



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 08/25/2021 | Report No: ESRSA01599



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Kosovo	EUROPE AND CENTRAL ASIA	P171098	
Project Name	Kosovo Social Assistance System Reform Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Social Protection & Jobs	Investment Project Financing	8/20/2021	9/30/2021
Borrower(s)	Implementing Agency(ies)		
Republic of Kosovo	Ministry of Finance, Labor and Transfers		

Proposed Development Objective

The objective of the project is to improve the equity and adaptability of Kosovo’s social safety net.

Financing (in USD Million)	Amount
Total Project Cost	55.93

B. Is the project 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 [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed project aims improve the equity and adaptability of Kosovo’s social safety net by supporting the Government to (a) reform the design of its Social Assistance Scheme (SAS) and support its rollout and (b) make much-needed investments in the delivery systems of the SAS, which will also lay the building blocks for the broader reform of Kosovo’s social protection system and a more effective response to future crises. To this end, the project will support technical assistance to develop a new targeting instrument to better mirror the country’s poverty profile among SAS beneficiaries, provide a more adequate SAS benefit amount, and introduce flexibility and adaptability to the Scheme. The project also aims to make much needed investments in the delivery systems of the SAS through technical assistance, training and operating costs. Additionally, the proposed project will finance cash transfers as part of the Government's response to the ongoing COVID-19 pandemic and as part of the forthcoming reform of the SAS.



D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project aims to improve the performance of the Government's Social Assistance Scheme SAS and to develop the building blocks for the social protection system in Kosovo. Kosovo's citizens are the second poorest in Europe, with an unemployment rate of 33% and a youth unemployment rate near 60%. Unemployment among youth encourages emigration and fuels a significant informal, unreported economy. It is likely that as a result of the difficult social and economic situation in Kosovo and, with the liberalization of visas for Kosovars, a new wave of emigration of young and qualified people from Kosovo will occur. Most of Kosovo's population lives in rural towns outside of the capital, Pristina.

Project activities of the proposed operation will be implemented countrywide. Financial support to households will be delivered throughout the country at the local level through Centers for Social Work (CSW) and municipal Directorates for Health and Social Welfare (DHSW). According to official figures from 2015, about 18% of Kosovars lived in poverty and 5% in extreme poverty. The poor are overrepresented in households headed by women and households in which the head has not completed secondary education. Furthermore, poverty is higher in rural areas. Poverty is also related to household size and composition. Larger households and those with more children are more likely to be poor. Finally, and most importantly, poverty is related to labor market attachment. Contrary to expectations, poverty is not highest among the unemployed, but among those in occasional employment and low productivity jobs as well as persons with disabilities.

Kosovo's social protection system allocates an important portion of its budget on social transfers (pensions, social assistance, and war-related benefits). This amount has increased rapidly in the last ten years, rising from 3.5% of GDP in 2008 to 6.8% in 2019. Spending is dominated by old-age pensions and war veteran war-related benefits. In terms of performance, the SAS is well-targeted, with 70% and 68% of beneficiaries and benefits, respectively, going to households in the bottom quintile. It represents a significant share of beneficiary households' consumption. Although the targeting performance of the SAS is good, only 7 percent of the total population is covered, whereas the national poverty rate is over 20 percent. That is, this good targeting performance is achieved due to highly stringent eligibility criteria. As a result, the SAS benefit incidence does not correspond to the country's poverty profile and the Scheme is unable to respond to dynamics in poverty. Under the reformed SAS, the new targeting methodology will replace the stringent eligibility criteria with a new poverty test (a means test and a new proxy mean test (PMT)).

The most challenging social issue in this project is outreach to the most vulnerable and helping them understand and apply for the new schemes to be designed. The expectation with the new schemes is that the number of beneficiaries will increase, but some of the families might be left out. Stakeholder engagement is key to the success of the project, together with outreach and other engagement activities. During the project design period and to inform project design, the Bank team prepared Policy Notes on Promoting the inclusion of RAE (Rome, Ashkaly, and Egyptian) communities in the reform of Kosovo's SAS. A social specialist in charge of engagement will also support engagement activities.

Other relevant social issues are related to labor and working conditions, although the risk is low given that project workers will be consultants only.



There are no activities that have an associated environmental impact or risk at this point in project preparation.

D. 2. Borrower’s Institutional Capacity

The Ministry of Labor and Social Welfare (MLSW) will be the main counterpart of the Bank and the implementing arrangements will be set within the Ministry. The Ministry is the policy-making institution for the Social Assistance Scheme (SAS), drafting policies and strategies, planning benefit budgets, and monitoring the program. The Ministry performs the functions through the Division of the Social Assistance Scheme and the Division of Internal Audit within the Department for Social Policies and Family. The Division of the Social Assistance Scheme is responsible for (i) drafting strategic plans and policies for the development and operation of the SAS; (ii) drafting related legislation and regulations; (iii) drafting administrative instructions related to the provision of SAS; (iv) monitoring, auditing, and inspecting these services at the Center for Social Work (CSW) level; and (v) planning and allocating the budget for SAS payments, including payment transfers to the accounts of SAS beneficiaries. The Division of Internal Audit is responsible for monitoring the implementation of SAS and other programs in the Department, including reviewing complaints received from the CSWs. In 2020, the implementing agency completed Component II of the ongoing Kosovo Emergency Covid-19 Project, gaining experience with the WB IPF operations on support to household compliance with public health containment measures. The division established a successful Grievance Redress Mechanism (GRM) for the component and, in 2021, will complete all the household compliance activities, including beneficiary feedback surveys. While the division and the Ministry have experience with WB operations, the team will recommend that a community and stakeholder engagement expert is hired as part of the PIU’s staff to support project activities. The Bank team and counterpart followed the initial agreement during the concept note. There are no changes to the initial agreement on the implementation arrangements. The hiring of the social specialist as a part of the PCU supports strengthening engagement activities, which is also one of the recommendations of the Policy Notes on Promoting Inclusion into SAS reforms.

Public Disclosure

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) Moderate

Environmental Risk Rating Low

The project components are environmentally benign. Since the project does not have activities that will generate any adverse impacts or risks on the human population and environment, the project risk remains Low risk from an environmental perspective and as defined under the Bank's ESF.

Social Risk Rating Moderate

The social risk rating remains moderate agreed during the concept phase. While the project involves key interactions, inputs, and outcomes on social impacts, these are expected to be positive. It is confirmed that The project will not finance any civil works. It will not involve the land acquisition or economic/physical displacement. The project will not hire a large number of workers through contractors; project workers will be consultants only. There is also minimal risk of negative social impacts as the project is designed to improve social assistance to marginalized and vulnerable groups, such as the poorest segments of the population in Kosovo. With regard to potential RAE exclusion, there is no evidence that these communities are not adequately included in the SAS, and this was confirmed with the Policy Notes prepared during the preparation of the project. In terms of numbers



(although not taking into account poverty), about 2% of the population is estimated to be Roma, and the share of Roma in the SAS is 4%. . The Policy Notes are used to inform the project design. While the number of beneficiaries will increase with the new scheme, some will be dropped. The project will support the establishment of a transition period in which the households who would lose the SAS eligibility under the new poverty-targeting procedures, will remain in the program for that period. For this reason, the size of the SAS will temporarily expand for old beneficiaries to continue receiving support while new beneficiaries are targeted and enrolled. The implementing agency has experience with the World Bank mostly because of the Kosovo Social Assistance System Reform Technical Assistance P175888 provided but also through the implementation of the Social Protection component of the Kosovo Emergency COVID-19 Project. However, the implementing agency has a well-established grievance mechanism for the ongoing SAS, and for the appraisal, it is confirmed that the project will enhance the GRM to be able to respond to potential SEA/SH issues. The risk of the SEA/SH for Kosovo is low. The project context remains low as determined during the concept phase. To date, there have not been complaints or reports about SEA/SH abuse involving social workers and beneficiaries or among professional peers and colleagues. It For the appraisal phase it is confirmed that the project will proactively work in prevention through the distribution of the code of conduct and raising awareness to report potential SEA/SH cases.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

The project aims to improve the Performance of the Government Social Assistance Scheme, which will be the foundation of the Kosovo Social Protection System.

The project preparation phase confirmed the initial assessment carried during the concept phase, the project does not have any potential risks and/or impacts based on the information collected from (i) the scope of activities proposed at the Project's Appraisal Document and the preparation meetings, (ii) country baseline data, and (iii) the good practice and experience of the PIU in similar WB projects.

Any necessary E&S risk management processes and procedures consistent with ESS1 will be incorporated in the Project's Operational Manual (POM)e.g. potential exclusion of the beneficiaries, SH/SEA, but no other screening is necessary for environmental risks given that no rehabilitation, construction activities are envisaged etc.

Prior to this the discussion of E/S risks and mitigation/management measures will list in the PAD and related Borrower commitments captured in the ESCP and later this will be reflected in the POM.

In order to ensure compliance with the ESS2 on Labor and Working Conditions, the Borrower has prepared a draft Labor-Management Procedures (LMP) with adequate provisions and proportionate mitigation measures. The LMP will also be part of the Project Operations Manual (POM). Particularly, processes and procedures will provide specific references to ensure that all project workers are hired and/or are able to benefit from the applicable labor-management principles consistent with the requirements of ESS2. Given that the Project focuses on policy improvement and strengthening and support to the social assistance scheme, no negative impacts related to labor



and working conditions are expected. Also, risks regarding SEA/SH are low. Nevertheless, the project will implement awareness-raising activities on SEA/SH for social workers and beneficiaries, during the project implementation. The GRM will be strengthened with an additional protocol to handle any SEA/SH-related complaints.

ESS3, ESS5, ESS6, ESS7, ESS8, ESS9 are not considered relevant.

ESS10 Stakeholder Engagement and Information Disclosure

Stakeholder engagement is key to the success and sustainability of the project development objectives. In consultation with the Bank team, the counterpart agency has prepared and will implement an inclusive Stakeholder Engagement Plan (SEP) proportionate to the nature and scale of the project. For Component 1, the direct stakeholders identified are the targeted poor segments of the population (representing project beneficiaries and the groups that will lose the benefits) and local governments, specifically the municipal Directorates for Health and Social Welfare, Center for Social Works (CSW) and the Ministry of Finance, Labor and Transfers (MoFLT). Other Interested Parties include public sector agencies supporting MoFLT and CSOs and charity organizations that support marginalized groups. Stakeholders of Component 2 are the same as those of Component 1 since the second component is financing the first. It is confirmed that the MoFLT has a good track record of involving stakeholders to discuss policies and measures. There has been preparatory work and consultation by the MoFLT for the upcoming reform of SAS. The Ministry led a working group to prepare a Concept Document for a new law on the SAS, which aims to put into practice the recommendations of the study. The Concept Document was approved by the government and submitted to Parliament in early 2020. This Concept Document forms the basis for the drafting of a new law, which the MoFLT has initiated and plans to submit to Parliament in mid-2021. During the preparation, most of the focus group meetings, consultation, and meetings were with the MFLT (Ministry of Finance, Labor and Transfers) and the DSPF (Department for Social Policy and Families). In addition, there were consultations with the CSW (Center for Social Works) mostly to prepare the Policy Notes on the inclusion of the RAE communities in the SAS reforms. The Policy Notes are used to inform the project designs but also the Ministry for the reform implementation. Thus, further stakeholder consultations on the implementation of the Policy Notes recommendation will be organized during the project implementation.

Specific attention is given to strategies and mechanisms to ensure that vulnerable groups are targeted and informed about the possibilities of the project. A draft SEP has been prepared and will be disclosed as early as possible and prior to Appraisal. It describes processes for meaningful consultations with all stakeholders throughout the project life cycle, paying special attention to the inclusion of the most vulnerable. The SEP has a section describing the GRM, aiming to enhance the one already in place by enabling more channels for submitting complaints and the possibility to raise SEA/SH-related issues.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions



The standard is relevant because the Project will hire PCU staff (who will not be civil servants) and other consultants will be hired directly for various TA for the project. These hires will be considered as direct project workers. Other project workers will be contracted workers, and these would mostly be consultants hired for the TA and software-related work, i.e. hired by third parties. Thus, the LMP has been prepared and will be disclosed and consulted prior to Appraisal. LMP sets out terms and working conditions, principles of nondiscrimination, and equal access to opportunities, as well as ensures project worker protection from COVID exposure. There is no likelihood of project of engagement of neither child nor forced labor. The LMP will also be included in the OM. The LMP also defines procedures for setting the project workers' GRM separate from the project-related GRM.

ESS3 Resource Efficiency and Pollution Prevention and Management

The Standards is not relevant as the activities will be mostly TA in the sphere of social assistance

ESS4 Community Health and Safety

The standard is relevant. Mostly because of the potential risks relating to a) exclusion from project benefits (e.g. of certain vulnerable ethnic groups, people without internet access, etc.) ; b) issues relating to SEA/SH (though the risk is low) and c) COVID-19 exposure risk for communities/beneficiaries in the context of outreach activities. Measures to manage these risks will be included in the POM. With regard to exclusion from project benefits during the preparation Policy Notes have been prepared to understand whether there are any (perceived) barriers of e.g to RAE to access the SAS as well as how the eligible population will not be excluded because of lack of access to the internet. This information flows into project prep and procedures how to avoid the barrier will be described in the POM, but primarily is used for the dialogue with the government to inform the further reforms. Further in the POM SEA/SH address risk although very low for the country and project context, will be addressed through implementation awareness-raising activities on SEA/SH for social workers and beneficiaries and the enhancement of the GRM with an additional protocol to handle any SEA/SH-related complaints. All the outreach activities and interactions with the beneficiary population will be done in compliance with the Covid 19 protection measures.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The standard is not relevant. There will be no activities leading to land acquisition.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The standard is not relevant

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

The standard is not relevant

ESS8 Cultural Heritage

The standard is not relevant



ESS9 Financial Intermediaries

The standard is not relevant

B.3 Other Relevant Project Risks

There are no other project risks,

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways

No

OP 7.60 Projects in Disputed Areas

No

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework?

No

Areas where “Use of Borrower Framework” is being considered:

Borrower framework will not be used for the project

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Republic of Kosovo

Implementing Agency(ies)

Implementing Agency: Ministry of Finance, Labor and Transfers

Public Disclosure



V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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