Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 02-May-2018 | Report No: PIDISDSA23736

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Kosovo	P164188	Kosovo Digital Economy (KODE)	
Region	Estimated Appraisal Date	Estimated Board Date	Practice Area (Lead)
EUROPE AND CENTRAL ASIA	04-May-2018	21-Jun-2018	Transport & Digital Development
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Finance	Ministry of Economic Development	

Proposed Development Objective(s)

The Project Development Objective (PDO) for the Kosovo Digital Economy (KODE) Project is to improve access to better quality and high-speed broadband services in project areas and to online knowledge sources, services and labor markets among citizens, and public and academic institutions.

Components

Digital Inclusion
Digital Work and Empowerment
Project Implementation Support

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	25.00
Total Financing	25.00
of which IBRD/IDA	25.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	25.00

IDA Credit	25.00

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Kosovo, is Europe's youngest but also one of Europe's poorest countries.** With its new statehood and the average age of its population (26 years) Kosovo is the youngest country on the continent. But almost a third of its 1.8 million population live below the national poverty line.

2. **With policies anchored in its overarching political objective of joining the European Union (EU), Kosovo has made progress in promoting growth, reducing poverty, and improving business climate.** Since independence in 2008, the country has enacted several reforms and has made considerable socioeconomic progress. Real gross domestic product (GDP) grew an average of 3.4 percent from 2008 to 2016. From 2012 to 2015, the poverty rate at the 2011 PPP US$3.2 per day fell from 5.7 in 2012 to 2.9 percent in 2015.

3. **Yet, serious barriers to greater economic growth remain. This includes disparities within the population especially along the geographic and gender dimensions.** Poverty and social exclusion affect the rural population, and especially women and youth. Approximately 62 percent of Kosovo's population lives in rural areas. Two-thirds of rural dwellers are the bottom 40 percent[1]. **The lack of decent jobs is another significant challenge, aggravating exclusion and stimulating brain drain.** Kosovo has failed to dent its high levels of female (41.6 percent) and youth unemployment (56 percent for 15 to 24-year-olds), as of 2014, with the country scoring particularly low on labor dimensions of gender equality, even from a regional perspective[2]. Since 2012, an increasing number of young men and women have emigrated from Kosovo seeing lack of opportunity at home[3].

4. **Kosovo's National Development Strategy (NDS) 2016-2021[4] seeks to address those challenges through, *inter alia*, a digital transformation.** High-speed broadband investments and the development of human capital for digital economy are in the list of the priority projects under the Investment Clause[5]. This is intended to promote economic growth and increased employment, hand in hand with improved social cohesion and inclusion.

5. **The KODE Project will finance the critical fundamentals needed for digital transformation.** It will provide high-speed broadband infrastructure and support access to labor markets, new sources of knowledge, and public services to households and institutions in selected underserved rural areas. At the national level, project will train and connect youth to online employment opportunities; and improve access to knowledge sources, including to better reach and collaborations opportunities, to High Educational Institutions (HEIs).

6. **Kosovo is also prone to natural hazards, including floods, landslides, droughts, earthquakes, and wildfires, and has low adaptive capacity**[6]. Among many climate change adaptation measures, Kosovo's Climate Change Strategy identifies a need to strengthen the forecast and early warning or disaster warning systems. Thought the deployment of the high-speed network, the project will increase the reach to underserved areas. The infrastructure can be leveraged in the future to strengthen disaster warning systems.

Sectoral and Institutional Context

7. **The Government of Kosovo (GoK) has adopted public policies and strategies[7] to promote widespread access and use of digital technologies and created enabling environment that has promoted access to basic internet**. Kosovo's regulatory framework increasingly reflects emerging international best practices to support broadband network deployment.[8] The market for internet services is open and competitive with 54 internet service providers (ISPs). Infrastructure-based competition is strong especially in densely populated areas[9].

About 63 percent of Kosovars use internet daily. Almost 89 percent of households have either a fixed or mobile network-based internet connection.[10]

8. **While basic internet is widely used, connectivity in Kosovo is not future-proof and is not fully inclusive. Unevenly distributed high-speed broadband access reinforces the urban-rural divide.** High-speed broadband infrastructure assists in public service delivery and it opens opportunities for skills acquisition and online income-generation, including through participation in information technology (IT)-based businesses in Kosovo and globally, online work, and trade in services. However, connection speeds are usually low in Kosovo.[11] Few households have access to high-speed broadband. A survey conducted by the World Bank in June 2017 found that only about 1 percent of households have fiber optic-based internet, which enables future-proof high-speeds (over 100 Mbps). This compares poorly to the peer countries of the similar size: Latvia, 45 percent; Georgia, 37 percent; or Moldova, 25 percent.[12] About 10 percent of households remain unconnected, potentially restricting their ability to take advantage of the opportunities of the global digital economy in terms of access to markets, public services, and knowledge.

9. **Institutions lack access to high-quality broadband connectivity**. Many schools lack access to broadband, instead relying on low-speed internet connections or being unconnected.[13] They are thus limited in their ability to shape the human capital required for a knowledge economy[14]. Similarly, not all health centers are connected[15] to high-speed digital infrastructure. This prevents them from expanding medical service coverage to more people, especially in rural and isolated areas, limiting their ability to grow their service portfolio or use e-health applications.

10. **The GoK now aims that 100 percent of Kosovars and public institutions should have access to high-speed broadband networks**. This will ensure inclusion for all Kosovars in the digital economy by closing existing gaps in infrastructure. The target is for most citizens and public institutions (including schools and healthcare facilities) to use internet regularly by 2020,[16] with the access to download/upload speeds of at least 100 Megabit per second (Mbps), which can be further upgraded. This goal is in line with the European Union (EU) sector policies, i.e. Digital Single Market Strategy[17] and the European Gigabit Society.[18]

11. **The market fails to expand high-speed broadband to all of Kosovo's citizens, and especially the poorest, because it is commercially not viable.** While economic spillovers are significant, their commercial returns are either limited or accrue over extended periods. Such market failures result in so-called 'white areas' – territories with no existing or expected high-speed broadband access. Project preparation has identified 266 cadastral zones (located across 27 municipalities)[19] where standalone commercial investments deliver negative net present value (NPV) and internal rate of return (IRR), and therefore will not be undertaken by commercial ISPs.[20] Over 60,000 rural inhabitants live in these cadastral zones. The GoK recognizes the importance of 'crowding in' private investment, and has sought to create an enabling environment to maximize the frontier for commercial viability.

12. **There is consensus among GoK policymakers and ISPs that public co-financing is an adequate instrument to bring private investments in otherwise unprofitable 'white' areas.** Following the Maximizing Finance for Development (MFD) model, adequately structured and publicly co-funded projects are deemed to be effective in addressing Kosovo's digital infrastructure divide**.** In its preparation for the project, the GoK has sponsored four pilots designed to expand high-speed broadband access into four villages in the municipalities of Gjakova, Obiliq, and Skenderaj.[21] With two-to-four bids per lot, these pilots have demonstrated the willingness of private capital (ISPs) to connect the expensive, hard-to-reach areas if co-financing is available (on average 49 percent of public financing vs. 51 percent of private investment).[22]

13. **Mobile broadband services have also been slow to develop, limiting innovation in mobile-based digital services.** At the end of 2017 penetration of mobile broadband subscribers stood at 84 percent; Kosovo ranks on this indicator 38th out of 54 countries across Europe.[23] This situation limits innovations such as mobile commerce, smart logistics, and location-based services, and crimps the potential for digital economy development in Kosovo. The slow growth is primarily due to inefficiencies in spectrum management, including delays in radio frequency spectrum licensing. Kosovo is the only country in the region without a national Spectrum Management System (NSMS). This system will enable investments in mobile broadband deployment by informing timely decisions on frequency bands assignment and usage.

14. **There is evidence that Kosovars might not be using internet as much to connect to knowledge, services, or labor markets**. A household survey conducted by the Bank in June 2017 found that only about a third "looked for information about education, training" and less than a fifth "looked for a job or sending a job application." Therefore, there may be an opportunity to leverage information and awareness raising campaigns to increase Kosovars' knowledge about the potential of using internet to learn, access e-government services, or find work (online or locally).

15. **Universities and colleges in Kosovo are poorly interconnected and are practically unable to engage in knowledge exchange or research collaboration with European partners**. At present, Kosovo's HEIs often overpay for broadband services that do not meet (in terms of quality) their needs.[24] Out of all countries in the region, only Kosovo has not yet set up a National Research and Education Network (NREN) interconnecting its HEIs. This limits participation in the pan-European academic network GÉANT.[25] GÉANT links NRENs in the EU and beyond – 110 such networks – to high-speed broadband at low cost and provides access to a range of research and innovation services.

16. **Pilot efforts in Kosovo have shown that training could help increase incomes and hence realize greater digital dividends[26]**. Notably, the Women in Online Work (WoW), a pilot program supported by the WB and financed by the Korean Green Growth Trust Fund (KGGTF) in 2015-2017 demonstrated that with modest investment in training and coaching, un- and underemployed young women could earn through online freelancing activities. And their new earning potential can "pay back" at least part of the costs of training in the medium term, apart from generating positive social externalities.[27] This success could thus be spread to other areas of the population.

Sector governance

17. **Ministry of Economic Development (MED) guides and coordinates ICT sector development and all major DE initiatives[28].** Among such major initiatives are the implementation of the policy documents, *Electronic Communications Sector Policy - Digital Agenda for Kosova 2013-2020 (Digital Agenda)[29]* and *Kosovo National IT Strategy (IT Strategy)[30]*, the design and implementation of Rural Broadband pilots, scale-up of the WoW pilot by U.S. Agency for International Development (USAID) and Helvetas Swiss Intercooperation.

18. **ARKEP, Kosovo's telecommunications sector regulator,** supports competition in the market along with the management of national resources, including radio frequency spectrum. The 2012 Law on Electronic Communications[31] strengthened the role of the sector regulator to promote and ensure competition.

19. **While commitment of the GoK to digital goals is commendable, both institutions have limited human and financial implementation capacity.** According to the World Development Report (WDR) 2016 on Digital Dividends, improvements in access to digital technologies could cause positive social and economic impact. But these impacts may be attenuated if 'analog complements' (rules, skills, and institutions) are missing. Project

investments in broadband development therefore will be complemented with activities that develop skills and awareness, institutional capacity, and foster collaboration.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

20. To improve access to better quality and high-speed broadband services in project areas and to online knowledge sources, services and labor markets among citizens, and public and academic institutions.

Key Results

21. Proposed PDO-level result indicators are:

  i. **People provided with access to the internet**;
  ii. **Public institutions with access to high-speed internet through the Project**;
  iii. **Beneficiaries of improved HEI access to high-speed broadband through the Project**
     − (Of which female);
 iv. **Beneficiaries of Component 2 who report being employed**.

D. Project Description

22. The KODE Project will achieve its development objective through two main sets of activities: (1) expanding access of Kosovars to high-speed and better quality digital infrastructure and (2) support Kosovars to take advantage of regional and global DE opportunities, especially for income generation, usage of services, and learning, thus triggering the growth of a DE in Kosovo.

23. The KODE project will be structured along three main components: Digital Inclusion, Digital Work and Empowerment, and Project Implementation Support, per Figure 1 below.

Figure 1: The KODE Project components and subcomponents
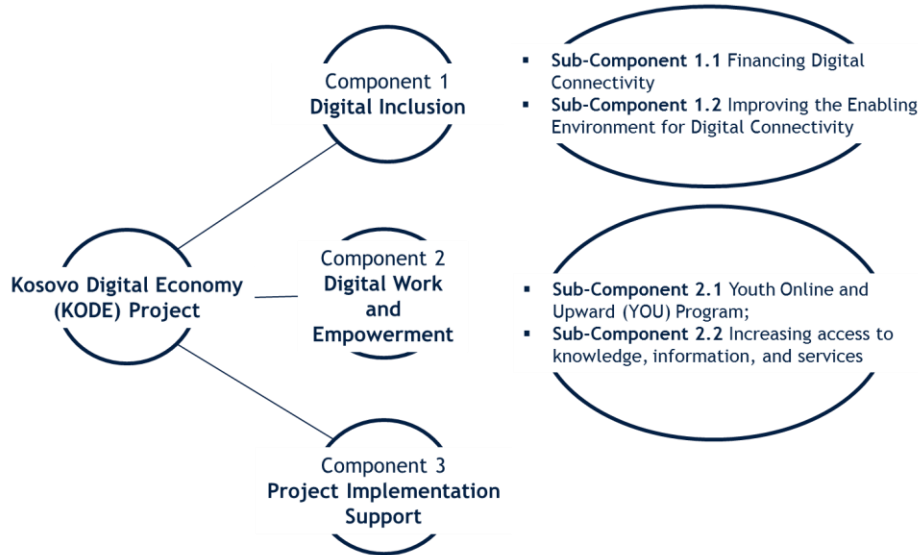
24. **Component 1: Digital Inclusion (US$18.60 million)** will 'crowd in' private investments to expand high-speed broadband connectivity in those areas of Kosovo where market failures have been identified[32] and improvement of quality of mobile services through more efficient spectrum management and monitoring. Importantly, by expanding the high-speed broadband connectivity across the country, including in rural areas which are most vulnerable to climate change, the activity will help enable improvements in early warning systems through support to better communication between disaster-prone areas and relevant public agencies during and post disasters.

25. *Subcomponent 1.1: Financing of Digital Connectivity (US$14.5 million)* will co-finance (1) deployment of high-speed broadband infrastructure on technologically neutrality grounds to cover: (a) unconnected ('white') settlements across the country, and (b) unconnected public institutions in the same settlements; and (2) provision of technical assistance and capacity building activities for ARKEP and MED to strengthen the enabling policy, legal, and regulatory environment to support the rollout of high-speed broadband infrastructure on open-access and non-discriminatory terms and development of digital economy. The objective of this subcomponent is to 'crowd-in' private investments in areas that will not be served by the market itself, through public co-financing arrangement. Specifically, the Project will allocate funding to ISPs that request the least amount of public co-financing to connect the selected unserved settlements (incl. households and public institutions) to download/upload speeds of at least 100 Mbps, which can be further upgraded in the future. Exact geographic locations have been identified and are in process of being re-confirmed and mapped.

26. *Subcomponent 1.2: Improving the enabling environment for digital connectivity (US$4.1 million)* will finance the National Spectrum Management System (NSMS) to ensure efficient spectrum management[33] in the country. Specifically, this activity will finance the deployment of hardware and software elements (e.g. towers and antennas), setup (launch) of the system (including the setup of a control center and launch of the spectrum management software), and training for ARKEP on the usage and maintenance

of NSMS management and monitoring equipment and software. The NSMS will be operated by ARKEP in accordance with its mandate under the Law.

27. **Component 2: Digital Work and Empowerment (US$5.5 million)** will finance activities to: (i) train and link local un-/underemployed youth, and especially women, to digital work, (ii) raise awareness of households connected to high-speed broadband internet under Subcomponent 1.1 about digitally enabled work and learning opportunities; and (iii) support set up of NREN in Kosovo and its connection to GÉANT network. These activities will aim to amplify the development impact of the infrastructure investments financed by Component 1 both nationally and locally.

28. *Subcomponent 2.1: Youth Online and Upward (YOU) Program (US$2 million)* will finance the training and connection[34] of young people nationwide to online IT freelancing opportunities while proactively ensuring enrolment of women. The Program will skill beneficiaries to work online, including to perform basic IT and IT-enabled services as online freelancers. It will build on the successes and lessons learnt from the WoW pilots. It is planned to skill up to 2,000 beneficiaries (which is about 10x of the number covered in the two phases of the WoW pilots and about 1/3 of total employment in the ICT sector in Kosovo), although economies of scale may eventually enable more participants to benefit from the program. It is expected that through this training the beneficiaries will increase their employability also in the local ICT market.

29. *Subcomponent 2.2: Increasing access to knowledge, information, and services (US$3.5 million)* will finance: (1) Provision of support to (a) set up a National Research and Education Network (NREN) to improve access of students, researches and educators of HEIs in Kosovo to knowledge, research networks and (b) connect NREN to the GÉANT network (US$3 million); and (2) Provision of support to increase use of online labor market information and services to improve information flows about work opportunities, through targeted awareness raising and information sharing activities in underserved or unconnected areas identified in subcomponent 1.1 of the Project (US$0.5 million).

30. A second stream of activities will aim to increase the use of online services that improve access to information and services related to the labor market, seeking to improve local information flows about work opportunities (e.g. countering the perception among men that are inactive in the labor market that "no work is available", or increasing information about family care options among women).[35] Through these activities the Project will pursue a customized approach with an aim to reach more women, which will result in more female beneficiaries, thus contributing to addressing the existing gender gap in labor market participation and, consequently, in employment. The feedback received at the information sessions will be channeled to the Project Implementation Unit (PIU) for follow-up actions and as part of the M&E framework.

31. **Component 3: Project Implementation Support (US$0.9 million)** will finance project management activities (including environmental safeguards management), fiduciary management, strategic communications, monitoring and control functions, M&E (evaluation) functions, and citizen engagement (CE). In addition to financing the core team of the KODE PIU, the Project will include *communications and CE support* to raise awareness and acceptance of the different KODE activities, and increase the level of engagement around them among target beneficiaries, key stakeholders, and population at-large. Such support will entail organization of private-sector consultations, community roundtables, press events, basic publicity (through the Project-specific webpage), and two-way communication through a social media channel. Through concentrated communications and CE activities the Project will aim to close

feedback loops by garnering citizens' feedback on various Project aspects, feeding it into the Project implementation, and reporting back to citizens on how their feedback was acted on.

32. For *M&E*, the Project will finance surveys among beneficiary households and public institutions (potentially coordinated with other surveys to reduce costs and improve triangulation of economic impacts) covered by Subcomponent 1.1, a beneficiary survey and focus groups among beneficiaries of the YOU program under Subcomponent 2.1, and a series of focus groups with universities and colleges under Subcomponent 2.2. These would help the PIU to monitor implementation progress, estimate development impact, and to understand the poverty impacts. Program impacts will be estimated several times throughout the estimated five-year roll-out period. At each stage of the evaluation, average outcomes of interest will be compared between households a treatment group against households in an appropriate control group. Both the treatment and control group households will be drawn from the 266 cadastral zones targeted by the program. Households in the treatment group will be drawn from cadastral zones that have already been connected to broadband, while households in the control group will be drawn from cadastral zones that have not yet been connected to broadband.

E. Implementation

Institutional and Implementation Arrangements

A. Institutional and Implementation Arrangements

33. **The KODE will be implemented by MED that will provide strategic direction and technical oversight to the entire Project.** In October 2017 the Ministry of Finance (MoF) formally requested the WB to support the design and financing of the KODE project confirming MED as its implementation agency. MED oversees the ICT sector development and executes this mandate through the Department of Post, Telecommunication and IT (the Department), which for the purposes of this IPF will act as the lead implementing agency and will carry the primary responsibility for all Components of the Project, including Subcomponent 1.2 which includes the activities to support ARKEP.

34. **ARKEP will be involved in the Project implementation (Subcomponent 1.2)** by reviewing and evaluating tenders, and participating in the Commission of Acceptance of the works delivered by the selected vendor.

35. **The KODE PIU will provide support to the fiduciary and safeguards functions**. At a minimum before the project effectiveness, it will require the following personnel, hired through a process and with terms of reference that are acceptable to the Bank:

> (a) a Project Director ("PD"), responsible for the overall management of the activities;
>
> (b) a procurement specialist.

36. In addition, the PIU will hire, using Project proceeds, qualified and experienced staff, acceptable to the Bank, to fill specific operational advisory, financial management (FM), fiduciary, technical roles, safeguards, technical supervision and oversight, M&E, communications, as identified in the Project Operations Manual (POM).

37. **The Project will be implemented in accordance with the POM**, which will include: (a) a detailed description of Project components and their implementation arrangements; (b) detailed Project cost

estimates; (c) procurement, financial management and disbursement arrangements; and (d) roles and responsibilities of staff working on the Project. The POM will be amended periodically to incorporate adjustments during Project implementation, in agreement with the Bank. Other integral project documents include the Procurement Plan, and Environmental and Social Management Framework (ESMF).

B. Results Monitoring and Evaluation

38. **The M&E framework for the Project will rely on standardized, routinely collected data sources from Kosovo Agency of Statistics (KAS), ARKEP, and international organizations to ensure continuous availability and consistency of data and to minimize any additional administrative burden.** The Project however will also support surveys, and a beneficiary management and data collection system will be developed to register all project beneficiaries, track the services they receive and results achieved (to the extent possible), and collect the feedback received from beneficiaries on the services and responses issued in the follow-up. An impact evaluation is included in Component 3, the design of which will be refined during the initial period of Project implementation.

39. **MED will oversee all Project M&E.** The PIU will have the responsibility for routinely collecting the M&E data from the relevant data sources. It is not envisaged that a separate M&E expert will be retained under the Project, as this can be carried out under the scope of work of the PD with support from existing PIU consultants and technical counterparts. However, this may be considered during implementation if needed.

C. Sustainability

40. The Project has a high degree of ownership by MED, other government agencies (e.g. ARKEP, MLSW), private sector (ISPs), industry associations (e.g. STIKK, ICK), academia, and civil society. Despite frequent political changes, the KODE remains demand-driven, for it is relevant to Kosovo's broader development agenda.

41. The ownership of nongovernment stakeholders around various elements of the KODE Project was consistently nurtured in 2014-2018 through public consultations (with ISPs), expert group discussions (with academia, industry associations, and civil society), information sessions (with municipalities), numerous one-on-one meetings, and public conferences. The input and feedback received during these events was incorporated into the Project planning. The citizenry at-large was informed about the planning of the KODE activities through several communications materials (e.g. WB and MED produced), social media (through the official Facebook account of WB in Kosovo and WoW Facebook page), and through MED visits of the project locations.

42. In greater detail, sustainability has been evaluated for all sub-components. If specific design considerations are maintained, the likelihood of sustainability of these activities following Project completion is substantial.

43. *Subcomponent 1.1.* The activity will focus on supporting the settlements with the lowest penetration of high-speed broadband internet; those with a functioning school and a health center will be attended to under the Project on a first-priority basis. To ensure adoption of broadband services the Project will undertake awareness raising activities to transfer information and knowledge on the productive usage of broadband for information, services, learning, and revenue generation (thus linking this subcomponent with Subcomponent 2.2).

44. Importantly, broadband networks deployment is characterized by relatively low carbon footprint and overall high resilience to external shocks. Potentially adverse effects of broadband infrastructure deployment will be further minimized under this Project by strict adherence to environmental safeguards procedures and by choice of future-proof technologies. In addition, expansion of high-speed broadband connectivity across the country may enable improvements in the reach and usage of early warning systems and disaster evacuation, thus helping to minimize climate risks and generate climate change adaptation and mitigation co-benefits[36].

45. Subcomponent 1.2. Efficient management and monitoring of radio spectrum through the NSMS will support development of the mobile market. Mobile operators and end users are both poised to benefit from it over long term. A higher quality of mobile service to be provided by the operators will result in more customers and higher revenues, hence the operators shall have a high degree of ownership over this Project subcomponent. Importantly, improved mobile broadband communications may support early warning systems and disaster evacuation.

46. Subcomponent 2.1. WB analytical work has found that there are no independent local training organizations that could bridge—at scale and sustainably—the online employability gap in Kosovo (between formal education and global online work market). Absent such training, Kosovo will not be able to prepare its workforce for DE. Yet, the GoK support to skills development cannot be indefinite. Over time, the program should prove to various stakeholders (especially local ICT training providers, local employers, and jobseekers) that the program benefits them, opening the possibility of their contribution to continue the program. With an assumption of four years of support (under this Project), there is sufficient time for the program to prove its value, on the condition that it is well managed with clear targets reached. Moreover, the 'training of trainers' will create a cohort of trainers that will be able to continue skills development into the future and based on local employment centers.

47. Subcomponent 2.2. The WB analytical work and consultations with GÉANT representatives show that there is evidence on the success factors (or enabling conditions) to ensure the Kosovo NREN's sustainability after the end of donor funding, based on the experience of over 110 existing research networks. These factors include existence of local champions, the choice of a right business model for NRENs (the right portfolio of services), and sufficient funding to finance local loops on university campuses (it has been calculated that the cost of campus network is at least 100X higher than international access to the GÉANT). In the countries where these conditions were not observed, there is mixed evidence on the sustainable outcome of a NREN. To safeguard against existing risks, the task team exposed MED to both successful and unsuccessful models of NRENs; identified local champions to drive this important agenda forward; and agreed on the early adoption of EDUROAM (NREN networking) service before/right after the connection to GÉANT.

D. Role of Partners

48. Several donor and partners are active in Kosovo's ICT sector. Beyond select one-off interventions to build ARKEP's capacity, most partner interventions focus on promoting employability of youth, including through developing their ICT skills or on developing capacity of businesses in the ICT sector to export and expand their operations. All other ongoing donor engagements in the sector are grant financed. A high-level overview of these activities is provided in Table 1 below.

Table 1: Ongoing donor engagements in the ICT sector in Kosovo

Donor	Project Name	Grant Amount	Time Frame	Relates to KODE Component:
Embassy of Finland	Regulator to regulator exchange	In-kind	2018	1.2
EBRD	ICT Sector Capacity Building	€150,000	2017	1.2
USAID	EMPOWER Private Sector	N/A	Ongoing-July 2019	2
Embassy of Sweden/SIDA	Budget support to ICK; Contributor to EMPOWER Private Sector	N/A	Ongoing	2
EU	Enhancing Competitiveness of Kosovo ICT Sector, Instrument for Pre-Accession Assistance (IPA) II (2014-2020)	€3M	2018 - TBD	2
Swiss Agency for Development and Cooperation	Enhancing Youth Employment	7.7M CHF	2017 - 2020	2.1
German Agency for International Cooperation	Creating Employment through Export Promotion	€2.5 - 3M	Jan 2018 - Dec 2020	2

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will finance development of rural infrastructure in order to provide high speed broadband internet connection to unconnected or underserved settlements and public institutions across the country. The targeted municipalities have been identified, however, the exact locations of works are currently unknown. The financial means under the sub-component 1.1 will be used for providing state subsidies to the ISPs who will provide connection to the settlements. Provision of connection entails installation of infrastructure which includes: (i) installation along the areal electricity distribution network lines and poles (if possible), and (ii) small civil works (earthworks) for laying cables along existing infrastructure (e.g. roads). The distances to cover vary from 100m within settlements to some kilometers. Several fixed monitoring stations (antennas) will be installed under the subcomponent 1.2. There may be small civil and installation works. No service road construction is needed. The locations are only preliminary known. Under the same sub-component, the national monitoring control room will be placed in an existing building. Rehabilitation works to accommodate equipment and staff may be needed. The exact location of any abovementioned works is unknown therefore geographical scope of works can be considered the entire state territory. Kosovo has two national parks: Shar Mountain and Bjeskhet e Nemuna, as well as one Strict Reserve – Arneni Peak and several areas of lower level protection. In addition to unique flora, fauna and small glacial lakes, the areas have many small settlements (e.g. Bajsinci, Zapluzje, Zapljeci, Breza, etc.). However, the works foreseen are very limited in scope and potential impact therefore no adverse impact is expected to the protected areas. Kosovo is rich with history and many archeological sites. The earthworks will be small scale and impact to existing cultural heritage is not envisaged, however, chance findings are possible. On the

social side most important issues would be how to strengthen outreach and awareness raising about the potential that remote communities will have with the new opportunities. The activities will have to be oriented in a such a way to target all segments of population regardless of gender or age. Activities under the TA component are expected to have no environmental or social implications.

G. Environmental and Social Safeguards Specialists on the Team

Bekim Imeri, Social Safeguards Specialist
Natasa Vetma, Environmental Safeguards Specialist
Ivana Ivicic, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	Some, temporary and localized environmental impacts typical for civil works such as dust and noise emitting, waste generation, traffic safety, Occupational Health and Safety (OHS) risks and other are expected from (i) small scale earth and installation works that are planned for broadband connectivity infrastructure installation by ISPs, ii) construction and installation of a small number of antenna towers and fixed monitoring stations, iii) rehabilitation works on the control center and iv) installation of optical cables in Pristina. As exact locations and design for broadband connectivity infrastructure installation is currently unknown, a process Environmental and Social Management Framework (ESMF) was prepared by the Borrower and consulted. The ESMF sets procedures and guides sub-project screening and assessment, including preparation of Environmental and Social Management Plans (ESMPs) and/or ESMP Checklists in the course of the project. The ESMF eliminates category A and high-risk projects as well as limits eligible designs and works in the protected areas.
Performance Standards for Private Sector Activities OP/BP 4.03	No	

Natural Habitats OP/BP 4.04	No	Works on installation of broadband connectivity infrastructure may take place in protected areas, however, they will be small scale and will use only existing infrastructure and ongoing/planned utility infrastructure projects for integrated placement, so significant impacts are not expected to nature and biodiversity, thus the policy on Natural Habitats OP/BP 4.04 is not triggered. A limited risk form human presence or/and unfavorable timing of works still exists thus appropriate limitations regarding design and works in protected areas (PAs) are set in the ESMF and sub-project EAs (site specific ESMPs). Fixed monitoring stations (antennas) will not be placed in protected areas.
Forests OP/BP 4.36	No	No felling will be allowed as a general rule. If unavoidable, a permit from the competent authority for removal of individual trees would be sought.
Pest Management OP 4.09	No	There are no activities planned that include or require pest control.
Physical Cultural Resources OP/BP 4.11	No	The control center building to be rehabilitated/adapted and NREN buildings are not cultural heritage, therefore this policy is not triggered. As chance findings are possible, an adequate clause will be included to environmental documentation providing management procedures (ESMP Checklists and site specific ESMPs).
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	The OP/BP 4.12 will not be triggered. The sub-projects comprise laying optical cables and installing several antennas. The distance of cables to be laid varies from a couple of hundred meters in settlements to a couple of kilometers between settlements. The practice is that the cables are laid in the street and installed in linear holes of about 20-30 cm deep and a couple centimeters wide. Thus there is no need to trigger 4.12.
Safety of Dams OP/BP 4.37	No	The Project does not include activities that relate to dams.

Projects on International Waterways OP/BP 7.50	No	Project does not include activities that impact water bodies.
Projects in Disputed Areas OP/BP 7.60	No	The location of works is not defined yet so may include Northern Kosovo, which does not recognize the National Government of Kosovo and where there may be limited accessibility for the representatives of MED 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 of limited access to the North of Kosovo needs to be recognized.

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:

The project has been classified as Category B mainly for civil works on the installation of telecommunication infrastructure to enable access to high-speed broadband internet under the sub-component 1.1 Financing of Digital Connectivity and sub-component 2.2 Increasing access to knowledge, information and services. The works are expected to include only small-scale civil and earth works (along or integrated to existing infrastructure such as roads, electrical cables, etc.) and/or installation (e.g. using existing overhead power lines). Small scale construction works will also take place under the sub-component 1.2 Improving the enabling environment for digital connectivity for installation of monitoring stations (antennas and antenna tower(s), fixed stations, etc.) and rehabilitation/adaptation works to host main control center in Pristina.

The Project triggers Environmental Assessment (OP/BP 4.01) indicating risk of adverse environmental impacts typical for civil works, however, they would neither be significant, severe nor lasting. They include, but are not limited to: dust emission and air pollution, noise and vibrations from operating machinery and transport vehicles, disturbance of animals due to human presence and noise, traffic disturbance and related safety risks, impacts to water and soil form accidental pollution and spills, OHS related (e.g. work at heights). Technical designs and location of works are yet to be defined, therefore, the Client (MED) prepared a process ESMF to screen out high-risk and category A activities, define eligible design, and specify other conditions to ensure that the requirements of the WB Safeguard Policies and Procedures and national regulations are met. ESMF defines the methodologies, procedures, and measures for environmental due diligence of all project activities including screening, assessment, and management of environmental and social issues for activities to be implemented in the course of the project. ESMP Checklist will be prepared for the activities. The geographical scope of the Project spreads to 266 target areas (unserved cadaster zones) with a possible extension distributed throughout Kosovo, some of them possibly in PAs. As only small scale civil works are planned resulting impacts are expected to be insignificant, temporary and localized thus Natural Habitats Policy (OP/BP 4.04) is not triggered. However, activities allowed under this arrangement have limitations defined in the ESMF and sub-project EAs (ESMPs), including no work allowed in critical habitats and no new construction in PAs. Although not emitting any type of radiation, precautionarily, fixed antennas will not be placed in vicinity of hospitals

and schools.

The WB Policy for Physical Cultural Resources OP/BP 4.11 is not triggered as none of the buildings included in the project are protected as a cultural heritage. Furthermore, installation of infrastructure will not transect or tangent historically significant areas or buildings, not be located in, or in the vicinity of, physical cultural resources. Yet, due to the countries cultural richness, chance finds are possible thus EAs will include a clause on required practices and procedures for managing such occurrence.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
Long term and any later or additional impacts in the operational phase are not expected as a result of the project implementation. The prospective infrastructure has a life span of 20-30 years. There may be some repairs needed in the case of extreme weather conditions causing damage to infrastructure (e.g. landslides, fierce winds and similar), however, the environmental risks for such works are minimal.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
As the environmental risks and potential impacts of broadband infrastructure installation, antenna (tower) and local network establishment are small, localized and short-term, the selection of sub-project alternatives under the sub-component 1.1 infrastructure investments will be made based on technical, quality and cost bases. In the case of the antenna tower construction, issues such as construction in PA, safety and soil erosion will be taken addressed in the feasibility studies and environmental assessments. To ensure compliance and minimal environmental risks, the Project design allows no works in critical habitats, no fixed antennas in Pas, and no works outside of existing infrastructure in PAs.

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.
MED prepared ESMF and will be in charge of the overall quality and implementation of environmental assessment documents to be prepared in due course of the Project. Under sub-component 1.1 the awarded ISPs will prepare ESMPs /ESMP Checklists for all sub-projects which are subject to MED's and WB approval. For works under the sub-components 1.2 and 2.2, that are directly contracted by MED, MED will prepare ESMP Checklists satisfactory to the WB. All EAs (ESMP Checklists and site specific ESMPs), upon public consultations, will become an indispensable part of the bidding and contracting package.

The ESMF allows only category B activities/sub-projects. Category A projects and/or those form exclusion list will not be financed and none in critical habitats.

The Ministry of Economic Development (MED) is the Project implementing agency and is responsible for the Project's overall environmental and social safeguards compliance. Project implementation will be managed by MED's Department of Post, Telecommunication and IT. While the Department is experienced in working with the IFOs, the capacity for management of implementation of WB safeguard policies and procedures is assessed low. The issue of a limited experience in implementing VGF projects in Kosovo and under-capacity of ISPs in environmental management was particularly taken into account in the development of ESMF and environmental review procedures. Upon the Project effectiveness, MED will designate a person for the Project SG issues which will be trained by the WB Environmental Specialist. The VGF arrangement, including the environmental and social safeguards, will be tested through a pilot project on a single section.
Screening of sub-projects will be in line with specific eligibility criteria defined in the ESMF. Those that do not meet the

environmental and social screening criteria, will be rejected.

MED will supervise the implementation of ESMF through quality EA documents confirming that environmental screening, assessment, monitoring and reporting procedures and agreements are adhered to. MED will also regularly review ESMP Checklist compliance reports submitted by ISPs and carry out supervision site visits. Environmental capacity building (half-day training) for ISPs will be provided by MED and WB before works commence.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

A satisfactory ESMF was prepared by the Client, satisfactory to the WB and publicly consulted in Albanian, Serbian and English language before appraisal. ESMF was disclosed, with the call for comments and public consultations meeting announcement on the MED website and website of The Prime Minister's Office on April 4, 2018 (hard copy made available at premises) where remained for over 14 days (past April 17, 2018). In addition to the public call published on the website, it was also posted on public consultation platform of the Government of Kosovo and public hoardings. Public consultation meeting was held in Pristina on April 16, 2018. ESMP Checklists and site specific ESMPs prepared in the course of this project will be disclosed, in Albanian, Serbian and English, on MED website and websites of affected municipalities (hardcopies available at premises) for at least 14 days with calls for comments. The environmental document will have integrated with integrated and addressed all relevant comments.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
30-Mar-2018	04-Apr-2018	

"In country" Disclosure

Kosovo
04-Apr-2018

Comments

ESMF was disclosed on the MED and Office of the Prime Minister's website on April 4, 2018 (hard copy made available at premises) where remained past April 17, 2018.

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

NA

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

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

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

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APPROVAL

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Approved By

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Practice Manager/Manager:	Jane Treadwell	25-Apr-2018
Country Director:	Marco Mantovanelli	04-May-2018

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[1] FY17–21 Country Partnership Framework for Republic of Kosovo.

[2] In fact, Kosovo has the largest gender gap in labor force participation in the WeBa and the highest income loss due to gender gaps (28.2% in 2012). See Cuberes, David; Teignier, Marc. 2015. How Costly are Labor Gender Gaps? : Estimates for the Balkans and Turkey. Policy Research Working Paper; No. 7319. World Bank, Washington, DC. © World Bank. License: CC BY 3.0 IGO.

[3] The World Bank Group. Republic of Kosovo Systematic Country Diagnostic. Washington, DC: The World Bank Group, 2017.

[4] Republic of Kosovo. National Development Strategy 2016-2021 (NDS). Pristina: Office of the Prime Minister, 2016. Note that the NDS is harmonized with EU integration process through the Stabilization and Association Agreement and the Economic Reforms Programme.

[5] In 2015 the GoK, in agreement with the International Monetary Fund, introduced so-called "Investment Clause" allowing for additional spending over the deficit of 2% of GDP, associated with development projects with an impact on economic growth, financed by international financial institutions. In 2016 Kosovo National Investment Council adopted the revised Investment Clause, in which it included expansion of broadband network infrastructure for covering rural areas, schools, hospitals as one of its priority projects.

[6] Ibid 3.

[7] See NDS, Electronic Communications Sector Policy – Digital Agenda for Kosova 2013-2020, Kosovo National IT Strategy 2014, and the Economic Reform Programme 2018-2020.

[8] This is a practical way to utilize public economic assets and help private sector to avoid costly civil works (70-80 percent of the cost). Since June 2017 KOSTT signed two lease agreements with four local ISPs, who aim to provide access to rural areas.

[9] For example, its regulatory framework permits leasing of excess fiber optic capacity of the country's energy transmission company (KOSTT), helping reduce the costs of network roll out. This is a practical way to utilize public economic assets and help private sector to avoid costly civil works (70-80 percent of the cost). Since June 2017 KOSTT signed two lease agreements with four local ISPs, who aim to provide access to rural areas. This measure is in line with EU Directive 61, adopted by the European Commission in 2014. See Directive 2014/61/EU of the European Parliament and of the Council of 15 May 2014 on measures to reduce the cost of deploying high-speed electronic communications networks Text with EEA relevance.

[10] Data from Kosovo Agency of Statistics, based on a 2017 survey: http://ask.rks-gov.net/media/3831/tik-2017-ang.pdf

[11] While 17 percent of all subscriptions are below 2 Mbps and only 17 percent are above 20 Mbps.

[12] TeleGeography, GlobalComms data, December 2017

[13] In 13 municipalities, as many as 40% of all pre-school, primary and secondary educations (155) do not have any internet connection at all. [Survey]. MED (2018), personal communications.

[14] ICT can be a key enabler to boosting educational diffusion and outcomes. World Bank. 2018. World Development Report 2018: Learning to Realize Education's Promise. Washington, DC: World Bank. doi:10.1596/978-1-4648-1096-1. License: Creative Commons Attribution CC BY 3.0 IGO

[15] In 12 municipalities, as many as 80% of all healthcare institutions (167) do not have any internet connection at all. [Survey]. MED (2018), personal communications.

[16] Republic of Kosovo – Government of Kosovo. Electronic Communications Sector Policy – Digital Agenda for Kosova 2013-2020. Pristina: Ministry of Economic Development, 2013.

[17] European Commission. Shaping the Digital Single Market. Accessed in March, 2018.

[18] European Commission. Communication – Connectivity for a Competitive Digital Single Market – Towards a European Gigabit Society. Brussels: 2016. Related Document: COM(2016)587.

[19] MED (2018), personal communications.

[20] Feasibility studies under the WB TAs and policy dialogue with GoK throughout 2014-2018, the findings of which were validated with ISPs, industry associations, civil society, and academia.

[21] MED (2018), personal communications. Note that these ISPs are facilities-based.

[22] MED (2018), personal communications.

[23] ARKEP (2018), personal communications; regional ranking includes Western and Eastern Europe, per data from TeleGeography GlobalComms, December 2017

[24] 19 universities and colleges (out of 29, in total) pay, on average, €3.45 per Mbps per month for internet. Through the connection to the GÉANT network these and other universities could rapidly upgrade their broadband networks to reliable high-speed connectivity at a cost currently paid for lower-speed broadband. MED (2018), personal communications.

[25] GÉANT is a network interconnecting Europe's national research and education networking organizations via highly resilient pan-European broadband backbone, as well as offering research collaboration opportunities among the leading Universities throughout Europe. GÉANT is co-funded by the EU's 7th Research & Development Framework Programme. Further funding is provided by the NREN partners. The other unconnected country is Bosnia & Herzegovina. GÉANT. About GÉANT. Accessed in March 2018.

[26] Even though Kosovar youth is said to be increasingly interested in IT studies ('young digerati') their skills, overall, require strengthening, and the talent pool needs to be enlarged to effectively drive expansion in ICT exports.

[27] After two WoW pilot phases by the WB in 2015-2017, 85 women from five municipalities finished the program, with collective earnings of around US$30,000 on 335 competitively gained online contracts, while 5 participants found jobs in the local IT market (and generated over US$9,000). The cost-benefit analysis (COB) has also shown that the program is scalable and could deliver positive return on investment (ROI) for up to three times higher than the costs per beneficiary, thus having a positive impact net of costs. Women in Online Work Pilot – Impact Evaluation Report. Innovative and Green Growth for Rural Kosovo Technical Assistance (P151939). June 2017. Staff estimates of the results of WoW Phase 2.

[28] Pursuant to Annex 18 of Regulation No. 02/2011 on the Areas of Administrative Responsibility of the Office of Prime Minister and Ministries

[29] Its main objectives include: (i) development of ICT infrastructure; (ii) development of the electronic content and services and promotion of shared use of thereof; (iii) enhancement of Kosovo's residents' ability to use ICT.

[30] Its key goals include: (i) Introducing a comprehensive IT promotion policy; (ii) Promoting company excellence and quality; (iii) Promoting exports of Kosovo's IT industry; (iv) Developing the domestic market and increasing domestic productivity through IT; (v) Improving IT education and promoting HR excellence; (vi) Increasing systemic competitiveness through IT clusters and collaboration; (vii) Enhancing IT entrepreneurship; (viii) Fostering innovation and applied R&D; (ix) Promoting Kosovo as an IT investment destination. IT Strategy Working Group. Kosovo IT Strategy. Pristina.

[31] Law No.4/L-109

[32] Through prior feasibility studies and public consultations with communities and ISPs. Throughout the Project, the situation may evolve. Thus, each specific lot will be re-verified prior to any public investment taking place. There are also more areas that could be identified as 'white areas'. The Project's budget does not allow to cover all 'white' areas. Project will start with the identified areas per the agreed prioritization framework and will be adding more areas, if the budget allows.

[33] "Spectrum management is the overall process of regulating and administering use of the radio frequency spectrum. The goal of spectrum management is to maximize spectrum efficiency and minimize interference." Spectrum Research Consultancy for ARKEP (2013), personal communications.

[34] The training will significantly raise awareness and acceptance of YOU beneficiaries of global online work platforms. It will do so by helping beneficiaries create profiles on different platforms and bid on various job opportunities. Those beneficiaries who do not have a bank account and/or credit card account will receive appropriate support. This way the KODE Project will also help increase financial inclusion, especially women, 57% of whom, by one account, do not have a bank account (compared to 31 percent of men without a bank account).

[35] Alexandru Cojocaru. 2017. "Kosovo Jobs Diagnostic." World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO. P. 31.

[36] Broadband is an enabling foundation for green technologies, because it substitutes the physical movement of people and goods by the transfer of information while allowing for less usage of energy and other finite resources. Access to affordable and quality broadband service reduces business transaction costs and allows flexible

firm locations. Extensive quantitative research and case studies affirm broadband has become a powerful driver for sustainable economic growth. OECD. "Broadband and the Economy." (Ministerial background report, Seoul, Republic of Korea, June 17-18, 2008),