



# Concept Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

Date Prepared/Updated: 01/21/2021 | Report No: ESRSC01834



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Albania	EUROPE AND CENTRAL ASIA	P176084	
Project Name	Albania Strengthening Quality of Auditing and Reporting Project		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing		2/22/2021
Borrower(s)	Implementing Agency(ies)		
Ministry of Finance and Economy	Ministry of Finance and Economy		

**Proposed Development Objective**

The development objective of the proposed project is to strengthen the government and relevant stakeholder’s capacity to improve, apply and enforce corporate financial reporting in line with good international standards and practices.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>2.79</b>

**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 proposed project seeks to support the third phase of implementation of the CAP over the period of up to 5 years. The proposed total budget of the SDTF is EUR 2.3 million, including EUR 1.5 million - recipient executed activities, and EUR 0.8 million – Bank executed activities.

The RE activities are crucial to support the country systems, strengthen local capacity and promote country ownership of reform agendas. A number of stakeholders will be responsible for overall project management (the MoFE and its General Directorate for Financing and Contracting [GDFC], as well as Reform Implementation Group [RIG]). Some



stakeholders have already been involved in phase I and phase II: the NAC, the POB, the Institute of Authorized Chartered Auditors of Albania (IEKA), as well as leading accountancy education institutions and professional associations. The proposed project will also have new stakeholders from the judiciary sector, i.e. Albanian Courts [District, Appeal, Supreme/High], the Administrative Court both District and Appeal, the General Prosecutor Office, officers of judicial police. Institutions have sufficient human resources to engage in the project implementation. Workshops and seminars will be supported under the proposed project to broaden the understanding of best practice settings and other countries.

The Bank-executed activities will support the recipient executed components and include a heightened role of the WB team in providing implementation support and limited knowledge-related activities. These activities include providing policy advice to the beneficiaries, providing support and capacity building activities on improving monitoring of SOEs' financial performance; reviewing the project outputs and offering guidance and support on a needs basis.

#### **D. Environmental and Social Overview**

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The purpose of the project is to modernize and improve GOA's corporate financial reporting systems and develop confidence in corporate financial reporting to help achieve growth and developing of the Albanian economy.

Project location is in Tirana, Albania. Albania is a predominantly mountainous country in Southeastern Europe with a total area of 28,748 square kilometers. Albania borders Montenegro, Kosovo, Northern Macedonia and Greece with a coastline of almost 500 km that extends along the Adriatic and Ionian Sea.

Few of the largest and oldest bodies of freshwater of Europe occur in Albania. The second largest lake of Southern Europe, the Lake of Shkodër, is located in the northwest surrounded by the Albanian Alps and the Adriatic Sea. Nevertheless, one of the oldest continuously existing lakes in the world, the Lake of Ohrid, straddles in the southeast, while the highest tectonic lakes of the Balkan Peninsula, the Large and Small Lake of Prespa are well hidden among high mountains in the southeast. The rivers of Albania belong to the drainage basins of the Adriatic, Aegean and Black Sea. The longest river in the country, measured from its mouth to its source, is the Drin that starts at the confluence of its two headwaters, the Black and White Drin, though also notable is the Vjosë, one of the last intact large river systems in Europe.

There are 799 Albanian protected areas, which covers a surface of 4,600 km<sup>2</sup> and include 15 national parks, 5 protected landscape areas, 29 nature reserves, 4 protected resource areas and 750 nature monuments. The national parks cover roughly 13.65% of the overall territory. Along with the natural parks, Albania also boasts 8 archaeological parks covering some 11 km<sup>2</sup>.

#### **D. 2. Borrower's Institutional Capacity**

The responsibility for project implementation, including day-to-day management will rest with the Ministry of Finance and Economy (MoFE), while the National Steering Committee (NSC) will have an overall oversight role. The MoFE will continue working with the Reform Implementation Group (RIG), a committee which represents various stakeholders and beneficiaries of the project, including qualified MoFE staff, to support project coordination and implementation. The project will include the provision of both technical and financial resources to strengthen the implementation capacity of the reform implementation group. Fiduciary aspects of the trust fund management, including procurement and financial management, will be handled by the General Directorate of Financing and Contracting (GDFC) at the MoFE.



The implementation of this project presents a good opportunity to engage and introduce functions of Corporate Financial reporting to a wider audience through various trainings and capacity building activities. MoFE had previous experience in World Bank projects and safeguards requirements, in the project “Enhancing Capital Markets Supervision Capacities of The Albanian Financial Supervisory Authority” and other projects

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

### A. Environmental and Social Risk Classification (ESRC)

Low

#### Environmental Risk Rating

Low

The project aims to strengthen capacities of GOA’s government institutions, regulators, judicial system, and the accountancy profession in ensuring continuous improvement, application and enforcement of corporate financial reporting framework. There are no activities that have an associated environmental impact or risk at this point in project preparation. The proposed environmental risk level for the project therefore is low.

#### Social Risk Rating

Low

The project aims to strengthen capacities of GOA’s government institutions, regulators, judicial system, and the accountancy profession in ensuring continuous improvement, application and enforcement of corporate financial reporting framework. There are no activities that have an associated adverse social impact or risk at this stage of project preparation. The proposed social risk level for the project therefore is low.

### 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 proposed project aims to support reform and development of financial reporting and auditing in Albania. The reforms that will be supported through this project include: (i) strengthening existing institutions and functions of corporate financial reporting (CFR); (ii) capacity building of the judicial system; (iii) capacity building of the accounting profession and (iv) ensuring a wider public awareness of the fundamental importance of having the highest standards of financial reporting in Albania. Project components are: (i) Strengthening Standards Setting, Oversight and Examinations; (ii) Research & Development and Public Awareness; (iii) Financial accountability, controls and transparency in State-owned Enterprises; (iv) Strengthening accountancy profession and building capacity in the judicial system; and (v) Project management, strengthening reform capacity, and monitoring and evaluation.

At this stage, there are no identified direct or indirect environmental or social impacts of the project activities. The team will communicate to the Borrower that any subsequent activities that may stem from this Project would be prepared in line with the World Bank Environmental and Social Framework and this will be reflected in the TORs for all such activities, if any.

##### **Areas where “Use of Borrower Framework” is being considered:**

None



### **ESS10 Stakeholder Engagement and Information Disclosure**

The project involves a number of Stakeholders, and it is important to build a wider support among all stakeholders and beneficiaries, establish clear communication and foster strong relationship with representatives of various government institutions and entities, and encourage ownership and information sharing with a wider public. It is necessary to understand the impact and opportunities the CFR reform will create for the general public and to advance public awareness and understanding of corporate financial reporting system as well as create equitable opportunities accessible to vulnerable and disadvantaged groups, as per ESS10.

#### **Key Stakeholders:**

MoFE and NSC Staff will be responsible for project coordination, project management and overall project oversight (supervision, research, financial education, public relations and human resources, procurement and financial management). The General Directorate of Financing and Contracting together with MOFE will be responsible for fiduciary aspects of the trust fund management, including procurement and financial management.

Other Affected Stakeholders include: Ministry of Energy and Infrastructure (MoEI), National Accounting Council, Public Oversight Board, professional associations, Bank of Albania, Financial Supervision Authority, State-Owned Enterprises (SOEs), Judiciary Institutions, the Examination Commission, Universities, business enterprises.

The engagement among Stakeholders will be organized throughout implementation of the Project by conducting technical meetings, training activities, workshops, regular reports and regular communication efforts.

### **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**

ESS2 is relevant for this project. Project Work force will include direct workers: Project Implementation Unit and other government agencies staff. Contracted workers will include local and international consultants hired by the PIU. An LMP will be prepared by the borrower outlining the expected number and type of workers and work monitoring and supervision arrangements. All workers will have access to GRM designed to address workers' complaints and grievances. The project shall be carried out in accordance with the applicable requirements of ESS2, in a manner acceptable to the World Bank.

#### **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 project beneficiaries 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 project beneficiaries staff, part of the training could include a session on resource efficiency and the environmental aspects of new technologies.

#### **ESS4 Community Health and Safety**



The project will implement adequate occupational health and safety measures (including emergency preparedness and response measures), setting out grievance arrangements for project workers. The Code of Conduct as part of the LMP will be prepared for governing the conduct of all workers to ensure health and safety and prevent Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH).

**ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

The project is not undertaking any land acquisition leading to economic or physical displacement. This standard is not relevant.

**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 Indigenous Peoples, as defined by ESS 7, in the project area.

**ESS8 Cultural Heritage**

The project is not undertaking activities related to or which have impacts on cultural heritage.

**ESS9 Financial Intermediaries**

The project and the defined activities are not relevant for the standard. The project will not provide financing or transaction support to the financial intermediaries .

**B.3 Other Relevant Project Risks**

None identified.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE**

**A. Is a common approach being considered?** No

Public Disclosure



**Financing Partners**

Swiss Agency and others

**B. Proposed Measures, Actions and Timing (Borrower’s commitments)**

**Actions to be completed prior to Bank Board Approval:**

Develop a Stakeholder Engagement Plan (SEP) and begin implementation as soon as possible;  
Borrower and the Bank's Environment and Social Team will jointly prepare a draft Environmental and Social Commitment Plan (ESCP);  
Develop Labor Management Procedures (LMP)

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

Conduct an environmental and social review of work designs and E&S risk management.  
Ensure that environmental and social specialist actively supports the Project Coordination Unit throughout implementation;  
Apply Labor Management Procedure (including measures on occupational health and safety and Code of Conduct for all project staff, consultants and workers);  
Establish, implement and monitor GRM available to stakeholders and beneficiaries, project workers;  
Continued stakeholder engagement throughout project implementation;  
Regular review and updating, as necessary, of the ESCP; Ensure Implementation of the SEP throughout the project life.

**C. Timing**

**Tentative target date for preparing the Appraisal Stage ESRS**

26-Jan-2021

**IV. CONTACT POINTS**

**World Bank**

Contact: Andrei Busuioc Title: Senior Financial Management Specialist

Telephone No: 5775+271 / 7-727-3778271 Email: abusuioc1@worldbank.org

Contact: Garik Sergeyan Title: Senior Financial Management Specialist

Telephone No: 5258+271 / 7-727-377-8271 Email: gsergeyan@worldbank.org

**Borrower/Client/Recipient**

Borrower: Ministry of Finance and Economy

**Implementing Agency(ies)**

Implementing Agency: Ministry of Finance and Economy

Public Disclosure



#### **V. FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

#### **VI. APPROVAL**

Task Team Leader(s):                      Andrei Busuioc, Garik Sergeyan

Practice Manager (ENR/Social)        Anne Olufunke Asaolu Recommended on 21-Jan-2021 at 09:29:14 GMT-05:00