



Concept Environmental and Social Review Summary

Concept Stage

(**ESRS Concept Stage**)

Date Prepared/Updated: 06/18/2024 | Report No: ESRSC04326



I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P505964	Investment Project Financing (IPF)	ESDP	2025
Operation Name	Energy Sector Decarbonization Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Montenegro	Montenegro	EUROPE AND CENTRAL ASIA	Energy & Extractives
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Montenegro	Crnogorski Elektrodistributivni Sistem (CEDIS), Ministry of Energy and Mining (MoEM)	10-Oct-2024	12-Dec-2024
Estimated Concept Review Date	Total Project Cost		
30-May-2024	50,200,000.00		

Proposed Development Objective

Improve energy efficiency of public buildings and enhance operational efficiency of the electricity distribution grid in Montenegro.

B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project Activities

[Description imported from the Concept Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

The project will support decarbonization of the energy sector in Montenegro through i) energy efficiency improvements of public buildings, and ii) enhancing operational performance of the national distribution electricity grid to reduce energy losses, strengthen reliability, and enabling integration of renewable energy.



D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

[Description of key features relevant to the operation’s environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 2,000]

The project will be implemented in rural and urban zones in south and north of Montenegro. With around 621 000 inhabitants, Montenegro’s electricity needs are mainly met by the 225 MW lignite power plant at Pljevlja and the 307 MW Perućica and 342 MW Piva hydropower plants, all run by state-owned utility Elektroprivreda Crne Gore (EPCG). Montenegro has so far made little use of its solar potential, but rooftop solar finally started to progress in 2022 and 2023 through a series of EPCG programs designed to make it easier for households and businesses to host solar PVs. Montenegro plans to build some additional electricity capacity, in order to be able to phase out the existing Pljevlja coal plant, and this is planned to be done through the use of solar PV and wind alongside implementation of energy efficiency measures. According to Eurostat, Montenegro’s energy intensity is still more than 2.5 times that of the EU-27. Inefficient practices such as using electrical heaters for heating are widespread.

According to the Montenegro 2030 climate and energy targets, the country needs to achieve a 50% share of renewables in gross final consumption of energy, and to reduce its GHG emissions by 55% compared to 1990. To boost energy efficiency and energy savings, it also needs to cap primary energy consumption at 0.92 Mtoe and final energy consumption at 0.73 Mtoe by 2030.

The country has already started with installation of smart electricity meters. The modernization and smart meter installation program is expected to result in over 86,000 tons of CO2 savings per year.

In Montenegro, the Energy Law defines vulnerable customers based on health and social criteria. There are two measures offered to socially vulnerable households in the form of direct financial support for electricity expenses and prohibiting the halting of electricity supplies to vulnerable customers: 1) Ordinance on Supplying Electricity to Vulnerable Consumers and 2) Electricity Bill Subsidization

D.2 Overview of Borrower’s Institutional Capacity for Managing Environmental and Social Risks and Impacts

[Description of Borrower’s capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 2,000]

The project implementation setup will comprise two levels: (i) an Inter-Agency Project Steering Committee (responsible for strategic guidance and institutional coordination) and (ii) component-specific Project Implementation Units (PIUs) established within each implementing entity to carry out day-to-day project implementation and assume technical, E&S, implementation supervision, and reporting functions. The PIU responsible for Component 1 implementation has experience working with WB project (being the implementing agency for MEEP2 with satisfactory ES performance), the ES staff resources, which include one environmental and one social specialist, will continue to support the Project as they are already familiar with the Bank procedures and project activities of MEEP2 (P165509) which are almost the same with the Component 1 of the new proposed project. Montenegrin Electric Distribution System (Crnogorski elektrodistributivni sistem CEDIS (implementing entity for Component 2) has no experience with World Bank projects and would need proper staffing and capacity building support.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS



A. Environmental and Social Risk Classification (ESRC)

Moderate

A.1 Environmental Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]

The environmental risk is assessed as Moderate because the anticipated risks and impacts associated with the implementation of small- to moderate-scale civil works on Component 1 and 2 are localized, site-specific with low probability of serious adverse effects to human health, safety and/or environment, limited in time, predictable and can be easily mitigated in a predictable manner. The Project will bring positive impacts in the form of energy efficiency and reduction of air pollution; improved power supply reliance and increased power flows from renewables. At the same time, environmental risks that may arise from these activities are traffic, dust, noise and air emissions, generation and handling of hazardous materials and waste (including end-of-life and not-in-use solar panels, old light bulbs, old transformers containing PCB oil, asbestos containing material, old heating/cooling units, e-waste etc.), non-hazardous waste (old windows, packaging, reconstruction debris etc.), as well as occupational and community health and safety issues, and will require proper handling to avoid negative impacts on the health and safety of workforce, communities and the natural environment. Some of the university buildings selected for EE measures under Component 1 may be registered as cultural heritage – in such cases, the PIU will obtain the permits from related institutions before any civil works begin. To manage these risks, a project-level ESMF will be established prior to the sub-project approval process with subsequent preparation of site-specific ESMPs prior to start of any civil works. In summary, Project activities are not expected to have large-scale, significant, and/or irreversible environmental and social impacts. The Borrower is committed to managing the environmental risks, but the capacity across implementing entities is uneven and would need strengthening in order to ensure proper ES risk management.

A.2 Social Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]

The project has a moderate social risk. Small-scale renovations/installation works within publicly owned buildings will not cause land acquisition, land use restrictions, or involuntary resettlement. Despite the small-scale nature of the construction activities, they may still bring safety and accessibility concerns, for individuals with disabilities, or limited mobility particularly in university renovation areas. Standard mitigation measures mandated by national law will be enforced through the ESMP as contractual obligations. The ESMPs will detail measures for contractors to comply with OHS standards and universal design principles to ensure that the renovation process is safe while installed equipment is easily accessible for all individuals. Considering that the construction will take place in university buildings with a significant share of female population among students and teachers, a gender-responsive grievance redress mechanism (GRM) will be established by the Client. Selected contractors will be mandated to enforce robust SEA/SH measures during construction works. Occupational and community health and safety risks associated with installation and renovation activities, such as exposure to physical and chemical hazards, falls, injuries from construction equipment, noise, dust, and vibration are expected for both components. After an initial screening, responsible parties will develop emergency preparedness and response plans, while site-specific ESMPs will integrate relevant safety measures, to safeguard both; workers and communities involved. A project-level SEP will be developed by the client to facilitate transparent and timely information disclosure, as well as stakeholder and citizen engagement around project activities.

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[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 2,000]

B. Relevance of Standards and Policies at Concept Stage

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

[Optional Explanation - Max. character limit 1,000]

By Appraisal, the Borrower will prepare an ESMF incorporating LMP, RPF and SEP in compliance with the national legislation and ESF. The ESMF will include relevant ESSs requirements, along with the potential project level impacts and risks, as well as rules and procedures for site-specific project activities. These instruments will be disclosed and consulted upon prior to Appraisal. Site-specific ESMPs will be prepared based on the template provided in the ESMF. The TA activities will integrate ES concerns into ToRs, studies, capacity building programs. Activities (i) adversely affecting cultural heritage sites other than the building to be renovated (as in ESS8), (ii) adversely affecting the natural/critical habitats (as in ESS6), (iii) requiring land acquisition or leading to economic displacement (as in ESS5), will be screened out through the ES screening process that has been detailed in the ESMF. An ESCP outlining project commitments will be prepared by Appraisal.

ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

[Optional Explanation - Max. character limit 1,000]

Expected stakeholders are: (i) Local residents impacted by smart meter installation, (ii) Owners of commercial properties, (iii) University staff and students facing potential disruptions, (iv) Utility companies, (v) Government authorities, NGOs, advocating for consumer rights (vi) Contractors and suppliers, and (vii) media. Vulnerable groups such as disabled teachers and students, Roma students, economically deprived individuals, and elderly living in remote areas may also be affected. A project SEP will be developed by the Client to facilitate transparent and timely information disclosure, as well as SE and CE. This will prevent any misunderstandings of the public regarding both project component activities. Finally, the SEP will set out the grievance mechanism related to complaints about environmental and social aspects of the project and include a channel for GBV/SEA/SH complaints, should they arise.

ESS2 - Labor and Working Conditions

Relevant

[Optional Explanation - Max. character limit 1,000]

The Project will involve direct and contracted workers and, to the extent possible primary supply workers. Most labor will be locally hired, with exceptions for skilled workers unavailable locally. Montenegro has a legal labor framework in line with ILO. LMP provisions will be outlined in the ESMF and the ESCP to ensure enforcement of ESS2 throughout project implementation. The ES assessment will suggest labor management measures, prioritizing health and safety in line with ESS2. The Borrower will ensure ESS2 requirements are adhered to by the contractor, the subcontractors, supplier's of rooftop solar panels, and any supervising entity. Suppliers involved in production of solar panels,



involving harmful or exploitative forms of forced labor/harmful child labor will not be eligible for financing and this will be outlined in the project exclusion list. A labor GRM will be established, and construction workers will adhere to SEA/SH Code of conduct during installation works.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Relevant

[Optional Explanation - Max. character limit 1,000]

The Project design is for increased EE and reliable power supply, thus entails efficient use of resources, other ways to ensure sustainable use of resources will be included in the ESMF. The pollution risks and impacts include traffic, noise and dust emissions, generation and handling of hazardous materials and wastes (including end-of-life and not-in-use solar panels, old transformers containing PCB oil, asbestos containing material, old heating/cooling units, e-waste etc.) and non-hazardous waste. Generic risk and impact management and mitigation measures will be laid out in the ESMF and further elaborated in ESMPs, following applicable national regulations, ESS3 and the ESF’s mitigation hierarchy, WBG’s EHS General and sector-specific guidelines, and GIIP. The opportunities for energy and resource efficiency will be sought throughout project preparation and implementation, and mitigation measures will instruct use of the locally sourced and renewable materials.

ESS4 - Community Health and Safety

Relevant

[Optional Explanation - Max. character limit 1,000]

The installation and renovation activities may pose community health and safety risks. These include exposure to physical and chemical hazards, risks of falls, injuries from construction equipment, noise, dust, and vibration. Following initial screening, responsible parties will formulate emergency preparedness and response plans. Site-specific ESMPs will then incorporate pertinent environmental, health, and safety measures to ensure the protection of workers and communities. Prior to the commencement of works standard safety and security notices will be installed in visible and accessible locations. These notices will serve to inform all personnel, students, and visitors of the ongoing work and the associated risks, as well as to provide guidance on safety procedures and emergency contact information. This will ensure that everyone on the premises is aware of the construction zones and can take appropriate precautions to maintain their safety and security.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Not Currently Relevant

[Optional Explanation - Max. character limit 1,000]

The ESS5 standard is not directly relevant for the project activities involving of small civil works (Component 1) and the Enhancing Operational Efficiency of the Electricity Distribution Grid (Component 2). These activities will be carried out within the footprint of existing residences and buildings, with no land acquisition, restriction of access to services, or livelihood impacts stemming from land acquisition. In addition, an exclusion list will be created to ensure no activities causing land acquisition or resettlement will be financed by the project.

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

Not Currently Relevant

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[Optional Explanation - Max. character limit 1,000]

All project activities will be implemented in existing facilities located in urbanized or peri-urbanized areas and any activities that may cause impact on a natural habitat or living natural resources will not be an eligible capital investment under the Project. Activities adversely affecting the natural/critical habitats will be screened out through the ES screening process that will be detailed in the Project ESMF, this commitment will also be outlines in the ESCP.

ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities Not Currently Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is not relevant since there are no indigenous groups in Montenegro who meet the definition of this standard.

ESS8 - Cultural Heritage Relevant

[Optional Explanation - Max. character limit 1,000]

The ESMF will include an overview of the respective cultural heritage legislation, set specific criteria to screen sub-projects for potential cultural heritage risks, and provide general requirements to contractors, including chance finds clause. Some of the university buildings selected for installing EE equipment under the Project may be registered as cultural heritage/cultural assets. In such cases, MoEM will obtain the relevant permits from authorized institutions before any civil works begin and works will be performed in line the given permit. The relevant permits necessary and the processes to obtain these will be outlined in the ESMF and site-specific instruments (including Cultural Heritage Management Plan, if applicable). Activities adversely affecting the known cultural heritage sites other than the building to be renovated are to be excluded through screening.

ESS9 - Financial Intermediaries Not Currently Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is not relevant as there is no Financial Intermediary in the Project.

B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways No

OP 7.60 Operations in Disputed Areas No

B.3 Other Salient Features

Use of Borrower Framework No

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[Optional explanation – Max. character limit 1,000]

N/A

Use of Common Approach

No

[Optional Explanation including list of possible financing partners – Max. character limit 1,000]

N/A

B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Concept Stage PID – Max. character limit 5,000]

The project poses a moderate environmental and social risk, primarily due to small-scale renovations and installations in existing publicly owned buildings/sites, which could raise safety and accessibility concerns, especially for individuals with disabilities or limited mobility. Mitigation measures, enforced through site-specific ESMPs, will ensure adherence to OHS standards and universal design principles. A gender-responsive grievance redress mechanism (GRM) will be established at the project level and locally implemented, particularly in university buildings with a significant female population. The project also entails occupational and community health and safety risks, (such exposure to dust, noise physical and chemical hazards) which will be addressed through safety measures listed in site-specific ESMPs. LMP provisions will be outlined in the ESMF and the ESCP to ensure enforcement of ESS2 throughout project implementation. The Borrower will ensure that primary suppliers adhere to ESS2. The ESMF will outline screening procedures for assessing and managing E&S risks in the supply chain, including those related to the sourcing and production of solar panels, batteries, and other components and potential risks related to child labor, forced labor and safety issues. Supplier involved in production of solar panels involving harmful or exploitative forms of forced labor/harmful child labor will not be eligible for financing and this will be outlined in the project exclusion list. Prior to start of any works the selected supplier will sign labor and working conditions commitments. Stakeholder engagement and transparent information disclosure will be facilitated through a Project level SEP. Overall, the project's risks are deemed temporary, predictable, and reversible, managed through standard mitigation measures to be outlined in the SEP and the ESMF and enforced through ESCP.

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?

[Description of expectations in terms of documents to be prepared to assess and manage the project’s environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 3,000]

By Appraisal, the Borrower will:

- prepare an ESMF incorporating the LMP in compliance with the requirements of the national legislation and ESF, with the requirement and procedures for preparation of site-specific ESMPs. The Borrower will also prepare a SEP. These instruments will be disclosed and consulted upon prior to Appraisal in line with SEP and ESS10 provisions.
- prepare an ESCP outlining project commitments.

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III. CONTACT POINT

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