Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 05/30/2019 | Report No: ESRSC00575
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>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>EUROPE AND CENTRAL ASIA</td>
<td>P171066</td>
<td></td>
</tr>
</tbody>
</table>

Project Name: Enhancing Capital Markets Supervision Capacities of The Albanian Financial Supervisory Authority Phase 2

Practice Area (Lead): Finance, Competitiveness and Innovation

Financing Instrument: Investment Project Financing

Estimated Appraisal Date: 7/2/2019

Borrower(s): Ministry of Finance and Economy

Ministry of Finance and Economy

Proposed Development Objective(s)
The development objective of the project is to support AFSA in implementing selected parts of its ambitious and far reaching Strategy for 2018-2022 by (i) strengthening its capacity to regulate and supervise the capital markets and to (ii) boost market development for capital markets products through innovation, introduction of new products and product distribution technologies.

Financing (in USD Million)

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Cost</td>
</tr>
</tbody>
</table>

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 is providing support to AFSA in implementing selected parts of its ambitious and far reaching Strategy for 2018-2022 by (i) strengthening its capacity to regulate and supervise the capital markets and to (ii) boost market development for capital markets products through innovation, introduction of new products and product distribution technologies.
D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The purpose of the project is to enhance the capacities for capital markets supervision of the Albanian Financial Supervisory Authority. Although there are no associated physical footprint activities, the coverage of the Authority includes the whole country of Albania.

D. 2. Borrower’s Institutional Capacity
The responsibility for the project implementation for the Capital Markets Area activities will be with the AFSA, as well as project coordination and day-to-day project management. The AFSA will continue to maintain a Project Implementation Team (PIT), which will include staff experienced with donor projects and with adequate technical knowledge, both in capital markets and insurance. PIT will coordinate activities among AFSA departments, consultants, WB, and CFCU, the agency in charge of fiduciary services. The Borrower has no experience in World Bank safeguards. The project could be an opportunity to consider activities to better inform the wider audience on capital and insurance literacy.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Environmental Risk Rating
The purpose of the project is to support AFSA through (i) strengthening its capacity to regulate and supervise the capital markets and the insurance sectors and to (ii) boost market development for insurance and capital markets products. There are no activities that have an associated environmental impact or risk at this point in project preparation.

Social Risk Rating
Given that the project aims to support AFSA through (i) strengthening its capacity to regulate and supervise the capital markets and the insurance sectors and to (ii) boost market development for insurance and capital markets products. There are no activities that have an associated social impact or risk at this point in project preparation.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

*Overview of the relevance of the Standard for the Project:*
The project aims to support AFSA in implementing selected parts of its ambitious and far reaching Strategy for 2018-2022 by (i) strengthening its capacity to regulate and supervise the capital markets and to (ii) boost market development for capital markets products through innovation, introduction of new products and product distribution technologies. Specifically, the project will support the following activities: provide implementation support to the newly adopted Securities Markets Law; further strengthen AFSA’s risk based supervision; develop AFSA’s capacity to monitor and supervise securities markets; support AFSA in its Capital Market Development Efforts; strengthen AFSA’s...
regulatory and supervisory framework for insurance undertakings and promote long-term stability; promote consumer confidence through market stabilization; and project management. There are no activities with a physical footprint identified, nor are there activities that could lead to specific actions that could have an associated environmental or social impact. There are no identified direct or indirect environmental impacts of the project activities. The team will communicate to the Borrower that any subsequent activities that may stem from this TA would be prepared in line with the World Bank Environmental and Social Framework

Areas where “Use of Borrower Framework” is being considered:
The Albanian environmental legislation is largely harmonized with the relevant EU Directives, and majority of the environmental laws have been passed in 2002 and 2003, including the Law on Environmental Protection and Law on Environmental Impact Assessment. The EIA procedure is in place for activities that are screened for before an actual investment is given any of the official permits. The use of this framework is not considered simply because there are no activities that would require its use. However, in the event that a given activity could potentially arise, the environmental protection framework of Albania can be used.

ESS10 Stakeholder Engagement and Information Disclosure
Project Affected People (PAP), or key stakeholders of the project, are likely to include AFSA staff receiving capacity-building, as well as select groups of issuers and investors targeted by financial education activities under the project as well as consumers of insurance products. Other interested parties are likely to include Ministry of Finance and Economy, Bank of Albania, business associations, academic institutions, and the general public. Given that the project will support AFSA through technical assistance to (i) strengthen its capacity to regulate and supervise the capital markets and the insurance sectors and to (ii) boost market development for insurance and capital markets products the project could be good opportunity to support activities to inform affected and interested stakeholders especially for the future opportunities that capital markets could bring for investors, in addition to importance of insurance. The Stakeholder Engagement Plan (SEP) would define who are the affected and interested parties. Initially these would be banking and insurance industry companies. If the project will affect vulnerable and marginalized groups will be assessed during preparation, although the risk is considered very limited. Special attention in the stakeholder engagement plan will be given to small investors, such as individuals with savings who are willing to invest. SEP could envisage activities that support informed decision for investments and this is made available to small investors.

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 Project anticipates engaging approximately 100 CFCD and AFSA workers, all of whom are civil servants. They will be engaged on the project in accordance with the terms and conditions of their employment with government. OHS issues will be addressed in accordance with national laws.

ESS3 Resource Efficiency and Pollution Prevention and Management
Although there are no activities that could be linked to this standard, there is a capacity building activity aimed at the AFSA staff to handle technologically driven development. New technologies often call for improved resource use efficiency and more stringent environmental mitigation measures. As such, depending on the scope of the capacity building for AFSA staff, part of the training could include a session on resource efficiency and the environmental aspects of new technologies.

ESS4 Community Health and Safety
There are no activities that could be linked to the standard

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
There are no activities that could be linked to the standard

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources
There are no correlations with the project and the defined activities for capacity building for capital markets and biodiversity.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
There are no activities that could be linked to the standard

ESS8 Cultural Heritage
There are no correlations with the project and the defined activities for capacity building for capital markets and cultural heritage.

ESS9 Financial Intermediaries
There are no correlations with the project and the defined activities for capacity building for capital markets and financial intermediaries.

B.3 Other Relevant Project Risks
None identified.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways
No
The project scope does not involve any physical activities, impacts both direct and indirect on any water bodies or international waterways.
OP 7.60 Projects in Disputed Areas
None.

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?
No Financing Partners
None.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)
Actions to be completed prior to Bank Board Approval:
Preparation of Stakeholder Engagement Plan
Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):
none.

C. Timing
Tentative target date for preparing the Appraisal Stage ESRS 03-Jun-2019

IV. CONTACT POINTS

World Bank
Contact: Keler Gjika Title: Financial Sector Specialist
Telephone No: 5246+4154 / Email: kgjika@worldbank.org

Contact: Johanna Jaeger Title: Senior Financial Sector Specialist
Telephone No: 458-9782 Email: jjaeger@worldbank.org

Borrower/Client/Recipient
Borrower: Ministry of Finance and Economy

Implementing Agency(ies)

V. FOR MORE INFORMATION CONTACT
VI. APPROVAL

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Keler Gjika, Johanna Jaeger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practice Manager (ENR/Social)</td>
<td>Kseniya Lvovsky Recommended on 30-May-2019 at 17:30:9 EDT</td>
</tr>
</tbody>
</table>