeological, spiritual structures, and historic resources**: identify all cultural, archaeological, ceremonial and historic resources in the impact zone/within the area of influence;
- **Indigenous People/Religious Groups and Ethnic/Other Minorities** -Information on marginalized and vulnerable groups living in settlements along the road corridor, including indigenous communities, ethnic or other minority groups or other traditional cultural groups, if any.
- **Vulnerable or disadvantaged groups** (if any) and if relevant, social data should be disaggregated accordingly to the extent it is technically and financially feasible. To the extent possible demographic

data should report on HHs with members with disabilities legacy issues on land take for the project and associated facilities.

- **Legacy issues related to land use, property rights etc.**

The documents and reports noted in Annex 1 contain useful baseline data, but the Consultant will need to identify what additional data and any data gaps may have become available since those studies were completed and document any relevant changes to include them in this ESIA (e.g. such targeted information may include population dynamics, archeological finds, etc.). Should any additional land be required for the Project it is particularly important that this is accurately identified. In such cases, it would be essential to identify any involuntary relocation of people and any individuals who may have livelihoods affected by the Project. The numbers, locations, and socio-economic conditions of affected people, if any, should be fully documented in order to assist Montenegrin authorities in meeting acceptable international standards for compensation, which would be equivalent to objectives of World Bank OP 4.12.

vi) Section 4 Scoping Statement
o the RPF and RAP studies).

Assessment of Environmental and Social Impacts

The Consultant shall present a risk/impact assessment methodology that will help identify and assess the Project's likely environmental impacts and social influences (including cumulative impacts – see also Section 6 and Section 7 below), both positive and negative, based on changes brought about by all the project components to the baseline conditions described above in the area of influence. They shall quantify these impacts to the extent possible, in terms of costs and benefits and distinguish between positive and negative impacts, direct and indirect impacts, and immediate and long-term impacts. Additional information to be provided will include:

- Scenarios under normal conditions, start-up and shut-down activities during construction and commissioning and emergency situations;
- Identification of the type, relative likelihood and broad consequences of major hazards or accidents that might occur;
- Mitigation measures and any residual negative impacts that cannot be mitigated;
- Opportunities for environmental enhancement;
Impact on the natural protected area (land occupation, habitats degradation or fragmentation, increase of the visitor number);
- Impact on land use - particularly the requirement of lands for road expansion, impacts of road construction on access and livelihood of various categories of people (businesses, households, vendors (informal vendors and squatters), etc.), farms and agricultural businesses, etc. along the railway section; (This will be further explored under the RPF preparation as well);
Labor Influx – if there are additional labor requirements, potential labor influx issue, estimates of number of outside labor requirements, the areas where constructions camps are to be located, etc.; and
- The quality of available quantitative data, key data gaps, and uncertainties associated with predictions, and specify topics that do not require further attention.

Environmental impacts and social influences should also be categorized based on construction and operational phases, and summarized according to issues and themes in the main report text, with the detailed findings documented in appendixes. Although not exhaustive, the main impacts and influences of the following illustrative list of key potential environmental (and socio-economic) impacts must be addressed. Especially, positive social impacts and opportunities for the people and benefits to the PAPs. The illustrative list of aspects should also refer to labor management and working conditions, OHS, social tensions/conflict, livelihoods impacts, road safety etc.

PHASE	ASPECT
Construction	Air quality Soil and subsoil, surface water and groundwater Waste, including hazardous waste Spoil management and disposal
	Involuntary Resettlement/land acquisition
	Occupational health and safety and community health and safety impacts (especially related to presence of large workforce and use of worker camps) Traffic disruption
	Noise, dust and vibration
	Archaeology
	Flora, Fauna (including permeability and connectivity for large carnivores), Natural Habitats (especially protected elements, species included in the Red Book, Red Lists), trees removal (removing lands from forest land), Protected Area Landscape Public consultation/communications
Operations	Noise Re-vegetation for Natural Habitats / temporary affected areas
	Involuntary Resettlement (if required) Impacts on water, including water consumption, changes to surface water and groundwater Soil contamination Flora, fauna, habitats (fragmentation), protected area Landscape Work force safety records
	Emergency Preparedness/Response Plan
	Public consultation/communication

Description of Cumulative and Associated Effects. This ESIA will include a discussion of cumulative effects as they affect air, groundwater and surface water, soil, biodiversity, human settlements which focuses on the Project. This should include projections of changes to environmental impacts and the potential livelihoods impacts.

- scoring or weighting of the magnitude and significance of cumulative effects;
- identification of potential actions to avoid, minimize or mitigate significant cumulative effects; and
- how these are proposed to be included into the Environmental and Social Management Plan (next section).
- Social Mitigation measures, especially suggested actions to mitigate adverse impacts to community safety, vulnerable groups, labor camp management etc.
- Indicative time frame for implementation of social and environmental mitigation plans

vii) Section 5 Analysis of Alternatives

- a) The Consultant shall compare the alternatives examined above in terms of potential environmental and social impacts assuming reasonable implementation of environmental and social mitigation measures and environmental and social monitoring. When describing impacts, indicate which are irreversible or unavoidable, and which can be mitigated. To the extent possible, quantify the environmental and socio-economic costs and benefits of each alternative, incorporating the estimated costs of any associated mitigating measures. Include the alternative of not carrying out the construction of the railway section. State the basis for selecting the proposed design over alternatives.
- b) This explanation will include diagrams, maps, tables, and descriptive text based on the existing information. A shorter text, understandable to the non-technical audience that also includes diagrams, maps, and tables of the Project alternatives will be prepared for use in public consultations.

viii) Section 6 Environmental and Social Mitigation Measures

For each potential impact identified as significant in the section above, a mitigating measure will be identified and the collection of all such mitigation measures will constitute the **Mitigation Plan**. The Consultant shall provide a matrix of all impacts organized into construction and operational phase for all key project components, and will be further reflected in the ESMP (section 7). The matrix will include: i). the potentially significant impact; ii). proposed mitigation measure(s); iii). when action is to be taken (timeframe for the mitigation measures); iv). who is responsible for incorporating the mitigating measure into the project during construction and operation; and v). associated costs for these measures. As appropriate, mitigation measures will be presented in a spatial representation, such as map or diagram, with precise location of such measures. In addition, will be presented the eventual residual impacts that might result following the implementation of the proposed mitigation measures.

ix) Section 7 Environmental and Social Monitoring and Management Plan

- a) Based on the Mitigation Plan, the Consultant shall prepare a general **Environmental and Social Management Plan** (ESMP). This ESMP will apply to the entire road or segments of the road as determined in the future for design and build options. The ESMP should address organizational roles and responsibilities, including an organogram and reporting lines for implementation of all mitigation measures (based on the matrix presented in Section 6 above), and should identify: i). a set of mitigation responses to potentially adverse impacts; ii). institutional structure and strengthening required to implement the mitigation measures; iii). responsibility for implementation of each proposed mitigation measure; and iv) a monitoring program to verify compliance with the recommended mitigation and measure the level of impacts produced. Measures also need to address emergency response requirements for accidental construction events. As detailed below, there should be clear distinction of measures associated with the construction and operation phases of the project. Each mitigation measure should be described in as much technical detail as possible, to the level of preliminary engineering drawings and specifications where possible. Include the type of impact to be minimized, the conditions under which it is required, along with designs, equipment descriptions, and operating procedures. Also, will be evaluated the feasibility of the proposed measures and the action needed to increase the likelihood of their effectiveness; For impacts that cannot be mitigated (residual impact), compensation to affected parties should be considered where relevant. Will be forecasted the residual negative impacts that cannot be mitigated and rate their significance and assess the acceptability of these remaining risks.
- b) With regard to the relevant phases, the general ESMP should at a minimum address:
 - i) **Construction Phase:** Construction Spoils Management Mitigation Plan to manage the disposal of construction spoils generated in an environmentally-friendly manner; Erosion and Sediment Control Mitigation Plan to describe the measures during construction to minimize sediment carried by runoff from entering downstream surface water drainage systems; Fugitive Dust Control Mitigation Plan to control fugitive dust control emissions during construction activities; Noise Control Mitigation Plan to control noise impacts on the surrounding communities construction activities; Occupational Health and Safety Plan to ensure workers and local communities protection; Re-vegetation and Natural/Wildlife Habitat Management Mitigation Plan to ensure proper re-vegetation of areas disturbed by construction activities; Traffic Control

Mitigation, Public Safety and Public Communications Plan to minimize the disruption of daytime traffic flows along important access roads in the area; Archaeology/Cultural Resources Mitigation Plan to manage any archeological or cultural impacts that may be encountered during construction; Worker Safety Plan to identify standards for protection of workers including onsite training and proper safety equipment; Labor Influx Management Plan and/or a Workers' Management Plan that outlines measures to manage laborers without hindering social and community life of the road corridor during construction period, Grievance Redress Mechanism (GRM) that allows the public and PAPs to lodge their concerns and complaints if any, and Public Consultation and Community Communications Plan for Construction Activities that takes into account all impacts and mitigation identified during preparation of the Final ESIA. Will be followed up the provision of the Environment and Forest Ministry no 135/2010 on informing the public, will be completed the annexes 14 and 15 provided in this order. In addition, the mitigation measures for land acquisitions and resettlement impacts should be covered under RAPs, livelihood restoration plans etc. In the Environmental and Social Monitoring Plan will be made provisions regarding the implementation of the public requirements;

- ii) *Operations Phase*: Traffic Safety Plan to cover all aspects of road transport and pedestrian use; and Updated Public Consultation and Community Communications Plan for Operations Activities that considers all impacts and mitigation identified during preparation of the Final ESIA.
- c) In line with the Mitigation Plan, the Consultant shall prepare an Environmental and Social Monitoring Plan to monitor the implementation of mitigating measures established for the Project during construction and operation. This plan will include a description and technical details of the monitoring program, including simple implementation progress criteria. The plan should also include recommended monitoring and reporting procedures, parameters to be monitored and periodicity, and should specify the responsibility for implementation of each measure to: a) ensure early detection of conditions that require particular mitigation measures; and b) furnish information on the progress and results of mitigation. The plan should also include a description of other inputs (e.g., training and institutional strengthening) required to carry out the monitoring plan; at a minimum, this monitoring plan should provide measures to determine the status of the elements presented in the list under Section 4 above. The monitoring plan should include sufficient inspections during construction to ensure compliance with recommendations in the ESMP and should clearly indicate roles and responsibilities. Monitoring plan may include GRM and the reporting systems, Monitoring criteria should be specified for choice of parameters, quantitative performance standards and frequencies (e.g., noise levels, noise reduction, dust management, surface area for re-vegetation, etc.) based on Montenegrin and EU regulations. During operations, monthly monitoring reports would be synthesized and the annual report (the synthesized report) would be submitted to National Environmental Protection Agency (NEPA) per agreed procedures.
- d) The ESMP will consider and recommend a Scope of Work for an independent Environmental and Social Supervision Contractor (ESSC) during the construction and operations phases of the project. The ESMP will include allocation of responsibility, budget and sources of funding, monitoring and evaluation, including measures for non-compliance. The goal of the ESC would be to provide independent third-party verification on progress of the mitigation measures and when needed technical advice on effective implementation of the ESMP. ESSC also need to supervise on social mitigation measures including the implementation of RAPs (as needed), restoration of livelihoods, performance of grievance redress and stakeholder engagement, etc. The ESSC may also provide training and capacity building for relevant staff for SEPA and MCTI, other relevant Government bodies, and NGOs other interested parties, as relevant.

x) Section 8 Public Participation and Consultation Plan

- o The Consultant shall prepare a Public Consultation and Participation Plan (PCPP), which describes a methodology for addressing substantive issues with national and local government, residents of the project area of influence, academic and applied research institutes, non-governmental organizations and interested individual citizens. This consultation process shall build on extensive documentation and procedures previously developed in other projects. The PCPP process will include standard record keeping for each

meeting: a formal record should be made including the agenda, a list of participants, a summary of the issues discussed, and copies of materials provided to the participants. PCPP should also include a stakeholder mapping, including identifying representatives of potentially disadvantaged or vulnerable groups (i.e. Disabled Peoples Organizations, organizations representing Roma, etc.). The design of the consultation process must be directed to build public confidence in the anticipated environmental and social assessment process through a well-designed communications and participation program. These measures shall be incorporated as part of early information collection process. The Plan should include timing and methods of engaging, including minimum requirements for information disclosure, differentiated requirements (if any) to reach vulnerable or disadvantaged groups, etc. The PCPP should describe in detail how the public consultations will be conducted, and how a special attention to the persons with disabilities, and to the vulnerable groups will be given.

Additional steps required to be undertaken by the consultant under this process include:

- Assist to disclose the present TOR as well as drafts of ESIA report in Montenegrin and English languages through the web page of MCTI and other media, as relevant, with due consideration of convenient access to published documents by project-affected communities;
- Organize consultation meetings, including advertising them, inviting participants, arranging the venue and providing presentation equipment;
- Organize consultation with the custodian / conservator of the natural protected areas;
- Chair each meeting and give an introductory presentation, and chair and participate in discussions as appropriate.
- The consultant will:
 - Prepare and deliver an MS Power Point presentation in Montenegrin at each meeting describing their work;
 - Produce summaries of their work in Montenegrin to be distributed at each meeting;
 - Produce a written record of each meeting in Montenegrin and English languages, noting attendance, stakeholders' affiliations, points raised in discussion and answers given;
 - Incorporate an account of the consultation process in the ESIA report, identifying how each point was addressed in the ESIA report and/or engineering design, and providing valid reasons why any points were not addressed.
- The Consultant will be expected to assist the client with the above procedures, as requested. The Consultant's work may imply various types of consultations, interviews, thematic group meetings and other interaction with the project beneficiary communities on the environmental and social aspects of the project informing client on such meetings in advance. Small meetings and ad hoc discussions on site will not require the client's involvement, however all meetings should be documented and included in the ESIA report.

Coordination

The Consultant will coordinate with the client, the Ministry of Transport (MCTI), the World Bank, and the engineering design team hired by the client to ensure fulfillment of the ToR requirements as outlined above. The client will facilitate initial contacts with each agency, and should be invited to all subsequent meetings with MCTI and the Bank so that they have the opportunity to attend. It is anticipated that the MCTI will assist the consultants in identifying appropriate permit requirements.

Coordination with the engineering team is extremely important to ensure that the environmental and social impacts and risks are considered in the final road designs. This coordination is also necessary to ensure that ESIA contains detailed information on the designs. The ESIA Consultant also needs to communicate with the consultants undertaking the involuntary resettlement work.

Reporting Requirements

No later than three (3) weeks from contract award, an Inception Report shall be submitted that presents the Consultant's Work Plan, defines the Implementation Schedule by task, specifies submission dates in draft for each of the required reports, and assigns personnel by name and date to each task. The proposed project schedule shall be broken down by tasks and sub-tasks and presented in chart form in accordance with program evaluation and review technique (*PERT*) or equivalent format (e.g. *Microsoft Project Manager*). A proposed

table of contents for the Draft **Environmental and Social Impact Assessment** (ESIA) reports as called for in this TOR will also be submitted at this time. The timing of each draft and final ESIS is also presented in the table below.

Monthly Progress Reports shall be submitted which present a brief overview of progress in completing tasks, any difficulties affecting ability to achieve work as agreed in the Work Plan, proposed alternate means to achieve project objectives, major scheduled milestones, and any other relevant information to ensure effective implementation. Monthly Progress Reports will be 5 pages maximum in length.

Draft and final ESIA Reports shall be submitted in Montenegrin and English, with two (2) hard copies and two (2) electronic copies at the times as agreed in the Work Plan.

Deliverable	Schedule
1. Inception Report With detailed work plan, staffing, methodology and budget	Within 3 weeks of signing of the contract
2. Final Work plan Validated and disclosed	Within 3 weeks from the Inception Report
3. Data on the current state of the environmental factors (desk study – literature review)	Within 2 months from the Inception Report
3. Draft ESIA *	Within 2 months of the general designer will release all the data necessary as per current legislation
4. Final ESIA	Within 4 months of the general designer will release all the data necessary as per current legislation

** Beside the ESIA Report, the Consultant must draw up the environmental protection studies according to Montenegrin Legislation, respectively the appropriate assessment study and the environmental impact assessment report.*

The guide for the appropriate assessment study recommend that the field studies to be carried out during four seasons. Data acquisition (field study and desk study) must start after signing the feasibility study contract. Also, the Consultant must collaborate with the general designer (for the feasibility study) in order to improve the technical solution and to mitigate the environmental impact.

The Directive 2014/52/EU on the assessment of the effects of certain public and private projects on the environment is currently being transposed in the national legislation. The National Environmental Protection Agency could require further studies (such the vulnerability of the project to climate change and the impact assessment on the water bodies). These studies should be prepared by the Consultant. Also, the Consultant must comply with provisions of the legislation in force at the time of the studies.

Additional information:

- The consultant should closely collaborate with Client since the commencement of services and preliminarily discuss and agree core design decisions;
- The Client will ensure to review submitted reports within 5-6 working days and will provide the consultant with comments and suggestions, if necessary;
- The consultant must consider comments and remarks of the Client and accordingly adjust respective reports design and bidding documents.
- The consultant must take into account that the reports should be simultaneously submitted in English, as well as necessarily in Montenegrin language

ANNEX 7 MITIGATION PLAN AND MONITORING PLAN FOR ESMP TEMPLATE

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ESMP Table of Content

An ESMP consists of the set of mitigation, monitoring, and institutional measures to be taken during implementation and operation of a project to eliminate adverse environmental and social risks and impacts, offset them, or reduce them to acceptable levels. The ESMP also includes the measures and actions needed to implement these measures. The Borrower will (a) identify the set of responses to potentially adverse impacts; (b) determine requirements for ensuring that those responses are made effectively and in a timely manner; and (c) describe the means for meeting those requirements.

Depending on the project, an ESMP may be prepared as a stand-alone document or the content may be incorporated directly into the ESCP. The content of the ESMP will include the following:

(a) Mitigation

- The ESMP identifies measures and actions in accordance with the mitigation hierarchy that reduce potentially adverse environmental and social impacts to acceptable levels. The plan will include compensatory measures, if applicable. Specifically, the ESMP: (i). identifies and summarizes all anticipated adverse environmental and social impacts (including those involving indigenous people or involuntary resettlement); (ii). describes—with technical details—each mitigation measure, including the type of impact to which it relates and the conditions under which it is required (e.g., continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; (iii). estimates any potential environmental and social impacts of these measures; and (iv). takes into account, and is consistent with, other mitigation plans required for the project (e.g., for involuntary resettlement, indigenous peoples, or cultural heritage).

(b) Monitoring

- The ESMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the environmental and social assessment and the mitigation measures described in the ESMP. Specifically, the monitoring section of the ESMP provides (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and (b) monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

(c) Capacity Development and Training

- To support timely and effective implementation of environmental and social project components and mitigation measures, the ESMP draws on the environmental and social assessment of the existence, role, and capability of responsible parties on site or at the agency and ministry level.
- Specifically, the ESMP provides a specific description of institutional arrangements, identifying which party is responsible for carrying out the mitigation and monitoring measures (e.g., for operation, supervision, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training).
- To strengthen environmental and social management capability in the agencies responsible for implementation, the ESMP recommends the establishment or expansion of the parties responsible, the training of staff and any additional measures that may be necessary to support implementation of mitigation measures and any other recommendations of the environmental and social assessment.

(d) Implementation Schedule and Cost Estimates

- For all three aspects (mitigation, monitoring, and capacity development), the ESMP provides (a) an implementation schedule for measures that must be carried out as part of the project, showing phasing and coordination with overall project implementation plans; and (b) the capital and recurrent cost estimates and sources of funds for implementing the ESMP. These figures are also integrated into the total project cost tables.

(e) Integration of ESMP with Project

- The Borrower's decision to proceed with a project, and the Bank's decision to support it, are predicated in part on the expectation that the ESMP (either stand alone or as incorporated into the ESCP) will be executed effectively. Consequently, each of the measures and actions to be implemented will be clearly specified,

including the individual mitigation and monitoring measures and actions and the institutional responsibilities relating to each, and the costs of so doing will be integrated into the project's overall plan.

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ENVIRONMENTAL AND SOCIAL MONITORING PLAN

ANNEX 7A MITIGATION PLAN

Phase	Issue	Mitigating Measure	Cost of Mitigation (If Substantial)	Responsibility*	Supervision observation and comments (to be filled out during supervision)
Project Preparation	?				
Project Execution / operate	?				

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

ANNEX 7B 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	Supervision observation and comments (to be filled out during supervision with reference to adequate measuring reports)
Project preparation							
Project Execution / Operate							

ANNEX 8: COMPLIANCE REPORT

Contract:

Contractor/Service Supplier:

Reported period:

Date of report:

COMPLIANCE REPORT

Company employees* statistics:

Total number of employees¹: _____

Number of employees with an employment contract	Number of employees outside the employment relationship	Number of employees with access to social security, pension and health insurance	Number of employees who receives wages/salaries at least once a month
Number of employees who left the company in the reported period	Number of employees hired in the reported period	Number of hours worked per employee (monthly average)	Total overtime (monthly average)
Number ² of injuries at work	Number of fatalities at work	Number of reported violence	Number of reported harassment/ abuse
Number of reported discriminations	Number of grievances raised	Number of grievances resolved	
Number of suits filed with regard to labor, employment and OHS issues	Number of disputes brought to peaceful settlement/ voluntary arbitration procedure	Number of visits by labor/ OHS inspection	

*The employee is any natural person employed or engaged to work or perform service for the employer

¹The number of employees refers to the actual number/headcount on the date of the report.

²The numbers imply the total number of incidents in the reported period.

Project workers statistics:

Total number of project workers**:	Number of project workers with an employment contract:	Number of project workers outside the employment relationship	Number of project workers with access to social security, pension and health insurance

Working and Labor Conditions Screening checklist

	Terms and conditions	Yes	No	Notes
1	All project workers have an employment contract or engagement agreement in writing			If "No" please specify and explain
2	Project workers are paid at least once a month			If "No" please specify and explain
3	Project workers worked 8 hours a day, 40 hours a week			If "No" please explain and specify the hours worked
4	Project workers had a regular daily and weekly rest			If "No" please specify and explain
5	Project workers were terminated from employment			If "Yes" please specify and explain
6	Project workers attended a training programme			If "Yes" please specify and explain
7	Project workers were granted leaves they are entitled to			If "Yes" Please specify the type and number of leaves
8	Project workers were involved in accidents at work resulting in injuries or fatalities			If "Yes" please specify and explain
9	Project workers reported on cases of discrimination, harassment, sexual harassment or non-compliance with law			If "Yes" please specify and explain
10	Project workers raised grievances or started voluntary arbitration / legal proceedings to settle a dispute			If "Yes" please specify and explain
11	In the reported period there were some incidents on noncompliance with the LMP			If "Yes" please specify and explain

** Project workers are natural persons assigned to the project by the contractor/ service provider.

This questionnaire should be part of a report on involvement/results achieved in the project

ANNEX 9: SAMPLE CLAUSES FOR TENDER DOCUMENTATION

During the works, the Contractor will work according to the Environmental and Social Management Plan (ESMP). The Contractor is obliged to confirm that:

- ESMP conditions have been included into the bid price;
- The Contractor has a qualified and experienced person in a team who will be responsible for the environmental compliance requirements of the ESMP. For this part of the work on the construction site, the presence of a responsible person is mandatory on a daily basis;
- The Contractor and its sub-contractors will comply with Republic of Serbia national laws, EU standards and Lender requirements.

The Contractor should identify potential risks before the commencement of works. Provisions for emergency responses are to be included in the Construction Site Safety Plan, which shall include nomination of a person who will be immediately contacted if an accident occur. In case of any accidents or environmental threats, there will be immediate reporting about these events. The Contractor shall inform the project manager and local authorities immediately after the accident. If the project manager is not available, the Contractor shall inform PERS about the accident. The Site Safety Plan shall be submitted to the Project Supervision Consultant for approval one week before the commencement of the works.

The Contractor will provide the results of “zero environmental monitoring” prior to commencement of works, during its own mobilization phase.

No compensation for the costs of the required environmental mitigation measures and monitoring activities in the form of the particular item in the Bill of Quantity (BoQ) shall be given to the Contractor, except for the water quality analysis and noise measurement. It shall be regarded as if the Contractor has included these costs in the other items of the BoQ. The actual costs of analyzing water quality and noise measurement within the defined contract will be reimbursed to the Contractor in the form of a specific item in the total price.

For non-compliance with the ESIA / ESMP requested measures for mitigating the environmental impact and monitoring activities, the Contractor will receive a specific penalty in the form of demerit points. Demerit points are provided as a measure that should stimulate the Contractor to carry out his obligations in an organized and timely way and to perform his duty in a quality manner.

The Contractor will be responsible for the implementation of environmental mitigation measures during construction and shall employ an environmental specialist who will supervise implementation of the Contractor’s environmental responsibilities. He will coordinate between the Contractor, IZS and the MCTI, and will address any complaints during project implementation in cooperation with IZS.

During project implementation, the IZS shall monitor the compliance of the Contractor with the ESMP provisions.

The Contractor will prepare, as quarterly progress reports, the reports for IZS, which would present all the mitigation measures and measures for environmental protection along with the anticipated activities for monitoring, which were performed during the reporting period. The Contractor will take care of the quality of the environment, in accordance with Mitigation Plan and Monitoring Plan, which form an integral part of the ESMP and will provide reports to IZS.

Sample Labour Clauses for tender documentation

'The appointed party shall be required to ensure the implementation and monitoring of lender requirements on labour standards. All workers employed on the site – whether direct employees of the Contractor or employees of subcontractors and labour-only contractors – shall be employed in accordance with national labour legislation and any additional requirements notified to the party by the lenders. The appointed party will be required to report regularly on its implementation and monitoring of the lenders' labour requirements.

The Contractor shall ensure that a safe and healthy working environment is provided and that best occupational health and safety practice is promoted. The Contractor shall take steps to prevent accidents, injury and disease arising in the course of work by identifying and controlling risks to workers, as far as is reasonably practicable. The Contractor shall ensure that all staff, labourers and persons entitled to be on site receive the necessary supervision, information, instruction and training to do their jobs safely. Where appropriate, the Contractor shall provide appropriate equipment to minimize health and safety risks and enforce its use. The Contractor shall put in place arrangements for emergency prevention, preparedness and response.

All tendering parties shall provide detailed labour costings for their bid and these labour costings shall be consistent with payment to all workers on the Works Site of the applicable minimum wage or collectively-agreed wages, and statutory or agreed overtime premia. Wherever possible, non-wage labour costs – such as provision of OHS equipment and, where appropriate, worker housing – shall be incorporated in the Bill of Quantities.'

Contractor labour clauses to be included in contracts for contractors:

The Contractor shall comply with all the relevant labour Laws of the Republic of Serbia and Labor Management Procedures applicable to the Contractor's Personnel, including Laws relating to their employment, health, safety, welfare, immigration and emigration, and shall allow them all their legal rights. The Contractor shall require his employees to obey all applicable Laws, including those concerning safety at work.

Prohibition of Forced Labour

'The Contractor shall not employ forced or compulsory labour, including bonded or involuntary prison labour, in any form. Forced or compulsory labour consists of all work or service not voluntarily performed that is extracted from an individual under threat of force or penalty. Workers shall not be required to lodge deposits or their identity papers with their employers.'

Prohibition of Child Labour

'The Contractor shall ensure that you people are not employed below the appropriate national age for employment, namely 16. Young people who are employed between the ages of 16 and 18 shall be only employed in accordance with national law and not be employed on hazardous work and a risk assessment shall be carried out in respect of any work carried out by such employees.'

Non-discrimination and equal treatment

'The Contractor shall not make employment decisions on the basis of personal characteristics unrelated to inherent job requirements. The Contractor shall base the employment relationship on the principle of equal opportunity and fair treatment, and shall not discriminate with respect to aspects of the employment relationship, including recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline. The Contractor shall ensure equal remuneration for men and women for work of equal value.'

Workers Organisations, Freedom of association and collective bargaining

'All workers shall have the right to form and join trade unions and to bargain collectively, as provided for under national law. The Contractor shall ensure that workers representatives shall not be discriminated against and shall have access to all workplaces necessary to enable them to carry out their representation functions.'

Record-keeping

'The Contractor shall keep complete and accurate records of the employment of labour. The records shall include the names, ages, genders, hours worked and wages paid to all workers. These records shall be summarized on a monthly basis and submitted to EBRD's representative. The number of grievances received by workers and the response shall also be collected and submitted on a quarterly basis.'

Wages

'The Contractor shall pay rates of wages and benefits that shall meet at least statutory or agreed industry minimum rates. Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. Deductions must never lead to an employee receiving less than the applicable minimum wage.'

'All workers shall be provided with clearly understandable verbal and written information about the conditions in respect of wages before they enter employment and of the particulars of their wages for the pay period concerned each time that they are paid. Wages shall be paid in legal tender in full, on time and directly to the workers concerned. The Contractor shall maintain records of all payments and deductions made.'

Hours of Work

'Hours of work shall comply with applicable laws, collective agreements, and industry standards. Overtime shall be voluntary wherever possible, shall not be demanded on a regular basis and shall always be compensated at a premium rate.'

"No work shall be carried out on the Site on locally recognized days of rest, or outside the normal working hours stated in the Contract Data, unless:

- (a) otherwise stated in the Contract,
- (b) the Engineer gives consent, or
- (c) the work is unavoidable, or necessary for the protection of life or property or for the safety of the Works, in which case the Contractor shall immediately advise the Engineer."

Health and Safety

'The Contractor shall provide The Sponsor with a written Health and Safety Policy and a project-specific Health and Safety Plan before the commencement of work. This Plan should be made available to the lenders prior to the start of Construction.'

'The Contractor shall ensure that a safe and healthy working environment is provided and that best occupational health and safety practice is promoted. The Contractor shall provide regular information and training to all staff, labourers and persons entitled to be on site regarding the potential hazards to health and safety, and on the measures in place to prevent accidents, injuries and ill health.'

'The Contractor will provide or make arrangements for medical treatment of workers, so as not to overload the resources of the local communities. In collaboration with local health authorities, the Contractor shall ensure that medical staff, first aid facilities, and ambulance service are available at all times at the Site, and that any accommodation for Contractor's personnel and that suitable arrangements are made for all necessary welfare and hygiene requirements and for the prevention of epidemics.'

'The Contractor shall appoint an accident prevention officer at the Site, responsible for maintaining safety and protection against accidents. The Contractor shall send to the Engineer/Employer, details of any accident as soon as practicable after its occurrence.'

'The Contractor will develop a preventative approach to worker health concerns, including providing inoculations or other preventative treatments for disease that are either global in nature or endemic in the project area, condoms and information for raising awareness among employees of sexually transmitted disease and HIV/AIDS. The Contractor shall undertake appropriate measures to reduce the risk of transfer of STDs and HIV/AIDS among the Contractor's Personnel and the local community.'

Social Security

'The Contractor shall ensure that that obligations to staff and labour under labour or social security laws and regulations arising from the employment relationship shall be respected, and that such obligations shall not be avoided through the use of labour-only contracting arrangements.'

Grievance mechanisms

'The Contractor shall ensure that a grievance mechanism is available to all workers to use without fear of intimidation or retaliation. The Contractor will ensure that employees are informed about the grievance mechanism and that this is part of the training for new employees and information is posted in relevant areas in the worksite and any construction camps.'

Code of Conduct

'The Contractor shall develop and ensure that a code of conduct for employees is enforced, including policies on alcohol, smoking and non-smoking areas, and interaction with local communities. The code of conduct shall be part of the training programme for new employees and be posted in relevant areas in the construction camp.'

Reports

'The Contractor shall record occupational accidents and occupational diseases, and shall provide information to workers and their representatives concerning the recording system. The Contractor shall notify the competent authorities of occupational accidents and occupational diseases, and provide appropriate information to workers and their representatives concerning the notified cases.'

'The Contractor shall provide regular reports on its management and monitoring of working conditions of direct and indirect employees on the Works Site.'

ANNEX 9: REPORT ON PUBLIC CONSULTATIONS – to be added after consultations