

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 03/23/2006

Report No.: AC2199

1. Basic Project Data

Country: Kosovo	Project ID: P097635	
Project Name: Lignite Power Technical Assistance Project		
Task Team Leader: Varadarajan Atur		
Estimated Appraisal Date: March 17, 2006	Estimated Board Date: May 9, 2006	
Managing Unit: ECSIE	Lending Instrument: Technical Assistance Loan	
Sector: Central government administration (40%);Power (30%);Mining and other extractive (30%)		
Theme: Regional integration (P);Infrastructure services for private sector development (S);Export development and competitiveness (S)		
IBRD Amount (US\$m.):	0.00	
IDA Amount (US\$m.):	8.50	
GEF Amount (US\$m.):	0.00	
PCF Amount (US\$m.):	0.00	
Other financing amounts by source:		
BORROWER/RECIPIENT		0.00
<u>EC: EU - European Agency for Reconstruction (EAR)</u>		<u>2.00</u>
		2.00
Environmental Category: B - Partial Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Project Objectives

The objectives of the LPTAP are: (a) to help PISG strengthen enabling policy, legal and regulatory frameworks conducive to new investments in the energy sector; and (b) to assist PISG in attracting qualified private investors into building new capacity for lignite thermal power generation guided by high standards of environmental and social sustainability.

The LPTAP objective will be attained through: (a) developing and strengthening the enabling policy, legal and regulatory frameworks in the energy sector, including mitigating environmental impacts and developing a framework for expropriation and resettlement; (b) developing an institutional structure and capacity for implementing the broader sector strategy, including mobilizing financing and dealing with FDI in the energy sector; and (c) technical consultancies for seeking qualified strategic investors in the proposed independent power plant (IPP) and mine.

3. Project Description

The project consists of four components, which are summarized below:

Component 1: Sector Policy, Legal, Regulatory and Safeguards Advice

This component will comprise the following two subcomponents:

(i) Subcomponent 1- Sector Policy, Legal and Regulatory Advice: This TA would primarily build on the IPA-Norton Rose diagnostics report on policy, legal and regulatory frameworks and focus on preparing the key legislation, including any required amendments, that will facilitate the IPP transaction. In the first phase the consultants will identify the gaps and define the necessary actions to improve the investment environment. In the second phase the consultants will work closely with the transaction advisors (under component 4, below) and with relevant ministries to develop and help adopt the final legislative and regulatory framework that will serve as a practical guide for expropriation and involuntary resettlement activities in Kosovo, and drafting legislation and regulations needed to assure that future expropriation and resettlement programs meet international standards. This will include the preparation of a Resettlement Policy Framework consistent with World Bank OP/BP 4.12 on Involuntary Resettlement as well as draft legislation on land expropriation and resettlement.

(ii) Subcomponent 2- Safeguards Framework: This subcomponent would provide TA for the preparation of a Strategic Environmental and Social Assessment (SESA) specific to energy sector development. The SESA would identify environmental and social issues of projected developments in the power generation and related lignite mining sectors. The SESA would be the overarching environmental and social assessment of sector developments prior to the specific EIAs and other analyses that will be prepared for the decision making on individual investments. The SESA will be instrumental to outline the needs for institutional strengthening and capacity building to assess, monitor and regulate the environmental impacts of mining and power generation. This could include the preparation of legislation, regulations, monitoring systems and institutional changes that are necessary to fill any gaps. The SESA will provide inputs to the development of the Resettlement Policy Framework under Subcomponent 1. This component will provide support for the development of the terms of reference for Environmental Impact Assessment, Social Assessment and the Resettlement Action Plan. The subcomponent would also prepare an environmental baseline monitoring toolkit and collect field data.

Component 2: Technical Studies

This component will comprise of the following three subcomponents:

(i) Subcomponent 1- New Sibovc (North) Mine Site Assessment: The purpose of the Sibovc (North) Mine Site Assessment is to evaluate alternative scenarios for mining within the northern part of the Sibovc lignite basin. Scenarios may be as few as one, and no more than four (including variants on one or more central scenarios). The New Sibovc (North) Mine Site Assessment is a pre-feasibility analysis to support an internationally competitive tender process for mine and plant development. The analysis is not intended to support investment decisions nor provide a bankable feasibility analysis. Principal considerations will include optimizing mine development in consideration of lignite quantity/quality relationships and pro forma cash flow analysis to

determine commercial viability. Central to the analysis is the need to construct a 3D block model that will permit, at minimum, twenty five years of mine development planning with a production sufficient to supply lignite to a power plant of approximately 600 megawatts, operating within an efficiency range of 42 – 44%.

(ii) Subcomponent 2- New Power Plant Market, Siting and Feasibility Study, and Transmission System Assessment Study. The market assessment will examine the local (Kosovo) and regional (ECSEE) electricity markets, potential off-take opportunities, the adequacy of the transmission system and identify most appropriate unit and plant size options. The power plant siting study will review previous studies performed for the new mine and power plants, and evaluate necessary siting factors in order to determine the preferred site for the power plant taking into account the environmental and social aspects. The feasibility study will provide adequate information to prospective investors to help their due diligence and preparation of bids efficiently. Hence, the feasibility study will analyze technologies for the lignite power plant, and optimize the power plant design at the selected site including supercritical technologies and circulating fluidized bed combustion (CFB) technology. The feasibility study will develop concept design of the major mechanical, electrical, instrumentation & control equipment and related systems, and civil works. It will develop operation management, environmental and licensing requirements and implementation schedule, and perform site specific and economic and financial analysis. The study will develop a work plan for the plant construction and identification of the risks associated to its development. The transmission system assessment study will determine the requirements for interconnecting the new power plant to the transmission system, including detailed conceptual designs and cost estimates.

(iii) Subcomponent 3- Renewable Energy Options: Technical assistance to help PISG develop policies and strategies to promote renewable energy and energy efficiency in Kosovo.

Component 3: Capacity Building

Sector administration is currently shared between (i) UNMIK, on behalf of Kosovo, as a signatory of the Athens Memorandum of December 2003 (which established ECSEE), and as a signatory to the ECSEE treaty of October 2005, and (ii) PISG, which passed the Law on Energy, the Law on Electricity and the Law on the Energy Regulator in mid-2004, and which has established the Ministry of Energy and Mining (MEM) for policy making. Many other ministries are also in their infancy, including the Ministry of Environment and Spatial Planning (MESP).

This TA component would support capacity-building for the key ministries and agencies (including MEM and MESP), for inter-ministerial coordination, and for the Projects Office, the implementing entity for the Project. The TA would also assist MEM, MESP and PISG to develop a communications and outreach strategy and improve public consultations. In addition to TA, office equipment and vehicles, incremental operating costs would be provided to the implementing entity.

Component 4: Transaction Advisor

Building on the previous components, this TA would support the PISG in carrying out the transaction process to the financial close of the proposed IPP. The transaction advisor would structure the procurement based on market soundings and would take into consideration, among other things, the requirements defined under the SESA. In the first phase, investors would be short-listed based on responses to a RFQ, and a detailed RFP would be prepared along with a bid evaluation methodology and a financial model. In the second phase the preferred bidder would be selected through a competitive bidding/evaluation process and, finally the transaction advisors would assist through to financial close of the proposed IPP.

4. Project Location and salient physical characteristics relevant to the safeguard analysis

The project will provide technical assistance to Kosovo. The SESA will be executed in parallel with the preparation of the Sibovc Development Plan (SDP). The SDP is a regional sector development plan that will ratify projected developments in existing and new lignite mining and power generation activities in the Sibovc-Obiliq area.

5. Environmental and Social Safeguards Specialists

Mr Frank Van Woerden (ECSSD)

Ms Paula F. Lytle (ECSSD)

6. Safeguard Policies Triggered	Yes	No
Environmental Assessment (OP/BP 4.01)	X	
Natural Habitats (OP/BP 4.04)		X
Forests (OP/BP 4.36)		X
Pest Management (OP 4.09)		X
Cultural Property (OPN 11.03)		X
Indigenous Peoples (OP/BP 4.10)		X
Involuntary Resettlement (OP/BP 4.12)		X
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

II. 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 LPTAP provides technical assistance for the preparation of follow-on investments and will not finance any investments in power generation or in related lignite mining. No negative impact is expected from the implementation of the proposed LPTAP. The power plant and mine sites will only be determined during project implementation (under the project's technical consultancies); however, the project is intended to facilitate the government's ability to attract investments that would trigger the World Bank's environmental and social safeguard policies if these investments were to be financed by the World Bank directly. Because the follow-on investments after execution of the

LPTAP are expected to have significant impacts on the environment, the project is classified as Category B.

The proposed Project will help strengthen the legal and institutional frameworks for regulating the environmental and social impact of mining and power projects, including resettlement, and also build capacity in the relevant ministries to implement, monitor and enforce the regulations. Environmental and Social Assessment ToRs and Resettlement Action Plan ToRs for the lignite mine and power plant would be developed by consultants before launching the tendering process for the IPP.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Kosovo's energy sector development is now at the strategy and policies development stage. In parallel with the implementation of the LPTAP, for the Sibovc-Obiliq area, the planning stage for new investments will unfold. The potential social and environmental implications of the physical future investments which will follow after the planning stage and implementation of the LPTAP, will be discussed in the Strategic Environmental and Social Assessment (SESA). The SESA is being executed as part of the preparation of the Regional Sector (Sibovc) Development Plan. Assistance to PISG in the preparation of the SESA is part of the project component 1.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

No relevant treatment of alternatives is imposed at this stage. They will be analyzed during implementation under preparation of the Sibovc Development Plan and the SESA.

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. As part of Project preparation, the PISG has prepared the Environmental and Social Safeguards Framework (ESSF) to address environment, potential land acquisition and other safeguard issues in the process of planning and other preparations for future investments in the lignite mining and power generation sectors. The ESSF meets with the requirements of Kosovar laws, EU Environmental Directives and Bank's operation policies on EA and involuntary resettlement.

The ESSF sets out procedures to be followed during implementation of the LPTAP for energy sector development. A schematic that presents the sector development stages and the application of safeguard tools supported by the LPTAP is part of the ISDS.

The ESSF includes the draft TORs for the Strategic Environmental and Social Assessment (SESA), and the approach to receiving public input on the TOR so that the actual SESA can be prepared and vetted with the public in time to be included in the tendering process. The SEAA will address the environmental impacts and procedures of the regional sector (Sibovc) Development Plan (SDP). MEM will initiate the preparation of the SDP in cooperation with MESP and the participation of local authorities. The SESA will analyze, assess and environmental and social impacts of the most relevant

development scenarios of regional sector development for the SDP and include consultation rounds at the start of this process to present and discuss the SESA results and the draft SDP.

The ESSF presents the standards for identifying, assessing and regulating environmental and social issues and includes procedures for public consultations in the decision-making process. The ESSF identifies procedures such as EIA, Social Assessment and Resettlement Action Plans for the site specific investments in the energy sector that may follow the technical assistance stage and the preparation of terms of reference for the application of these safeguard instruments.

The ESSF includes a narrative description of the approach to be used for developing the legal and institutional framework for land expropriation and resettlement, including the preparation the “Resettlement Framework Plan” .

While there have been recent efforts to develop an effective institutional structure for environmental regulation, including defining the most important actors, their roles and supporting legislation, the structure is still very weak. Environmental legislation and standards are partially in place, but need further development to deal with the challenges of new initiatives. Current mining practice in the area does not incorporate planning for post-operation land reclamation such as the separation of top soil and other overburden material to facilitate reclamation as agricultural land. Similarly, the institutional capacity for managing land expropriation and resettlement is weak, and the project will develop the legal and institutional framework for managing land expropriation and resettlement and will support capacity-building.

It is part of the LPTAP’s main objectives to assist the PSIG in strengthening capacity for safeguard policies and component 1 of the project is designed to enable regulatory capacity building and strengthen environmental and resettlement regulations.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Key stakeholders of the Project are the Ministry of Energy and Mining, the Ministry of Environment and Spatial Planning and the Municipality of Obiliq/Kastriot. Municipalities that could be affected by future investments are Fushe Kosove and Prishtina.

A consultation workshop was conducted in February 2006 with the key stakeholders, other institutions and environmental and other NGOs at the Technical University of Prishtina to present and discuss the LPTAP and the ESSF.

As detailed in the ESSF, the Bank's procedures for consultation and disclosure will be followed during implementation.

The Project Office will monitor project execution of the TA components to ensure that all requirements and specifications are met and environmental considerations are incorporated according to the ESSF.

The Project envisions a highly participatory process in the formulation of the SESA and the Sibovc Development Plan

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Date of receipt by the Bank	03/17/2006
Date of "in-country" disclosure	03/17/2006
Date of submission to InfoShop	03/17/2006
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	

*** If the project triggers the Pest Management and/or Cultural Property, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.**

If in-country disclosure of any of the above documents is not expected, please explain why:

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?	No
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	N/A
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's Infoshop?	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	Yes

documents?

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Mr Varadarajan Atur	03/14/2006
Environmental Specialist:	Mr Frank Van Woerden	03/20/2006
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Ms Paula F. Lytle	03/20/2006
<i>Approved by:</i>		
Regional Safeguards Coordinator: Comments:	Mr Ronald N. Hoffer	03/20/2006
Sector Manager: Comments: Approved	Mr Peter D. Thomson	03/21/2006