

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: ISDSC12904

Date ISDS Prepared/Updated: 18-May-2015

Date ISDS Approved/Disclosed: 18-May-2015

I. BASIC INFORMATION

A. Basic Project Data

Country:	Bulgaria	Project ID:	P154219
Project Name:	Deposit Insurance Strengthening Project (P154219)		
Task Team Leader(s):	Alexander Pankov		
Estimated Appraisal Date:	16-Sep-2015	Estimated Board Date:	30-Oct-2015
Managing Unit:	GFMDR	Lending Instrument:	Investment Project Financing
Sector(s):	Banking (100%)		
Theme(s):	International financial standards and systems (100%)		
Financing (In USD Million)			
Total Project Cost:	230.00	Total Bank Financing:	230.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			230.00
Total			230.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

B. Project Objectives

The Project Development Objective is to help maintain the confidence of depositors and strengthen the financial safety net, by improving the financial and institutional capacity of the Bulgarian Deposit Insurance Fund (BDIF).

C. Project Description

The proposed operation responds to the request from authorities for the WB's financial support for BDIF in order to maintain confidence in the market, and improve BDIF's capacity to perform its

legally-mandated functions (deposit payout and overseeing the liquidation of insolvent banks). The Ministry of Finance (MOF) has indicated their preference that the WB enters into a financing agreement directly with BDIF, under a sovereign guarantee.

Two possible instruments have been considered by the team: (i) investment loan with contingent financing; and (ii) investment loan with direct financing based on disbursement linked indicators (DLIs).

Strengthening the market confidence by promptly rebuilding BDIF's financial capacity should be the key consideration in choosing the instrument of WB's engagement. In parallel to providing prompt financing, the WB engagement should ideally support the BDIF's further institutional development. Possible areas for improvement noted during pre-identification mission include: (i) achieving and maintaining a more prudent funding ratio using various sources (bank premiums (including risk-based and extraordinary ones), recoveries from insolvent banks, external creditors, and government back up funding, if necessary); (ii) improving BDIF's independence as an important player in the financial safety net and information sharing between BDIF and other financial safety net participants; (iii) improving the performance of BDIF's mandate to pay-out deposits within a shorter pay out timeframe; and (iv) recover assets from insolvent banks.

In the case of Bulgaria, the team's preferred option would be a results-based IPF of at least €200 million to replenish the BDIF's reserves. The funds to be provided under the results-based IPF meet the OP/BP 10.00 productive use requirement as funding for a Deposit Insurance Scheme helps to increase confidence in the financial system and thus maintain macroeconomic stability. The instrument would be disbursed using the results of the upcoming assessment against IADI Core Principles.

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

Due to its nature, the Project is not expected to entail any environmental, social or other safeguards issues.

E. Borrowers Institutional Capacity for Safeguard Policies

Not applicable

F. Environmental and Social Safeguards Specialists on the Team

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	There will not be any type of civil/rehabilitation works and land acquisition for the project.
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	

Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 30-Jun-2015

B. Time frame for launching and completing the safeguard-related studies that may be needed.
The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

Not applicable

IV. APPROVALS

Task Team Leader(s):	Name: Alexander Pankov	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Agnes I. Kiss (SA)	Date: 12-May-2015
Practice Manager/ Manager:	Name: Ilias Skamnelos (PMGR)	Date: 18-May-2015

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.