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**United States Agency for International Development (USAID)
USAID Moldova
Request for Categorical Exclusion (RCE)**

Program/Project/Activity Data:

Activity/Project Name:	Moldova Financial Sector Transparency Activity (FSTA) Technical Assistance to the National Bank of Moldova	
Assistance Objective:	4. Economic Growth	
Program Area:	4.6 Private Sector Competitiveness	
Country(ies) and/or Operating Unit:		
Originating Office:		Date: November 8, 2018
PAD Level RCE: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	DCN of Original RCE/IEE:	2015-MOL-001
RCE/IEE Amendment: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	DCN of Amendment(s):	
Supplemental RCE: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		
If Yes, Purpose of Amendment:		
DCN(s) of Related EA/IEE/RCE/ER(s):		
Implementation Start/End:		LOP: FY19-FY12
Funding Amount:		LOP Amount: \$6,500,000
Contract/Award Number (if known):		
Recommended Determination: Categorical Exclusion		
Additional Elements:		
Government to Government: <input type="checkbox"/>	Local Procurement: <input type="checkbox"/>	Donor Co-Funded: <input type="checkbox"/>

1. Project and Activity Description

1.1. Purpose and Scope of RCE. The proposed RCE will cover in more details an additional technical assistance provided to the Moldova financial sector regulators and supplements the Moldova Economic Growth Project IEE. This Activity is to support economic growth through improving the financial sector transparency, stability and soundness, by further strengthening the capacity of the National Bank of Moldova (NBM), the Moldova Central Securities Depository (CSD) and of the Moldova National Commission for Financial Markets (NCFM) to combat financial crimes, automate the monitoring of shareholder transparency and fight systemic money laundering in the banking sector and by enhancing the efficiency and reliability of the securities settlement and registry infrastructure in Moldova. Greater transparency and reform in the banking and financial sector will result in increased public trust in supervision institutions and greater capacity to expose money laundering and fight corruption.

1.2. Project Overview. The financial sector plays a vital role in supporting sustainable economic growth and job creation. U.S. support will focus on improving Moldova's Financial Sector Stability with Increased Transparency. The Activity is intended to assist the NBM to enhance its anti-money laundering capabilities, further support development of the Single Central Securities Depository (CSD), build

capacity of the National Commission of Financial markets to regulate the insurance and microfinance sectors and others; improve Moldova fiscal transparency.

2. . Project Description and Climate Risk Screening

1. Strengthen the capacity of the National Bank of Moldova to combat financial crime

Project activities must assist the NBM in the selection and implementation of a software solution for monitoring the transparency of bank shareholders, and for conducting offsite analysis of anti-money laundering (AML) and anti-terrorist funding (ATF) activity of banks. The assistance will include training, advice, and software procurement.

2. Capacity Building and support for the Central Securities Depository of Moldova

The activities under this Component will aim at building upon successes of the previous USAID activity (implemented by FSVC) that supported the creation of the first Central Securities Depository (CSD) in Moldova and will further assist the CSD to streamline its operations and enhance functionalities. A substantial effort under this component will be related to procurement of a CSD FrontEnd IT solution with anonymous and authorized access to the data and services provided by the CSD, in order to ensure access to the data and services provided by the CSD. The CSD FrontEnd is an IT solution for computerization of business processes related to the citizens, investors and shareholders interaction with the Central Securities Depository. Its implementation will bring benefits and immediate impact to all citizens and securities owners as well as boost shareholder involvement in joint-stock company management processes.

The assistance will include training, advice, and software procurement.

3. Capacity Building and support for the National Commission of Financial Markets of Moldova

The activities under this Component will aim to strengthen the prudential framework for the non-bank financial sector and deepen its oversight. The Activity will implement reforms pertaining to the financial sector stability and transparency. TA will be provided to NCFM to ensure strong governance, ownership transparency, and financial strength. The Activity will be strengthening the legal and regulatory environment for non-bank financial institutions (NBFIs) and will seek to identify the legal obstacles that impede the operations and development of NBFIs as alternative providers of financing. The Activity will also review the regulatory framework for the insurance sector, with the intention of aligning it with European standards.

4. Assist the Government of Moldova in improving its Fiscal/Budgetary transparency

The activities under this Component will aim at increasing budget transparency in Moldova. More fiscal transparency would help renew public confidence that public funds will not be jeopardized again and are aligned with citizens' priorities. The Contractor will build upon previous USAID work with the Ministry of Finance and civil society organizations (CSOs) to develop an on-line platform for transparency created at the Ministry of Finance, and seek a sustainable way for the government to maintain it. The assistance will include training, advice, and software procurement.

Defined or illustrative activities under Moldova Financial Transparency Activity	Potential Climate Risk	Climate Risk Rating*
2.1 Strengthen the capacity of the National Bank of Moldova to combat financial crime	N/A	Low
2.2 Capacity Building and support for the Central Securities Depository of Moldova	N/A	Low
2.3 Capacity Building and support for the National Commission of Financial Markets of Moldova	N/A	Low
2.4 Assist the Government of Moldova in improving its Fiscal/Budgetary transparency	N/A	Low

See Annex A: Climate Risk Management Summary Table for more information.

Given the nature of the activities, the planned interventions are not sensitive to climate change and will have no impact either positive or negative on climate change.

3. Justification for Categorical Exclusion Determination

The activities under the Moldova Financial Sector Transparency Activity will not have an effect on the natural or physical environment and are among the classes of activities listed in 22 CFR 216.2(c)(2). Therefore, under §216.2(c)(1), neither an IEE nor an EA will be required for these activities. Instead, a categorical exclusion threshold determination is recommended for the following identified activities under 22 CFR 216.2(c)(2):

- Activity 2.1-2.4 under §216.2(c)(2)(i) Education, technical assistance, or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)

4. Limitations of the Categorical Exclusion Determination:

This categorical exclusion does not cover classes of actions normally having a significant effect on the environment under §216.2(d):

- i. Programs of river basin development;
- ii. Irrigation and water management;
- iii. Agricultural land leveling;
- iv. Drainage projects;
- v. Large scale agricultural mechanization;
- vi. Resettlement projects;
- vii. New land development;
- viii. Penetration road building and road improvement;
- ix. Powerplants;
- x. Industrial plants; and
- xi. Potable water and sewerage projects

In addition, this categorical exclusion does not cover activities that:

- Support project preparation, project feasibility studies, engineering design for activities listed in §216.2(d)(1);
- Affect endangered species ;
- Provide support to extractive industries (e.g. mining and quarrying);
- Promote timber harvesting;
- Lead to construction, reconstruction, rehabilitation, or renovation work;
- Support agro-processing or industrial enterprises;

Annex A. Climate Risk Screening and Management Tool for Activity Design

ACTIVITY CRM TOOL OUTPUT MATRIX: CLIMATE RISKS, OPPORTUNITIES, AND ACTIONS

* = A required element, according to the Mandatory Reference

1.1: Defined or Anticipated Tasks or Interventions*	1.2: Time-frame	1.3: Geography	2: Climate Risks*	3: Adaptive Capacity	4: Climate Risk Rating* [Enter rating for each risk: High, Moderate, or Low]	5: Opportunities*	6.1: Climate Risk Management Options	6.2: How Climate Risks Are Addressed in the Activity*	7: Next Steps for Activity Implementation	8: Accepted Climate Risks*
Assist the NBM in the selection and implementation of a software solution for monitoring the transparency of bank shareholders, and for conducting offsite analysis of anti-money laundering (AML) and anti-terrorist funding (ATF) activity of banks.	1 year	Moldova, Chisinau	N/A	There is limited government support to address the issues and the country relies heavily on donor support.	Low	N/A	N/A	N/A	Project will follow local environmental laws and regulations and international regulations to which Moldova is signatory.	None

Capacity Building and support for the Central Securities Depository of Moldova	2 years	Moldova, Chisinau	N/A	There is limited government support to address the issues and the country relies heavily on donor support	Low	N/A	N/A	N/A	Project will follow local environmental laws and regulations and international regulations to which Moldova is signatory.	None
Capacity Building and support for the National Commission of Financial Markets of Moldova	3 years	Moldova, Chisinau	N/A	There is limited government support to address the issues and the country relies heavily on donor support	Low	N/A	N/A	N/A	Project will follow local environmental laws and regulations and international regulations to which Moldova is signatory.	None
Assist the Government of Moldova in improving its Fiscal/Budgetary transparency	2 years	Moldova, Chisinau	N/A	There is limited government support to address the issues and the country relies heavily on donor support	Low	N/A	N/A	N/A	Project will follow local environmental laws and regulations and international regulations to which Moldova is signatory.	None