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IMPLEMENTATION COMPLETION AND RESULTS REPORT  
ON A  
SMALL GRANT  
IN THE AMOUNT OF USD 2.06 MILLION  
TO  
ALBANIA  
FOR A

ALBANIA FSA - SECO TRUST FUND FOR STRENGTHENING SUPERVISORY  
CAPACITIES PROJECT

August 20, 2019

Finance, Competitiveness And Innovation Global Practice  
Europe And Central Asia Region

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## ABBREVIATIONS AND ACRONYMS

AFSA	Albanian Financial Supervisory Authority
ALL	Albania Lek
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
CFA	Chartered Financial Analyst Program
CFCU	Central Finance and Contracting Unit
CISI	Chartered Institute for Securities & Investment
CIU	Collective Investment Undertakings
CPS	Country Partnership Strategy
CPF	Country Partnership Framework
EU	European Union
FSAP	Financial Sector Appraisal Program
IOSCO	International Organization of Securities Commissions
M&E	Monitoring and Evaluation
MoFE	Ministry of Finance and Economy
MOU	Memorandum of Understanding
PDO	Project Development Objective
SECO	Swiss State Secretariat of Economic Affairs
WB	World Bank

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**DATA SHEET**

**BASIC INFORMATION**

**Product Information**

Project ID	Project Name
P153211	Albania FSA - SECO Trust Fund for Strengthening Supervisory Capacities
Country	Financing Instrument
Albania	Investment Project Financing
Original EA Category	Revised EA Category
Not Required (C)	Not Required (C)

**Organizations**

Borrower	Implementing Agency
Albania	Albania Financial Supervisory Authority

**Project Development Objective (PDO)**

Original PDO

<p>The development objective of the project is to support AFSA in strengthening its capacities to regulate and supervise the Investment Funds sector and the issuance of Corporate & Municipal Bonds.</p>



**FINANCING**

	Original Amount (US\$)	Revised Amount (US\$)	Actual Disbursed (US\$)
<b>Donor Financing</b>			
TF-18931	1,583,721	1,583,721	1,583,721
<b>Total</b>	<b>1,583,721</b>	<b>1,583,721</b>	<b>1,583,721</b>
<b>Total Project Cost</b>	<b>1,583,721</b>	<b>1,583,721</b>	<b>1,583,721</b>

**KEY DATES**

Approval	Effectiveness	Original Closing	Actual Closing
21-Jan-2015	11-Nov-2015	30-Jun-2017	31-Mar-2019

**RESTRUCTURING AND/OR ADDITIONAL FINANCING**

Date(s)	Amount Disbursed (US\$M)	Key Revisions
02-Mar-2016	0.00	Change in Loan Closing Date(s)

**KEY RATINGS**

Outcome	Bank Performance	M&E Quality
Satisfactory	Satisfactory	Substantial

**RATINGS OF PROJECT PERFORMANCE IN ISRs**

No.	Date ISR Archived	DO Rating	IP Rating	Actual Disbursements (US\$M)
01	24-Jun-2016	Moderately Satisfactory	Moderately Satisfactory	0.00
02	01-Jun-2017	Moderately Satisfactory	Moderately Satisfactory	0.35
03	02-Aug-2018	Moderately Satisfactory	Moderately Satisfactory	1.27



**ADM STAFF**

<b>Role</b>	<b>At Approval</b>	<b>At ICR</b>
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## I. PROJECT CONTEXT AND DEVELOPMENT OBJECTIVES

1. **Strengthening Supervision Capacities of the Albanian Financial Supervisory Authority (AFSA): Focus on Capital Market Development Project was a SECO funded Trust Fund to AFSA in the amount of \$2.06 million in the form of a grant, approved in January 2015.** As Albania's 2013 Financial Sector Assessment Project (FSAP) identified, the effectiveness of the AFSA was severely hindered by a weak regulatory framework as well as capacity constraints. To turn AFSA into an effective regulator of the Albanian non-bank financial markets, the project supported significant legal, regulatory, and institutional reforms in investment funds and bond markets. The project development objective was to support AFSA in strengthening its capacities to supervise the investment funds sector and the issuance of corporate & municipal bonds.

### Context

2. **AFSA, established in 2006 following the 2005 FSAP recommendations, took over the regulatory and supervisory functions from the Insurance Supervisory Authority, the Albanian Securities Commission, and the Inspectorate of Supplementary Private Pensions' Institutions.** AFSA's institutional setup for insurance, pension, and investment fund supervision and regulation was, however, hampered due to its lack of independence, financial resources, and qualified personnel, and limited input to the policy making process. The insurance sector, albeit small in size, initially absorbed most of AFSA's supervisory resources. This was attributed to the fact that other markets had only recently started to develop and AFSA had not been able to change/expand its structure and hire additional professional staff. As a result, AFSA paid little attention to capital markets supervision at the time.

3. **In 2014, following the 2013 FSAP recommendations, the Albanian Parliament approved most of the recommended legal changes paving the way for strengthening of AFSA's institutional setup.** The approval of the legal changes provided true independence to AFSA, it allowed parliament to appoint a new AFSA Board and Management, based on stricter requirements for professional qualifications and conflict of interest criteria. This paved the way for AFSA to adjust its structure and remuneration system to attract qualified personal, particularly to cover investment fund supervision that was identified as previously very ineffective.

4. **The non-bank financial sector in Albania was very small and represented only 9.6 percent of total financial system assets in 2014<sup>1</sup>.** It included 12 insurance companies (with 1.7% of total financial system assets), 2 investment funds (4.4%), 124 Savings and Credit Associations in 2 Unions (0.8%), 3 pension funds (0.04%), and 21 other non-bank (that is, non-deposit-taking) financial institutions (2.7%). Development of specific segments of the capital market, from a virtual absence of activities in 2011, became possible due to remarkably fast growth of the investment funds sector. In 2012 Raiffeisen Bank created the country's first investment fund, the Raiffeisen Prestige Fund, investing exclusively in government treasury bills and bonds. A second fund, Raiffeisen Invest Euro, was created shortly thereafter. By June 2014 these two funds had grown to over \$631 million of total net-asset value, with close to 35,000 investors (overwhelmingly individuals).

5. **While the funds' size had grown rapidly, AFSA was unable to respond with appropriate adjustments to**

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<sup>1</sup> Source: Bank of Albania Financial Stability Report 2014 H2



**its supervisory or regulatory capacities and systemic risk in the financial system increased.** Though these funds helped diversify the ownership of government securities, investing mostly in longer-dated securities, they were inadequately supervised and regulated. The result was a weak regulatory framework for investment funds, AFSA lacked effective organizational structure and appropriate staff capacity to issue funds-related regulations and apply a standardized regulatory approach.

6. **Given the rapid growth of the investment fund sector after 2012, AFSA anticipated future development of other capital market segments particularly the corporate and municipal bonds markets.** Since the adoption of the regulatory framework on corporate and municipal bonds issuance and trade in 2009, the EU directives and international standards had evolved substantially and there was a need to review the existing legal framework.

7. **The assistance provided under the project aimed to support AFSA in strengthening its capacity to supervise the investments funds sector, and the corporate and municipal bonds issuance.** The key goal of the project was to assist AFSA in developing its institutional and professional capacities to supervise and regulate the investment fund sector. It also assisted AFSA in upgrading the legal framework to address market needs, and increase compliance with EU related directives, and solve related incompatibilities of the investment funds legislation with the general securities market regulation. On the bond issuance, assistance provided focused on building capacity at AFSA to duly assess the merits of a bond issuance application, preparing a guideline for application approval by AFSA, and amending the legal framework for a better streamlined processing of bond issuances.

8. **The project contributed to the Government's high-level objectives for the sector and were relevant to Albania's Country Partnership Strategy (CPS) FY11-14 and Country Partnership Framework (CPF) FY15-19 objectives.** The Government's National Strategy for Development and Integration 2014-2020 included as strategic objectives for the non-bank financial sector, inter alia: a) alignment of the national legislative framework to the EU acquis and international standards for supervision over the insurance, securities, and pensions markets; and institutional capacity building for AFSA through development of a strategy for crisis management and for securities market development. The project supported Albania's CPS FY11-14 objective: Accelerating the recovery in Albania's economic growth through improved competitiveness by strengthening macroeconomic and public expenditure management, improving business regulations and reducing compliance costs, supporting local banks and competitive local companies, and improving key infrastructure services and their financial sustainability. The project also supported Albania's CPF FY15-19 objective: Supporting improved financial stability by strengthening the independence and capacities of financial regulators.

9. **The expected results of the project were to:** (i) equip AFSA with a comprehensive supervision methodology and practices for investment funds as well as related operational manuals and tools; (ii) be able to better support development of the corporate and municipal bonds market through an improved regulatory framework; (iii) strengthen professional and human resources of AFSA to supervise capital market activities through on-site and off-site capacity building activities.

10. **The project achieved the following results:**

- The organizational structure of AFSA has been improved, and new capital markets supervision staff have been hired. The new structure moved capital market supervision into its own department, separated from insurance supervision;



- 53 people from AFSA participated in 39 different training activities, including: in house workshops held in Tirana, training courses abroad for senior personnel, study visits to other regulators/markets, and internationally recognized professional qualifications;
- The professionalism of human resources at AFSA has been improved - the project provided a Learning and Development toolkit which AFSA used to develop sustainable internal training planning and delivery mechanisms, and created a two staff member Training Unit in the AFSA Human Resources Directorate.
- New draft Capital Markets Law and Collective Investment Undertakings (Investment Funds) Law<sup>2</sup> were finalized and submitted to the Ministry of Finance and Economy (MoFE);
- Six Investment Fund Regulations; a Risk Based Supervisory Manual; and an Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Manual for investment funds were developed;
- A roadmap/action plan was adopted by the AFSA Board, based on the diagnostic reports prepared as part of the project, and is currently under implementation;
- AFSA has prepared a 5 year strategy (for the period 2018-2022) for development of markets under its supervision, relying to a great extent on the project's recommendations;
- A crisis management report has been finalized and internal and external crisis simulation exercises took place in 2018.

11. **Strengthening AFSA capacities to regulate and supervise the capital market activities, as well as the preparation and public consultation of new draft legal acts, has increased trust in the market and helped existing and prospective financial intermediaries to create long-term expectations on their future development.** The project has provided AFSA with adequate technical capacities and support to take professional decisions and also shape and disseminate its vision for the future of the market through adoption of its 5-year strategy for the period 2018-2022. This is also being reflected in some recent developments that can be attributed to some extent to the project results. In 2018, the last year of project implementation, AFSA licensed one new funds management company (bringing the total number to 3), and two new investment funds (now a total of 5), one of which is the first equity fund in the market. The issuance of corporate bonds also increased with 4 new private offer issues in 2018, including from a non-financial sector subject. Issuances of private bonds offers have increased, from Albania Lek (ALL) 3,8 billion outstanding bonds in December 2014 to about ALL 8 billion (about EUR 60 million) by end 2018. In addition, AFSA authorized in February 2019 a private company, ALREG, to carry out securities settlement services for the recently licensed Albania Stock Exchange (ALSE). Once ALREG also receives the permission from the BoA to carry out payment clearance services, ALSE will be ready to list and trade corporate securities issued through public offers.

### Project Development Objectives (PDOs)

12. The project development objective was to support AFSA in strengthening its capacities to regulate and supervise the investment funds sector and the issuance of corporate & municipal bonds.

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<sup>2</sup> The legal term for the Investment Funds is the Collective Investment Undertakings. Throughout this report the terms "Investment Funds Law" and "Collective Investment Undertakings (CIU) Law" are used interchangeably.



### Key Expected Outcomes and Outcome Indicators

**13. Achievement of the overall development objective to be assessed through the following results indicators:**

- (i) AFSA is equipped with a comprehensive supervision methodology and practices for investment funds as well as related operational manuals and tools;
- (ii) AFSA is better able to support development of the corporate & municipal bonds market through improved regulatory framework;
- (iii) Professional and human resources of AFSA to supervise capital market activities are strengthened through on-site and off-site capacity building activities.

### Components

**14. The project components were grouped around two specific areas:**

*Area 1: Develop capacities of AFSA to supervise and regulate investment funds sector (US\$ 1.33 million).*

*Component 1 (US\$ 0.1 million):* Perform an assessment of the supervisory needs of AFSA regarding the rapidly developing Investment Funds sector, in terms of:

- (i) Current local legal framework (law & bylaws), and existing supervision arrangements;
- (ii) Current and expecting EU regulatory and supervisory developments, as well as applicable International Organization of Securities Commission (IOSCO) principles;
- (iii) Current and expected local industry development;
- (iv) Current and prospective staffing functions and requirements (quantity & quality);
- (v) Overall fitting of investment fund supervision with the other supervisory directions of AFSA (ie, insurance, private pensions, other capital market activities).

The outputs of the assessment included a medium-term strategic development plan for supervision of the Investment Fund sector, and a detailed time-bound roadmap for implementation.

*Component 2 (\$ 0.25 million):* Develop the investment funds sector supervision methodology, manuals, and tools:

- (i) Proposal of the on and off-site supervision methodology for investment funds sector considering the current and expected medium term market development;
- (ii) Development of off-site documents and tools, including:
  - a. market participants licensing regulation and toolkit;
  - b. Investment Funds Prospectus evaluation toolkit;
  - c. reporting templates for market participants;
  - d. off-site analysis manual.
- (iii) Development of an on-site inspection manual for the investment funds sector.

*Component 3 (\$ 0.98 million):* Develop Professional and Human Resources capacities of AFSA.



- (i) On-the-job training – a resident advisor established at AFSA to provide on-the-job regulatory and supervisory training and guidance to AFSA, also to assist AFSA establish a mechanism for maintaining the sustainability of the training program.
- (ii) Gaining expertise and experience through: (i) training hosted at/by selected European supervisory agency(ies), and (ii) tailor made training workshops delivered to AFSA on specialized issues by short term expert consultants.
- (iii) Fund AFSA staff submitting exams and acquiring recognized investment knowledge certificates.

**Area 2:** *Develop capacities of AFSA to prepare for corporate bonds & municipal bonds issuance (\$ 0.3 million).*

*Component 1 (\$ 0.2 million):* Perform a review of current corporate & municipal bonds regulatory and supervision framework and recommend short and longer term changes:

- (i) Quick fixes in AFSA bylaws enabling it to adequately and properly handle applications for bonds private or public offers in the near to medium future;
- (ii) Long term changes to the legal, regulatory, and supervisory framework to bring it in line with the evolved local and EU legislation, and international standards.

*Component 2 (US\$ 0.1 million):* Provide capacity building to AFSA to increase knowledge on debt instruments and markets.

- (i) Activities included specific tailored training sessions to AFSA staff on topics such as debt instruments, risk factors, issuance, trading, development of proper prospectuses, valuation methodologies for this market, pricing (e.g., premium or discount against par and how to assess), cashflow based pricing, etc., as well as approach from the supervisor's perspective;
- (ii) Additional training activities to effectively handle in practice bond offers applications at AFSA. Allocation of part of the resident advisor's (selected under component 3, Area 1) time to train AFSA staff on this topic, benefiting also from the cooperation with selected foreign supervisory agency(ies).

This component was strongly linked with the capacity building activities envisaged under the investment funds support (component 3, Area 1).

*Project Management Development (US\$ 0.03 million).* This financed support to improve the project management capacities of the recipient and the implementation agency through: (i) coverage of incremental operation support for the Central Finance and Contracting Unit (CFCU), a unit of the MoFE, in charge of managing the fiduciary aspects of the project, and (ii) enabling training of the AFSA Project Implementation Team and Administrative staff to upgrade their project management and administrative/financial management skills, in order to improve capacity to manage projects in the future.

*Project Implementation Support (US\$ 0.28 million):* This financed WB implementation support activities for the project.



## II. OUTCOME

### Assessment of Achievement of Each Objective/Outcome

15. **The Project Development Objective was** to support AFSA in strengthening its capacities to regulate and supervise the investment funds sector and the issuance of corporate & municipal bonds. The PDO level indicators remained relevant and based on their achievement presented below the PDO is considered achieved. Achievement of the overall development objective was measured by the following three indicators.

*Result Indicator 1:* AFSA is equipped with a comprehensive supervision methodology and practices for investment funds as well as related operational manuals and tools. The initial targets were achieved and even exceeded by also including a risk-based AML/CFT manual. The new AFSA structure, with more focus on capital markets was approved, and new AFSA legislation is due for approval by the Parliament. Implementation of new supervisory methodologies is dependent on the passage of new legislation. The following outputs were delivered:

- A medium-term strategic development plan for supervision of the investment funds sector with a detailed time-bound roadmap;
- Legislation assessment report;
- Supervisory assessment report;
- Draft of Collective Investment Undertakings (CIU) Law;
- Draft of Capital Markets Law;
- Crisis management report;
- Risk based supervisory manual;
- Risk based AML/CFT manual;
- Investment funds licensing regulation;
- Investment funds investment and borrowing regulation;
- Investment funds suspension and termination regulation;
- Investment funds operations regulation;
- Investment funds investor communication regulation;
- Investment funds master feeder regulation.

*Result Indicator 2:* AFSA is better able to support development of the corporate & municipal bonds market through an improved regulatory framework. The initial targets were achieved and even exceeded with the preparation of a study on the future shape of the Central Securities Depository. The new revised bond issuance procedure and prospectus is being implemented, with the first private bond issuance approved under the new framework in October 2018, anticipating first public offerings of corporate bonds by end 2019, and shares in 2020. Despite the improved regulatory framework, the market still faces challenges among others with regard to market infrastructure. The new Capital Markets law will establish a stronger legal environment to support



progress in establishing a central securities clearing and settlement infrastructure.

The following outputs were delivered:

- Bond market development plan;
- Bond issuance application report;
- Bond issuance application report recommendations implemented by AFSA in Regulation no 16;
- Study of the future shape of Central Securities Depository;
- Capacity building to AFSA to increase knowledge on debt instrument and markets.

Result Indicator 3: Professional and human resources of AFSA to supervise capital market activities are strengthened through on-site and off-site capacity building activities. The targets were achieved, with the following outputs delivered:

- Assessment of staffing requirements (number of staff and profiling) and expected training needs;
- development of training plan;
- 53 people from AFSA participated in 39 different training activities, including: in house workshops held in Tirana, training courses abroad for senior personnel, study visits to other regulators/markets, and participation in internationally recognized professional qualification programs;
- Learning and Development Toolkit was developed to assist AFSA in achieving sustainability and improving the quality of the training program;

### **Overall Outcome Rating**

#### **Rating: Satisfactory**

16. **Project activities were highly relevant in achieving its objectives.** The project addressed a key risk in the Albanian financial sector posed by investment funds, identified by the 2013 FSAP, in a very timely manner and very effectively. The project contribution in achieving the PDO has been recognized and well appreciated by the AFSA. The project supported key development objectives of the Government's National Strategy for Development and Integration 2014-2020 and was aligned with the World Bank Group Country Partnership Strategy FY11-14.

17. **The project achieved the PDO and provided important capacity building support to AFSA, when it was most needed.** The organizational structure of AFSA was approved, including creating capital market supervision as a department, separate from insurance supervision. New capital markets supervision staff have been hired. This increased AFSA's capacity as a more effective regulator of capital markets. Staff capacity to understand capital market products, services, and risks have increased substantially due to implementation of a tailored capacity building program, supported by the project, that included training, workshops, international professional certificates examinations, exchange visits, and on-the-job training. The legal framework for investment funds and corporate bonds issuance has improved through amendments to existing regulations or approval of new ones. The new draft Collective Investment Undertakings Law and Capital Market Law, once



approved by the Parliament, together with robust supervisory practices will provide an advanced framework for sound market regulation, in line with the *EU acquis*. The supervision methodology has been upgraded introducing a new risk-based approach. The ability of AFSA to handle potential investment funds crises has improved through improved internal crisis management processes, training (simulation exercises), and increased cooperation and awareness by other stakeholders (Bank of Albania and MOFE).

### III. KEY FACTORS THAT AFFECTED IMPLEMENTATION AND OUTCOME

18. **Due to delays during the grant approval phase, the closing date of the project had to be extended.** To accommodate administrative delays during the grant approval stage the Grant Agreement and project closing date were extended on a no-cost basis from June 30, 2017 to March 31, 2019. This was mainly due to issues related to the ratification process and interpretation of the legislation in this regard. It caused much back and forth communication with the Authorities; delays in their response postponed approval of the grant agreement by 10 months. In addition, some delays occurred in the first half of the project lifetime attributable to AFSA management replacement and staff turnover. The lengthy procurement process and the underlying reasons highlighted below were also important contributory factors. In addition, there were specific activities that experienced substantial delays. For example, a draft of the crisis management report was presented by the consultants in March 2017. The report highlighted the need to develop an AFSA internal crisis management procedure that required changes in AFSA's internal procedures which took approximately nine months. In addition, there was a six-month delay in organizing an inter-agency simulation exercise (AFSA attributes this to disruption caused by elections and the need to accommodate new representatives from MoFE, appointed in September 2017). Eventually, the final draft of the report was presented to AFSA in October 2018 (compared with a total time of 11 weeks originally anticipated).

19. **The major deliverables of the project were procured separately through three different contracts.** The activities in these contracts were inter-related, the diagnostic and assessment work of the first contract would be followed-up by implementation activities through the second two contracts. The procurement of the three separate contracts caused delays. Once the project became effective, it took five months from the request for expressions of interest to the contract signing for the first contract, and eight months for the others. One of the main objectives of splitting up the project implementation into three contracts was to mitigate potential risks arising from allocating the entire work to one firm. However, using different companies risked inefficiencies, duplication, re-learning, and weak coordination between the various sets of activities. Ultimately, all three contracts were awarded to the same consulting firm and retrospectively a single contract would have probably been better given the interrelations of the different activities.

20. **AFSA's core staff participation in professional certification programs has been especially beneficial to ensure optimal absorption of knowledge.** 15 core staff benefited from participation in professional certification programs: 11 members of staff participated in the Chartered Institute for Securities & Investment (CISI) introductory securities or investment operation certification courses, passed the exams, and obtained certificates; three members of staff submitted Chartered Financial Analyst Program (CFA) level 1 exam, one staff member passed the Institute and Faculty of Actuaries exam for certified actuarial analyst. All these professional certifications have significant importance for capacity development in AFSA.



## IV. BANK PERFORMANCE, COMPLIANCE ISSUES, AND RISK TO DEVELOPMENT OUTCOME

### Quality of Monitoring and Evaluation

#### Rating: Substantial

**21. At the time of project approval, the M&E framework was designed around three results indicators to assess progress towards achievement of the PDO.** The results indicators were qualitative without any quantitative targets and timelines to follow the progress. However, at the implementation stage, the team prepared a very detailed log frame with envisaged timelines for achieving impact, outcome, and output indicators (see Annex 4). This log frame was included as part of the Project's Operations Manual and became a very important monitoring tool, used both by the beneficiaries and the WB to assess the achievement of the project's key results indicators and PDO's on a biannual basis.

**22. The project has been monitored effectively using the log frame as the main point of reference.** The Project Implementation Team, in partnership with the CFCU, implemented various monitoring tools, including monthly monitoring of consultants' work plans and discussing their activity reports and contract monitoring tables with activities and deliverables. These tools appear to have been systematically utilized throughout the implementation of the project. AFSA prepared comprehensive semiannual progress reports (with CFCU contributing financial/ procurement information) measuring performance against the agreed log-frame. AFSA staff appear to have the capacity to discharge their project management and monitoring responsibilities. The partnership with CFCU, with its experience in managing fiduciary aspects of large World Bank (WB) projects, has been an important factor in successful project monitoring.

### Bank Performance

#### Rating: Satisfactory

**23. The Bank correctly assessed the relevance of PDO at the time of the project design and, in a very timely manner, addressed a key risk identified by the 2013 FSAP in the Albanian financial sector posed by investment funds.** The project was timely and relevant from its inception and has remained so during its implementation. The project was well aligned with Albania's CPS FY11-14 objective of accelerating the recovery in Albania's economic growth through improved competitiveness by improving business regulations and reducing compliance costs, supporting local banks and competitive local companies, and improving key infrastructure services and their financial sustainability, and CPF FY15-19 objective of supporting improved financial stability by strengthening the independence and capacities of financial regulators.

**24. The project was implemented through a hybrid Trust Fund, both recipient and Bank executed.** The WB carried out project supervision and AFSA was responsible for project implementation. AFSA established a Project Implementation Team (to coordinate activities among AFSA departments, consultants, WB, and CFCU, the agency



responsible for fiduciary aspects of the project). A Project Steering Committee was established that included key stakeholders' representatives: WB, SECO, CFCU, and AFSA. The Steering Committee met biannually and was responsible for strategic guidance on activities, endorsing work plans, reviewing progress, and budgeting.

**25. The WB team actively supervised project implementation.** During project implementation, five missions were completed and three ISRs were submitted. The project also benefited from a country-based core team member that was in almost daily contact with all stakeholders. The team provided technical oversight, including reviewing and commenting on activity terms of references and project outputs and participating in the consultant selection. Emerging problems in implementation were identified and addressed proactively and in cooperation with all partners represented on the Project Steering Committee.

**26. Fiduciary aspects of the project were managed in a timely manner.** A review of project-related documents and correspondence indicate a close collaboration between the WB's respective specialists and CFCU. CFCU's experience in dealing with large WB projects, has been an important factor that contributed to successful project management. The program was implemented through four contracts, three of which covered the scope envisaged in the project's log frame (core activities), with an additional contract procured for advice on an approach for a Central Securities Depository for privately issued securities at the request of AFSA by utilizing savings accrued under the project. The core activities were divided into three 'phases', each covered by a contract. Although, each of these three contracts was procured separately, the same firm, "Cadogan Financial", was awarded all of them and was responsible for implementing all the core activities. As mentioned above, activities in these contracts were inter-related and procurement of the three separate contracts caused delays.

**27. The project benefited from a detailed log frame with envisaged timelines for achieving impact, outcome, and output indicators.** The related outcome in the project log frame, pursuing implementation of a comprehensive and effective supervisory approach based on a detailed diagnostic and comprehensive strategy and action plan, was a robust approach addressing identified weaknesses.

**28. Despite the delays during the grant approval phase and in the first half of the project lifetime the team reacted in a very timely manner.** The project log frame was updated, and new timelines were set. All anticipated outputs and outcomes were delivered at the end of the project implementation period.

**29. Most project results are expected to be sustained, although some further support may be needed in certain areas.** Training, planned and delivered by the consultants, built adequate AFSA staff capacity for investment funds supervision and new bond issuance processes. AFSA's new organizational structure and staffing levels are expected to remain effective in the medium-term. AFSA has strengthened the HR function by hiring an additional two HR staff, responsible for addressing staff training needs who are equipped with the knowledge assessment and quality control toolkit to further develop and implement training and self-development programs for the staff. AFSA developed, and approved in March 2019, an internal training guideline that aims at standardizing procedure for the identification of training needs; developing the annual Training Calendar; creating a comprehensive database of training records; standardizing training evaluation forms; and standardizing the set of materials for induction training. However, there is a need for further support to assure the sustainability of the AFSA training program and other capacity building activities going forward.

**30. Phase 2 of the AFSA Capacities Strengthening Project.** To enhance and deepen results achieved by the project, AFSA, the WB and SECO agreed to initiate a new Phase 2 Project, as a continuation of the support already



provided to AFSA in strengthening its supervisory capacities. The new project will support AFSA in strengthening its capacity to regulate and supervise the capital markets and the insurance sectors and to boost market development for insurance and capital markets products through innovation, introduction of new products, and product distribution technologies.

## V. LESSONS LEARNED AND RECOMMENDATIONS

**31. In projects such as this it is beneficial to have a detailed M&E framework with clear outputs, outcomes, and timelines before approval.** The results indicators for the project at the time of approval were qualitative without any quantitative targets and timelines. However, at the implementation stage, the team prepared as part of the Project's Operations Manual a very detailed log frame with envisaged timelines for achieving impact, outcome, and output indicators. It became a very important monitoring tool, used to assess the achievement of the project's key results indicators and PDO's on a biannual basis.

**32. There is a need to carefully assess project preparation and implementation timelines in order to avoid having to extend the project closing date at a later stage.** Buffers should be built in to factor in the time needed for the government to complete the ratification process of the grant agreement as well as completion of procurement processes. In addition, project activities should be carefully designed and sequenced throughout the lifetime of the project to account for implementation capacity constraints at AFSA.

**33. In projects with inter-related activities, it is important therefore to weigh the benefits of having a larger single contract rather than splitting implementation into different contracts against the potential costs and risks.** One of the main objectives of having three separate contracts in this project was to mitigate potential risks arising from allocating the entire work to one firm. However, in projects with inter-related activities, it is important to weigh the benefits against the potential costs and risks of splitting implementation into different contracts. Having different contracts in such cases could cause both project implementation delays, due to lengthy procurement procedures, but also possible inefficiencies, duplication, re-learning, and weak coordination between the various sets of activities.

**In projects with a capacity building component and comprehensive training program, envisaging funding for acquiring internationally recognized certificates will be beneficial to ensure a more effective absorption of knowledge.** With the help of the project 53 AFSA staff benefited from participating in 39 different training activities, such as in house workshops, training courses abroad, study visits to other regulators/markets, etc. AFSA core staff participation in internationally recognized professional certification programs has been beneficial to ensure a more optimal absorption of knowledge.



**ANNEX 1. RESULTS FRAMEWORK AND KEY OUTPUTS**

**A. RESULTS INDICATORS**

**A.1 PDO Indicators**

**Objective/Outcome:** AFSA has strengthened its capacities to regulate and supervise the Investment Funds sector and the issuance of Corporate and Municipal Bonds

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
AFSA is better able to support development of the corporate & municipal bonds market through improved regulatory framework.	Text	No 16-Jun-2016	Yes 16-Jun-2016	Yes 31-Mar-2019	Yes 31-Mar-2019

**Comments (achievements against targets):**

AFSA has adjusted its regulatory base to tackle immediate issues with investment funds sector health and corporate bonds private issuance approval processes. In the long term the approval by parliament of the new draft laws on Investment Funds and Capital Markets will further support market development and increase stability of the sectors.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
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Professional and human resources of AFSA to supervise capital market activities are strengthened through on-site and off-site capacity building activities.	Text	No  16-Jun-2016	AFSA capacities strengthened  16-Jun-2016	AFSA capacities strengthened  31-Mar-2019	AFSA capacities strengthened  31-Mar-2019
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**Comments (achievements against targets):**  
AFSA capacities to supervised capital market activities were substantially upgraded.

**A.2 Intermediate Results Indicators**

**Component:** AFSA received Technical Assistance to upgrade its regulatory framework, and a new draft of a risk based supervision methodology and tools.

Indicator Name	Unit of Measure	Baseline	Original Target	Formally Revised Target	Actual Achieved at Completion
AFSA is equipped with a comprehensive supervision methodology and practices for investment funds as well as related operational manuals and tools.	Text	No  16-Jun-2016	Yes  16-Jun-2016	Yes  31-Mar-2019	Yes  31-Mar-2019

**Comments (achievements against targets):**



AFSA's new Investment Funds Risk Based Supervision Manual (and tools) will enter in force once the new Investment Funds Law is approved by the Parliament - expectedly within 2019.

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**A. ORGANIZATION OF THE ASSESSMENT OF THE PDO**

<b>Objective/Outcome 1</b>	
Outcome Indicators	AFSA is equipped with a comprehensive supervision methodology and practices for investment funds as well as related operational manuals and tools.
Key Outputs by Component (linked to the achievement of the Objective/Outcome 1)	<ol style="list-style-type: none"> <li>1. Legislation assessment report;</li> <li>2. Supervisory assessment report;</li> <li>3. Crisis management report;</li> <li>4. Review and recommendation report on shaping the landscape of the investment fund industry;</li> <li>5. A medium-term strategic development plan for supervision of the investment funds sector with a detailed time-bound roadmap;</li> <li>6. Draft of Collective Investment Undertakings Law;</li> <li>7. Draft of Capital Markets Law;</li> <li>8. Risk based supervisory draft manual;</li> <li>9. Risk based AML/CFT manual;</li> <li>10. Investment funds licensing draft regulation;</li> <li>11. Investment funds investment and borrowing draft regulation;</li> <li>12. Investment funds suspension and termination draft regulation;</li> <li>13. Investment funds operations draft regulation;</li> <li>14. Investment funds investor communication draft regulation;</li> <li>15. Investment funds master feeder draft regulation.</li> </ol>
<b>Objective/Outcome 2</b>	
Outcome Indicators	AFSA is better able to support development of the corporate & municipal bonds market through improved regulatory framework.
Key Outputs by Component	<ol style="list-style-type: none"> <li>1. Bond issuance report;</li> </ol>



<p>(linked to the achievement of the Objective/Outcome 2)</p>	<ol style="list-style-type: none"><li>2. Bond market development report;</li><li>3. Study of the future shape of Central Securities Depository;</li><li>4. Bond market development plan;</li><li>5. Capacity building to AFSA to increase knowledge on debt instrument and markets.</li></ol>
<p>Objective/Outcome 3</p>	<p>Professional and human resources of AFSA to supervise capital market activities are strengthened through on-site and off-site capacity building activities.</p>
<p>Key Outputs by Component (linked to the achievement of the Objective/Outcome 3)</p>	<ol style="list-style-type: none"><li>1. Report assessing training needs and proposing long-term training strategy for AFSA staff;</li><li>2. 53 people from AFSA participated in 39 different training activities, including: in-house workshops held in Tirana, training courses abroad for senior personnel, study visits to other regulators/markets, and studying towards internationally recognized professional qualifications;</li><li>3. Learning and Development toolkit was provided to maintain the quality of training and self-development of sustainable program;</li><li>4. Development of training plan.</li></ol>



**ANNEX 2. PROJECT COST BY COMPONENT**

<b>Components</b>	<b>Amount at Approval (US\$M)</b>	<b>Actual at Project Closing (US\$M)</b>
Assessment of investment fund supervision, structure, staffing and training needs	0.11	0.11
Review and drafting of legislation, and supervision methodology for investment fund and bonds	0.42	0.42
Capacity building with regard to investment fund and bonds	0.95	0.95
Incremental operating costs/Project administration support	0.05	0.05
Study of the future shape of Central Securities depository in Albania	0.05	0.05
Alignment of the Draft Law on Capital Markets with Albanian legal conventions	0.01	0.01
<b>Total</b>	<b>1.58</b>	<b>1.58</b>



**ANNEX 3. RECIPIENT, CO-FINANCIER AND OTHER PARTNER/STAKEHOLDER COMMENTS**

No comments were received.



**ANNEX 4. SUPPORTING DOCUMENTS**

**Project's Log frame**

Strategy of Intervention	Key Performance Indicators	Date	Means of Verification	External Factors (assumptions / risks)	Current Status
<b>Impact</b>	<b>Impact Indicators</b>				
<p>AFSA is better able to foster development of investment funds, and the corporate &amp; municipal bonds market through improved regulatory framework, supervision methodology and tools, and enhanced professional and human resources.</p> <p>A sound investment fund sector showing stability and sustainable growth, that is transparent and compliant with legislation, and has regulations that are consistent with EU legislation and international standards.</p>	<ul style="list-style-type: none"> <li>• AFSA is fully capable to supervise capital market activities due to increased capacities: in quantity and technical quality, better legal framework, better licensing and supervision methodology and tools, stronger management capacities, and enhanced integrity.</li> <li>• Funds are compliant with upgraded investment funds legislation/regulations.</li> <li>• Growth in assets under management after revised framework is in place.</li> <li>• Increase in number of licensed and authorised investment funds.</li> <li>• Absence of investor loss from investment fund failures for 5 years from start of</li> </ul>	End of project (March 2019)	<ul style="list-style-type: none"> <li>• AFSA supervisory reports</li> <li>• Independent reports, e.g. IMF Article IV, FSAP update</li> <li>• Post-completion review</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• The independence of AFSA remains de jure independence and does not materialize as a de facto one, and its Board does not exercise effectively its enhanced powers.</li> <li>• Economic/financial shock reduces attractiveness of investments in investments funds.</li> <li>• Inability to attract quality staff.</li> <li>• Frequent staff changes limit the effectiveness of the project.</li> </ul> <p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Government is aware of financial sector stability risks and is committed to strengthen financial sector supervision.</li> <li>• Appropriate consumer literacy/protection regime will be implemented.</li> </ul>	<p>Completed</p> <p>The following have been completed:</p> <ul style="list-style-type: none"> <li>• AFSA supervisory and legislative reports and manuals</li> <li>• AFSA bond market development report</li> <li>• Bond issuance report</li> </ul> <p>Based on the consultants' reports, a roadmap/action plan has been adopted by the AFSA Board and completed. Details of the roadmap/action plan were also incorporated into annual workplans of AFSA.</p> <p>There have been some improvements to AFSA's capacities to supervise the capital market thanks to the new effective structure. The organizational structure of AFSA was improved, and new capital markets supervision staff have been hired. The new structure elevated capital market supervision to a department, separating it from insurance supervision.</p> <p>AFSA has completed a draft Capital Markets Law. The draft law has received "No objection" from the WB. The Capital Markets Law is consistent with EU directives and international standards. The draft law was translated and internally aligned to be consistent linguistically and to identify inconsistencies with existing Albanian laws in March 2019. Workshops were</p>



	<p>implementation of revised supervisory approach.</p>			<ul style="list-style-type: none"> <li>The capital market activities are economically attractive to incentivise additional asset managers.</li> </ul>	<p>held in order to present the law to the MOFE, Bank of Albania, as well as to the industry. The feedback received was reflected in the final version of the draft law.</p> <p>AfSA has finalized the draft CIU Law, which has been reviewed by the Board of AfSA on 27.09.2018. It will be submitted within Q1 2019 to MoFE which will follow its approval in the Parliament. Consultants have completed the bylaws of the new CIU draft law: Operations Regulation, Licensing Regulation, CIU borrowing Regulation, investor communication Regulation, suspension &amp; termination regulation, CIU Master feeder Regulation.</p> <p>AfSA has already finalized and approved the following regulations during the first half of 2018:</p> <p>Regulation no. 21, dated 06.02.2018 On liquidity administration of investment funds</p> <p>Regulation no. 57 dated 29.03.2018 On related parties.</p>
<p>Companies and investors do not consider the bonds regulatory framework as a hindrance to market development, nor as a loophole to undertake excessive risk or follow an undue process in bond issuing.</p>	<ul style="list-style-type: none"> <li>Increase in number of primary issues of corporate bonds after improvement in by-laws and approval processes.</li> </ul>	<p>End of project (March 2019)</p>		<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>There is inadequate timely follow-on TA/technical capability at AfSA to complete the work started under the project.</li> <li>There are legal/technical barriers to corporate and municipal bond raisings outside scope</li> </ul>	<p>Completed</p> <p>The bond issuance application report has been implemented by AfSA in Regulation no. 16, dated 31.01.2018 “: “On the Application Form, Documentation Content required for the Prospectus Approval of Bond Issuance”.</p> <p>Approval of the new Capital Markets Law will further improve and modernise the bonds issuance and trading process.</p>



				<p>of project that reduce bond issues.</p> <ul style="list-style-type: none"> <li>• There is inadequate supply of/demand for corporate or municipal bonds.</li> <li>• Secondary market barriers are not addressed, and no secondary market takes off.</li> <li>• Market/ economic conditions might be unfavourable to develop bond markets.</li> </ul> <p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Local economic and business environment is ripened enough to start generating interest by companies for bonds' issuance.</li> <li>• There is adequate market infrastructure and appropriately qualified/interested intermediaries and advisors.</li> </ul>	
<b>Area 1: Development of AFSA's capacity to supervise and regulate the investment funds sector</b>					
<b>Outcomes</b>		<b>Outcome Indicators*</b>			
<b>Component 1: Assessment of supervisory needs of AFSA</b>					
1) AFSA is implementing a comprehensive and effective supervisory strategy, supported by a detailed implementation plan, for the investment	<ul style="list-style-type: none"> <li>• Diagnostic findings report approved by AFSA Board.</li> <li>• Strategy consistent with project recommendations</li> </ul>	Q3 2016	<ul style="list-style-type: none"> <li>• AFSA Board decision</li> <li>• AFSA Board decision</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Inadequate or delayed access to market or regulatory information hampers diagnostics.</li> </ul>	<p>Completed</p> <p>The following reports have been approved:</p> <p>Comprehensive report</p> <p>Evaluation Report</p>



<p>fund sector that addresses current weaknesses, anticipates future developments, and enables it to meet EU regulations and international standards.</p>	<p>approved by AFSA Board.</p> <ul style="list-style-type: none"> <li>Implementation of action plan progressing significantly to timetable.</li> </ul>		<ul style="list-style-type: none"> <li>AFSA management reports/project M&amp;E reports</li> </ul>	<ul style="list-style-type: none"> <li>AFSA Board do not or delay approval of strategy/roadmap.</li> <li>Delays/resistance to organization change and recruitment.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Diagnostic is wide enough to ensure all potential dependencies are identified and addressed.</li> <li>Adequate budgetary resources would be available to implement strategy.</li> <li>Commitment of relevant parties outside AFSA, e.g., MoFE, Bank of Albania, etc. to strategy implementation.</li> </ul>	<p>The diagnostic reports from phase 1, have been endorsed by the Board on 24 January 2017. A roadmap has been endorsed by the board and is under implementation. AFSA has prepared a 5-year strategy including the project recommendations. Decision of AFSA Board no 78, April 23<sup>rd</sup>, 2018.</p> <p>New legal acts (law and by-laws) and new supervision methodology for investment funds have been prepared awaiting enactment.</p>
<p><b>Component 2:</b>  <b>i. Development of a supervision methodology for the investment funds sector.</b>  <b>ii. Strengthening of legal/regulatory framework to regulate and supervise investment funds.</b></p>					
<p>2) AFSA has an effective regulatory and supervision methodology, including risk-based supervision and supervision of systemically important funds, inter-agency co-ordination and crisis management and resolution, for the investment funds sector that meets EU and international standards.</p>	<ul style="list-style-type: none"> <li>Supervisory policy significantly in line with project recommendations approved.</li> <li>Approved supervisory practices being implemented in accordance with medium term strategy action plan and milestones.</li> </ul>	<p>Q2 2017</p>	<ul style="list-style-type: none"> <li>AFSA Board decision</li> <li>AFSA internal M&amp;E reports on action plan implementation.</li> <li>Resident advisor progress reports.</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Unrealistic expectations about the time needed to build capacity, implement processes and readiness of supervised institutions for some supervisory processes, such as risk-based supervision.</li> <li>Inter-agency coordination is weak</li> </ul>	<p>Completed</p> <p>The supervisory report was approved and finalized in July 2017 and its final version, incorporated into a draft comprehensive report, was finalized in September 2017.</p> <p>Based on this report the supervision methodology and risk-based manual were finalized and completed.</p> <p>The new supervision approach (methodology/manual), was delivered by the consultant in February 2019.</p>



				and does not improve as result of project.	The final Crisis Management report was accepted and approved by AFSA in October 2018.
3) AFSA's supervisory framework for the investment funds sector is supported by legislation that is consistent with EU Directives and IOSCO principles.	<ul style="list-style-type: none"> <li>Draft legislation in line with recommendations approved by AFSA management.</li> <li>Legislation passed by parliament without significant changes.</li> </ul>	Q4 2017	<ul style="list-style-type: none"> <li>AFSA Board decision</li> <li>Publication in the Official Gazette.</li> </ul>	<ul style="list-style-type: none"> <li>AFSA and regulated entities are not capable of meeting EU/international standards.</li> <li>Legislation is not passed on time for upgraded supervisory practices to be implemented during project.</li> <li>Dynamics/uncertainty associated with future EU Directives.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>There is no mismatch between AFSA's ambitions to implement EU/international standards in CIS compared with the quality of regulations/supervision in other capital markets areas.</li> <li>AFSA's and supervised institutions' systems and processes are consistent with aims of implementing upgraded supervisory practices.</li> </ul>	<p>Legislation assessment report has been finalized and its final version has been incorporated into the comprehensive report.</p> <p>AFSA has finalized the CIU Law, which has been reviewed by the AFSA Board on 27.09.2018. It has been submitted to MoFE which will follow its approval in the Parliament (scheduled for end 2019). Meanwhile the consultants have completed the bylaws of the new CIU law and submitted them to AFSA: Operations Regulation, Licensing Regulation, CIU borrowing Regulation, investor communication Regulation, suspension &amp; termination regulation, CIU Master feeder Regulation.</p>
<b>Component 3: Strengthening and development of professional human resources and capacities at AFSA</b>					
4) AFSA has appropriate organizational	Consistent with project recommendations:	Q1 2017 (depending on	• AFSA Board decision(s)	Risks:	Completed



<p>structure, with required levels, qualification and remuneration of staff, to regulate and supervise the investment funds sector, effectively integrated with the rest of its activities.</p>	<ul style="list-style-type: none"> <li>• Approved revised organizational structure.</li> <li>• Approved staffing plans.</li> <li>• Approved remuneration policy.</li> <li>• Approved allocation of budget to fund the above.</li> </ul>	<p>mid-term plan developed by the Consultant)</p>		<ul style="list-style-type: none"> <li>• Inadequate staff resources are devoted to project implementation.</li> <li>• Resident advisor becomes a core resource for AFSA undertaking tasks him/herself rather than an advisor building team capacity.</li> </ul>	<p>Since September 2017 AFSA has implemented the revised organizational structure in line with the project recommendations.</p> <p>Some administrative (non-substantial) delays occurred in implementation of the new structure approved by the AFSA board.</p> <p>Capacity building activities completed</p>
<p>5) AFSA staff can effectively regulate and supervise the investment funds sector.</p>	<ul style="list-style-type: none"> <li>• Quality of supervisory reports</li> <li>• Implementation of agreed tools and processes.</li> </ul>	<p>Q1 2018</p>	<ul style="list-style-type: none"> <li>• Resident advisor progress reports.</li> <li>• WB project implementation reviews.</li> <li>• Results of post-training tests as arranged/agreed by AFSA and consultant.</li> </ul>	<ul style="list-style-type: none"> <li>• Inter-agency cooperation with partner supervisory agency fails.</li> </ul> <p>Assumptions:</p> <ul style="list-style-type: none"> <li>• AFSA is able to use effectively the enhanced independence and benefit from it.</li> </ul>	<p>On-going</p> <p>For the outcome to be complete the new legislation has to come in force and the new supervision methodology to be approved and applied.</p>
<p>6) AFSA has developed sustainable arrangements to deliver its staff training program.</p>	<ul style="list-style-type: none"> <li>• Approval of training (including funding) plan.</li> <li>• Adherence to plan in its implementation.</li> <li>• At least 80% of invitees attend each training course and the average attendance every year is at least 85%.</li> </ul>	<p>Q2 2017</p>	<ul style="list-style-type: none"> <li>• AFSA Board Decision.</li> <li>• AFSA Implementation progress reports.</li> <li>• WB progress reports.</li> </ul>	<ul style="list-style-type: none"> <li>• AFSA implements an appropriately strong organization HR policy so that aims and recommendations of the project are consistent with it.</li> <li>• AFSA is committed to reorganization and reform and will allocate funds accordingly.</li> <li>• AFSA has or develops a long-term training and professional capacity development program for staff in all areas,</li> </ul>	<p>Completed</p> <p>Implementation of the training program started later than expected due to: (i) delays in procurement of the consulting company, (ii) prolongation of the discussion and approval by AFSA/WB of the training program prepared by the consultant.</p> <p>The Learning &amp; Development Toolkit was delivered in December 2018. It includes three toolkits required under the project - future training, knowledge assessment and quality control. They have been combined into a single Toolkit in order to comprehensively address AFSA's needs and are being used to develop sustainable internal training planning and delivery mechanisms.</p>



				<p>rather than investment funds only.</p> <ul style="list-style-type: none"> <li>• There is sufficient basic qualification and experience among AFSA staff allocated to the project to absorb and implement training lessons.</li> <li>• An appropriately qualified resident advisor can be found.</li> </ul>	
<b>Outputs</b>	<b>Output Indicators</b>				
<b>Component 1: Assessment of supervisory needs of AFSA</b>					
1) Diagnostic report of AFSA's investment funds supervisory strengthening needs.	<ul style="list-style-type: none"> <li>• Final needs assessment report of current organizational structure, processes, staffing and training needs.</li> </ul>	Q1 2017	<ul style="list-style-type: none"> <li>• Output</li> <li>• Progress report</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Strategy and especially resource allocation recommended for CIS is not consistent with that of other parts of AFSA.</li> </ul> <p><b>Assumptions:</b></p>	Completed Final evaluation report accepted on 17/10/16.
2) A multi-dimensional medium-term strategic development plan for administrative capacities of AFSA, and a time-bound draft roadmap for its implementation	<ul style="list-style-type: none"> <li>• Plan produced and finalised, incorporating AFSA staff comments.</li> </ul>	September 2016	<ul style="list-style-type: none"> <li>• Output.</li> <li>• Progress report</li> <li>• AFSA Board decision</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness of overall staffing needs at AFSA taking into account all supervisory functions.</li> <li>• Sufficient consultation with all internal and external stakeholders to ensure diagnostic and strategy is realistic.</li> </ul>	Completed Final comprehensive report accepted on 17/10/16.
3) Review and recommendation report on shaping the landscape of the investment funds industry.	<ul style="list-style-type: none"> <li>• Report produced and finalised, incorporating AFSA staff comments.</li> </ul>	December 2016	<ul style="list-style-type: none"> <li>• Output</li> <li>• Progress report</li> </ul>		Completed Final comprehensive report accepted September 2017.
<b>Component 2:</b>					
i. Development of a supervision methodology for the investment fund sector.					
ii. Strengthening of legal/regulatory framework to regulate and supervise IF.					



4) Report assessing gaps in legal and supervisory framework for investment funds	<ul style="list-style-type: none"> <li>Report produced and finalised, incorporating AFSA staff comments.</li> </ul>	Q2 2017	<ul style="list-style-type: none"> <li>Output</li> <li>Progress report</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>New supervision methodology too complicated for effective implementation in Albanian environment.</li> </ul>	Completed Final comprehensive report accepted September 2017.
5) Report on the proposed supervision methodology for the investment fund sector.	<ul style="list-style-type: none"> <li>Supervision methodology package produced including: i) description of methodology, ii) reporting template for market participants, iii) off-site analysis manual, iv) on-site inspection manual, v) documents completing the licensing regulatory base (forms, templates. etc), (vi) evaluation toolkit for investment funds prospectuses</li> </ul>	Q2 2017	<ul style="list-style-type: none"> <li>Output</li> <li>Progress report</li> </ul>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>Strong cooperation between resident advisor/ consultants and AFSA staff will ensure effective implementation of supervision methodology.</li> <li>Toolkits/manuals etc. are sufficiently tailored to Albanian context.</li> <li>Legislation will be appropriately tailored to local context.</li> </ul>	Completed Final comprehensive report delivered in March 2019  Some delays occurred due to complexity of the new legislation/supervision methodology which are part of the same consultancy contract.
6) Crisis management report.	<ul style="list-style-type: none"> <li>Document suggesting the strategy and protocol for crisis management</li> </ul>	Q3 2017	<ul style="list-style-type: none"> <li>Outputs</li> <li>Progress report</li> </ul>		Completed  The final Crisis Management report was accepted and approved by AFSA in October 2018.  The AFSA Board approved the internal procedure for risk management in December 2017. An internal crisis management simulation was held in February 2018 to test it and to identify gaps. A Financial Stability Advisory Group crisis simulation was held in June 2018 and a report submitted shortly after.



<p>7) Revised investment funds and related legislation compliant with EU directives and IOSCO principles.</p>	<ul style="list-style-type: none"> <li>• Draft legislation, incorporating stakeholder comments, presented to parliament.</li> <li>• Legislation approved by parliament without significant weakening of provisions.</li> </ul>	<p>Q1 2018 (final deadline – process is staggered)</p>	<ul style="list-style-type: none"> <li>• Outputs</li> <li>• Progress report</li> <li>• Publication in the Official Gazette</li> </ul>		<p>The legislative report, and draft law on Collective Investment Undertakings (translated in Albanian), was approved by the AFSA Board on 27.09.2018. It has been submitted to the MoFE which will follow the approval process in the parliament.</p> <p>The following draft by-laws under the new draft law were prepared and submitted: Operations Regulation, Licensing Regulation, CIU borrowing Regulation, investor communication Regulation, suspension &amp; termination regulation, CIU Master feeder Regulation.</p>
<b>Component 3: Strengthening and development of professional human resources and capacities at AFSA</b>					
<p>8) Report assessing training needs and proposing long-term training strategy for AFSA staff, including continuous professional development and arrangements for ensuring training sustainability.</p>	<ul style="list-style-type: none"> <li>• Report incorporating AFSA staff and management finalized and delivered for AFSA Board approval.</li> </ul>	<p>Q2 2017</p>	<ul style="list-style-type: none"> <li>• TA/training program report</li> <li>• Outputs</li> <li>• Progress report</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Poor attendance at training.</li> <li>• A suitably qualified partner supervisory agency cannot be found or is not interested.</li> <li>• Staff participating in external courses are not sufficiently motivated and do not effectively meet the course obligations.</li> </ul>	<p>Completed: Assessment complete and the training program submitted and accepted.</p>
<p>9) Various training workshop presentations, technical reports, and activity reports produced by resident advisor.</p>	<ul style="list-style-type: none"> <li>• Workshops implemented as per training plan.</li> <li>• Technical reports produced as per plan.</li> </ul>	<p>Q2-Q4 2017 (final deadline – process is staggered)</p>	<ul style="list-style-type: none"> <li>• Training material</li> <li>• Participant feedback and post workshop test results</li> <li>• Technical reports</li> <li>• Strategy/action plan vs actual</li> </ul>	<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Training courses are practical and tailored to Albanian needs.</li> <li>• Recommendations on organization changes are realistic and take sufficient account of AFSA appetite for change.</li> </ul>	<p>Completed</p> <p>Implementation of the training program started later than expected due to: (i) delays in procurement of the consulting company, (ii) prolongation of the discussion and approval by AFSA/WB of the training program prepared by the consultant.</p>
<p>10) MoU/cooperation agreement between AFSA and partner supervisory agency.</p>	<ul style="list-style-type: none"> <li>• MoU finalized incorporating key cooperation provisions.</li> </ul>	<p>Q2 2017</p>	<ul style="list-style-type: none"> <li>• MoU/cooperation agreement</li> </ul>		<p>Completed</p> <p>There is a MoU in place, used for the Financial Stability Advisory Group simulation of crisis management exercise in June 2018.</p>



11) Outputs envisaged in partnership MoU/agreement.	<ul style="list-style-type: none"> <li>• Training, secondments, etc. delivered as per MoU.</li> </ul>	Q2 2017 (final deadline – process is staggered)	<ul style="list-style-type: none"> <li>• MoU progress reports</li> </ul>	<ul style="list-style-type: none"> <li>• Training program takes into account budgetary and resource constraints within AFSA to ensure sustainability.</li> <li>• Toolkits/manuals etc. are sufficiently tailored to Albanian context.</li> </ul>	Completed Several knowledge exchange visits took place (Estonia, Croatia, Austria)
12) Staff participation and progress reports from certification courses.	<ul style="list-style-type: none"> <li>• Numbers and profiles of staff enrolled in appropriate courses as envisaged in training plan.</li> <li>• Satisfactory progress in training being achieved.</li> </ul>	Q3 2017 (final deadline – process is staggered)	<ul style="list-style-type: none"> <li>• Progress reports</li> <li>• Periodic test results</li> </ul>		Completed Staff enrolled in certification courses such as CFA and CISI. 2 members of AFSA staff have submitted the CFA exam.
<b>Area 2: Development of AFSA capacity to prepare for regulation and supervision of corporate and municipal bonds issuance</b>					
<b>Outcomes</b>		<b>Outcome Indicators*</b>			
<b>Component 1:</b>					
<b>i. Review of current regulatory and supervisory framework for corporate and municipal bond issuance.</b>					
<b>ii. Improvement of regulatory and supervisory framework.</b>					
1) AFSA has a clear understanding of current and potential future bonds market landscape and has adjusted its short and medium-term supervision approach for corporate & municipal bonds issuances which enables it to meet EU regulations and international standards.	<ul style="list-style-type: none"> <li>• Strategy for bonds market supervision strengthening, and development endorsed by AFSA</li> </ul>	Q3 2018	<ul style="list-style-type: none"> <li>• AFSA Board decision</li> <li>• Progress reports</li> </ul>	<b>Risks:</b> <ul style="list-style-type: none"> <li>• The diagnostic and strategy do not sufficiently take into account or fully address bottlenecks/barriers to bond market development.</li> <li>• Financial intermediaries may not have sufficient capacity or knowledge to act effectively in a new market.</li> <li>• Changes in by-laws, regulations etc. envisaged within the scope of the project may not be enough to develop a sufficiently</li> </ul>	Completed The Bond Market Development Report was completed July 2017.  Future bond market development is part of the AFSA's 5 year strategy.
2) Improved regulatory framework for bond issuance implemented in compliance with EU legislation and international standards.	<ul style="list-style-type: none"> <li>• Approval of by-laws changes, and amendments to the legislation endorsed by AFSA.</li> </ul>	Q2 2018	<ul style="list-style-type: none"> <li>• Outputs</li> <li>• Publication of guidelines</li> <li>• AFSA Board decision</li> </ul>		The Bond Issuance application report was completed August 2017.  An awareness roundtable with members of Parliament from the Economy & Finance Commission, Legal Affairs Human Rights and Public Administration Commission took place in January 2018.



<p>3) Improved process for filing and regulating the bond issuance application process in place.</p>	<ul style="list-style-type: none"> <li>• New application requirements and processes for bond issuances being implemented.</li> </ul>	<p>Q1 2018</p>	<ul style="list-style-type: none"> <li>• Progress reports</li> </ul>	<p>effective supervisory framework, even as an interim step.</p> <ul style="list-style-type: none"> <li>• Local authorities do not have sufficient powers to issue bonds and any approval requirements (e.g. from central government) may act as a critical barrier</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Market/ economic conditions will not change substantially during project duration.</li> <li>• Central government is aware of liquidity risks and is supportive of further capital market development.</li> <li>• Local governments are in need of alternative financing sources.</li> </ul>	<p>Completed</p> <p>The Bond Issuance Report was completed in August 2017.</p> <p>The regulation on Bond Issuance has been approved.</p>
<p><b>Component 2: Develop relevant capacity at AFSA regarding debt instruments and markets and implement appropriate supervisory approach to this area</b></p>					
<p>4) AFSA staff can effectively and efficiently process and monitor bond issuance applications.</p>	<ul style="list-style-type: none"> <li>• Approved bond issuance applications meeting appropriate standards.</li> <li>• Timescales for approvals being met.</li> </ul>	<p>Q3 2018</p>	<ul style="list-style-type: none"> <li>• Resident advisor/WB progress reports</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Inadequate numbers or quality of staff is allocated to this area of the project.</li> <li>• Issuers lack capacity to meet revised issuance application requirements.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• There is appropriate market infrastructure to effectively assess credit risks associated with</li> </ul>	<p>The Bond Issuance Report was completed in August 2017.</p> <p>Advisory activities and trainings regarding this matter have been completed.</p> <p>The Regulation on Bond Issuance has been approved.</p>



				<p>corporate and municipal bonds being issued.</p> <ul style="list-style-type: none"> <li>• There is infrastructure for development of a secondary market in bonds.</li> </ul>	
<b>Outputs</b>	<b>Output Indicators</b>				
<b>Component 1:</b>					
<b>i. Review of current regulatory and supervisory framework for corporate and municipal bond issuance.</b>					
<b>ii. Improvement of regulatory and supervisory framework.</b>					
1) Report assessing gaps in the regulatory framework for bonds against EU legislation and International standards.	<ul style="list-style-type: none"> <li>• Final version of diagnostic report incorporating AFSA staff comments.</li> </ul>	Q2 2017	<ul style="list-style-type: none"> <li>• Output</li> <li>• Progress Report</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Insufficient understanding of local economic and corporate environment.</li> <li>• New application methodology too complicated for effective implementation in Albanian environment.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• AFSA to provide resident/ consultants with local insight.</li> <li>• Toolkits/manuals etc. are sufficiently tailored to Albanian context.</li> </ul>	<p>Completed Bond Market Development Report, Bond Issuance Report, and Legislative Report have been submitted and agreed.</p> <p>Bond Market Development report – completed on 14/07/17 Bond Issuance Report – completed on 08/08/17 Draft Legislation Report – accepted on 12/06/17</p> <p>Regulatory framework work finalised (new draft Law on Capital Markets).</p>
2) Report reviewing the bonds market landscape, and proposing strategic prescription for potential development of the bonds market	<ul style="list-style-type: none"> <li>• Final version of report incorporating stakeholder comments, presented to AFSA management.</li> </ul>	Q3 2018	<ul style="list-style-type: none"> <li>• Output</li> <li>• Progress Report</li> </ul>	<ul style="list-style-type: none"> <li>• AFSA to provide resident/ consultants with local insight.</li> <li>• Toolkits/manuals etc. are sufficiently tailored to Albanian context.</li> </ul>	<p>Completed Bond Market Development Report was submitted.</p> <p>This has been incorporated in AFSA’s 5 year strategy</p>
3) Report presenting quick fixes to bonds issuance regulatory framework, as well as an issuance analysis toolkit.	Report with quick fixes and issuance analysis toolkit finalised after incorporating AFSA staff comments.	Q1 2018	<ul style="list-style-type: none"> <li>• Output</li> <li>• Progress Report</li> <li>• AFSA Board Decision</li> </ul>		<p>Completed Bond Issuance Report was submitted.</p> <p>Regulation on Bond Issuance has been approved.</p>



4)	Revised corporate & municipal legislation compliant with EU directives and IOSCO principles.	<ul style="list-style-type: none"> <li>Draft legislation incorporating stakeholder comments endorsed by AFSA</li> </ul>	Q2 2018	<ul style="list-style-type: none"> <li>Output</li> <li>Progress Report</li> <li>AFSA Board decision</li> </ul>		<p>Completed</p> <p>Legislation Assessment Report and Bond Reports have been submitted and accepted.</p> <p>AFSA and consultants finalized draft Law on Capital Markets</p>
<b>Component 2: Develop relevant capacity at AFSA regarding debt instruments and markets and implement appropriate supervisory approach to this area</b>						
5)	Training material and workshop presentations.	<ul style="list-style-type: none"> <li>Training material produced and delivered as per training plan.</li> </ul>	Q4 2018 (final deadline – process is staggered)	<ul style="list-style-type: none"> <li>Training material</li> <li>Participant feedback and post workshop test results</li> <li>Technical reports</li> </ul>	<p>Risks:</p> <ul style="list-style-type: none"> <li>Poor attendance at training courses.</li> </ul> <p>Assumptions:</p> <ul style="list-style-type: none"> <li>Training courses are practical and tailored to Albanian needs.</li> <li>Training program takes into account budgetary and resource constraints within AFSA to ensure sustainability.</li> </ul>	<p>Completed as part of the approved Training program</p>
6)	Revised application package and procedures for bond issuance.	<ul style="list-style-type: none"> <li>Tailored application package and procedures finalised</li> </ul>	Q4 2018 (final deadline – process is staggered)	<ul style="list-style-type: none"> <li>Application package</li> </ul>		<p>Completed</p> <p>Bond Issuance Report has been submitted and accepted.</p> <p>Regulation on Bond Issuance approved.</p>
<b>Project management capacity development</b>						
<b>Outcomes</b>		<b>Outcome Indicators*</b>				
1)	CFCU and AFSA staff can effectively and efficiently manage projects.	<ul style="list-style-type: none"> <li>Project outputs and outcomes being substantially delivered within envisaged timescales.</li> <li>Financial management of project is effective, as evidenced by actual spending vs budget.</li> <li>Clarity and timeliness of progress reports.</li> </ul>	Q4 2018 (final deadline – process is staggered)	<ul style="list-style-type: none"> <li>Progress reports including financial component.</li> </ul>	<p>Risks:</p> <ul style="list-style-type: none"> <li>Poor financial management and cost control results in not all planned project activities and outcomes being met.</li> <li>Weak reporting to SECO hampers effective project oversight.</li> <li>Procurement and other systems may be cumbersome, causing delays and inefficiencies.</li> </ul>	<p>Completed</p>



				<p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Adequate and appropriately qualified staff are allocated to project management.</li> <li>• Staff are able to devote sufficient time on project management and monitoring activities.</li> <li>• Appropriate information infrastructure is in place for effective monitoring and reporting.</li> <li>• AFSA's financial management systems and processes are robust.</li> </ul>	
<b>Outputs</b>	<b>Output Indicators</b>				
1) Training material and workshop presentations.	<ul style="list-style-type: none"> <li>• Training material based on needs analysis and tailored to recipient needs delivered.</li> </ul>		<ul style="list-style-type: none"> <li>• Training material.</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>• Inadequate commitment among CFCU/AFSA staff to attend training.</li> <li>• Training not sufficiently tailored to needs.</li> </ul> <p><b>Assumptions:</b></p> <ul style="list-style-type: none"> <li>• Allocation of staff time to training.</li> </ul>	<p>In 2017 AFSA and CFCU staff held a joint workshop on project monitoring, implementation and fiduciary aspects. CFCU staff participated in an international workshop in Turin on Procurement processes</p> <p>Also, CFCU and AFSA staff participated in training (in Montenegro) on fiduciary aspects organised by the WB.</p>