

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

**STRATEGY FOR ALBANIA**

**REPORT ON THE INVITATION  
TO THE PUBLIC TO COMMENT**

## 1. Overview of the public consultation process

The objective of this report is to summarise comments received from the general public and civil society stakeholders during the consultation period dedicated to the review of the Bank's Strategy for Albania as well as to provide management responses to these comments. The Bank's management reviewed all public comments and took them into account in the draft of the Strategy for Albania as appropriate. The comments, which were received either in written or oral format, have been presented in this report in line with the thematic structure of the Country Strategy.

Within the review process of the Country Strategy for Albania and in accordance with the EBRD Public Information Policy (PIP), the draft Strategy for Albania was open to public comments for 45 calendar days from 27 September 2012 until 11 November 2012. During the consultation period the draft Strategy was posted on the EBRD website both in English and Albanian and notifications of the review process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

The review process was advertised through social media tools such as Twitter and Facebook and information about the consultation was also posted on the EBRD's "[Have your say](#)" webpage, which is designed to provide visibility to the review of policies and strategies. For information, the previous Strategy covering the timeframe 2009-2012 was also made available on the website both in [English](#) and [Albanian](#).

On 18 October 2012 the EBRD held a workshop with civil society organisations in Albania to discuss and solicit comments on the draft Strategy. The event was held in Tirana and attracted twenty-one participants coming from local and international CSOs operating in Albania. The full list of participants to the consultation workshop is provided in the Annex 1. In addition, comments in written format were submitted by the Environmental Center for Development Education and Networking (EDEN) and the Albanian Association of Communes.

Prior to the formal consultation period and in the course of the Strategy preparation, a delegation of the EBRD Board Directors met representatives of CSOs in Tirana on 22 June 2012. Representatives of the Albanian Institute for International Studies, the Environmental Group EDEN, the Gender Alliance for Development Centre, Transparency Albania and the Urban Research Institute attended the meeting. On this occasion civil society representatives informed the Board Directors about the main challenges affecting the operational environment in Albania.

## **2. Summary of public comments**

Civil society organisations expressed their support for the proposed core operational priorities of the new Strategy for the country. CSOs expressed their interest not only regarding the strategic orientations of the Bank but also about the criteria for identification, implementation, monitoring and evaluation of the Bank's investments.

CSOs identified as key challenges in Albania the high unemployment rates, the sustainability of the energy sector and the low participation of women in the labour force. As set forth in the draft Strategy, CSOs acknowledged the importance of upgrading municipal infrastructure and investments in the railways sector and urged the Bank also to promote sound investments in renewables energy, agribusiness and the tourism sector. In addition, environmental groups particularly welcome the Bank's focus on the improvement of distribution efficiency, loss reduction and payment collection through its existing investment programmes.

Civil society representatives recommended that the Bank promotes through its investments social inclusion as well as good corporate governance and corporate social responsibility practices in the country. CSOs suggested that the country strategy should also highlight the role of the strategic dialogue between the Bank and civil society in Albania aimed at enhancing transparency and accountability of investments.

### 3. PUBLIC COMMENTS AND STAFF RESPONSES

Reference	Comment	EBRD Response
<b>Operational environment</b>		
<b>1. Macroeconomic and social context</b>	1.1 The analysis of the operational environment should scrutinise very carefully official statistics, particularly on economic growth and unemployment, which tends to be overoptimistic. The Bank should include in the strategy a more in depth analysis of the macroeconomic and social challenges affecting the country, particularly in view of the decentralisation process in Albania, and provide a comparison with the corresponding figures in Western Europe.	<p>In common with other international organisations, the EBRD uses official national statistics in its reports while acknowledging that, as in many other countries of the region, there is scope for further improvement in Albania in the quality and accuracy of all economic data.</p> <p>The country strategy is not intended to provide an in-depth analysis of macroeconomic and social challenges. Interested readers are referred to other EBRD publications for this, notably the quarterly <a href="#">Regional Economic Prospects</a> and the annual <a href="#">Transition Report</a>, both of which have been recently updated and are available on the Bank's web-site.</p>
<b>2. Business environment</b>	2.1 The analysis of the business environment should be enhanced by an overview of the challenges affecting the entry into the market of new players.	<p>In the interests of brevity and conciseness, the analysis of the business environment has been kept short. However, the EBRD is currently conducting (jointly with the World Bank) another round of the <a href="#">Business Environment and Enterprise Performance Survey</a> across the whole transition region, including Albania. The latest results from this survey, which provides firm-level data on a broad range of issues about the business environment and performance of firms, will be available in 2013.</p>
<b>Strategic orientations</b>  <b>Sectoral challenges and the</b>		

Bank's operational response		
<p><b>3. Energy</b></p>	<p>3.1 The energy sector in Albania mainly relies on power plants; therefore the Bank should consider diversifying its investment portfolio and promoting wind, solar and biomass projects. In assisting the Albanian Government in enhancing the regulatory and tariff framework in the renewable energy sector, the Bank should also take into consideration the promotion of feed-in tariffs.</p>	<p>Wind, solar and biomass projects are eligible for EBRD financing. The EBRD is promoting investments in renewable energies in the countries of the Western Balkans through the Direct Lending Facility and the Credit Line Facility. In addition, the Bank in close cooperation with the International Finance Corporation (IFC) has implemented a Technical Cooperation (TC) programme to assist the Ministry of Economy, Trade and Energy of Albania in the development of the renewable energy regulatory system, which also addresses the adoption of feed-in tariffs.</p> <p>The TC programme consisted in proposing a methodology and appropriate level of feed-in-tariffs which would help Albania to achieve the targets for renewable energies sources (RES) by 2020. The proposed level of feed-in-tariffs is meant to be affordable for energy users and profitable for investors so as to attract investments in the RES sector in Albania. The proposed methodology for feed-in tariffs is based on international best practice, complies with the Law 10,196/2009 and meets the requirements of the EU Directive on the promotion of the use of energy from renewable sources. Furthermore, the recommendations of the Bank-funded TC programme are included in the draft Energy Law that is expected to be approved by end 2012.</p>
	<p>3.2 The EBRD should consider investing in energy efficiency projects to promote energy saving schemes in private households, public buildings as well as industrial plants.</p>	<p>The Bank is already implementing the Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDF), which is aimed at financing energy efficiency projects in the industrial sector. Also, the Bank has been working with commercial banks in Albania to implement the Western Balkans Sustainable Energy Financing Facility (WeBSEFF), which will provide financing for energy efficiency projects in the residential and public sectors through commercial banks.</p>

	<p>3.3 The Bank should refrain from financing big hydropower plants (above 10 MW), especially in natural protected areas. Regarding the project financing of hydropower plants the Strategy should outline the Bank's commitment to the recommendations of the World Commission on Dams as set forth in the report <i>Dams and Development: A New Framework for Decision- Making</i>.</p>	<p>The EBRD will consider financing only projects that are in compliance with its Environmental and Social Policy. These projects must be socially and environmentally sustainable, respect the rights of affected workers and communities, and be designed and operated in compliance with applicable regulatory requirements and good international practice.</p> <p>Each country strategy is supported by various sectoral policies but commitments made in these policies are not duplicated in each country strategy. For instance, the Bank's approach to energy projects is grounded in its Energy Operations Policy. The Bank will take into consideration the comment on the recommendations of the World Commission on Dams during the review of the Energy Operations Policy which started on 16 November 2012 and will conclude in 2013. For more information about the review of the Energy Operations Policy please refer to <a href="http://www.ebrd.com/pages/sector/powerenergy/comment.shtm">http://www.ebrd.com/pages/sector/powerenergy/comment.shtm</a>.</p>
	<p>3.4 The EBRD should not explore opportunities for carbon market development linked to intermediated financing in Albania because of the adverse impact on the environment related to fossil fuel projects.</p>	<p>The Bank recognises the challenges of the current carbon markets and regards carbon pricing as key to mitigate climate change. Through the EBRD's Sustainable Energy Initiative, the Bank aims to promote and develop carbon market development as this will put a price on carbon emissions, which cause global warming. Further to tackling global warming issues, most carbon market mechanisms, like the Clean Development Mechanism (CDM), incorporate sustainable development criteria. The Bank's promotion of carbon markets achieves a transition impact by increasing energy efficiency or reducing carbon intensity. Carbon markets can therefore help both on global warming and local environmental issues.</p>
	<p>3.5 The EBRD should not support new mining operations as well as the expansion of existing mines in case of rehabilitation projects.</p>	<p>The EBRD <a href="#">Mining Operations Policy</a>, which was released in October 2012, clarifies the rationale for the Bank's involvement in the sector whereas the mining sector has the potential to play a significant role in advancing transition.</p>
	<p>3.6 Given that Albania does not have the needed infrastructure to benefit from gas supply, the promotion of wholesale gas supply</p>	<p>The Bank regards the lack of economic wholesale gas supply and gasification as a significant impediment to firms and households in the country. The Bank considers that upgrading interconnection lines and gas pipeline is of key importance to</p>

	and gasification should not be regarded as a priority of the Bank's operational response in the energy sector.	facilitate the integration of the Albanian energy market into the regional one. To achieve this objective the Bank will support investments in interconnection lines with neighbouring countries in line with the objectives of the Energy Community Treaty for creating a competitive integrated regional energy market. In addition, under the Sustainable Energy Initiative, the Bank will continue to use energy audits in this sector and identify investment potential across the sectors.
<b>4. Infrastructure</b>	4.1 The draft Strategy rightly identified the upgrade of municipal infrastructure and railways as operational priorities for the Bank. Within this framework, the EBRD should also explore investments aimed at the integration of the Albanian railway system with neighbouring countries.	The EBRD is actively seeking opportunities to invest in the rail sector in Albania and is currently leading a Technical Cooperation (TC) project aimed at the rehabilitation and modernisation of the railway system between Tirana and Durrës. This TC project will also include an investment feasibility analysis of the railway sector in Albania including the international railway network.
	4.2 The Bank should also consider investing in urban waste management while promoting the commercialisation of municipal services and utilities.	The Bank would be very keen to consider investing in urban waste management. However, companies responsible for this task are organised regionally and typically owned by municipalities. The pace of decentralisation in Albania has been slow and, as a consequence, many municipalities (except main ones) have limited revenue generating capacity, making it difficult for them to contract debt. Accelerating the decentralisation would facilitate the Bank's support to urban waste management. EBRD involvement. Moreover, it will be advantageous if projects were structured within the Instrument of Pre-Accession Assistance to enhance efficiency and coherence of international support in the accession process to the European Union. .
<b>5. Industry, Commerce and Agribusiness</b>	5.1 The draft Strategy rightly identified the need to support the food-processing industry as well as the manufacturing and tourism sector. In addition, the Bank should consider scaling-up its overall support to rural development and clearly commit in the	Through its Local Enterprise Facility the Bank can provide financial support to small and medium enterprises in all areas of the food chain including to companies engaged in primary agriculture, food processing and grain related infrastructure. The Bank considers that supporting efficiencies along the food supply chain is of the utmost importance for the development of a sustainable agribusiness sector.

	Strategy to protecting the quality of the products as a result of the development of sustainable farming techniques and processing efficiencies.	
<b>Environmental and Social Implications of Bank Proposed Activities</b>		
<b>6. Environment</b>	6.1 The Strategy should outline the current environmental challenges affecting Albania and how the Bank will promote good corporate environmental practices, in particular regarding independent environmental impact assessments.	<p>The Bank has changed the structure of country strategies in recent years, and no longer has an environmental and social annex summarising the challenges in each country. The current structure of the country strategies focuses on the Bank's priorities for investment and capacity building.</p> <p>The <a href="#">Environmental and Social Policy 2008</a>, which applies to all projects under the country strategy, provides an insight regarding the Bank's approach to projects and promoting good corporate environmental practices. Comments on independence of environmental impact assessments will be welcome in 2013 during the revision of the Environmental and Social Policy.</p>
	6.2 In close consultation with environmental groups, the Bank should conduct an environmental assessment of the energy sector as a whole to get a better understanding of the overall impact of the sector on the environment.	The Bank is available to consider supporting any strategic environmental assessment, through Technical Cooperation provided to relevant governmental authorities, if required.
<b>7. Gender</b>	7.1 In consultation with women's rights organisations, the EBRD should develop a systematic approach to gender mainstreaming and provide an overview of this approach into the Strategy. This will ensure that essential	The Bank is currently preparing its first gender strategy, which shall include, inter alia, how gender is to be mainstreamed in its operations in all of its countries. This is likely to include how gender is to be addressed with respect to promoting access to employment, services and finance within the context of its investments.

	<p>aspects of gender streamlining are incorporated in all project proposals. Furthermore, through its investment projects the Bank should promote gender equality in employment, especially in the Northern regions where the participation of women to the labour force is very low.</p>	<p>Section 3.4 of the Strategy has been amended to reflect the current development of the Bank's gender strategy.</p>
<b>Annexes</b>		
<b>8. Small Business Support</b>	<p>8.1 The Small Business Support (SBS) Team should consider supporting social entrepreneurship as a way of strengthening the MSME sector in the country.</p>	<p>The SBS Team has already been supporting social entrepreneurship in the Western Balkans within the framework of an EBRD-EU cooperation agreement, which is being implemented in Kosovo. The Bank's support in Kosovo is aimed at promoting social enterprise as a strategy to provide economic opportunities for people with disabilities in the country. The EBRD may replicate the support to social entrepreneurship in other countries of the Western Balkans according to demand from stakeholders and donors.</p>
<b>General remarks</b>		
<b>9. Criteria for investments</b>	<p>The Strategy should clearly outline the Bank's criteria for the selection of investments to enhance transparency and ensure that the identified sectoral challenges and the Bank's operational responses are effectively communicated to a non-technical audience.</p>	<p>The Bank operates under three core principles. "Transition impact" means that every EBRD investment must help move a country closer to a well-functioning market economy. We work to improve the structure and extent of markets as well as help develop private ownership and institutions that support market. Also, we promote skills and market-based behaviour patterns, such as corporate governance. "Additionality" implies that the Bank should take risks which support private investors and does not crowd them out. This means that the Bank invests only when private funding is not available on reasonable terms or to reduce political risk and provide comfort to private partners. Finally, the investment should apply "sound banking" principles. In essence this means that the EBRD will look for a market-</p>

		based risk/return balance, i.e. the EBRD in its investments will aim to be appropriately compensated for the risk it is taking.
<b>10. Affordability and social inclusion</b>	<p>In view of the high poverty rates, the Bank should take into consideration affordability issues while promoting cost-reflective tariffs in the energy sector, commercialising municipal utilities and service, including public transport, and developing a tolling strategy.</p> <p>The Bank's operational response should be expanded beyond the technical aspects of the four main strategic priorities to include aspects of social inclusion. The Bank should aim at encouraging the establishment of social security nets for vulnerable sections of the society through policy dialogue as well as supporting its client in the promotion of employment opportunities.</p>	<p>The EBRD takes affordability and social inclusion aspects very seriously and will engage in active policy dialogue throughout the strategy period with all relevant stakeholders in order to ensure these considerations are fully taken into account.</p> <p>The Bank is currently planning to invest throughout the EBRD region in projects that create access to economic opportunity for excluded groups, i.e. groups that are economically disadvantaged for reasons outside their control, for example because of their gender, age group or ethnicity. In particular, EBRD projects will aim at creating employment, extending access to services or markets, improving skills of excluded groups and promoting good corporate standards; in ways that the Bank would expect to be replicated elsewhere in the sector or the region of the project.</p> <p>In addition, the Bank is currently developing measures to assess the transition impact of its investment on social inclusion. The Bank regards changes in the economic systems, rather than the one-off effects of projects, as a means to improve people's lives beyond the project cycle.</p>
<b>11. Corporate governance and CSR</b>	<p>The Bank should outline in the strategy how good corporate governance and corporate social responsibility practices will be integrated, implemented, monitored and evaluated in its investment projects. In addition, the Strategy should highlight how the Bank will conduct integrity checks of its clients and prevent instances of corruption.</p>	<p>Promotion of sound corporate governance is part of the EBRD mandate. Through its investments, the EBRD seeks to improve corporate governance by encouraging all its investee companies to adhere to best international standards of corporate governance. In many of its equity investments the EBRD secures the right to nominate one or more members to the board of the investee company, whose task is to exercise their board duties with a view to improving the corporate governance arrangements of the investee company. Whenever preliminary investigations into a potential investment indicates corporate governance deficiencies, the Bank reviews the current arrangements by performing a "corporate check", which enables the Bank to develop a remedial action plan addressing the corporate governance flaws identified. The</p>

		<p>various initiatives to enhance corporate governance in the EBRD's investee companies cannot be outlined in a single country strategy because they constitute an important element of the Bank's transition impact and apply to all EBRD countries of operations. Further information on how the Bank promotes corporate governance and CSR can be found in the report "<a href="#">Law in Transition 2006</a>" (page 52 and following) and "<a href="#">Sound business standards and corporate practices. A set of guidelines</a>".</p>
<p><b>12. Engagement and cooperation with civil society organisations (CSOs)</b></p>	<p>Enhanced CSO involvement in the EBRD policy dialogue, and planning and monitoring of investment activities would help the Bank to better understand the social and environmental impact of its projects in order to prevent, minimize, mitigate or offset any adverse impact. Also, the Bank should take into consideration to support CSOs in the implementation of projects relevant to the EBRD mandate.</p>	<p>The EBRD regularly engages with civil society stakeholders in relation to its policy and project investments. During preparation and consultation period on country strategies, EBRD seeks feedback from a variety of civil society stakeholders, including NGOs, think-tanks and academics, on the planned operational priorities and policy dialogue activities, which feed into the final strategy where appropriate. In relation to investment projects, the Bank's Environment and Sustainability Department engages with CSOs and community groups during scoping, due diligence and ESIA consultation period. The EBRD also regularly meets with CSOs, community representatives and affected population during project monitoring visits, including organising meetings between clients and CSOs to encourage direct and productive dialogue.</p>

## **Annex 1**

### **List of participants: Consultation workshop, 18 October 2012, Tirana**

- 1) Agenda Institute
- 2) AK Albania
- 3) Albanian Association of Engineering Geology and Geoenvironment Shkupi
- 4) Albanian Association of Tourism
- 5) Albanian ecological Club
- 6) Association for Road Security
- 7) EDEN Centre
- 8) EDEN Centre
- 9) Ekolevizja
- 10) European Movement
- 11) European University of Tirana
- 12) Friedrich Ebert Stiftung
- 13) Independent Forum of Albanian Women
- 14) REC Albania
- 15) Regional Development Agency (Korca)
- 16) Regional Development Agency (Tirana)
- 17) Rural Association Support Programme
- 18) SEDA
- 19) Urban Research Institute
- 20) Useful to Albanian Women
- 21) Women Movement for Integral Development