

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRESS REPORT
ON THE
IMPLEMENTATION OF MANAGEMENT’S ACTION PLAN
IN RESPONSE TO
THE INSPECTION PANEL INVESTIGATION REPORT No. 106658-XK,
DATED SEPTEMBER 12, 2016, ON THE

**KOSOVO POWER PROJECT (PROPOSED, P118287) AND SECOND ADDITIONAL
FINANCING FOR ENERGY SECTOR CLEAN-UP AND LAND RECLAMATION PROJECT
(P131539)**

JANUARY 4, 2018

Kosovo Power Project (Proposed, P118287) and Second Additional Financing for Energy Sector Clean-Up and Land Reclamation Project (P131539)

**Progress Report
Implementation of Management Action Plan**

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Abbreviations

CLRP-SAF	Energy Sector Clean-Up and Land Reclamation Project - Second Additional Financing
ESIA	Environmental and Social Impact Assessment
GoK	Government of Kosovo
KCA	Kosovo Cadastral Agency
KEK	Kosovo Power Corporation
KPP	Kosovo Power Project
KRPP	Kosova e Re Power Plant
LPTAP	Lignite Power Technical Assistance Project
MAP	Management Action Plan
MED	Ministry of Economic Development
MESP	Ministry of Environment and Spatial Planning
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework

I. INTRODUCTION

1. This is the first and final Progress Report to the Board of Executive Directors (the Board) on implementation of the Management Action Plan (MAP) in response to the Inspection Panel Investigation Report No. 106658-XK dated September 12, 2016, on the Kosovo Power Project – KPP (Proposed, P118287) and Second Additional Financing for the Energy Sector Clean-Up and Land Reclamation Project – CLRP-SAF (P131539), covering the period October 18, 2016 to December 30, 2017.

2. *The proposed Kosovo Power Project (KPP)* would support the construction of a new lignite-fired power plant, the Kosova e Re Power Plant (KRPP). The proposed KPP aims at securing: (i) reliable energy supply for the Kosovo economy; (ii) energy affordability for citizens and businesses; and (iii) significant reduction of the environmental and social impacts of electricity generation.

3. *Status of KPP preparation.* The Bank is currently considering its support for the proposed KPP through a Partial Risk Guarantee (PRG), but has made no decision on financing the project. Should the Bank decide to provide a PRG or any kind of financial support for the project, all potential environmental and social impacts arising from the KRPP - and the mine that will supply KRPP - would have to be assessed and mitigated, in a manner acceptable to the Bank and in-line with the Bank’s safeguard policies. The Bank will make its decision only after all environmental, social and technical analyses have been conducted and public consultations held.

4. The original *Energy Sector Clean-up and Land Reclamation Project (CLRP)* was approved by the Bank’s Board on June 13, 2006 with a total amount of SDR 3.8 million (US\$5.3 million equivalent). *The first Additional Financing (CLRP-AF)* was approved by the Bank’s Board on June 28, 2007 with a total amount of SDR 3.3 million (US\$4.6 million equivalent). This project had the following objectives: (i) to address environmental legacy issues related to open dumping of ash on land from the Kosovo A thermal power plant belonging to the Kosovo Energy Corporation (KEK); (ii) to enable KEK to make land currently covered by overburden materials available for community development purposes and remediate the Kosovo A ash dump; and (iii) to initiate structural changes in KEK for continued clean-up operations and environmental good practices in mining operations.

5. The CLRP and CLRP-AF closed on June 30, 2015. A *Second Additional Financing (CLRP-SAF)* was approved by the Bank’s Board on May 10, 2013 with a total amount of SDR 2.8 million (US\$3.9 million equivalent). The CLRP-SAF added capacity building for environmental good practices in the mining and energy sector in the Ministry of Environment and Spatial Planning (MESP) and, therefore, expanded the third item of the Project Development Objectives to “support KEK and MESP to implement continued clean-up operations and environmental good practices in the mining and energy sector.” The CLRP-SAF closed on August 31, 2016.

6. Although the *Lignite Power Technical Assistance Project (LPTAP)*, which closed on December 31, 2011, was not the subject of the investigation by the Panel, it financed activities related to the Request for Inspection. The LPTAP financed preparation of a Resettlement Policy

Framework (RPF) for the New Mining Field and a Resettlement Action Plan for the Shala neighborhood of Hade village (Shala RAP).

7. Following a request from the Government of Kosovo (GoK), the ***Bank supported monitoring and supervision of the Shala resettlement process under the CLRP-SAF***. The CLRP-SAF also financed preparation of a draft Environmental and Social Impact Assessment (ESIA) for the proposed KPP with the objective of informing decision-making and increasing monitoring and management capacity of the MESP. This draft ESIA was an important part of the Bank's due diligence to inform an eventual decision on the proposed KPP. However, it is not the final ESIA for the proposed project.

8. ***Request for Inspection – Process***. On June 30, 2015, the Inspection Panel registered a Request for Inspection, IPN Request RQ15/04, concerning the KPP/CLRP. Management submitted its Response on July 27, 2015. The Board approved the Panel recommendation to investigate on September 17, 2015. The Panel submitted its Investigation Report to the Board on September 12, 2016. Management provided its Report and Recommendation, including the MAP, on October 18, 2016. The Executive Directors considered both reports in a Board Meeting on December 13, 2016 where the MAP was approved.

9. ***Summary of Panel Findings***. The Panel found that the Bank was not responsible for harm arising from the establishment of the Zone of Special Economic Interest or from the Hade emergency evacuation of 2004/2005. The Panel also found that the LPTAP approach for preparing an RPF and RAP was in compliance with OP/BP 4.12 on Involuntary Resettlement, as was its monitoring and supervision of the Shala resettlement under the CLRP-SAF.

10. The Panel found that the Bank failed to apply OP/BP 4.12 on Involuntary Resettlement to the preparation of the RPF, specifically by not including in the RPF principles and methods for valuing the assets of affected people living under the restrictions of the Zone of Special Economic Interest. The Panel's findings also found that the Bank failed to apply OP/BP 4.12 to the preparation of the Shala RAP under the LPTAP, which included ambiguity in the Shala RAP about institutional arrangements and the absence of a detailed resettlement schedule.

II. MANAGEMENT ACTION PLAN

11. The MAP aimed to address findings of non-compliance by the Panel and included the following actions:

- (i) ***Technical Advice to update the 2011 Resettlement Policy Framework (RPF)***: Provide technical advice to the GoK to revise the RPF to ensure its full consistency with OP 4.12, specifically including principles and methods for valuing assets of those living in the Zone of Special Economic Interest. The advice would also include how to address other identified weaknesses and changed conditions and take into account recommendations from the International Workshop with Resettlement Experts, the Shala RAP Completion Report and analysis included in the draft ESIA for the proposed KPP.

- (ii) *Organize a Resettlement Workshop with Government Stakeholders, including KEK: Organize a workshop with key government stakeholders, KEK and international experts on resettlement to discuss the recommendations as provided as part of the technical advice to update the RPF and improve resettlement practices.*
- (iii) *Continue supervision of the CLRP-SAF until problems with a 200-meter section of sewerage at the resettlement site at New Shkabaj have been rectified.*

III. PROGRESS OF MANAGEMENT ACTION PLAN IMPLEMENTATION

(i) Technical Advice to update the 2011 Resettlement Policy Framework (RPF)

– Completed June 29, 2017

12. On June 29, 2017 the World Bank formally submitted to the GoK, through the MESP and Ministry of Economic Development (MED), a Technical Note entitled “*Improving Mining-Related Resettlement in Kosovo,*” in English and Albanian. The Note focuses on providing general recommendations on two separate but complementary issues:

- *Resettlement planning in the Zone of Special Economic Interest/New Mining Field to avoid and better manage adverse social impacts linked to restrictions on new construction or expansion of existing buildings and involuntary resettlement; and*
- *Update of the 2011 Resettlement Policy Framework (RPF) for the New Mining Field to include principles and methods for valuing assets of those living in the Zone of Special Economic Interest according to different timelines for land acquisition and resettlement, as well as other weaknesses/issues and reflect new realities on the ground and lessons learned to date; and to ensure adequate assessment, planning, implementation, monitoring and evaluation of activities associated with involuntary resettlement, in line with international standards.*

13. Recommendations in the Technical Note were based on lessons learned from the LPTAP and CLRP-SAF projects, good industry practices and internationally recognized standards, particularly OP 4.12 and IFC’s Performance Standard 5 (PS5) on Land Acquisition and Involuntary Resettlement. The Note drew on the experience of implementing the Shala RAP on behalf of the GoK, findings of the Shala Resettlement Completion Report (2016) and the outcome of the earlier organized international workshop mentioned above, including input from two internationally recognized resettlement experts. It also took into account issues identified in the Panel’s Report.

14. However, Management notes that in the absence of a linked Bank-financed investment operation, the Bank is not able to ensure that the recommendations on the update of the RPF will be adopted by the GoK. The Bank recommended that the GoK make the Note available to stakeholders.

***(ii) Resettlement Workshop with International Experts
– Completed February 14, 2017***

15. A technical workshop on “*Workshop on International Good Practices on Mining-Related Resettlement*” was successfully organized by the Bank in Pristina on February 14, 2017 (a similar workshop had previously been conducted on May 13, 2014). The workshop participants, 28 in total, included representatives from key government agencies, such as: MESP, MED, Ministry of Finance, Kosovo Cadastral Agency (KCA), Municipality of Obiliq, and KEK, in addition to other organizations such as USAID and rePlan (resettlement consultancy firm supporting KEK). Among others, the workshop covered the following aspects:

- Overview of WB social safeguards policies and international standards
- Overview of cadastral databases and practices in Kosovo by the KCA
- Key lessons learned and challenges in Kosovo
- Land planning and phased development for mining operations – case study: German Lignite Mines
- Livelihood assessment and restoration – case study: Newmont Ahafo Mine Ghana
- Speculative construction, census and asset valuation
- Managing collective resettlement and sites
- Community engagement and grievance redress mechanisms
- Institutional coordination.

***(iii) Continued Supervision concerning sewerage problems at New Shkabaj resettlement site
– Completed December 2016***

16. In October 2015, some residents of New Shkabaj reported that a 50-meter-long section of the sewage pipe was blocked, affecting three households. The MESP estimated that about 200 meters of sewage pipe needed to be replaced and in September 2016 a contract was awarded for conducting the repairs.

17. During the final inspection conducted on December 13, 2016, the Technical Acceptance Committee, composed of two MESP inspectors and the head of MESP’s Spatial Planning Department, jointly with the Supervision Engineer and Construction Contractor, conducted a site inspection and confirmed that the works had been completed according to the contract and that the sewage pipe was fully repaired.

18. As the actions in the MAP have been completed, this is the final progress report to the Board.

ANNEXES

**Annex I. New Shkabaj – Final Technical Acceptance Report of Sewage Repair Works
December 2016 (Albanian original)**



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Caku i Dërgesës:	MMPH	Rënditja:	16/MMPH	Data	13/12/16
KËRKESË:					<input type="checkbox"/>
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AFATI:					

Te nderuar,
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