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

Concept Stage | Date Prepared/Updated: 27-Sep-2018 | Report No: PIDISDSC25244
### 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>
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<tbody>
<tr>
<td>Kosovo</td>
<td>P166093</td>
<td></td>
<td>Kosovo Youth Inclusion and Entrepreneurship (P166093)</td>
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<table>
<thead>
<tr>
<th>Region</th>
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<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
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<td>EUROPE AND CENTRAL ASIA</td>
<td>Feb 04, 2019</td>
<td>Jul 02, 2019</td>
<td>Social, Urban, Rural and Resilience Global Practice</td>
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</table>

<table>
<thead>
<tr>
<th>Financing Instrument</th>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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</thead>
<tbody>
<tr>
<td>Investment Project Financing</td>
<td>Ministry of Finance</td>
<td>Ministry of Innovation and Entrepreneurship</td>
</tr>
</tbody>
</table>

**Proposed Development Objective(s)**

The project aims to improve the socioeconomic inclusion of disadvantaged young women and men, aged 15–29, by increasing their access to civic participation, skills building and entrepreneurship.

Beneficiary groups would include low-income, peri-urban and rural youth who are underemployed or not in education, employment or training (NEETs; a minimum of 50 percent of which would be women) in vulnerable communities.

### PROJECT FINANCING DATA (US$, Millions)

#### SUMMARY

<table>
<thead>
<tr>
<th>Total Project Cost</th>
<th>10.40</th>
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</thead>
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<tr>
<td>Total Financing</td>
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</tr>
<tr>
<td>of which IBRD/IDA</td>
<td>10.40</td>
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<td>Financing Gap</td>
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#### DETAILS

**World Bank Group Financing**

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<th>International Development Association (IDA)</th>
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<tr>
<td>IDA Credit</td>
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B. Introduction and Context

Country Context

Kosovo declared its independence from Serbia on February 17, 2008, and yet recognition of its independent status remains incomplete.¹ Despite the Stabilization and Association Agreement (SAA) instituted between the EU and Kosovo in April 2016, full EU membership is still a distant goal, requiring a more rapid implementation of reforms. Five out of 28 EU member states do not recognize Kosovo’s statehood, another obstacle to EU accession.² Kosovo remains the only country in Southeastern Europe whose citizens require a visa to travel to the Schengen Area.

Although Kosovo’s impressive economic growth has weathered the global financial crisis, it is not considered to be sustainable.³ Its gross domestic product (GDP) per capita has grown an average of 3.5 percent, from US$1,088 in 2000 to US$3,902 in 2017, primarily driven by household and government consumption, and buoyed by sizable remittances and foreign aid flows. The main sources of growth have been public investments, the export-driven mining industry, and remittances from the Kosovo-Albanian diaspora.⁴ Production remains undiversified due to high input costs, including transportation; narrow choices for energy generation; diseconomies of scale; and lack of competitiveness.⁵

Despite the economic growth, unemployment rates remain high, with limited positive net job creation. According to data from the registry of formal sector firms, the rate of net job creation by formal firms declined between 2005–2014, from over 7,000 to just over 1,600 new jobs.⁶ Kosovo’s employment record is among the weakest in Europe, with a 30.5 percent unemployment rate. There is a marked gender gap in employment opportunities: only 12.7 percent of women are employed compared with 46.6 percent of men, amounting to potential economic losses of around 28 percent of gross national income—the highest among the countries of

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¹ Only 114 of 193 United Nations member countries recognize Kosovo’s sovereign status.
⁴ Migration for employment in other European countries has been a prominent feature of Kosovo’s economy since at least the 1960s. By 2013, an estimated 381,000 people born in Kosovo were living outside the country; and an additional 300,000 or more were born outside Kosovo but had at least one Kosovar parent. Most emigrants from Kosovo go to Austria, Germany, and Switzerland. Their remittances are crucial to supporting family members still living in Kosovo and finance consumption, which contributes to the growth of the economy (World Bank. 2017. Republic of Kosovo Systematic Country Diagnostic. January).
the Western Balkans.\(^7\) The youth unemployment rate is especially high. In 2016, more than 68,000 youth aged 15–29 years were unemployed, with an overall youth unemployment rate of 52.7 percent—48.4 percent for men and 63.5 percent for women.\(^8\) Consequently, employment migration to other European countries particularly that of young men, has been a prominent feature of Kosovo’s economy, including a 40 percent increase of Kosovan’s seeking asylum in the EU since December 2014.

Kosovo has made significant advances toward poverty reduction, but progress is uneven. From 2000 to 2011, Kosovo reduced the percentage of the population living below the poverty line from 50 to 30 percent. In 2011, the poverty rate was 31.5 percent in rural areas and 26.7 percent in urban areas. Efforts at integrating the Roma, Ashkali, and Egyptian communities, including young Roma returnees, into mainstream society and improving their living conditions have not been successful. Other groups at increased risk of poverty and social exclusion include women, youth, the disabled, and internally displaced persons. There has been progress in the Serb-majority municipalities of central Kosovo and with the EU-moderated negotiations with Serbia, but the legacy of interethnic tensions limits the economic integration of the country’s ethnic Serbian communities and leads to political self-exclusion among Serbian enclaves, especially in the four Serb-majority municipalities of Northern Kosovo.

### Sectoral and Institutional Context

With the youngest population in Europe, demographic pressure will reach its peak over the next decade. The average age of Kosovo’s approximately 1.8 million population is 26; the highest concentrations are in the 15–19 and 20–24 age groups. This means that between 2017 and 2020, the largest demographic cohort (140,000 postwar baby boomers born 1999–2002)\(^9\) will enter the labor market. This, combined with the return of 90,000 migrants who left in 2014–15\(^10\) and 120,000 currently active students, will increase the pressure on the burgeoning economy and stagnant labor market.

The government of Kosovo has taken steps to improve the enabling environment for youth participation and employment generation. Kosovo’s Law No. 03/L-145 on Empowerment and Participation of Youth was created to promote and reaffirm youth participation in decision-making processes. It serves as the basis for administrative instructions on the licensing of youth centers, youth engagement in voluntary work, and opportunities for the non-formal education of youth. The 2013–17 Kosovo Strategy for Youth emphasizes these aspects, as well as other cross-sectoral issues relevant to youth, such as employment and entrepreneurship, education, health, human security, social integration, sports, culture, and recreation\(^11\).

With support from development partners, the government, has invested in a range of active labor market programs (ALMPs), including apprenticeships, wage subsidies, job matching services, internships, and

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\(^11\) The 2013–17 Kosovo Strategy for Youth was prepared by the Ministry of Culture, Youth and Sports.
vocational education reforms. Although thousands of youth have benefited from training and employment services, ALMPs have been unable to provide new employment opportunities or activate discouraged youth into seeking formal jobs. As many as 93,608 youth are not in employment, education, or training (referred to as NEETs)—more than 27.1 percent of the youth population—increasing their risk of long-term exclusion. This suggests that more needs to be done. Micro-entrepreneurship programs have supported short-term income-generating opportunities among low-income youth, but only represent a small portion of ALMPs and therefore only benefited a few youth-driven businesses.

Most entrepreneurship programs have taken a private sector development approach by targeting existing firms with potential to scale-up their activity with grants of up to US$200,000, but these programs have failed to support the most disadvantaged youth. Existing entrepreneurship programs have also failed to include a substantial proportion of women beneficiaries because their designs lack gender-sensitive approaches.

Despite the government’s efforts to increase youth engagement and employment, several factors engender social exclusion. Alienation from decision making and dissatisfaction with service delivery interplay with socioeconomic grievances to fuel a sense of exclusion and mistrust of national institutions. As a national representative youth survey indicates, as many as 64 percent of youth do not feel represented in politics, and while most continue to participate in elections, over 50 percent believe their vote will have no impact on decision making.

On a scale of 0–100, where 0 represents “no trust” and 100 represents “full trust,” national and local institutions scored an average of 42, with most respondents expressing more trust for religious leaders, police, and the media. Political parties and public institutions, including local government, received the lowest scores.

On a positive note, Kosovo’s youth express optimism about the future. About 87 percent believe the situation in their country will improve. The young generation, with the steady support from Kosovo’s diaspora, displays a strong sense of identity, creativity, and commitment to offer a more positive image of the country abroad. Many disadvantaged young people are eager to participate in formative and extracurricular activities that teach as robotics, 3D printing, and programming—21st century skills that are relevant to the labor market. The high demand for these activities is reported in creative centers such as Bonevet, Innovation Center of Kosovo, and the UNICEF Innovation Lab, which attract applicants from Pristina, Gjakova, and nearby municipalities. However, most disadvantaged and low-income youth throughout Kosovo lack access.

Consultations carried out during project preparation in several municipalities across various ethnic communities confirmed an interest among youth to access maker spaces and to receive training in critical thinking, debate, and entrepreneurship—including social entrepreneurship.

Improving opportunities for micro-entrepreneurship and start-ups may offer Kosovar youth viable alternatives for economic inclusion, but access to finance and business support is a persistent challenge. Start-
ups represent the greatest source of positive net job creation in Kosovo, but at 5–7 percent, their rate of entry remains low. Although micro-firms (1–9 employees) represent 90 percent of all firms and are responsible for 36 percent of all jobs in Kosovo, very few have scaled up; over half are in the same category as when they entered the market up to five years ago. A key problem is that commercial banks do not finance start-ups during their first 6–12 months of operations and have almost stopped servicing microenterprises. Additional constraints include limited opportunities for sustainable post-creation support and linkages with promising value chains. Microfinance institutions account for only 4 percent of loans provided by the banking system, and over half of those loans are made to households. The International Finance Corporation Micro, Small and Medium Enterprise (MSME) Finance Gap Estimate indicates that about 33 percent of MSMEs are financially constrained, with a financial gap of at least US$342 million. Kosovo faces one of the lowest female labor force participation rates in the world. Youth are underrepresented and are further constrained by their limited work experience and business skills.

Relationship to CPF

The proposed project—Kosovo Youth Inclusion and Entrepreneurship Project (YIEP)—is aligned with the World Bank’s Country Partnership Framework (CPF) for the Republic of Kosovo (FY2017–21). The CPF’s strategic objective is to support Kosovo’s move toward more sustainable, export-oriented, and inclusive growth to provide citizens with opportunities for a better life. YIEP is relevant to focus area 1 on enhancing conditions for accelerated private sector growth and employment, and will directly support the third objective of enhancing employment opportunities and socioeconomic inclusion for youth and women, by improving their access to youth facilities with formative activities as well as to self-employment and micro-entrepreneurship opportunities. The project is also aligned with the emphasis of the World Bank Group’s program in Kosovo to promote gender equality in access to economic opportunities across the portfolio.

YIEP lines up with Kosovo’s National Development Strategy (2016–21) as well as the with Youth Employment Action Plan (2017–19), which identifies investments in human capital as key to reducing unemployment and promoting social inclusion. It will support the NDS’s objective of reducing long-term unemployment and informality by providing disadvantaged youth with spaces to engage in out-of-school programs that improve their life skills and entrepreneurship abilities. It will also mitigate the risk associated with the economic and political exclusion of youth, elaborated in the Risk and Resilience Assessment for Kosovo (2017), and is consistent with Kosovo’s Strategy on Prevention of Violent Extremism and Radicalization (2015–20). It seeks to reduce fragility risks in Kosovo by addressing young people’s multidimensional needs. All these strategic documents include youth entrepreneurship among their key measures. Multiple national and local stakeholders consulted during project preparation stressed that even though Kosovo’s security agencies have effectively addressed the immediate threat of violent extremism, the drivers behind the recruitment of foreign fighters are still present, including lack of investment in infrastructure, services, and economic opportunities for youth. Both national stakeholders and donors stress the urgency to address youth needs at the local level, and to coordinate with municipal and local institutions to better target disadvantaged youth and their communities while building trust and legitimacy in national and local institutions.

YIEP will also complement ongoing initiatives in Kosovo targeting the entrepreneurship ecosystem. The approach will complement the Ministry of Innovation and Entrepreneurship’s objective of leveraging
complementarities across the entrepreneurship ecosystem. YIEP beneficiaries will benefit from high-speed broadband infrastructure improvements supported by the Kosovo Digital Economy (KODE) project as microentrepreneurs will gain greater access to online channels to increase their sales and obtain valuable information and communication technology (ICT) services provided by freelancers. YIEP will connect youth micro-entrepreneurs with ICT free-lancers supported by KODE (who are mostly women), who may in turn apply for YIEP support to start their own businesses. YIEP beneficiaries will be able to avail themselves of the enabling environment created by the Competitiveness and Export Readiness Project, thus facilitating the scaling up of youth microbusinesses. Finally, YIEP beneficiaries will benefit from improvements in the lending environment stemming from the Kosovo Credit Guarantee Fund, as the guarantee scheme mitigates banks’ risks towards young entrepreneurs, thus facilitating their access to finance.

C. Proposed Development Objective(s)

The project aims to improve the socioeconomic inclusion of disadvantaged young women and men, aged 15–29, by increasing their access to civic participation, skills building and entrepreneurship.

Beneficiary groups would include low-income, peri-urban and rural youth who are underemployed or not in education, employment or training (NEETs; a minimum of 50 percent of which would be women) in vulnerable communities.

Key Results (From PCN)

Proposed result indicators at the project development objective level are:

1. Number of youth reporting increased access to local youth services or spaces;
2. Increase in the number of youth who can ask for personal advice or employment references;
3. Increase in the percentage of time youth spend in civic activities, training, self-employment or entrepreneurship; and
4. Percentage of youth receiving business start-up or expansion grants who retain their micro- or small enterprise for 12 months.

Gender, municipal, and ethnic disaggregated data will be collected for each of the indicators. To evaluate the project against these results indicators, the task team will assess the feasibility of building a randomized impact evaluation into project design during preparation.

D. Concept Description

The proposed project seeks to promote the socioeconomic inclusion of disadvantaged young women and men, aged 15–29 years, in target municipalities by improving their access to and participation in innovative skills-building activities, positive peer-to-peer networks, and entrepreneurship opportunities. YIEP is a social inclusion operation, and entrepreneurship is a pathway to that end. The younger beneficiaries are expected to benefit primarily from youth-inclusive services; the older youths from entrepreneurship support, as uptake of entrepreneurship activities are relatively higher among youth in their 20s. A tentative list of participating
municipalities includes Gjilan, Kaçanik, Mitrovicë, Leposavic, Rahovec, Pristina, Prizren, Zveqan, Malishevë, and Mamushë. Community-level selection criteria within these municipalities includes: (i) high levels of youth unemployment, inactivity, or poverty; (ii) limited donor presence or youth-related programs; (iii) relatively substantial presence of minority ethnic groups; and (iv) vulnerability to risks, including violence and radicalization.

YIEP builds on the lessons of the youth entrepreneurship and business development activities piloted under the closed Kosovo Youth Development Project (KYDP), which supported the establishment of 466 micro-businesses and created 1,180 new jobs (2.5 jobs per micro-business). KYDP implementation led to the conclusion that the minimum size for grants should be of at least EUR 3,000 for new micro-businesses to be sustainable in Kosovo. KYDP did not require cash contributions from beneficiaries, yet spontaneous matching grants were common. This suggests that requiring small matching contributions (5‐10 percent) would not pose a barrier to the participation of low income, disadvantaged youth. Matching contributions would also reduce the risk of misuse of the grants. KYDP did not require firms’ registration but showed that with sustained post-creation mentoring formalization of micro-businesses established by disadvantaged youth was likely (70 percent of beneficiary micro-businesses registered). YIEP design incorporates these lessons, aiming to provide sustainable business development support and affordable finance, both identified as key barriers to the growth of youth micro-enterprises.

The proposed YIEP is linked to the World Bank’s Supporting Youth Inclusive Local Development Project (SYILDP), currently under preparation, which will engage disadvantaged, inactive youth through youth-driven initiatives, and refer them to YIEP for additional socioeconomic opportunities. SYILDP (USD 2.785 million) is a grant funded by the Japanese Social Development Fund, to be implemented through the Ministry of Local Government Administration (MoLGA). The project development objective is to improve the socio-economic inclusion of at least 3,000 disadvantaged youth (aged 15‐29) in vulnerable communities in Kosovo through civic engagement activities. It will target the same ten municipalities as YIEP, adding a youth dimension to the existing MoLGA performance-based incentive grant system. Under SYILDP, experienced nongovernmental organizations (NGOs) will use participatory approaches to mobilize youth at the community level. SYILDP expected effectiveness is April 15, 2019.

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20 Pristina municipality is likely to have a higher number of beneficiaries due to the higher population as well as concentration of demand, jobs and enterprises. The number of municipalities and coverage of beneficiaries outlined for this project is based on a low estimate scenario of US$10 million. Expanding financing to US$15 million would allow for the addition of five additional municipalities, expanding the coverage of both components to vulnerable youth in other peri-urban and rural communities across Kosovo.

21 The project also builds on global evidence on: (i) youth inclusion programs in low income economies and fragile states that emphasize social emotional and planning related “soft” skills as violence reduction tools (Blattman and Ralston, 2015); (ii) comprehensive entrepreneurship programs that include both training and access to finance in middle and low-income countries as more impactful, also as compared to other employment interventions (Kluve et al., 2016); and (iii) interventions that speed transition to self-employment including capital injections, as more impactful in jobless economies and fragile states than interventions that may lead to job redistribution/displacement rather than net job creation (Louise Fox and Upaasna Kaul, 2017, and Blattman and Ralston, 2015). A recent impact evaluation on Uganda’s Youth Opportunities Program that provided only small grants to poor young people (without any entrepreneurship training) concluded that young recipients gained substantially larger capital stocks and earnings than the control group within the first four years. However, after 9 years the control group accumulated similar levels of capital stocks and earnings, as the treatment group (Blattman, Fiala and Martinez, 2018). For a critical review of Active Labor Market Policies in developing countries, see McKenzie, 2017; for some positive medium-term impact of ALMPs see Card, Kluve and Weber, 2017.

22 Vulnerable communities include locations with: (i) large demand and limited supply of youth spaces & services, (ii) high concentration of poverty, ethnic minorities, IDPs and/or returnees, (iii) history of ethnic tensions, and (iv) high risk of violence and radicalization.
SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Project activities will take place in peri-urban and rural locations of Republic of Kosovo. The tentative list of included municipalities encompasses: Gjilan, Kaçanik, Mitrovicë, Leposavic, Rahovec, Pristina, Prizren, Zveqan, Malishevë, Mamushë. Under Component 1, at least one youth-inclusive space will be established or refurbished within each selected municipality and offer various experiential learning services to beneficiary local youth, including the development of soft skills. An ongoing local assessment of existing infrastructure, spaces, and services will inform the size and scope of needed investments in each municipality. Under Component 2, approximately 5,000 youth will receive business development training, out of which 1,000–2,000 will obtain a start-up or expansion grant. The types of business activities for which grant financing is eligible will be open with some restrictions, though details will be developed during project preparation. It is expected such micro business activities like small logistical services, IT services, and other small entrepreneurship activities that will not require significant capital investments will receive grant financing.

B. Borrower’s Institutional Capacity for Safeguard Policies

The Borrower - Ministry of Innovation and Entrepreneurship (MIE) is a young institution with no previous experience of working with the World Bank and it is minimally staffed. Preliminary assessment points to low institutional capacity for safeguards. It is expected that a Project Implementation Unit (PIU) will be established within the MIE which will be staffed with consultants familiar with the World Bank safeguard policies. In addition, the PIU will competitively select service providers to conduct most of the project activities. Based on the technical and safeguards assessment that will be carried out during project preparation, the PIU will engage an environmental consultant on part time basis. The environmental consultant will receive adequate training in WB policies and procedures.

C. Environmental and Social Safeguards Specialists on the Team

Harika Masud, Social Specialist
Natasa Vetma, Environmental Specialist
Ivana Ivicic, Environmental 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>WB OP/BP 4.01 Environmental Assessment is triggered by planned rehabilitation works on public buildings under the sub-component 1.1. In line with the Policy, the Project is categorized as (light) B category. Expected risks are typical for small civil works and include emission of dust, noise, generation of construction waste, small quantities of hazardous and other wastes, Occupational Health and Safety risks, etc. The matching grants scheme under the</td>
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</table>
Component 2 will support only C category activities such as administrative costs of start-ups and launching microenterprises. No hazardous materials, dangerous equipment and no civil works will be procured form these funds.

Under Component 2, about 5,000 youth will receive business development training, and between 1,000 to 2,000 of them will receive business start-up or expansion grants. There is a risk that those who have received training and are not selected for grants may feel unfairly treated, even though the selection of grant beneficiaries may be conducted on a transparent and merit basis, strictly following objective selection criteria. The project will mitigate this risk by establishing a clear, simple and objective selection criteria for the selection of grant beneficiaries and conducting a communication campaign to inform the selection criteria and procedures to eligible beneficiaries. A grievance redress mechanism will also be established to receive and respond to youth complaints. Additional funding for grants could be mobilized through discussions with Ministry of Finance as well as other donors so that more youth could potentially have access to grants, if they are eligible and meet selection criteria.

Only B and C category activities will be financed under the Project. Considering that definite scope and location of sub-projects is unknown, the Client will prepare an Environmental and Social Management Framework (ESMF) to provide policies and procedures for the environmental assessment and risk management of sub-projects. Limited scope (rehabilitation and installation of light equipment, e.g. IT, office equipment, etc.), locations (urbanized areas), and high predictability of environmental aspects and impacts, indicate expected sub-projects will be mostly B-category (requiring ESMP Checklist). ESMF screening mechanisms will screen out all A category and high risk sub-projects as well as sub-projects triggering other WB Safeguards Policies. The ESMF will also include criteria and procedures to select grant beneficiaries. The ESMF will be publicly consulted in Albanian, Serbian and English before the Appraisal. Project PIU
**E. Safeguard Preparation Plan**

Tentative target date for preparing the Appraisal Stage PID/ISDS

**Oct 31, 2018**

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

Light ESMF to be prepared and disclosed before the decision meeting. Approximate time frame for disclosure will be first 2 weeks of November 2018
CONTACT POINT

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APPROVAL

Task Team Leader(s): Gloria La Cava

Approved By

Practice Manager/Manager: Nina Bhatt 16-Oct-2018
Country Director: Marco Mantovanelli 30-Oct-2018
Note to Task Teams: End of system generated content, document is editable from here. Please delete this note when finalizing the document.