Project Information Document/
Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 08-Nov-2017 | Report No: PIDISDSC22886
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
<th>Project Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosovo</td>
<td>P164188</td>
<td></td>
<td>Kosovo Digital Economy (KODE) (P164188)</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Appraisal Date</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
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<tbody>
<tr>
<td>EUROPE AND CENTRAL ASIA</td>
<td>Apr 09, 2018</td>
<td>Jun 15, 2018</td>
<td>Transport &amp; ICT</td>
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<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Ministry of Finance</td>
<td>Ministry of Economic Development</td>
</tr>
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</table>

Proposed Development Objective(s)

Increase the ability of Kosovo’s citizens and its rural communities to participate in the digital economy.

Financing (in USD Million)

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
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<tbody>
<tr>
<td>International Development Association (IDA)</td>
<td>25.00</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>25.00</strong></td>
</tr>
</tbody>
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Environmental Assessment Category

B-Partial Assessment

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

Landlocked, with a population of around 1.8 million, Kosovo, is one of Europe’s poorest countries, with almost a third of the population living below the national poverty line. At the same time, with its new statehood and the average age of its population (26 years) Kosovo is the youngest country on the continent, with emerging opportunities and challenges. Since independence in 2008, the country has made considerable socioeconomic progress, benefiting from the support of the international community and its diaspora.

Kosovo has enacted several reforms since independence, but barriers to creating a more dynamic, vibrant
economy remain. 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. Between 2008 and 2016 real gross domestic product (GDP) grew an average of 3.4%, and preliminary poverty estimates indicate that poverty fell significantly between 2012 and 2013.\(^2\) Ranked at 113\(^{th}\) in the Doing Business Report in 2010, by 2017 the country had moved to 60\(^{th}\), the third top-performer in the lower middle-income category.\(^3\) Yet, serious barriers to greater economic growth remain. These include a narrow production base, persistently limited improvement of competitiveness and productivity of the private sector, reliance on an economic growth model of domestic consumption fed by remittances and donor investments, and existing disparities within population along geography, ethnicity, and gender. Kosovo is also prone to natural hazards—including floods, landslides, droughts, earthquakes, and wildfires—that could pose damages to the economy, fiscal balances and well-being of vulnerable populations.\(^4\)

Poverty and social exclusion affects the rural population, and especially women and youth. Considerable overlap exists in the goals of eliminating extreme poverty and promoting the income growth of the poorest 40 percent of the population (‘the bottom 40’) in rural Kosovo.\(^5\) Poorer households tend to live in rural areas, though there are pockets of deep poverty in cities. In 2011, the rural and urban poverty headcounts were 31.5 percent and 26.7 percent, respectively. As approximately 62 percent of Kosovo’s population lives in rural areas, this implies that two-thirds of poor households are rural dwellers, a proportion that is observed for the bottom 40, as well. Kosovo has also failed to dent its high levels of female (34.6%) and youth unemployment (50.5% for 15-24-year-olds), with the country scoring particularly low on labor dimensions of gender equality, including from a regional perspective.\(^6\) Lack of decent jobs and low social mobility stimulate brain drain. Since 2012, an increasing number of young people have emigrated from Kosovo seeing lack of opportunity at home.\(^7\)

Kosovo’s National Development Strategy (NDS) 2016-2021\(^{11}\) seeks to promote rapid and inclusive economic growth through, inter alia, a digital transformation that shifts the country to being a knowledge based economy. The Infrastructure Priority of the NDS includes measure #30 ‘Deployment of information and communication technology (ICT) infrastructure.’ The list of the priority projects under the Investment Clause\(^{11}\) includes making high-speed broadband investments and the development of human capital for digital economy. This is intended to promote rapid economic growth and increased employment, hand in hand with improved social cohesion and inclusion. Moreover, Reform Measure #4 of Kosovo’s Economic Reform Program 2017-2019 (ERP) advocates for further extension of the ICT network infrastructure to support socio-economic development.\(^8\)

Making this transformation to a digital economy\(^{4}\) (DE) calls for investments in fundamentals such as broadband access and skills for digital jobs. The proposed Kosovo Digital Economy (KODE) Project supports the Government’s digital agenda and Program Principles of the Government of the Republic of Kosovo 2017-2021 to boost economic growth by scaling up broadband access and by improving digital skills that are in high demand in Kosovo and globally. Investing in these fundamentals will better position Kosovo to take advantage of digital opportunities in a more inclusive way. More people, including those in underserved rural areas will be able to access labor markets, new sources of knowledge, and public services. Businesses, including those in the ICT sector, will have better access to information, skills, and markets, and young people will have the skills to take advantage of the digitization of economic activities.

Sectoral and Institutional Context

In recent years, through a series of policy and strategy documents\(^9\) the Government of Kosovo (GoK) and specifically, the Ministry of Economic Development (MED), have articulated their vision for the development of a competitive, robust ICT sector that supports inclusive economic development. Chief among its objectives is the goal of ensuring that 100 percent of Kosovars have access to broadband networks – either at home or in public institutions like schools and libraries – and that most citizens regularly use internet by 2020\(^{10}\).

Towards achieving these goals, GoK has promoted reforms, leading to more sector efficiency and competition.
The 2012 Law on Electronic Communications strengthened the role of sector regulator, Regulatory Agency for Electronic Communications and Postal Services (ARKEP), to promote and ensure competition. In part, due to its governance, a vibrant and competitive market for telecommunications services exists – the market currently has 54 active licenses for internet service providers (ISPs), only one state-owned (Kosovo Telecom, or VALA). Furthermore, in its Economic Reform Program, Kosovo committed to leasing the excess fiber optic capacity (“dark fiber”) of the country’s energy transmission company (KOSTT)—a practical way to extend broadband access while avoiding costly civil works (usually 70-80% of the cost). In June 2017, KOSTT signed its first lease agreement with three local ISPs, who aimed to provide access to rural areas.

Despite these reforms and practical steps, digital infrastructure coverage is unevenly distributed, re-enforcing the urban-rural divide. Roughly 20 percent of all households face digital access gaps, with access to high-speed broadband being particularly low in rural areas. Broadband access per capita is similarly low at less than 14 percent (mainly due to a large number of persons per household, i.e. members in the same household are sharing the same connection). This leaves citizens, institutions and businesses unable to substantially benefit from the opportunities enabled by the digital economy. Without access to enabling technology like broadband, some schools—presently unconnected—are limited in their ability to shape the human capital required for a knowledge economy. Similarly, health centers are not universally connected, preventing them from expanding medical service coverage to more people, especially in rural and isolated areas.

Reaching this uncovered market will not be achieved by market forces alone. Consultations with the private sector, policy dialogue with and World Bank’s technical assistance to the MED identified communities that currently lack broadband connectivity and are projected to lack it in the near term, unless there is public support. The situation is particularly stark in rural areas, where, as of September 2017, over half (51.4%) of villages remain without any fixed broadband access, and where another 6.7% of villages require upgrade to high-speed broadband (i.e. the current access to fixed broadband is enabled through technologies that have a cap on internet speeds below government targets).

Competition in the fixed broadband market is strong but insufficient to close existing and projected access gaps due to the non-viable commercial case. By 2020, the incumbent and private ISPs are projected to connect major urban and semi-urban settlements, resulting in only 76% households with access to fixed broadband. Yet, a significant number of households remain (or will be soon built) in the areas, where private investments will not be taking place due to high costs of deployment (mountainous terrain) and/or specific socioeconomic profile of the population (rural poor), the lower demand in those areas for broadband services, and, overall, low average broadband retail prices in the country. WB analytical work has also identified appropriate technological, financial and organizational arrangements to tackle the issue.

Bridging this infrastructure divide will require proper incentives to crowd in private investment. There is evidence that public-private partnerships (PPPs) are an appropriate solution. Following the ‘cascade’ model to maximize private financing for development, adequately structured PPPs are found to be particularly effective in addressing Kosovo’s digital infrastructure divide. Connecting the ‘last mile’ of these rural and unconnected users on purely commercial terms is not feasible (negative net present value, NPV). However, when societal benefits like productivity growth and consumer surplus are included, the case for supporting broadband development in rural areas appears to be strong. First, the Government with WB assistance has modeled the extent to which purely commercial arrangements can go, and identified where access gaps exist that have some financing gaps. Second, a government sponsored pilot for rural broadband development suggests that adequately structured PPPs can crowd in private investment to bridge this infrastructure divide. Designed to expand broadband access into four villages in the municipalities of Gjakova, Obiliq, and Skenderaj, the pilot demonstrated that with the right amount of state subsidy (49% public subsidy: 51% private investment), private players can be incentivized to connect the expensive, hard to reach areas.
These investments in network coverage require complementary investments to unlock digital dividends. As a growth sector, Kosovo’s ICT industry seems positioned to reap the digital dividends associated with improved infrastructure. Between 2007-17, the ICT industry (incl. telecommunications) was a major source of employment, contributing 8–11 percent to GDPxxiii. Its market size, albeit small, has shown continued growth and dynamismxxiv. By one account, over three quarters of IT firms have been engaged in export activities (esp. outsourcing and IT project management)xxv, with the share of ICT service exports to total service exports exceeding 16% in 2008-2015, which was larger only in the former Yugoslav Republic of Macedonia and Serbia among WeBa statesxxvi. Kosovo’s NDS places as a priority the provision of support to ICT businesses to export services abroad, recognizing a strategic importance of this sector to employment. Overall, Kosovo has 120 IT software businesses employing around 3,000 professionalsxxvii.

Despite its vibrancy, the IT industry (and hence DE as a whole) is underdeveloped, limiting its export potential. Uneven broadband distribution, low digitization of real sectors, existing and foreseen shortages in qualified IT laborxxviii, and lack of branding of the local IT industry abroadxxix contribute to this. While expanding infrastructure, access will alleviate some of these challenges, Kosovo recognizes it must train relevantly skilled labor to reap digital dividendsxxx. Previous interventions in Kosovo like the Women in Online Work (WoW), a pilot program supported by the WB and the KGGTF in 2015-2017 demonstrated that with modest investment in training and coaching, un- and underemployed young women, many from rural areas, could find online contracts. And their new earning potential can easily “pay back” the costs of training. Using conservative assumptions, based on actual earnings data, tracked during the first phase of the pilot in 2016, total training costs per participant are recovered in less than a month after the pilot end through online work performed by graduates. It has also been 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 costsxxxi. This success could be spread to other areas of the population.

MED guides and coordinates ICT sector development and all major DE initiatives, but there is insufficient funding for major programs. MED leads in setting the strategy for the IT and electronic communications sub-sectors and works to advocate for the sector within the Government. It also oversees key initiatives including the implementation of the policy documents, Digital Agenda for Kosovo 2013-2020 (Digital Agenda) and Kosovo National IT Strategy, the design and implementation of Rural Broadband PPP pilots, scale up of the WoW pilot by USAID and Helvetas Swiss Intercoperaion. MED also actively participates in the Steering Committee for the Kosovo Digital Economy, which convenes relevant stakeholders from private and public sectors, academia, and donors. The progress of these activities has been positive, but insufficient to alter the status quo.

ARKEP, Kosovo’s telecommunications industry regulator, plays a key role in supporting digital infrastructure development, yet its capacity to design and enforce regulations should be further strengthened. Under the Law on Electronic Communications and per the objectives laid out in Digital Agenda, ARKEP has obligations to ensure efficient use of radio spectrum and to acquire and manage a country internet domain. Enforcement of specific policies is required to mobilize private investments in both wireless and fixed broadband market segments. Among its other duties, ARKEP has been mandated to monitor the state of wireless communications and ensure radio spectrum without unlawful interference. To date, the agency has been unable to put in place an effective spectrum management system to ensure adequate spectrum surveillance and protection against unlawful interference. This has resulted in poor quality of mobile broadband services in rural Kosovo and has led to multiple complaints from mobile network operators that are affected by interference in their wireless communications. And due to lack of funding, ARKEP has been unable to obtain a country internet domain and put in place the rules to regulate its use.

Relationship to CPF

In recognition of the country’s pressing development issues and government priorities, the World Bank’s Country
Partnership Framework (CPF) for FY17-F21 is structured around three focus areas: (i) Enhancing Conditions for Accelerated Private Sector Growth and Employment, (ii) Strengthening Public Service Delivery and Macro-Fiscal Management, and (iii) Promoting Reliable Energy and Stewardship of the Environment.

The proposed Kosovo Digital Economy (KODE) Project (“Project”) responds to focus area (i) of the CPF which aims to, among others, improve the country’s business environment and promote more inclusive employment, specifically for the youth and for women. The project will focus on developing the broadband Internet infrastructure and human capital essential to transform Kosovo into a DE. In doing so, the proposed Project will put in place critical connectivity infrastructure and improve human capital that will accelerate broad-based economic growth and employment generation in a sustainable manner.

C. Proposed Development Objective(s)

Increase the ability of Kosovo’s citizens and its rural communities to participate in the digital economy.

Key Results (From PCN)

Proposed PDO-level results are:

A. Increased access to high-speed broadband connectivity across Kosovo, among rural households
B. Increased adoption of digital technologies by public institutions, in rural communities
C. Increased income-generation by un-/underemployed Kosovars through digital work, in urban and rural areas

D. Concept Description

The KODE Project will achieve its development objective through two main sets of activities. First, by expanding access to digital infrastructure in rural communities and, in particular, access to broadband internet networks in rural areas of Kosovo by crowding in private investment, for coherent regional development and wider access to ICT-enabled public services and economic opportunities. And second, by supporting the youth and businesses to take advantage of digital economy opportunities. For this, the Project will support the growth of Kosovo’s digital economy through training, mentoring, and export capacity building of digital businesses. And it will invest in human capital development to increase the ability of more Kosovars to engage in digital jobs, with a special focus on youth (16-40 years old), especially young women, minorities, and people with disabilities.
The KODE project will be structured in three main components: Digital Infrastructure, Digital Jobs, and Project Implementation Support, per below Figure.

**Component 1: Digital Infrastructure (USD20 million).** This component will finance the expansion of broadband connectivity across all municipalities of Kosovo to high-speed broadband connectivity. It will also finance technical assistance to the MED and to the telecom regulator (ARKEP) to improve the enabling environment for digital infrastructure development. Among other benefits, more accessible and better infrastructure is meant to enable and facilitate employment opportunities.

**Sub-component 1.1: Rural Broadband Infrastructure Financing (USD15 million).** This sub-component will finance deployment of telecommunications infrastructure that is needed to connect to high-speed broadband internet: (a) unconnected or underserved settlements across the country, and (b) unconnected or underserved public institutions, especially educational and healthcare institutions. Infrastructure development will be implemented following the cascade approach, within the competitive telecommunications market. It will ‘crowd-in’ private investments through PPP arrangements on least-cost public subsidy terms\(^{xxiii}\), maximizing the impact of public investments in digital development. Specifically, the Project will finance state subsidies to ISPs that request the least-cost subsidy to connect the selected un- or underserved settlements and public institutions to broadband internet of at least 30 Mbps. The target will include the currently unconnected or underserved villages and also unconnected or underserved public institutions represented by local authority/government buildings, and educational and healthcare facilities. Exact geographical locations have been preliminary identified and will be re-confirmed\(^{xxiii}\) and mapped during Project implementation.

**Sub-component 1.2: Improving the enabling environment for digital infrastructure development (USD5 million).** With respect to regulation of wireless communications, ARKEP requires a spectrum management system to ensure efficient regulation of wireless communications in a country, per its mandate.\(^{xxxiv}\) This system will include a network of remote fixed monitoring stations, installed in specific geographical locations across the country\(^{xxxv}\). This sub-component will finance deployment of those monitoring stations, development of a national spectrum management system, and technical assistance and capacity building activities in spectrum management. This will help ARKEP improve the quality of mobile broadband networks across the country, including in rural areas.

Specific policy changes are also required to crowd in private investments in the fixed broadband market segment. These include measures on application of state aid principles for broadband development. Hence, the Project will finance technical assistance and capacity building activities to the MED and ARKEP to strengthen the enabling policy, legal, and regulatory environment to support rollout of broadband infrastructure (including that co-financed under sub-Component 1.1) on open-access and non-discriminatory terms and to support the development of digital economy, in general.
Component 2: Digital Jobs (USD3 million). This component will finance activities that will: (i) rapidly train and link local un-/underemployed youth to digital work, and (ii) support export-orientation of digital business. MED has also applied for grant funding from the European Commission (EC) to implement these activities. Hence, the precise scope of the activities funded by the KODE Project will be defined based on the EC’s decision on its funding.

Sub-component 2.1: Youth Online Jobs Program (USD2 million). This sub-component will finance ICT industry-oriented skills development training. It will be customized to priority population segments that are affected by un- and underemployment in Kosovo (e.g. young men and women), while being informed by local and global demand. The Program will skill beneficiaries to work online, including to perform IT and IT-enabled services as online freelancers. Conceptually, the Program will build on the successes and lessons learnt of a three-phased WoW pilot in Kosovo. It is planned to skill up to 2000 beneficiaries. The preparation of this sub-component will be coordinated with Supporting Youth Inclusive Local Development in Kosovo (P165485) (YEIP) Project team to explore potential synergies and complementarities.

The skill building under the Program will consist of technical (IT), soft, and freelancing modules, with existing industry-developed curricula adapted to the case of Kosovo. Although focused on self-paced e-learning, it will also include face-to-face seminars and workshops and peer mentoring. A training of trainers (ToT) model will be equally pursued to ensure the program sustainability. Importantly, this Program will seek to cover all of Kosovo’s municipalities to enhance digital inclusion and create a level-playing field for income-generation through online work, for all.

Although the Program will primarily cater to un-/underemployed graduates of local universities with at least some knowledge of English, it will also try to accommodate some lower-skilled segments of the population to increase their ability to compete in relevant segments of online work (e.g. microwork) using computers and mobile phones. Where needed, mobility stipends will be provided to create a level-playing field for urban versus rural residents.

Sub-component 2.2: Building the capacity of digital businesses to export services (USD1 million). The Project will finance activities to support the growth of the country’s ICT sector through the enhancement of export competitiveness of Kosovar ICT businesses, leading to growth and new job creation. To increase the export competitiveness of Kosovar ICT businesses, this sub-component will finance a specialized business-to-business (B2B) ICT Export Promotion Service (EPS) to support export activities of local businesses, their international business development, as well as development of market intelligence tools. The proposed activities are fully aligned and will be henceforth closely coordinated with those led by Kosovo ICT Association (STIKK) and Steering Committee on the implementation of the National IT Strategy. During the preparation of the Kosovo Competitiveness and Export Readiness Project (P152881), which also supports building the capacity of firms for export, the team ensured that both projects are complimentary and there is no duplication of efforts.

The EPS will support marketing and positioning of ICT businesses on international target markets through direct B2B export promotion activities, the purpose of which will be to generate additional business opportunities and business connections. These activities will include organization of ICT events in Kosovo and abroad, ICT road shows, and participation in international B2B matching activities organized by other entities. The Service will also support ICT businesses through the development and maintenance of a specialized portal serving as a market intelligence tool. This portal will provide specific information and insights on the ICT sector development and job/contract opportunities in the selected international markets, where Kosovo ICT firms already generated contracts (e.g. German- and English-language markets) and have potential to grow their business. In addition, this portal will serve as a platform for promotion of Kosovar ICT businesses: their expertise, case studies, and contacts.

Component 3: Project Implementation Support (USD2 million). This component will finance project management activities, fiduciary management, safeguards management, strategic communications, partnership development, M&E functions, and citizen engagement. It will sustain operations of a Project Implementation Unit (PIU), as well as its institutional strengthening, monitoring and evaluation activities, training for PIU staff, etc. In addition to financing the core team of the KODE PIU, focused primarily on fiduciary and safeguards functions, the Project will include specialized
support for project management, and technical specialists to coordinate different activities under the KODE project. The Project will also finance extensive household surveys (potentially coordinated with other surveys to reduce costs) to monitor implementation progress and estimate development impact, including tracking the impact of the Project investments on beneficiaries’ incomes and employment status.

SAFEGUARDS

A. 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, Zapluze, 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.

B. Borrower’s Institutional Capacity for Safeguard Policies

Implementing Agency for KODE Project, the Department of Post, Telecommunication and IT, is a part of the Ministry of Economic Development (MED). The World Bank, through various projects and initiatives, is supporting the Department, and MED since 2013. The Department is experienced in working with IFO’s, including the World Bank. Though the experience in general project management of the Department is in place, the capacity for implementation of WB Safeguard policies is unknown and is to be assessed by the appraisal (with measures for enhancement if deemed needed). In the case of sub-component 1.1 activities (internet infrastructure installation), the Department of Post,
Telecommunication and IT is only distributing Bank financed subsidies while the physical works will be contracted/implemented by the ISPs. Therefore, the capacity of participatory/interested ISPs, to implement environmental measures and achieve required standards, will be also assessed before the appraisal.

**C. Environmental and Social Safeguards Specialists on the Team**

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

**D. Policies that might apply**

<table>
<thead>
<tr>
<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>Yes</td>
<td>In line with the WB OPs, the project is categorized as B category meaning the project is to have predictable and non-significant impacts to the environment. Small scale earth works are envisaged under the sub-component 1.1. (broadband connectivity infrastructure) and 1.2. (installation of monitoring stations) in previously identified municipalities, however, the exact locations of works are not yet defined (neither is the exact design). There may be small-scale rehabilitation works on the undefined monitoring control building under 1.2. As the locations or works are currently not known and there are at least two subprojects envisaged, the environmental due diligence for the project will be carried out by the process Environmental and Social Management Framework (ESMF) that will serve as general ESMP and present baseline for site specific ESMPs or ESMP Checklists depending on the works (all to be prepared by the Borrower).</td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>No</td>
<td>Earthworks for installation of broadband connection infrastructure and/or monitoring stations may take place in the protected areas. However, the envisaged civil works are of small scale (overhead lines installation or laying cables in shallow canal along the existing infrastructure) and risks for the nature and biodiversity can be considered negligible.</td>
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<tr>
<td>Forests OP/BP 4.36</td>
<td>No</td>
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<td>Pest Management OP 4.09</td>
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<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>No</td>
<td>The monitoring room (sub-component 1.2) is not going to be placed in a historical building therefore this policy is not triggered. The Borrower will provide an opinion/decision of the</td>
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The World Bank
Kosovo Digital Economy (KODE) (P164188)

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<tr>
<th>Indigenous Peoples OP/BP 4.10</th>
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<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>No</td>
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<td>Safety of Dams OP/BP 4.37</td>
<td>No</td>
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<td>Projects on International Waterways OP/BP 7.50</td>
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<td>Projects in Disputed Areas OP/BP 7.60</td>
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### Competent Authorities

Competent authorities that the building is not in any way protected, before the Appraisal. As the chance findings are possible, the chance finding clause will be included to environmental documentation (EMP and EMP Checklist).

### OP/BP 4.10

**Indigenous Peoples**

No

**Involuntary Resettlement**

No

The OP/BP 4.12 will not be triggered. The works envisage laying optical cables and installation of several antennas. The sections of cables to lay vary from couple hundred meters in settlements to couple kilometers of laying optical cable in between settlements. The practice is that the cable is laid in the street. The cable is installed in linear hole of about 20-30 cm deep and couple centimeters wide in a road. Thus there is no need to trigger 4.12.

### E. Safeguard Preparation Plan

**Tentative target date for preparing the Appraisal Stage PID/ISDS**

**Oct 04, 2017**

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The ESMF will be prepared for earthworks, installations and rehabilitation works under subcomponents 1.1 and 1.2. The ESMPs will be prepared for works in the protected areas, while for other envisaged activities the ESMP Checklist will be sufficient. The social section of the ESMF will describe the Grievance and Readdress Mechanism, Citizens Engagement aspects of the operation, as well as any potential social issue non related to land.

Once prepared, the ESMF will be disclosed on the MED website in English, Albanian and Serbian language. The hardcopy will be available at the premises (e.g. at the reception) for at least two weeks, as well as the electronic one. At the same time, call for public consultation meeting will be issued (through MED website) to set the date and venue of the meeting containing also both postal and email address for sending comments and suggestions on ESMF. The public consultation meeting for the ESMF will be held upon the document approval by the WB Environment Specialist and prior to the appraisal (March 15, 2018 the latest). The ESMF will be revised in accordance with the comments from public consultations and sent to InfoShop before project appraisal. Minutes of the Public consultation meeting will contain the call, list of attendants, summaries of comments received. ESMF is finalized only with the minutes enclosed.

During project implementation, the type of environmental and social due diligence documents for individual sub-projects
(works) would be determined, based on the ESMF. The Client will prepare the required documents (ESMPs, ESMP Checklists), which will be reviewed by the PIU, disclosed and consulted according to ESMF (prepared for the project), prior to the contracting works. ESMPs and ESMP Checklists will be an integral part of the work contracts.

**CONTACT POINT**

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Regulatory Specialist

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**APPROVAL**

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Natalija Gelvanovska- Garcia, Rhedon Begolli</th>
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**Approved By**

<table>
<thead>
<tr>
<th>Safeguards Advisor:</th>
<th>Nina Chee</th>
<th>14-Nov-2017</th>
</tr>
</thead>
</table>
vi FY17–21 Country Partnership Framework for Republic of Kosovo.
vii The National Development Strategy 2016-2021 (NDS) is in full harmony with other strategic processes, such as EU integration process through the implementation of Stabilization and Association Agreement (SAA) or the Economic Reforms Programme (ERP), http://www.kryeministri-ks.net/repository/docs/National_Development_Strategy_2016-2021_ENG.pdf
viii During 2015, the GoK, in agreement with the IMF, introduced the so-called “investment clause”, an opportunity that allows additional spending over the deficit of 2% of GDP associated with development projects with an impact on economic growth financed by IFIs. The concept ‘investment clause’ exactly means: “Relaxation of the Fiscal Rule limiting the budget deficit, and hence borrowing to finance public investment projects (...) that will enable the government to enter into negotiations with the IFIs and donors to finance capital projects of public importance that will directly and indirectly impact the development of the private sector’. Medium-Term Expenditures Framework, Ministry of Finance, 2017-2019, http://www.kryeministri-ks.net/repository/docs/Medium_Term_Expenditures_Framework.pdf
On 3 August 2016, Kosovo National Investment Council adopted the revised Investment Clause where it has included expansion of broadband network infrastructure for covering rural areas, schools, hospitals as one of its priority projects.
x The digital economy includes the information technology and telecommunications industries, as well as the transformative use of digital technology across the economy. As the World Development Report 2016 (WDR16) discusses in detail, developing the digital economy affects development (by promoting inclusion, efficiency, and innovation) in the business sector, labor markets, and public service delivery.
xiii Per Digital Agenda for Kosovo 2013-2020
xiv As of 2015, 31 percent of households, mostly in rural and remote areas, were without access to commercial fixed broadband, and were unlikely to be connected to the network any time soon due to the lack of private-sector investments. Demand Study, produced as part of the World Bank TA to MED (Innovative and Green Growth for Rural Kosovo, P151939).
xv Per Digital Agenda for Kosovo Strategy, high-speed broadband is defined as 30Mbps or higher.
xvi Data from the survey, conducted by MED in July–September 2017, states that in 13 municipalities, as many as 40% of all pre-school, primary and secondary educations (155) do not have any internet connection at all.
xvii Forthcoming World Development Report 2018 discusses how ICT can be a key enabler to boosting educational diffusion and outcomes.
xviii Data from the survey, conducted by MED in July–September 2017, states that in 12 municipalities, as many as 80% of all healthcare institutions (167) do not have any internet connection at all.
xix Data from ISP survey, conducted by MED in July–September 2017.
xx Data from feasibility studies under the World Bank TA to MED (Innovative and Green growth for Rural Kosovo, P151939).
xxii Information from MED, September 2017.
xxiii Kosovo Systematic Country Diagnostic (SCD) and MED (2017).
xxiv Per National IT Strategy, the total value of the Kosovo IT market was expected to amount to €126 million in 2014, with the compound annual growth rate projected to reach 4 percent. http://stikk.org/fileadmin/user_upload/Kosovo_IT_Strategy_V01.00__29_06_2016_.pdf
xxv IT Barometer 2016 Kosovo, STIKK. http://stikk.org/fileadmin/user_upload/IT_Barometer_Kosovo-2016_eng.pdf
xxvii MED (2017)
xxviii Labor shortages negatively affect the volume of IT transactions; they mainly occur due to a general deficit in highly-skilled labor and to ‘brain drain’. 94.7% of Kosovo ICT companies believe that the lack of skilled/qualified workforce is a key barrier for their business operations. http://stikk.org/fileadmin/user_upload/IT_Barometer_Kosovo-2016_eng.pdf
In addition, marketing abroad of IT services by Kosovar companies is hampered by the fact that comparative strengths of the local industry are not unknown. [1](http://stikk.org/fileadmin/user_upload/IT_Barometer_Kosovo-2016_eng.pdf)

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. [2](http://stikk.org/fileadmin/user_upload/IT_Barometer_Kosovo-2016_eng.pdf)

The proposed model is also sometimes regarded as the Viability Gap Funding, which provides resources to improve the viability of the projects that are regarded as economically justifiable, but otherwise ‘unbankable’ and challenging to finance. [3](http://stikk.org/fileadmin/user_upload/IT_Barometer_Kosovo-2016_eng.pdf)

This has been carried out by MED. Additionally, prior to identification of each lot as eligible for public subsidy, MED will carry out a consultation meeting with ISPs in order to confirm that there are no approved investment plans for the upcoming three years for the lot in question (per European Union’s State Aid for Broadband Guidelines, at: [4](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2013:025:0001:0026:EN:PDF))

“Spectrum management is the combination of administrative, scientific and technical procedures necessary to ensure the efficient operation of radio-communication equipment and services without causing interference. Simply stated, 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. Rules and regulations, based on relevant legislation, form a regulatory and legal basis for the spectrum management process.” [5](http://stikk.org/fileadmin/user_upload/IT_Barometer_Kosovo-2016_eng.pdf)

Where radio-communication has the highest use.


E.g. identification of age groups will be informed by the Impact Assessment conducted for WoW pilots; based on WoW experience, different age groups may need to be approached with different training programs.

This figure is based on the WoW pilot impact assessment and COB of the proposed investment in the amount of $2M.

This PCN was informally reviewed by GSURR ECA youth team who suggested that some complementarities and synergies are possible, e.g. KODE beneficiaries could gain additional business skills and access to affordable finance to start their own ICT businesses through YEIP activities. This would allow young people to leverage their newly acquired skills to expand their businesses and become potential job creators.

Specifically, during the consultations both teams agreed that KODE project would address sector specific export related issues, while Kosovo: Competitiveness and Export Readiness Project would address horizontal export related issues.