

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA17270

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Kosovo	Project ID:	P152881
Project Name:	Kosovo: Competitiveness and Jobs (P152881)		
Task Team Leader(s):	Jieun Choi,Blerta Qerimi		
Estimated Appraisal Date:	07-Sep-2016	Estimated Board Date:	31-Oct-2016
Managing Unit:	GTC03	Lending Instrument:	Investment Project Financing
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	24.00	Total Bank Financing:	24.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			24.00
Total			24.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

2. Project Development Objective(s)

Enhance the business environment, firms' export readiness and improve employment outcomes.

3. Project Description

1. The project aims to strengthen the capacity of select public institutions in Kosovo that are responsible for improving exports, private sector competitiveness, skills formation and intermediation. This means addressing issues related to both firms and workers (that is, labor demand (Component I) and labor supply (Component II)).

Component 1: Enhancing business environment and export readiness (US\$14.22 million)

2. The objective of Component I is to contribute to the government's efforts to enhance the business environment and export readiness of firms by modernizing NQI, supporting SMEs with export and job creation potential, and reforming the business inspections system. Kosovo, one of the least integrated countries in the region, shows significantly low export performance. Exports are hampered by lack of adequate NQI, a public good that is cost-prohibitive for any private agent to fund on a systemic level. Meanwhile, there is urgent need to support growth of SMEs by helping them to improve the quality of their products, tap into regional value chains, and improve relevant skills of their employees. In addition, Kosovo has the highest number of individual inspections among all its neighboring countries, which poses a significant regulatory and compliance burden on businesses. This component will finance the following three subcomponents: (i) improving NQI and supporting its international recognition, (ii) supporting businesses to upgrade product quality, skills, and export readiness, and (iii) reforming the business inspections system.

Component 1.1: Improving NQI and supporting its international recognition (US\$7 million)

3. The objective of this subcomponent is to support international recognition of NQI identified as a key weakness of the Kosovo NQI. Exporters cannot use testing reports from domestic laboratories or certificates from domestic product certification bodies when they export their products to other markets, such as EU, since accreditation of these laboratories and certification bodies are not internationally recognized. On the other hand, for these accreditations to be recognized internationally, the accreditation organization itself has to be recognized internationally. The Project will support the KMA and KAD to become qualified to sign the MRA with CIPM and ILAC/IAF, and support coordination for the sustainability of an NQI system. These efforts will lead to existing domestic laboratories (and the entire NQI of Kosovo) to be recognized by high-value markets, such as the EU, which will reduce firms' costs to obtain internationally recognized testing reports and certificates.

4. This sub-component will finance equipment, capacity building, and IT systems (i) to support KMA to upgrade selected metrology laboratories, train their staff to use the procured equipment, and build their capacity to improve traceability and interlaboratory comparisons' key bottlenecks that KMA must overcome to sign MRAs with international organizations; (ii) to support KAD with IT systems for data interoperability and exchange, which will ensure relevant agencies can access information about standards and laboratories' testing results, and ensure KAD's accreditation of laboratories to be in line with international best practice; and (iii) to improve coordination for the sustainability of an NQI system by supporting the establishment of a National Quality Infrastructure Committee (NQIC) with private sector participation and improving public awareness of international standards and harmonization requirements.

Component 1.2: Supporting SMEs to upgrade product quality and export readiness (US\$3 million)

5. The objective of this subcomponent is to establish a matching grants program for SMEs with export and job creation potential to acquire product certifications and standards, upgrading employees' skills and Business Development Services (BDS). Scaling up of existing firms, rather than establishing new ones, is key to increasing employment opportunities in Kosovo, where new firms continue to be created but remain largely as micro and small size enterprises. Poor access to technology, skilled workforce, and finance are major constraints to scaling up for Kosovar SMEs' (SME needs assessment 2014). This component complements the other components of the Project, such as NQI and labor market intermediation as following: while an improved NQI system will

reduce firms' costs in obtaining the internationally recognized certification and testing, the matching grants will support firms' know-how to meet the requirements of these standards. Also, firms that benefit from the grants will report job openings with the PEOs, so that needed intermediations are identified, and Project synergies fully utilized.

6. This subcomponent will finance selected SMEs and business associations to (i) fulfill requirements to implement international standards and receive certifications required for export markets, (ii) receive relevant training for employees for individual firms or groups of firms, and (iii) gain access to BDS, such as marketing and management skills. The matching grants scheme will be managed by Kosovo Investment Enterprise Agency (KIESA) under the MTI. An independent Investment Committee (IC) comprising of international experts and the private sector will adjudicate applications. The overall design of the matching grants will be governed by the Grants Manual prepared by KIESA, based on SME needs assessment and available supply capabilities in the market, and approved by the WBG. Selection criteria will focus on the investment's impact of the applicant firm's growth, employment, exports, and profitability, as well as the firm owner's gender. Matching grants provided to firms through business associations will encourage firms to share their training costs. The enhanced capacity of KIESA and select business associations will help address information asymmetries on workforce development needs and reduce the cost of coordination for the private sector.

Component 1.3: Reforming business inspections system (US\$4.72 million)

7. The objective of this subcomponent is to reduce the administrative burden to businesses, improve the efficiency and effectiveness of inspection services, and reduce informality in Kosovo. Kosovo has the highest number of business inspections among all its neighboring countries. Kosovo's inspections system is not transparent, and there are no publicly available inspections checklists, no advance announcement of visits, and no proper feedback mechanism. The current situation is a significant burden for business (an average 22 visits by inspectorates per business per year). A working group has been established by the National Council of Economic Development under the oversight of the Prime Minister's Office to address the reforms of this cumbersome inspections system for businesses.

Component 2: Enhancing job-relevant skills formation and labor market intermediation (US \$8.280,000 million)

8. The overall objective of Component II is to contribute to government's efforts to improve employability and job placement by enhancing job-relevant skills formation and labor market intermediation. This component will support the efforts to equip the younger generation and the overall workforce with relevant skills, through pertinent and quality activation measures. In parallel, it will address market failures in labor market matching functions with the ultimate goal of improving the functioning of the labor market. This component will provide support to the MLSW in developing, and monitoring and evaluating this strategic vision and implement key interventions that are fully complementary to the activities financed by other donors in Kosovo, where the latter provide mostly grants, and informed by private sector needs.

9. This component will finance the following two subcomponents: (i) strengthening MLSW capacity to identify and implement a comprehensive set of private sector-led activation measures; and (ii) enhancing public sector employment service delivery.

Component 2.1: Strengthening MLSW capacity to identify and implement private sector-led

activation measures (US\$6,530,000 million)

10. The objective of this subcomponent is to reduce skill mismatches and to increase workers' employability and productivity by improving and scaling up private sector-led, evidence-based ALMPs in Kosovo. Strengthening of the MLSW and the Employment Agency of the Republic of Kosovo (EARK) capacity to identify, develop, and monitor and evaluate their activation measures, and ensuring that there are fully aligned with market needs will be a priority to ensure the successful implementation of this subcomponent of the Project. This strategic work will be informative in defining and then financing key AMLPs that proved effective in responding to market needs.

11. This subcomponent will finance: (i) strategic analysis (that is, skills needs and vocational training assessment), and evaluations of existing ALMPs; (ii) requisite capacity building for the ministry to conduct analytical and evaluation work; (iii) development of new functions of the management information system, including the capacity to monitor implementation of services (that is, development of instruments and systems to monitor in real time implementation of ALMP interventions, interoperability of the system with other government-based systems (for example, tax authorities); (iv) development of occupational standards and curricula; (v) delivery of new courses from institutional-based training through VTCs, which will imply development of curricula, purchase of requisite machinery and all necessary materials to deliver the courses, the hiring of specialized trainers, as needed, or capacity building for existing trainers, and certification of training; (vi) outsourcing vocational training through private or nonpublic providers; (vii) delivery of combined institutional-company-based training schemes; and (viii) stipends for most effective ALMPs, such as on-the-job training or internships.

Component 2.2: Enhance service delivery of public employment offices (US\$1,750,000 million)

12. The objective of this subcomponent is to improve the job matching capacity of Public Employment Offices. As PES continue to be an important player in the labor market and in supporting government to meet national targets of increasing employability and employment of the population, they will have to adapt to better support private sector needs. PES will have to further improve the delivery of public employment services, especially labor market intermediation or job matching services. This will include adapting and improving its service model, organization, and tools used for better serving the private sector, as well as becoming more attractive for jobseekers over the next few years (for more details, see annexes 2 and 8).

13. This subcomponent will finance: (i) expanding the service package for jobseekers and employers (that is, job search techniques, job application and interview skills, online courses on soft skills development, career orientation or interview preparation and job matching services); (ii) capacity building for PEOs personnel on how to work effectively with the private sector and with jobseekers; (iii) enhancing communication with the general population as well as with businesses on PEOs and ALMPs; (iv) capacity building for the Employment Agency to monitor and provide assistance to PEOs and ALMPs in best delivering their intermediation and activation services; and (v) minor refurbishment, purchase of equipment and vehicles for PEOs throughout the country, following the same service delivery model for offices based on best practice; to trigger greater interest from employers and jobseekers.

Component 3: Project implementation and coordination support (US\$ 1M)

14. This component will aim to ensure efficient and effective implementation of all Project components. This component will finance a project coordination unit (PCU), which comprises of consultants to support project management and coordination among the two ministries activities and other relevant stakeholders, technical implementation, procurement, safeguards, financial management, and project monitoring and evaluation (M&E). Implementation support will be provided by the Bank throughout the project, with periodic supervision missions and a midterm review.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

5. Environmental and Social Safeguards Specialists

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	Whereas the project will not finance any physical investment through the matching grant scheme, it might support operating of some heavy polluting industries. Given the potential environmental impact exercised by supported companies and lack of pollution abatement infrastructure (e.g. waste water treatment plants) in Kosovo the Grant Manual prepared by the Client will contain guidelines (including a questionnaire) for determining applicant's degree of environmental compliance with the Kosovo existing environmental legislation. Only applicants (SMEs) fully complying with the national environmental legislation will be found eligible for the financial support. In addition, the project activities must not aggravate existing impacts to the environment and/or environmental conditions. Priority in financing will be given to companies already conforming to some type of recognized sectoral environmental standard/practice/technique such as ones compiled in EU Best Available Techniques Reference Documents or to a norm such as ISO 14001.
Natural Habitats OP/BP 4.04	No	Works are expected to take place in highly urbanized areas.
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	No activities causing significant change in pest management practices or land use will be supported.
Physical Cultural Resources OP/BP 4.11	No	No works will be carried out that could impact cultural heritage resources.
Indigenous Peoples OP/BP 4.10	No	

Involuntary Resettlement OP/BP 4.12	No	<p>OP/BP 4.12 is not triggered as any form of involuntary land take will be excluded from the Project. Under component 1.2, the Project envisages support to SMEs in form of matching grants to strengthen their ability to meet required export standards and business development potential. Applications that may cause involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to other assets will be excluded from applying for grant support. Any land or property acquisition must take place on a willing buyer willing seller basis.</p> <p>Remodeling of PES offices under subcomponent 2.2 might cause temporary disruption of public employment offices services, but there will be no need for permanent displacement of any kind. To manage the risk of induced land acquisition of refurbishment, the Project Operational Manual will specify refurbishment restrictions and requirements (e.g., proof of ownership, construction/use permits, etc.).</p>
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	<p>Administrative and implementation issues related to OP 7.50 Projects in Disputed Areas, might occur due to the fact that Republic of Kosovo is not recognized as an independent state by its immediate neighbor, Republic of Serbia. In addition, the location of sub-projects (sub-component 1.2) is still unknown and may be located in the Northern Kosovo which also does not recognize National Government of Kosovo, where there is limited accessibility for the representatives of the Republic of Kosovo, as well as the WB team. However, LEGEC concluded that, based on several agreements and accords signed in 2012 and 2013, this policy would not apply. Nevertheless, risks associated with problem implementation because of the fact that the Bank team and PCU have limited access to North of Kosovo need to be recognized and addressed.</p>

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

<p>The project is classified as C category as is predominantly focused on enhancing business environment and opportunities through reforming of national services (inspection), provision of matching grants for soft services such as acquisition of certification and standards and trainings for employees, purchase of equipment for development of instruments and systems, provision of training and other capacity building activities and similar. Some minor refurbishment works are possible under the component 2.2 Modernizing public employment service delivery, such as painting, indoor-walls plastering, small repairs and similar, but on currently unknown number of buildings or locations. No construction works that include building renovation and/or reconstruction, outside works (e.g. works on building envelope or facade), or works generating significant amounts of construction waste will be financed by this project. Given that asbestos containing materials, compact fluorescent lamps and lead containing paints are significantly present in existing buildings in Kosovo, and absence of resources and facilities for adequate management of such wastes, no works that can potentially generate such (and other types of) hazardous wastes will be financed. No works will be carried out that can impact physical cultural resources.</p> <p>The project will potentially support all Kosovo exporting sectors through matching grant scheme (except mining and coal processing), priority given to SMEs from wood processing and textile sector which are, in general, very polluting industries especially in areas with lack of adequate pollution abatement infrastructure. E.g. production and processing of textiles is very polluting to water. In the same time there is practically none water treatment infrastructure in Kosovo so it is very likely that companies in that sector are releasing toxic waste waters directly to the natural recipients. Therefore, the grants applicants (SMEs) must provide sufficient proof of compliance with environmental regulation of Kosovo to be found eligible for financing under the scheme. In addition, only activities that will not aggravate existing impacts to the environment and/or environmental conditions will be supported. In order to further support good environmental practices the project will give priority in financing to companies already conforming to some type of recognized sectoral environmental standards/practices/techniques such as ones compiled in EU Best Available Techniques Reference Documents or to a norm such as ISO 14001. Matching grants applications with activities that might cause significant change in pest management practices or land use will not be supported. Applications that may cause involuntary displacement of existing occupants or economic users of any plot of land, regardless of its current ownership, or loss of or damage to other assets will be excluded from applying for grant support.</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p>
<p>The only potential environmental impact from project implementation can occur in the case minor rehabilitation buildings are extended out of the set scope and include interventions into building envelope, roof and other covers, lead containing surfaces, luminaries or other construction elements resulting in generation of large quantities of construction wastes, hazardous waste or produce safety challenges (traffic interruption, scaffolds, and similar). Refurbishment of PES offices will cause temporary disruption of public employment offices services, but there will be no need for permanent displacement of any kind. The refurbishment scope under subcomponent 2.2 will be described in the Project Operational Manual. Refurbishment activities that may induce land acquisition will be excluded from Project support.</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p>
<p>N/A</p>

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
The Grant Manual (GM) will, within the environmental compliance guidelines, set eligibility requirements for the grant funds final users (applicants) regarding (i) confirmation of compliance with the Kosovo existing environmental legislation and (ii) ensuring the sub-project activities will not aggravate existing impacts and/or environmental conditions. Priority in financing will be given to companies already conforming to some type of recognized sectoral environmental standard/ techniques/practices such as EU Best Available Techniques Reference Documents or norm such as ISO 14001 which will also be reflected in the GM. For that purpose a questionnaire will be developed by the Client, as an integral part of the guidelines, and used as a part of the Application package. A complete proof of compliance should be obtained prior to the application approval. The questionnaire will be based on existing Kosovo environmental regulation. MIT will be responsible for the development of the questionnaire and guidelines, conformation of compliance and activities evaluation for which it can gain assistance form the Ministry of Environment and Spatial Planning. The GM is a subject of Environmental and Social Safeguards Specialists approval prior to the Appraisal . The GM will also include limitations on envisaged refurbishment works.
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Key stakeholders for ensuring environmental compliance and adherence to World Bank safeguards requirements are Ministry of Trade and Industry and Ministry of Labor and Social Welfare for the components 1.2 and 2.2 respectively.

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
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III. APPROVALS

Task Team Leader(s):	Name: Jieun Choi,Blerta Qerimi	
<i>Approved By</i>		
Safeguards Advisor:	Name: Nina Chee (SA)	Date: 30-Jun-2016
Practice Manager/ Manager:	Name: Paulo Guilherme Correa (PMGR)	Date: 22-Jul-2016