Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 01/31/2020 | Report No: ESRSA00411
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Bosnia and Herzegovina</td>
<td>EUROPE AND CENTRAL ASIA</td>
<td>P171433</td>
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</tbody>
</table>

Project Name

Bosnia and Herzegovina Provision of Private Employment Services

Practice Area (Lead) | Financing Instrument | Estimated Appraisal Date | Estimated Board Date
Social Protection & Jobs | Investment Project Financing | 5/7/2020 |

Borrower(s) | Implementing Agency(ies)
KOLEKTIV DOO | Kolektiv doo

Proposed Development Objective(s)

A. Proposed Development Objective(s)

The development objective of the project is to support hard-to-employ jobseekers to transition into jobs through a suite of individualized and market driven private employment services.

Financing (in USD Million) | Amount
Total Project Cost | 0.94

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project aims to support disadvantaged jobseekers (long term unemployed and low skilled women and youth) and jobseeking program participants with employment services provided by a private agency. Employment services to be provided will include a menu that will be customized based on needs of beneficiaries. The menu will include counseling, job search assistance and assistance with job placement. A private employment agency will work with the project beneficiaries to be selected from among applicants who will apply to a call for program participation. Eligible
beneficiaries will have to be registered job seekers satisfying the required eligibility criteria. The agency will work with the beneficiaries for a period of 6-12 months including monitoring after job matching or placement.

All the activities on boosting ALMPs and employment services are aligned with the Country Partnership Framework (CPF) for Bosnia and Herzegovina for the period FY16-FY20 (Report No. 99616-BA of November 14, 2015). Jobs is a principal theme that is covered under 2 of the 3 pillars of the CPF. Reforming the labor market, improving labor market flexibility and social protection, and decreasing the cost of labor are the top priorities of the CPF and the central goal under the pillar for Creating conditions for accelerated private sector growth. At the same time, reducing the size of the public sector while ensuring fiscal sustainability and improving public sector service delivery, is one of the main goals under the pillar for Increasing Public Sector Efficiency and Effectiveness. The proposed activities will complement the above-mentioned efforts and contribute to achieve the objectives of the CPF. Now, the Governments of BiH have multiple priorities with important fiscal constraints, but these objectives remain relevant according to the Performance and Learning Review (PLR) of the CPF (Report No. 130043-BA of December 28, 2018). The strong alignment with the CPF and governments’ priorities, as well as the significant externalities to other countries in the Western Balkans calls for World Bank partnership with donors to mobilize financing to leverage WB expertise in the subject area.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
Sarajevo is the capital and largest city with a population of approximately 600,000 in its metropolitan area. It is surrounded by the Dinaric Alps and sits along the Miljacka River. Sarajevo is the political, financial, social & cultural center of BiH, and home to Govt. of BiH. Sarajevo is near the geometric center and the valley once formed a vast expanse of greenery, but gave way to urban expansion and development in the post-World War II era. The city is surrounded by heavily forested hills and five major mountains. The Miljacka river flows through the center of Sarajevo and meets up with the Bosna River. The source of the Bosna River is located in Ilidza settlement and runs through the rest of the country to the Sava river in the north. The source of the river, along with other monuments of nature around the city are protected natural areas. Sarajevo’s economy is based on manufacturing, tourism and administration, while air quality remains one of the main environmental issues of the city.

Banja Luka is the second largest city in BiH with approx. 200,000 population in the metropolitan area. It is the home to the Government of Republika Srpska, and is its capital city. Banja Luka is situated on both banks of the Vrbas River in the Banja Luka valley, which is characteristically flat within the otherwise hilly region. The source of the Vrbas River is about 90 km to the South and its 3 tributaries flow into the Vrbas at various points in the city. A number of springs can be found nearby. Vrbas flows into the Sava River. The area around Banja Luka is mostly woodland, although there are mountains a little further from the city. The most notable of these mountains are Manjača (1,214 m), Čemernica (1,338 m), and Tisovac. These are all part of the Dinaric Alps mountain range.

BiH is a country characterized by an extremely weak labor market. Inactivity and unemployment amongst the most productive segments of the labor force are high. Even if unemployment has decreased in the last couple of years (27.7% 2015 to 20.5% 2017), most likely due to a combination of factors ranging from the economic growth in the Europe which might have contributed to out migration, the return of positive domestic growth since 2015, the change in labor regulations (with collective agreements void to be re-negotiated), the increased investment in active labor market policies among other reforms. Still, it is one of the highest in the region. Moreover, more than 85 percent of
the unemployed have been out of formal work for longer than 12 months and almost a third of the employed do not have a formal job (defined as lacking health insurance and pension contributions).

Overall, in both entities of BiH, unemployment is more widespread among the less educated and relatively older workers, and among more women in the Federation BiH. Large portion of the adult population that is neither working nor looking for work makes 45.5 percent. Inactivity rates are considerably higher among women, youth, and Roma. Among the unemployed, 84.7 percent have been looking for work for more than a year, pointing towards deep structural problems in the labor market, with a large share of job seekers not having the right qualifications for the jobs offered by employers. An astonishing 43.9 percent of the unemployed were not able to find a job for more than 5 years. Public Employment Services (PES) are not able to respond effectively to these challenges: they are overwhelmed with non-core administrative tasks of registering citizens as unemployed and facilitating access to social (primarily free health insurance) whilst unable to adequately provide job intermediation services, or re-train and motivate those who need it. There are currently a few employment schemes targeting socially vulnerable groups including single parents (mostly women), Roma, and long-term unemployed, all of whom have low skills.

D. 2. Borrower’s Institutional Capacity

Services to jobseekers will be provided by Kolektiv, a private employment agency designated as the project implementing entity. This agency will be responsible for overall implementation of the activity, including financial and resource management. It will deliver the package of services to the beneficiaries, including needs/skills assessment, counseling, skills training, and/or placement in on-the-job training. One of the tasks of the implementing agency will also be to actively participate in identification of potential employers.

Kolektiv d.o.o. has been hired as the implementing agency and has proven its financial and organizational capacity to carry out this activity in line with the Terms of Reference for this task, as reviewed and cleared by the World Bank team. This agency also meets legal requirements of BiH as a licensed private employment service provider to carry out actual inter-mediation. Kolektiv will provide World Bank with regular progress and financial reports, based upon pre-defined provisions of the Grant Agreement and Disbursement Linked Indicators and Results.

The implementing agency, Kolektiv d.o.o., will employ staff with adequate expertise and background to help identify potential environmental and social issues among the potential employers, and to also provide training to the selected jobseekers for positions that may require sound environmental and social practices. The capacity of the staff to be employed to cover environmental and social issues will meet the requirements of the Terms of Reference for such a position. However, additional training may be required for the task, and will be provided, as needed or required. The implementing agency will also be responsible for monitoring feedback from stakeholders and project beneficiaries.

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

A. Environmental and Social Risk Classification (ESRC)

Environmental Risk Rating

Low
The environmental risk is assessed as low because the scope of the project will include only matching unemployed job seekers with their potential employers. There seems to be no risk of mass employment within one sector that could result in possible environmental impacts and implications. TOR for Kolektiv d.o.o. has been cleared by the World Bank team and includes a requirement to employ an environmental and social specialist to ensure the compliance with the World Bank ESFs in line with the assessed low risk of the project. Specifically, the specialist would be in place to support the project activities and avoid any environmental implications that could have a higher risk. Although this person is not hired at the time, the TOR of the implementing agency states this requirement, and no implementation can proceed without an environmental and social specialist in place.

Social Risk Rating

The social risk is assessed as low because the project will include only activities on matching unemployed jobseekers with their potential employers. Apart from the hiring of the Kolektiv d.o.o. to implement the activities, (direct and contracted labour) there will be no other categories of labour used to implement the project. Nonetheless, the overall laws of the country are quite in line with WB requirements and the risk of any grievance and/or non-compliance is low. There is scope for positive social impact as the target groups are the unemployed who are likely to be from poorer and vulnerable households, and there is a specific focus on women and youth. In the country and project context, vulnerable households are most often facing long-term unemployment thus with a limited income stream, those with lower education within the unemployed family members, women headed long time unemployed households over the age of 40 etc.

The target groups aimed under the project activities also broadly correspond to the most vulnerable groups of unemployed people. There is a low risk of perceived exclusion to be mitigated through the robust selection criteria. The capacity of Kolektiv d.o.o. is adequate, since this is an accredited inter-mediation agency to provide job matching and counseling services in the BiH. The agency has been in operation for the last 15 years and is the largest agency of its kind in the BiH. In addition, Kolektiv d.o.o. will be required to have an adequate environmental and social expert within the agency. Although this person is not hired at the time, the requirement of an adequate and satisfactory staff compliment and operational procedures to be in place will be a disbursement condition, and no implementation can proceed without an environmental and social specialist in place.

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

B.1. General Assessment

Overview of the relevance of the Standard for the Project:

There are no direct risks or negative social and environmental impacts associated with the provision of the services envisaged under this RETF, aside from the labour procedures of the employees of the implementing agency (Kolektiv d.o.o.). However, the potential employers may be companies that operate with associated environmental and/or social impacts. The environmental and social specialist within the implementing agency is to include a screening of such companies and to facilitate training on environmental management and/or occupational health and safety to the potential future employees as well as the employment agency, as an added value of the activity. The TF supported activities may also enable connections with the Developing Private Employment Services in BiH pilot initiative (BETF) where advisory services are provided to companies on improving their business and operations as
well as possible environmental and social management improvements, if the companies have relevant environmental and social issues that they need assistance with.

Social risk screening was conducted based on project description, web-research, Bank’s sector review, Bank’s paper on employment patterns, CPF 2016-2020. The identified social issues are related to the use of direct and contracted labour and the focus on more vulnerable groups. These can be mitigated as the project will only have direct and contracted labour which are employed directly by the Kolektiv do. and no other categories of labour. Also, they are expected to adhere to the national labor law which is very close to the requirements of ESS2. The project design takes into account a focus on vulnerable groups. The target groups are the unemployed who are likely to be from poorer and vulnerable households, and there is a specific focus on women and youth. In the country and project context, vulnerable households are most often facing long-term unemployment thus with a limited income stream, those with lower education within the unemployed family members, women headed long time unemployed households over the age of 40 etc.

The overall outcome of the Project is expected to be positive and is to be achieved by provision of services to jobseekers. This would include addressing skills mismatches, increasing or improving employability, various trainings, counselling and support of jobseekers, thus increasing their competitiveness in the labor market. Adequate eligibility and selection criteria should be in place and applied by private employment service providers to allow access to project benefits and mitigate perceived exclusion among groups of unemployed not recognized as the project’s targeted group. It is expected that Kolektiv d.o.o. in addressing some of the market failures will be able to implement measures that are tailored to specific client groups and are therefore more likely to be effective but complementary to the services provided by the public service providers. Monitoring through a set of indicators to evidence the effectiveness of the pilot program, both through beneficiary satisfaction survey and comparison on enhanced job-placement opportunities created by the pilot program is important to capture lessons learned.

ESS10 Stakeholder Engagement and Information Disclosure

The project will provide services to unemployed already recognized as a vulnerable group per their nature and within this group to low skilled and long term unemployed. Stakeholder Engagement Plan (SEP), prepared for the project, details the way the information on project benefits will flow and how each group will benefit/be targeted. Selection and participation criteria will also be communicated to the intended target group during stakeholder meetings and will be crucial for successful outcomes. SEP contains a clear grievance mechanism and outlines the main categories of stakeholders and the means of targeting them through the project cycle.

SEP is developed by Kolektiv d.o.o. and lays out the schedule and methods of engagement of the implementing agency’s outreach to both employment agencies and unemployed sections of the population. It outlines specific targeting strategies to different sub sections such as women and relevant Stakeholder agencies. There are also outreach activities to potential employer groups to sensitize them to the program and buy their partnership into it. These agencies, in turn, will be encouraged to develop stakeholder outreach plans to prospective unemployed target groups and potential employers.
Kolektiv d.o.o. will launch a public awareness campaign to present the features of the support program to familiarize the potential jobseekers with the scheme. A Grievance Redress Mechanism (GRM) has been described in the SEP and will provide the opportunity for continued feedback on the grant scheme and resolution of individual grievances during implementation. Procedures related to complaints handling will be posted on the website of Kolektiv d.o.o. to ensure full transparency.

During SEP preparation, consultation meetings were held with relevant stakeholders and the discussions incorporated in the document. These include, amongst others:
- Employment Institute of Federation of Bosnia and Herzegovina (FZZZ)
- Employment offices of Canton Sarajevo and Herzegovina-Neretva Canton
- Federal Ministry of Labour and Social Policy
- Ministry of Finance of Bosnia and Herzegovina, Federal Ministry of Finance

B.2. Specific Risks and Impacts

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

ESS2 Labor and Working Conditions

The employees of Kolektiv d.o.o. will be direct workers, as they are conducting core business (i.e. matching unemployed persons to potential employers). There will also be contracted workers which are the training team contracted by Kolektiv to carry out the training of unemployed persons. All requirements of ESS2 will apply to direct and contracted workers hired by the implementing agency. The Bosnian Labor Law is compliant to ESS2 standards and includes provisions on non-discrimination, minimum employment age, freedom of association, protection and safety at work, etc. It prohibits forced and child labor. The identified policy gaps are related to the requirements of a workers GRM which has been included in the Labor Management Procedures (LMP) prepared by Kolektiv. It is not anticipated that any of the identified project workers will be vulnerable as the required services entail workers well-placed in the labor market as they are required to be highly educated and experienced. The use of community and primary supply workers is not anticipated.

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS 3 is not relevant for the project. Operation of Kolektiv d.o.o. will not require intensive use of resources and will not generate any type of waste other than office/municipal waste.

ESS4 Community Health and Safety

ESS4 is not relevant for the project at this stage. Matchmaking between jobseekers and employers will not have any impact on community health and safety.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS5 is not relevant for the project, because project-supported activities will not require land acquisition, will not cause restrictions on the use of private property and will not cause involuntary resettlement.
ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources
ESS6 is not relevant, because project-supported activities will not have any impact on biodiversity and will not require use of living natural resources.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
ESS7 is not relevant, because there are no groups in the country that qualify as indigenous peoples as per definition of this standard.

ESS8 Cultural Heritage
ESS 8 is not relevant, because project-supported activities will not affect any kind of cultural heritage.

ESS9 Financial Intermediaries
ESS 9 is not relevant, because project implementation arrangements do not include financial intermediaries.

B.3 Other Relevant Project Risks
None identified.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways
No

OP 7.60 Projects in Disputed Areas
No

III. BORROWER’S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)

<table>
<thead>
<tr>
<th>DELIVERABLES against MEASURES AND ACTIONS IDENTIFIED</th>
<th>TIMELINE</th>
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<tbody>
<tr>
<td>ESS 1 Assessment and Management of Environmental and Social Risks and Impacts</td>
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<td>Hiring of Environment and Social Specialist for Implementing Agency</td>
<td>11/2020</td>
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<td>ESS 10 Stakeholder Engagement and Information Disclosure</td>
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<td>Preparation of Stakeholder Engagement Plan to be implemented throughout project duration.</td>
<td>02/2020</td>
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Preparation of Labor Management Procedures to be implemented throughout project duration | 02/2020

ESS 3 Resource Efficiency and Pollution Prevention and Management

ESS 4 Community Health and Safety

ESS 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

ESS 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

ESS 7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

ESS 8 Cultural Heritage

ESS 9 Financial Intermediaries

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

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:
The Borrower framework will not be used in part or whole for this TF.

IV. CONTACT POINTS

World Bank
Contact: Mirey Ovadiya
Title: Sr Social Protection Specialist
Telephone No: +1-202-473-2960
Email: movadiya@worldbank.org

Borrower/Client/Recipient
Borrower: KOLEKTIV DOO

Implementing Agency(ies)
Implementing Agency: Kolektiv doo

V. FOR MORE INFORMATION CONTACT
VI. APPROVAL

Task Team Leader(s): Mirey Ovadiya

Practice Manager (ENR/Social) Kevin A Tomlinson Cleared on 31-Jan-2020 at 16:04:32 EST