

# INTEGRATED SAFEGUARDS DATA SHEET

## CONCEPT STAGE

**Report No.:** ISDSC14011

**Date ISDS Prepared/Updated:** 30-Jun-2015

**Date ISDS Approved/Disclosed:** 07-Aug-2015

### I. BASIC INFORMATION

#### A. Basic Project Data

<b>Country:</b>	Kosovo	<b>Project ID:</b>	P152881
<b>Project Name:</b>	Kosovo: Competitiveness and Jobs (P152881)		
<b>Task Team Leader(s):</b>	Jieun Choi, Blerta Qerimi		
<b>Estimated Appraisal Date:</b>	17-Feb-2016	<b>Estimated Board Date:</b>	06-Jul-2016
<b>Managing Unit:</b>	GTC03	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	General public administration sector (10%), SME Finance (20%), Other social services (20%), General industry and trade sector (50%)		
<b>Theme(s):</b>	Micro, Small and Medium Enterprise support (20%), Technology diffusion (20%), Export development and competitiveness (30%), Improving labor markets (20%), Trade facilitation and market access (10%)		
<b>Financing (In USD Million)</b>			
Total Project Cost:	25.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
<b>Financing Source</b>		<b>Amount</b>	
Borrower		25.00	
International Bank for Reconstruction and Development		0.00	
Total		25.00	
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

#### B. Project Objectives

Enhance Kosovo's competitiveness and impact on employment by facilitating trade, fostering SME growth, and improving labor market intermediation and relevance of vocational training.

#### C. Project Description

### Component 1 - Trade quality facilitation and integration (US\$ 8 million)

This component aims to support the government to receive international accreditation for metrology/ accreditation/certification system, thus to protect domestic market against low quality products and to be compliant with EU and WTO rules regarding free movement of goods. Also, this component will support the government to reduce administration burden for exporters/importers in cross borders, thus lower the costs of products thus increasing the competitiveness of Kosovar products. All of these activities are ultimately expected to result in more exports and integration with the EU and neighboring countries. There are two sub-components under this component: 1.1 Improving national quality infrastructure and systems, and 1.2. Trade facilitation.

Sub-component 1.1. Modernization of the National Quality Infrastructure (NQI) - This sub component with proposed allocation of US\$ 5.5 million comprises of investment lending in:

- (i) Strengthening capacities of NQI staff (metrology, accreditation, standardization) through providing technical advice to quality institutions (metrology and accreditation in particular, as well as sanitary and phytosanitary [SPS] agencies) in order to become internationally recognized;
- (ii) Equipping metrology and FVA laboratories and help them become internationally accredited;
- (iii) In addition, the project will support the Ministry of Trade and Industry (MTI) to create management processes between MTI and NQI institutions for quality oversight.

And US\$ 0.5 million results based lending in:

- (iv) Creation of feedback mechanisms and feedback loops between the private sector, ministries, and NQI agencies that should influence policy change going forward;
- (v) Assistance in adoption of NQI strategy, and in adapting the legal and regulatory framework to enable operational independency of accreditation and metrology agencies;
- (vi) Support the government to establish a central coordinating point for market surveillance, while technical advice will be provided to improve market surveillance inspection, as well as other inspections.

Sub-component 1.2. Trade facilitation - This sub component with proposed allocation of US\$ 1.5 million comprises of investment lending in:

- (i) Kosovo's border agencies to operationally implement the transit facilitation corridors with neighboring country(ies);
- (ii) Helping to establish a single-window online G2B platform for border agencies (customs, food and venerate agency laboratories, and a central coordinating point for market surveillance).

And US\$0.5 million results based lending in:

- (iii) Customs and other border agencies, including quarantine and food safety agencies operating at the border, to align their processes and procedures with WTO's Trade Facilitation Agreement and reduce documentation requirements;
- (iv) Kosovo customs with further development of trusted traders' regimes and post clearance audit competencies;

### Component 2 - SME development and investment climate reforms (US\$ 7.5 million)

The aim of this component is to promote SME development by providing targeted support to increase standards, foster exports, and improve their competitiveness, as well as improve the business environment and reduce the administrative burden for businesses in order to create a transparent and efficient operating environment for both local and foreign companies.

The work will partially build on ongoing advisory support provided under the IFC Kosovo

Investment Climate Project (2013 – 2016) which focuses on business regulation and investment policy. A follow-up T&C Investment Climate II advisory project will be designed to provide continued technical assistance with potential SECO financing. This component consists of two sub-components: Sub-component 2.1. Enhancing Business Environment and sub-component 2.2. Developing SMEs.

Sub-component 2.1. Enhancing Business Environment - This sub-component aims to increase transparency and efficiency in interactions between the state and firms, both foreign and local, through upgrading business registration, improving regulatory quality, and targeting investment policy. Investment lending will be provided mainly for: (i) business registration and (ii) inspections reform, while results based financing will be provided to support: (i) introducing regulatory impact assessment, (ii) streamlining permits and licenses, and (iii) strengthen investment policy framework. A one stop shop model might be used. To supplement the technical assistance necessary to achieve these results the advisory project Investment Climate II will be used.

This sub component with proposed allocation of US\$ 3 million comprises of investment lending in:

- (i) Support to KBRA to extend business registration services in the north of Kosovo through establishing three to four new MBCs;
- (ii) enhance activities of seven regional MBCs and equip them to provide a wider range of services for businesses;
- (iii) upgrade the current software KBRA uses to achieve online business registration and implement a unique business identifier for registered companies;
- (iv) introduce standard procedures for business inspections in Kosovo at all levels; reduce the number of individual inspection bodies (through mergers, and organizational and operational changes); introduce better internal controls, better governance standards, and a risk-based approach and business enabling inspections, while at the same time protecting public health and safety; and finally reduce ambiguity and close the regulatory implementation gap .

And US\$0.5 million results based lending in:

- (i) Further support in the establishment of a RIA unit in the central government, and creation of RIA units across ministries. Technical assistance for continuous capacity building can be provided through the supplementary advisory project.

Sub-component 2.2 Developing SMEs - This sub-component supports SMEs to increase standards, improve access to markets, and foster innovation by improving the effectiveness of KIESA through results based finance and providing matching grants through investment lending.

This sub component with proposed allocation of US\$ 3.5 million comprises of investment lending in:

- (i) Establishment of the matching grants facility for enterprise upgrades and export readiness. Currently lack of access to finance and poor quality of goods/services produced impede firm growth and exports. The matching grants scheme will address these issues. Additionally, the scheme will help increase demand for the NQI, help build a culture of use of management consultants, and improve competitiveness of firms (especially export-oriented firms) in key sectors.

And US\$0.5 million results based lending in support to KIESA that is based on the following achievements:

- (i) Improving the capacity of the organization through staffing and imparting required skills sets to personnel,
- (ii) Improving the monitoring and evaluation process of KIESA by incorporating annual reviews and action plans and independent evaluations, and

(iii) Providing the necessary state budget for the staff and activities outlined in its action plans. Technical assistance to increase KIESA's capacity will be provided through the Investment Climate 2 advisory project.

#### Component 3 - Labor market intermediation and skills development (US\$ 8 million)

This component will support the Kosovo Employment 2020 Strategy and the Skills Vision 2020 Strategy. The aim of this component is to (i) implement competency-based learning and improving the responsiveness of the education and training system to labor market demands; (ii) foster entrepreneurship and innovation; (iii) modernize employment services to meet the needs of the labor market; and (iv) enhance capacities for coordinated sector policy development and implementation. This is planned to be achieved by implementation of two sub-components: 3.1 Improving labor market intermediation and active labor market programs and 3.2. Improve relevance of vocational education and training.

Sub-component 3.1 Improving labor market intermediation and active labor market programs - This sub-component aims to strengthen labor market intermediation services, by supporting the public employment services (PES) for unemployed and inactive people and the active labor market programs. The following will be supported:

- (i) Public employment services (PES) modernization,
- (ii) Development of labor management information system (LMIS),
- (iii) Improving design of active labor market programs,
- (iv) Improving access to childcare – testing a new child care in Kosovo.

Sub-component 3.2 Improve relevance of vocational education and training - This sub-component would support the reform agenda led by the Ministry of Education, Science, and Technology (MEST) and the Ministry of Labor and Social Welfare (MLSW) to improve quality assurance and relevance of vocational education and training (VET) provision in Kosovo. It would also aim to strengthen inter-ministerial and interagency coordination in the development and implementation of the main improvements needed in VET.

This sub-component would finance following activities:

- (i) Establishing systems and processes that ensure a sustainable link of the vocational training provision with the National Qualifications Framework (NQF) and the quality assurance and certification process led by the National Qualifications Agency (NQA). These activities lead to improvements in the quality and relevance of training profiles, clear definition of occupational competencies, and accreditation of training programs and providers of vocational education and training.
- (ii) Technical assistance to carry out the mapping of profiles, the consolidation of professional profiles, and the development of specific occupational standards and learning outcomes. This component would also support and facilitate the update and modernizations of training programs for select priority professional fields
- (iii) Modernization of vocational training centers
- (iv) Strengthening the foundation of a modern upper secondary VET system.

Rather than being stand-alone components, they are designed to be complementary, as synergies between the components continue to evolve and be elaborated.

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

Competitiveness and Job Creation Project has a national scope. The sub-project activities are expected to take place throughout Kosovo. The activities consist mostly of technical assistance to Kosovo government and relevant competent bodies (such as Ministry of Education, Science and Technology Development, Ministry of Trade and Industry, Ministry of Economy), policy and system reforms as well as implementation of programs for improving institutional capacities to facilitate trade, export in particular, create climate for SMEs and foreign and domestic investments, and harmonization of vocational education with labor market needs. In addition, some equipment purchase will take place and, potentially, some smaller construction work on rehabilitation of buildings.

Construction works, in form of rehabilitation of buildings, are possible within sub-component 1.1. Modernization of the National Quality Infrastructure (NQI) for upgrading of laboratories to accreditation level; 2.1 Establishing Business Environment as a part of the investment in establishment of three to four new Municipal Business Centers; 3.1. Improving labor market intermediation and active labor market programs for modernization of Public employment services buildings and sub-component 3.2 Improve relevance of vocational education and training in the part of modernization of vocational training centers. There will be no construction of new buildings. In all cases, the location of centers and laboratories as well as size of works are unknown at this point although expected to be only minor rehabilitation or small-scale building construction. Also, it can be expected that the location of works will be in urbanized areas. The exact locations and size of works will be known prior to the appraisal stage. Sub-component 2.2 Developing SMEs (especially export oriented firms), will provide matching grants through investment lending. The funds will be used to improve competitiveness of firms, implying investments and working capital. SMEs throughout a country will be supported. There are several potential exported oriented key sectors identified so far, namely: agro processing, textile, vegetable products, hides and skins, and ICT sector.

### **E. Borrowers Institutional Capacity for Safeguard Policies**

The overall government's capacity is rated low, so is the safeguard policy implementation capacity. In general, there is a small pool of available human resources resulting in low technical expertise in all areas.

There are three implementing agencies to the Project: Ministry of Trade and Industry (MTI), Ministry of Labor and Social Welfare (MLSW) and Ministry of Education, Science and Technology (MEST), which will carry out main activities of the project. It was recommended that the Project Implementation Unit (PIU) would be set within MTI since most of the beneficiary agencies are placed under MTI. The implementing agencies have different levels of capacity, though all have a certain level of experience working with the WB. While MEST and MSWL have some experience implementing WB projects (via international Development and Education Project and Development Policy Operations), MTI has carried out FIY projects. Nevertheless, the experience was gained mostly on policy development projects and there is an evident lack of capacity in understanding Bank's safeguards procedures for investment lending and for the eligible expenditure programs. Capacity is also generally weak at the municipal level. A one day training of the staff in the MTI, MEST and MLSW is envisaged during project preparation by WB environmental specialist.

Some activities, including setting up three one stop shops within the sub-component 2.1. Enhancing Business Environment will take place in parts of Kosovo which is predominantly inhabited by Serbian minority (e.g. Municipalities Zubin Potok, Zvecan, Leposavic) that does not accept Republic of Kosovo as an independent state, but require governance from the Republic of Serbia. Inclusion of the northern territories creates additional uncertainties since the competent bodies of the Republic of

Kosovo, including MTI, MLSW and MEST, are not recognized as legitimate, by the local population, on these territories.

**F. Environmental and Social Safeguards Specialists on the Team**

**II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
<p>Environmental Assessment OP/BP 4.01</p>	<p>Yes</p>	<p>The investments proposed in the sub-components 1.1., 2.1, 3.1. and 3.2 include carrying out rehabilitation works on buildings. If financed, the works will consist of rehabilitation works carried out in already used government owned facilities (e.g. laboratories and cross-border agencies) or municipality offices (one stop shops). For the sub-component 2.2. Development of SMEs, the project will provide matching grants (investments / working capital) to variety of SME (export oriented). Key (export oriented) sectors, identified until this point, are ICT services, food processing, agriculture, textile and mining (coal).</p> <p>A two-part ESMF is proposed which will cover (a) sub-components with rehabilitations of buildings and (b) for sub-component 2.2 which includes development of SMEs. The objective of the ESMF should be that all investments and reforms supported under the Project will be environmentally and socially sound and sustainable (e.g., improvement of quality of goods/services as a result of matching grants facility leads to inclusive market access) and consistent with WB Safeguards Policies and Kosovar national legislation . The ESMF will include guidance and assignment of responsibilities for monitoring and mitigating sector specific social and environmental risks relevant for project financed SMEs.</p> <p>For sub-components with refurbishment and construction the ESMF should include a basic resettlement screening checklist to identify early any land acquisition issues (e.g., land ownership, informal use of government land/facilities). For those building works already identified, environmental due diligence documents will be prepared prior to appraisal. Rehabilitation works on buildings present temporary, predictable and site specific</p>

Public Disclosure Copy

Public Disclosure Copy

		<p>environmental impacts for which EMP Checklists will be prepared. In the case of larger construction works would be necessary at a particular location or the location of works proves to have special historical or environmental value, EMP should be developed.</p> <p>Part of the ESMF dealing with the development of SMEs will be prepared in line with the eligibility criteria for SME financing agreed between the Bank and the Borrower.</p>
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	TBD	Agriculture and food processing is one of Kosovo's export oriented key sectors and it is possible the sub-component 2.2. Development of SMEs will support agriculture and food related sub-projects thus ESMF will include guidance on Pest management, as well as screening criteria for the assessing the need for Pest Management Plan (PMP). If needed, the PMP will be developed for individual sub-projects under the aforementioned component.
Physical Cultural Resources OP/BP 4.11	TBD	The scope of works include rehabilitation of existing governmental and municipality offices and buildings. Possibility of works taking place in protected historical buildings cannot be excluded at this point. ESMF will set the procedures and/or instructions for the cases of rehabilitation works taking place in historical buildings within the components 1.1, 2.1, 3.2 as well as chance findings and working in historically significant areas within the sub-component 2.2. Development of SMEs.
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	Yes	Given the limited physical nature of project components, it is unlikely that the project will have negative social impacts in terms of land acquisition and/or physical and economic displacement. However, rehabilitation of public buildings (component 3.2) and proposed establishment of 4 new business centers (component 2.1) may induce land acquisition and displacement (e.g., of informal occupants of government land/facilities). At this point in time, all physical works are anticipated to take place on public property, but a precautionary

		RPF will be developed in case the project causes unexpected land acquisition or resettlement (including informal occupants). By the time of Appraisal, the risk of induced land acquisition will be assessed and some assurance that the affected public land is free from informal occupants will be provided. The risk of unexpected land acquisition and resettlement will be monitored throughout the project preparation and implementation with a resettlement screening checklist (part of ESMF).
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	

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 01-Oct-2015

**B. Time frame for launching and completing the safeguard-related studies that may be needed.**

**The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

EMP checklist will be prepared for all rehabilitations/ reconstructions that will be confirmed prior to appraisal.

ESMF should be prepared prior to appraisal for SME sub-component. If rehabilitations / reconstructions envisaged under other components will not be known by the appraisal, ESMF should include those as well.

The ESMF will require one public consultation and the pre-cautionary RPF will be made publicly available on the Client's website and a hard copy should be available at the Client's premises. All documents will be disclosed in local (Albanian and Serbian) languages and English and publicly discussed prior to appraisal. Local media will be used for the public consultation call.

### IV. APPROVALS

Task Team Leader(s):	Name: Jieun Choi, Blerta Qerimi	
<b>Approved By:</b>		
Safeguards Advisor:	Name: Nina Chee (SA)	Date: 07-Aug-2015
Practice Manager/ Manager:	Name: Paloma Anos Casero (PMGR)	Date: 07-Aug-2015

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.