

**INTEGRATED SAFEGUARDS DATASHEET
APPRAISAL STAGE**

I. Basic Information

Date prepared/updated: 02/26/2013

Report No.: AC6804

1. Basic Project Data

Original Project ID: P096181	Original Project Name: Energy Sector Cleanup and Land Reclamation Project	
Country: Kosovo	Project ID: P131539	
Project Name: AF - Clean-up & Land Reclamation Project		
Task Team Leader: Katelijan Van den Berg		
Estimated Appraisal Date: March 1, 2013	Estimated Board Date: May 2, 2013	
Managing Unit: ECSEN	Lending Instrument: Specific Investment Loan	
Sector: Other Mining and Extractive Industries (70%);General energy sector (30%)		
Theme: Pollution management and environmental health (50%);Environmental policies and institutions (50%)		
IBRD Amount (US\$m.):	0	
IDA Amount (US\$m.):	4.2	
GEF Amount (US\$m.):	0	
PCF Amount (US\$m.):	0	
Other financing amounts by source:		
<u>BORROWER/RECIPIENT</u>		0.00
		0.00
Environmental Category: A - Full Assessment		
Simplified Processing	Simple <input type="checkbox"/>	Repeater <input type="checkbox"/>
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

2. Project Objectives

The Project Development Objectives (PDO) for the original project, as updated at the first project restructuring in June 2009, were to: (a) address environmental legacy issues related to open dumping of ashes on land; (b) enable Kosovo Energy Cooperation J.S.C. (KEK) to free land for community development purposes currently taken by overburden material and to enable KEK to remediate the Kosovo A Ash Dump; (c) build capacity in KEK for continued clean-up and environmentally good practice mining operations. The present Additional Financing will further contribute to the achievement of Clean-up and Land Reclamation Project's (CLR) development objective by scaling up existing activities, and will also support additional activities that further enhance its overall impact and strengthen sector development. Some of the proposed additional activities will build capacity not only at KEK but also at the Ministry of Environment and Spatial Planning (MESP) in Kosovo; hence, under the additional financing, section (c) of the PDO will be amended and expanded to state: (c) support KEK and MESP to implement continued clean-up operations and environmental good practices in the mining and energy sector.

3. Project Description

The project addresses legacy issues related to open dumping of ashes on land and the inadequate storage of hazardous waste; free land currently taken by overburden material for community development purposes; enable KEK to remediate the Kosovo A Ash Dump and build capacity in KEK and MESP for continued clean-up operations and environmentally good practices in the mining and energy sector. The original project components (A-D) included preparation of the Mirash open pit mine for ash disposal, remediation of Kosovo A ash dumps, and reclamation of overburden dump areas as well as support for project management. The first additional financing funded a new component (E) which had been proposed for the original project but could not be included due to insufficient funds: i.e. the treatment, removal, package and export from site (for final disposal) of about 17,500 m³ of hazardous chemicals. All phenol in watery solutions has already been treated (13,245 metric tons) and the majority of other hazardous substances were removed and properly disposed in Belgium and Sweden following the Basel Convention. The present Additional Financing (AF) will enable KEK to complete the removal of hazardous chemicals including tar deposits/tar sludge from the Kosovo A's gasification site following the same techniques and also in line with the Basel Convention and support further tree planting at the overburden dump areas.

The additional financing will also fund a new component (Component F): Environmental Monitoring and Management. This will include:

An Environmental and Social Impact Assessment (ESIA) for the proposed Kosovo Power Project (KPP) and associated infrastructure, including related lignite mining development, with the objective to inform the decision-making process of the proposed investments, including the Bank's decision on the possible partial risk guarantee, and to increase the monitoring and management capacity of MESP. This ESIA, as financed under the CLRP AF, is not intended to serve as the document to inform national permitting and other authorization, e.g. under the Kosovo legislation on Environmental Impact Assessment, which would be prepared later by the selected investor. Financing of the ESIA for the proposed KPP under the CLRP AF does not imply that assumptions as to the feasibility of the KPP have been made. In parallel, a Grant from the Government of the Netherlands will support strengthening of the capacity of MESP in terms of applicable European Union (EU) standards, mitigation measures and environmental conditions to be expected from KPP bidders in line with Integrated Pollution Prevention and Control (IPPC) permit procedures.

Three online air quality monitoring stations will be funded by the AF to be established in the proposed project area to collect baseline data on the air quality at their locations. The equipment will monitor Sulfur Dioxide, Nitrogen Oxides, PM_{2.5} and PM₁₀, Carbon Monoxide, Ozone, temperature, relative humidity, and wind speed and direction.

In addition, funding of an elaborate soil and water sampling and laboratory analysis program will be undertaken to collect and analyze the baseline environmental data in the soil, groundwater and surface water and river sediments of the area currently impacted by

the ongoing mining and electricity production operations. This activity will serve to collect data related to existing lignite mining activities; operation of the power plants Kosovo A and Kosovo B; and environmental rehabilitation activities undertaken under the original project. The data will underpin the environmental baseline for the ESIA for the KPP, taking into consideration the existing mining activities in Bardh and Mirash open cast mines as well as already abandoned open cast and underground mining activities; the current disposal of ash and wastewater from existing plants Kosovo A and B; and fresh water supply related to existing fresh water consumption of the power plants.

A Resettlement Policy Framework (RPF) has been developed by the Government consistent with Bank policies with financing from the now closed Lignite Power Technical Assistance Project (LPTAP) that would govern the relocation and resettlement of any population that might be displaced by the proposed KPP. Based on the RPF, a Resettlement Action Plan (RAP), also financed through LPTAP, has been prepared for the Shala neighborhood of Hade village, in consultation with the affected communities. The Shala neighborhood of Hade village will be relocated since it is close to the edge of the mine from which extraction of lignite has started. The Shala community is proposed to be relocated to a new site (Shkabaj) close to Pristina city where infrastructure and housing plots are already being developed. In order to provide an extra level of oversight and support, the Additional Financing will assist the Hade Project Office under the Ministry of Environment and Spatial Planning which is responsible for the implementation of the RAP, through support for a monitoring contract to oversee implementation of the RAP. Also a resettlement completion audit of the RAP will be included. Preparation and implementation of possible future RAPs related to the proposed KPP will not be part of the AF of the CLRP. The monitoring contract will also not cover the people displaced in 2004 from Hade village, which was carried out by United Nations Mission in Kosovo (UNMIK), though the Bank will provide the Government with technical advice and use its good offices to encourage the Government to engage the resettled households to resolve outstanding issues. Resettlement has not been and will not be needed for the Clean-up and Land Reclamation Project itself.

An international Independent Panel of Environmental and Social Experts will be recruited to assist the government of Kosovo in the supervision of the ESIA preparation and RAP implementation.

A low carbon growth energy strategy will also be prepared under the AF (Component F) to help reduce demand and promote renewable energy projects for perspective investments by the private sector and others, which will help identify the opportunities for reducing future demand of electricity, increase power generation without increasing emissions, and possibly reduce Greenhouse Gas (GHG) emissions. The strategy will include: (i) building an energy sector GHG inventory; (ii) identification of mitigation options in the energy sector (both on the demand and supply sides); (iii) conducting an economic analysis that will generate Marginal Abatement Cost (MAC) curves and indicating which technology would be the preferred choice dependent on different carbon prices; (iv) describing/quantifying the potential for reducing future emissions based on

MAC; (v) identifying barriers against the implementation of low carbon options; and (vi) reviewing existing mitigation measures and proposing new applicable measures. This strategy will be developed in close cooperation with the Ministry of Economic Development, which is responsible for Kosovo's energy strategy.

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

The project is being implemented in the heavily industrialized Obiliq area where the power stations Kosovo A and B are located and where most lignite mining operations take place.

The additional clean-up activities related to tar sludge/deposits removal under the Additional Financing will be implemented at the former gasification plant situated immediately adjacent to the Kosovo A thermal power plant (Kosovo A), also in the municipality of Obiliq. This is the same location where earlier chemicals removal under the Project took place.

5. Environmental and Social Safeguards Specialists

Mr Frank Van Woerden (EASER)

Mr Frederick Edmund Brusberg (ECSUW)

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
Physical Cultural Resources (OP/BP 4.11)		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 CLRP triggered OP 4.01 only and was classified as Category A due to the scale and nature of the works and the hazardous nature of some of the materials involved. An Environmental Assessment (including Environmental Management Plan) was prepared and disclosed prior to Appraisal (March 2006). The new activity financed under the first additional financing (removal of hazardous chemicals at the gasification site) was included in the EIA and EMP, therefore the existing EIA and EMP did not need to be revised or supplemented for the first AF. The additional activities foreseen to be implemented by KEK under the present additional financing are also covered under the

existing ESIA and EMP as they are the same as the original activities, only the quantities are higher than originally estimated. The additional activities related to the additional tree planting and completion of removal of tar sludge/deposits are expected to have positive environmental impacts on the project area.

The new Component F (Environmental Monitoring and Management) includes support for preparation of an ESIA for the proposed Kosovo Power Project, which would fall within the criteria for Category A projects under OP 4.01. World Bank practice is to classify Technical Assistance (TA) supporting the preparation of a Category A project as Category A as well. However, as the original CLRP was already classified as a Category A, the additional financing for preparation of the ESIA does not require a change in the project's EIA category. The other activities included in the new Component F are not expected to have any negative environmental impacts (see discussion of social aspects below).

In keeping with Bank practice for TA operations, the Terms of Reference for the ESIA are considered to be the "environmental due diligence" document subject to the disclosure requirements under OP 4.01. The draft Terms of Reference for the ESIA has been disclosed in Kosovo and in the Bank's Infoshop on July 26, 2012. The draft Terms of Reference was submitted to the Board of Directors on August 8, 2012. The Ministry of Environment and Spatial Planning organized the first public consultations on the draft ToR on September 13, 2012. The table in Section II-B reflects the disclosure dates for this TOR, not for the EIA of the original project.

OP 4.12 was not triggered for the original CLRP or the first additional financing as no land acquisition was required for the project activities. No land acquisition is required under the present additional financing either, but OP 4.12 is triggered as the AF will support enhanced monitoring of the implementation of a RAP which has been prepared under a separate Bank-financed project. A Resettlement Policy Framework (RPF) covering all resettlement associated with the mine area has been developed by the Government consistent with Bank policies with financing from the now closed Bank financed Lignite Power Technical Assistance Project (LPTAP). In addition, LPTAP financed the preparation of a Resettlement Action Plan (RAP), based on the approved RPF, for the Shala neighborhood of Hade village, in consultation with the affected communities. The RPF has been disclosed under the LPTAP. The Shala neighborhood of Hade village will be relocated since it is close to the edge of the mine from which extraction of lignite has started by KEK. The present additional financing for the CLRP will finance a contract to assist the Hade Project Office under the Ministry of Environment and Spatial Planning to monitor the implementation of this RAP as previously prepared. The table in Section II-B and II C reflect the disclosure date of the updated RAP for the Shala neighbourhood.

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

The gasification site is highly contaminated and removal of the hazardous materials stored on site is considered the highest priority action to reduce risks of further

environmental contamination. The additional financing will have additional positive long-term impacts to improve the environmental risks at the gasification site. Additional tree planting is also foreseen to have positive impact on the overburden dump areas. The impact of this AF related to the proposed Kosovo Power Project is to help ensure that environmental and social risks are properly identified, mitigation measures defined and to inform the decision-making process of the proposed investments as well as to increase the monitoring and management capacity of MESP.

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

Under normal conditions adverse impacts do not occur from Project implementation. Only accidental spills of hazardous materials could have negative impacts and will be avoided or mitigated through safety measures and supervision.

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. The necessary safeguarding measures and operational practices to ensure proper handling of the chemicals have been incorporated in the detail design of the works and in the bidding documents and the existing Environmental Assessment and Environmental Management Plan (EMP). The proposed activities for additional tar removal will be implemented by an international contractor with international supervision and fully in line with the Basel convention as under the original Project; the additional materials to be removed are the same in nature as those already removed under the original project to Belgium and Sweden and for which disposal certificates have been received by licensed disposal facilities.

The KEK Environmental Department and the PMU established under CLRP which has well qualified environmental management staff will also closely supervise the execution of the works related to removal of hazardous chemicals from the gasification plant site and proper and timely implementation of the project EMP.

The new Component F: Environmental Monitoring and Management will be implemented by a PMU to be established in the MESP and with close involvement of the Environment Department of the Ministry. The Ministry will be supported by an international independent Panel of Environmental and Social Experts (PoE) that will advise the Government and monitor implementation of Environmental Management Plans and Resettlement Action Plans (RAPs).

The implementation of the RAP falls under the responsibility of the Hade project office under the Ministry of Environment and Spatial Planning. In order to provide an extra level of oversight and support, the AF will assist this office through support for a monitoring contract to oversee implementation of the RAP as well as by the Panel of Experts (which would include one environmental specialist and one social specialist).

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. Key project stakeholders include the communities near the project site, KEK, Ministry of Environment and Spatial Planning including Kosovo's Environmental Protection Agency, and representatives of the Ministry of Economic Development and NGOs.

The ESIA will be prepared in consultation with the public, affected communities and other stakeholders and will take into account relevant aspects of Kosovo's own legislation, applicable policies of the World Bank Group, and relevant EU Directives. The draft Terms of Reference for the ESIA has been disclosed in Kosovo and in the Bank's Infoshop on July 26, 2012. The draft Terms of Reference was submitted to the Board of Directors on August 8, 2012. MESP organized the first public consultations on the draft ToR on September 13, 2012. The table in Section II-B below reflects the disclosure dates for this TOR, not for the EIA of the original project. A public information center will be established in the municipality of Obiliq.

Although OP 4.12 is triggered for reasons explained above, this AF will not support any resettlement, only the monitoring contract for the implementation of the Resettlement Action Plan for the Shala neighborhood of Hade. The information and dates below in Section II-B below indicate the disclosure date of the revised Shala neighborhood RAP, which is disclosed to Infoshop under the Additional Financing and updated due to the time passed.

B. Disclosure Requirements Date

Environmental Assessment/Audit/Management Plan/Other:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	07/01/2012
Date of "in-country" disclosure	07/26/2012
Date of submission to InfoShop	07/26/2012
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	08/08/2012

Resettlement Action Plan/Framework/Policy Process:

Was the document disclosed prior to appraisal?	Yes
Date of receipt by the Bank	12/23/2011
Date of "in-country" disclosure	12/20/2011
Date of submission to InfoShop	02/25/2013

Indigenous Peoples Plan/Planning Framework:

Was the document disclosed prior to appraisal?	
Date of receipt by the Bank	
Date of "in-country" disclosure	
Date of submission to InfoShop	

Pest Management Plan:

Was the document disclosed prior to appraisal?	
Date of receipt by the Bank	

Date of "in-country" disclosure
Date of submission to InfoShop

*** If the project triggers the Pest Management and/or Physical Cultural Resources, 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?	Yes
If yes, then did the Regional Environment Unit or Sector Manager (SM) review and approve the EA report?	Yes
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes
If yes, then did the Regional unit responsible for safeguards or Sector Manager review the plan?	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 documents?	Yes

D. Approvals

<i>Signed and submitted by:</i>	<i>Name</i>	<i>Date</i>
Task Team Leader:	Ms Katelijn Van den Berg	02/25/2013
Environmental Specialist:	Mr Frank Van Woerden	02/25/2013
Social Development Specialist Additional Environmental and/or Social Development Specialist(s):	Mr Frederick Edmund Brusberg	02/25/2013
<i>Approved by:</i>		
Regional Safeguards Coordinator: Comments:	Ms Agnes I. Kiss	02/25/2013
Sector Manager: Comments:	Ms Kulsum Ahmed	02/25/2013