

**INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE**

Report No.: 33095

Date ISDS Prepared/Updated: 07/22/2005

I. BASIC INFORMATION

A. Basic Project Data

Country: Poland	Project ID: P083094
Project Name: Poland: Hard Coal	
Task Team Leader: John E. Strongman	
Estimated Appraisal Date: January 16, 2006	Estimated Board Date: March 30, 2006
Managing Unit: COCPO	Lending Instrument: Specific Investment Loan
Sector: Mining and other extractive (100%)	
Theme: Pollution management and environmental health (P); Small and medium enterprise support (P); State enterprise/bank restructuring and privatization (P)	
IBRD Amount (US\$m.):	150.00
IDA Amount (US\$m.):	0.00
GEF Amount (US\$m.):	0.00
PCF Amount (US\$m.):	0.00
Other financing amounts by source:	
<u>BORROWER</u>	150.00
	150.00

B. Project Objectives [from section 2 of PCN]

The proposed project development objective will help support the completion of the Hard Coal Sector Reform by helping to (a) support any further restructuring needed for KW; (b) ensure that the coal companies are offered for privatization; and (b) address the legacy of coal sector mining damages (subsidence) liabilities at closed mines.

The following performance indicators would be applied to assess the success of the project

- (i) each coal company continues to adhere to a hard budget constraint
- (ii) the restructuring of KW is completed such that KW can be offered for privatization
- (iii) each of the six major coal companies is (a) prepared for privatization (including appointment of privatization advisor, preparation of pre-privatization analysis, and selection of privatization method; and (b) offered for privatization (either through a trade sale or through a public offering of a majority of shares in the company)
- (iv) a satisfactory plan is prepared and is under implementation to address the legacy of subsidy at (a) closed and (b) operating mines

The development objectives will be achieved by supporting completion of the implementation of the Government's 2004-2006 Hard Coal Reform Program as well as implementation of the Strategy for 2007-2010. The Government's approach of preparing the Program and the Strategy, together with the recently approved Privatization Strategy are considered suitable. The key elements of the sector restructuring program are (i) closure of remaining excess capacity at KW in an environmentally responsible manner (which is being supported in by the HCMC loan which helps finance mine closure once the mines are transferred to SRK for closure); (ii) further employment downsizing (especially for surface workers at KW) in a socially sustainable manner - which is being supported by the HCSM loan (which is due to close on December 31, 2005); (iii) privatization; and (iv) improvement of environmental performance in keeping with EU requirements, including land reclamation. The proposed operation would support completion of the Program with regard to (ii), (iii) and (iv) above, since the companion HCMC operation which supports (i) is not expected to close until March 31, 2008.

C. Project Description [from section 3 of PCN]

The project would have three components as follows, with Bank funding provided only for the second and third components:

- (i) Preparation and offering the industry for privatization including improving corporate governance as part of the preparation for privatization.
- (ii) Support for further employment downsizing in terms of (a) carryover payments for underground miners who have taken early retirement packages and (b) payments for surface workers taking severance packages.
- (iii) (a) Support for repair/mitigation of past mining damages (in particular subsidence) at mines that have been closed; and (b) establishment of measure to reduce/remediate subsistence liabilities at operating mines being privatized.

An investment loan is proposed because it provides direct linkages to disbursement of funds for subsistence. For the simplification of the implementation process it is proposed that the project to be a SWAP type operation (like the HCMC operation), whereby the loan proceeds has been pooled with Government funds provided to SRK. As noted below, the operation may also be suitable as a "Country Systems Pilot" with regard to environmental and social safeguard issues (as well as possibly procurement and financial management systems). This will be addressed at QER as well as subsequent the ISDS Reviews. The main alternative considered was policy development lending through an additional SECAL. Development Policy lending is considered less suitable because there is not a significant budget gap to be closed and Poland is a middle income country.

D. Project location (if known)

The Project is located in the Silesia region of Southern Poland. Silesia is highly industrialized with coal fired power generation, steel and other industry in the region. Total population of the region is about 2 million, with the majority living in urban, suburban and semi-rural settings. The region does not have any unusual or unique environmental features. The coal mines are not located near any protected areas or sites, critical natural habitats, or any culturally or socially sensitive areas. There are 3 coal holding companies in the region (operating 37 mines) plus 3 independent mines (for a total of 40 operating mines). Total industry employment is currently

about 140,000 people. There are 22 mines where closure and rehabilitation have been completed and another 3 mines where it is undergoing. Over 100,000 workers have already left the coal sector in the last 4 years.

E. Borrower's Institutional Capacity for Safeguard Policies [from PCN]

The borrower has a very good track record for carrying out environmental and social safeguards. A Sector Environmental Assessment (SEA) was conducted under SECAL1 and mining companies are implementing environmental improvements. The Environmental Framework prepared under HCMC Project has been an effective compliment to borrower procedures and will be applicable for any additional mines subject to closure and (b) the Involuntarily Resettlement may be also be triggered in the event that repair of subsidence may require temporary relocation of occupants of residential and commercial buildings while the buildings are repaired. The Borrower's institutions - Voivod Department of Environment, Higher Mining Authority (which are responsible for overseeing environmental performance) and SRK, BSRK and the mining companies (which undertake the environmental work) - have all demonstrated acceptable institution capabilities under previous operations. There have been no issues of safeguard violations in the previous four loans and suitable steps will be taken during project preparation to ensure that this remains the case.

This is one of several operations being considered within the pilot program for the "Use of Borrower Systems to Address Environmental and Social Safeguard Issues" under OP 4.00 (March 2005) and specifically under the "EU pilot" provision approved by the World Bank Board. Pilot project approval will be done in parallel with the overall project approval, and will hinge on the determination of the "equivalence and acceptability" of comparable Polish environmental and social protection policies (taking into account needed "gap-filling"), as well as continued Bank supervision during implementation. Field work to prepare a draft "Equivalence and Acceptability Assessment", a condition of Board review of pilots, is planned to begin in mid-October, 2005. The review will examine both the legal basis for due diligence, as well as the past practice of Polish mining and environmental authorities under Bank-supported and non-Bank-supported projects.

Should any or all key components of the Polish system not be found "equivalent" and "acceptable" to the Bank under OP 4.00 (despite feasible "gap-filling"), the Bank's particular safeguard policy or policies will apply. For environment, as an expected Category B project this would then be captured in an Environmental Management Plan, revised as needed from previous EMPs. Due diligence documentation as a country-system pilot (i.e the "equivalence and acceptability framework") or a conventional operation (i.e the EMP) would be disclosed by appraisal

Since OP 4.12 may be triggered as a result of subsidence remediation, borrower systems for meeting the objectives of OP 4.12 will be reviewed as well. If these are found "equivalent" and "acceptable", Polish procedures may be followed and no specific policy framework will be required. If Polish systems are not judged as acceptable (despite "gap-filling"), then a conventional policy framework for meeting OP 4.12 will be prepared.

F. Environmental and Social Safeguards Specialists

Mr Bernard Baratz (QAG)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
<p>The project supports remediation and repair of subsidence in the mining areas and this safeguard policy is applicable. Subsidence impacts in the region are relatively modest, generally being limited to minor damage, such as cracks in walls of apartment buildings and are easily mitigated. They are repaired by the coal company responsible for the damage. A survey of any subsidence damage associated with the mines or parts of mines already closed or under closure will be undertaken during project preparation as well as a plan developed to repair any damage. In addition, to improve overall sector performance, a survey will be undertaken of subsidence at all existing mining operations to examine whether any serious problems exist and to ensure that repairs are being made in a timely manner. The Government will commit to ensuring that the work to repair subsidence is undertaken by the companies in a timely manner.</p>			
Natural Habitats (OP/BP 4.04)			X
<p>This is not anticipated but will be checked in advance of appraisal and due diligence suitably included as needed.</p>			
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)		X	
Cultural Property (OPN 11.03)			X
<p>This safeguard may be triggered in the event that repair of mining damages will be required for cultural property buildings.</p>			
Indigenous Peoples (OD 4.20)		X	
Involuntary Resettlement (OP/BP 4.12)			X
<p>This safeguard may be triggered in the event that repair of mining damages may require temporary relocation of occupants of residential and commercial buildings while the buildings are repaired. An Involuntarily Resettlement Policy will be prepared and disclosed before appraisal.</p>			
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

Environmental Category: B - Partial Assessment

III. SAFEGUARD PREPARATION PLAN

- A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: 08/31/2005
- B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS: N/A

C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS.

Field work to prepare a draft "Equivalence and Acceptability Assessment", a condition of Board review of pilots, is planned to begin in mid-October, 2005. Otherwise (and/or in addition to) the framework, and EMP or resettlement instrument would be prepared (including consultations) and disclosed by appraisal.

IV. APPROVALS

<i>Signed and submitted by:</i>		
Task Team Leader:	Mr John E. Strongman	07/21/2005
<i>Approved by:</i>		
Regional Safeguards Coordinator:	Mr Ronald N. Hoffer	07/21/2005
Comments: This PCN-stage ISDS is cleared for safeguards		
Sector Manager:	Mr Peter A. van der Veen	07/22/2005
Comments:		

¹ 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.

