

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

Approved by the Board of Directors on 22 July 2020<sup>1</sup>

**ALBANIA**

**ALBANIA INFRASTRUCTURE AND TOURISM-  
ENABLING PROJECT**

*[Redacted in line with the EBRD's Access to Information Policy]*

*[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]*

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<sup>1</sup> As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

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## ABBREVIATIONS / CURRENCY CONVERSIONS

ADF	Albanian Development Fund
AITP	Albania Infrastructure Tourism-Enabling Project
ALL	Albanian Lek
BMP	Biodiversity Management Plan
CEB	Council of Europe Bank
CP	Condition Precedent
ECEPP	EBRD Client e-Procurement Portal
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
ESAP	Environmental and Social Action Plan
ESDD	Environmental and Social Due Diligence
ESIA	Environmental and Social Impact Assessment
ETF	European Training Foundation
EU	European Union
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoA	Government of Albania
IDB	Islamic Development Bank
IFI	International Financial Institution
IPA	Instrument for Pre-Accession Assistance
LCT	Local Competitive Tender
MFE	Ministry of Finance and Economy of Albania
NTS	Non-Technical Summary
PIU	Project Implementation Unit
PP&R	Public Procurement Rules
PRs	EBRD Performance Requirements
SEP	Stakeholder Engagement Plan
SMEs	Small and Medium Enterprises
SSP	Sectors Skills Platform
SSF	EBRD Shareholder Special Fund
TC	Technical Cooperation
TVET	Technical and Vocational Education and Training
VAT	Value Added Tax
WB	World Bank

EUR 1 = ALL 122.0

## PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of the Republic of Albania, are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign loan to the Republic of Albania in the amount of up to EUR 60 million (the “Loan”) to co-finance a tourism-enabling and infrastructure investment project to enhance Albania’s tourism competitiveness (the “Project” or “AITP”). The Loan will finance tourism-enabling infrastructure investments in the municipalities of Berat, Korca, Fier and Shkoder (the “Designated Regions”) (“Component A”) and municipal and transport infrastructure investments facilitating tourism in the rest of the country (“Component B”). The Loan will comprise two tranches: a committed tranche of up to EUR 30 million (“Tranche 1”) and an uncommitted tranche of up to EUR 30 million (“Tranche 2”). Both tranches will be used to finance both Components.

The Project will be co-financed by grants in the total amount of EUR 40 million provided by the European Union (“EU”) through the Instrument for Pre-Accession Assistance (“IPA”) for both technical assistance and investments. A part of the total EU grant currently estimated at EUR 8.5 million of investment grants will be utilised for the restoration, improvement and/or development of cultural and natural heritage sites.

The Project will help promote local economic development in the Designated Regions of Albania through the financing of tourism-enabling infrastructure. In addition, the Project provides a unique opportunity to EBRD to build experience and expertise in structuring and implementing this comprehensive project in other countries of operation. The Project builds on the previous successful cooperation between the Bank and EU in developing infrastructure projects aiming at enhancement of regional economic development in Albania. It will also promote women’s participation in Albania’s tourism value chain.

The expected transition impact of the Project includes *Competitive* and *Inclusive* qualities through investments in tourism-related infrastructure and capacity building that will enhance the competitiveness of Albania’s tourism sector, improve access to high quality training opportunities for the local population in the areas of tourism services and management of cultural and natural heritage sites, including new policy engagement on skills governance to establish a public-private tourism sector skills platform in Albania.

Pre-financing technical cooperation (“TC”) support for the preparation of a scoping study which assessed the tourism market and development strategy for the Designated Regions and determined a set of eligibility criteria to be met by the sub-projects was financed by the Bank’s Shareholder Special Fund (“SSF”). Post-signing TC support for technical due diligence, preparation of detailed designs of the sub-projects and project implementation and procurement support will be funded by the EU. In addition, the Project includes technical assistance assignments to be funded by the EU to improve the tourism offering in the Designated Regions, to provide training to improve local tourism standards, to ensure women’s participation in Albania’s tourism value chain and to create a public-private sector skills. The Project’s technical assistance package

includes consultancy services to SMEs active in the tourism sector by providing know-how on how to improve their businesses under the Bank's Advice for Small Business programme. The Bank will benefit from a lender's monitor, to be financed by an international donor or the SSF.

I am satisfied that the operation is consistent with the Bank's Country Strategy for Albania, Municipal and Environmental Infrastructure Sector Strategy, Transport Sector Strategy, Property Sector Strategy, Regional-Small Business Initiative-Annual Review for 2016 and Strategic Objectives for 2017, Economic Inclusion Strategy, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

**Suma Chakrabarti**

## BOARD DECISION SHEET

ALBANIA – Albania Infrastructure and Tourism-Enabling Project – DTM 49351	
<b>Transaction / Board Decision</b>	Board approval <sup>2</sup> is sought for a sovereign loan of up to EUR 60 million in favour of the Republic of Albania. The loan will be provided in two equal tranches of up to EUR 30 million each (Tranche 1 and Tranche 2). Only Tranche 1 will be committed upon signing. [REDACTED]The loan will be used to co-finance, with a grant provided by the EU of up to EUR 40 million through the EU Instruments for Pre-Accession Assistance (“IPA”), an investment project to enhance Albania’s tourism competitiveness by financing tourism-enabling infrastructure (incl. the restoration, improvement and/or development of cultural and natural heritage sites) in the municipalities of Berat, Korca, Fier and Shkoder as well as municipal and transport infrastructure investments facilitating tourism in the rest of the country (the “Project”, or “AITP”). The loan will also improve access to high quality training opportunities for the local population in the tourism sector, promote women’s participation in Albania’s tourism value chain and enhance skills governance through the establishment of a public-private tourism Sector Skills Platform (“SSP”). [REDACTED]
<b>Client</b>	The Borrower is the Republic of Albania. The implementing agency is the Albanian Development Fund (“ADF”), a government agency responsible for the development and implementation of local and regional infrastructure projects.
<b>Main Elements of the Proposal</b>	<ul style="list-style-type: none"> <li>– <u>Transition impact</u> <ul style="list-style-type: none"> <li>• <i>Competitive</i> – enhancement of Albania’s tourism competitiveness by supporting (i) investments in tourism-enabling infrastructure and cultural and natural heritage sites in the Designated Regions, (ii) municipal and transport infrastructure improvements across the country and (iii) capacity building for SMEs active in the tourism sector.</li> <li>• <i>Inclusive</i> - improving access to high quality training for the local population, with a particular focus on women’s participation in the value chain [REDACTED].</li> </ul> </li> <li>– <u>Additionality</u> – i) Financing structure: long-term financing for multisector investments not available in the market, ii) Standard-setting: EBRD expertise on the skills policy reforms and related development of institutional capacity in Albania, the introduction of gender sensitive measures, and best international procurement standards.</li> <li>– <u>Sound banking</u> – The transaction is a sovereign loan. Albania has the following ratings: S&amp;P B+ Stable (February 2019) and Moody’s B1 Stable (August 2019).</li> </ul>
<b>Key Risks</b>	The [REDACTED] Covid-19 pandemic has had an impact on tourism, these impacts are expected to be short-term and will not impact the Project’s long term benefits on developing Albania’s tourism potential.
<b>Strategic Fit Summary</b>	The Project is consistent with the Bank’s Country Strategy for Albania, Municipal and Environmental Infrastructure Sector Strategy, Transport Sector Strategy, Property Sector Strategy, Regional-Small Business Initiative-Annual Review for 2016 and Strategic Objectives for 2017, Economic Inclusion Strategy, the Strategy for the Promotion of Gender Equality and with the Agreement Establishing the Bank.

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	<p>A sovereign loan of up to EUR 60 million to the Republic of Albania (the “Loan”). The Loan will be provided in two tranches of EUR 30 million each (Tranche 1 and Tranche 2). Tranche 1 will be committed upon signing. [REDACTED]</p> <p>The Loan will co-finance alongside EU grants an investment project to enhance Albania’s tourism competitiveness through tourism-enabling infrastructure investments (incl. restoration, improvement and/or development of cultural and natural heritage sites) in the municipalities of Berat, Korca, Fier and Shkoder (“Designated Regions”) (“Component A”) as well as municipal and transport infrastructure investments facilitating tourism in the rest of the country (“Component B”) (the “Project” or “AITP”). Both tranches will be used to finance both Components. The restoration, improvement and/or development of cultural and natural heritage sites will be funded solely by EU grants.</p> <p>The Loan is complemented by a focus on enhancing key skills in the tourism sector through the introduction of institutional structures and capacity in the form of a public-private tourism SSP to shape skills policy reforms, the provision of high quality training, and the promotion of women’s participation in the tourism value chain.</p> <p>The Project will finance a list of sub-projects that have been selected using a set of eligibility criteria as shown in Annex 3. An indicative list of sub-projects is included in Annex 4. Disbursements under the Loan and EU funds will be subject to satisfactory due diligence and compliance with the eligibility criteria.</p>
<b>Existing Exposure</b>	[REDACTED]
<b>Maturity / Exit / Repayment</b>	A 15 year loan [REDACTED]
<b>AMI eligible financing</b>	Grant funds for a total amount of EUR 40 million for investment and technical assistance provided by the EU IPA Programme.
<b>Use of Proceeds</b>	<p>The proceeds of the Bank’s Loan will finance:</p> <ul style="list-style-type: none"> <li>i) <i>Component A</i> – tourism-enabling transport and municipal infrastructure in the Designated Regions;</li> <li>ii) <i>Component B</i> – transport and municipal and environmental infrastructure investments facilitating tourism in the entire country.</li> </ul> <p>Subject to any amendments to be agreed between the Bank and EU, the proceeds of the EU grant will finance:</p> <ul style="list-style-type: none"> <li>i) Infrastructure investments under Components A and B and related technical assistance [REDACTED]</li> <li>ii) Cultural and natural heritage investments grants and related technical assistance [REDACTED]</li> <li>iii) Investment incentives under EBRD FI risk sharing facility [REDACTED] and related technical assistance [REDACTED]</li> <li>iv) Technical assistance for the tourism sector, advice for small business and gender and economic inclusion activities [REDACTED]</li> </ul> <p>The restoration, improvement and/or development of cultural and natural heritage sites will be funded solely by EU grants. The loan will only finance the infrastructure investments.</p> <p>Disbursements under the Bank’s Loan and the EU grant will be subject to satisfactory due diligence and compliance with a set of defined eligibility criteria (see Annex 3).</p>

	<p>The use of proceeds will be controlled via conditions precedent and monitored through documentary evidence approved by an independent technical consultant, quarterly progress reports, lender's monitoring engineer and regular monitoring visits. A lender's monitoring engineer will be carrying out quarterly monitoring visits.</p> <p>Disbursements under the Bank's Loan and the EU grant will be paid directly to the relevant consultant or contractor.</p>
<b>Investment Plan</b>	[REDACTED]
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	<ul style="list-style-type: none"> <li>Ministry of Finance and Economy of the Republic of Albania;</li> <li>ADF;</li> <li>EU Delegation in Albania;</li> <li>The municipalities of Berat, Shkoder, Fier, and Korca (beneficiaries of Component A and B);</li> <li>Other municipalities in Albania (beneficiaries of Component B).</li> </ul>
<b>Conditions to effectiveness of the EBRD loan</b>	<ul style="list-style-type: none"> <li>[REDACTED]</li> <li>Grant agreement between the Bank, ADF and Government of Albania ("GoA") is signed and effective.</li> <li>[REDACTED]</li> </ul>
<b>Conditions precedent to first disbursement – Tranche 1</b>	[REDACTED]
<b>Conditions to commitment of Tranche 2</b>	[REDACTED]
<b>Conditions to all disbursements</b>	<ul style="list-style-type: none"> <li>Satisfactory due diligence on the sub-projects and compliance with the eligibility criteria.</li> </ul>
<b>Key Covenants</b>	<ul style="list-style-type: none"> <li>[REDACTED] Completion of the environmental and social due diligence of each sub-project acceptable to the Bank prior to commencement of any construction work.</li> <li>Compliance with the EBRD's Environmental and Social Policy.</li> <li>Implementation of the Environmental and Social Action Plans that will be developed as part of the due diligence for each sub-project. [REDACTED]</li> </ul>
<b>Security / Guarantees</b>	Sovereign loan.
<b>Other material agreements</b>	[REDACTED]
<b>Associated Donor Funded TC and co-investment grants/concessional finance</b>	<p><b>A. Technical Cooperation (TC)</b></p> <p><u>Pre-signing</u></p> <ul style="list-style-type: none"> <li><b>TC 1: Scoping Study</b> to: i) assess the tourism market and development strategy for the Designated Regions, ii) determine a specific set of eligibility criteria to be met by sub-projects; iii) assess the potential inclusion impact of the Project, and iv) assess the long list of subprojects suggested and prioritise them against a multi-criteria analysis. [REDACTED]. – <i>Completed</i>.</li> </ul>



- **TC 2: Advance Procurement Support** to support ADF in the preparation of the terms of reference for the technical due diligence, project implementation support and supervision services assignment. [REDACTED]

*Post-signing*

- **TC 1: Technical due diligence, project implementation support and supervision services** - to undertake technical due diligence of the subprojects, preparation of detailed designs, to assist ADF in project implementation and to carry out the supervision of works. In addition, the consultant will assist ADF in the categorisation of each project in line with EBRD's Environmental and Social Policy and in the drafting of tailored terms of reference to carry out Environmental and Social due diligence. [REDACTED]
- **TC 2: Lenders' Monitor** for the benefit of the Bank to monitor the Project's implementation. [REDACTED]
- **TC 3: Tourism-led Model for Local Economic Development** to raise the quality and sustainability of integrated tourism products in the Designated Regions. [REDACTED]
- **TC 4: Gender and Economic Inclusion Programme - Tourism Skills Development and Equal Opportunities Programme** – to deliver training in order to enhance the skills of the local tourism service/product providers' workforce, , ensuring gender sensitive training materials are developed and vulnerable women reached out to for training opportunities, to promote women's participation in Albania's tourism value chain, including examining and providing recommendations on how to increase access to finance and access to procurement opportunities of women-led businesses in the tourism and hospitality sector; and training to enhance skills in the restoration, improvement and/or development of cultural and natural heritage assets. [REDACTED]**TC 5: Creation of Sectors Skills Platform** – to establish a private-sector led public-private SSP in in Albania. [REDACTED]
- **TC 6: Monitoring, evaluation and verification consultant** – to monitor the progress and implementation of the technical assistance assignments managed by ADF: Gender and Economic Inclusion Programme and Tourism-led Model for Local Economic Development. [REDACTED]

Cost sharing:

*Parallel client contributions:*

The Borrower will make a further parallel contribution in the form of payment of any VAT, (currently, at 20 per cent), associated with the post-signing TC assignments.

*In-kind contribution:*

Additionally, the Client will also provide in-kind support in the form of office space, communication connections, etc., for the consultants to work, expected to amount to 3 per cent of the total TC budget.

**B. Co-investment grants**

A co-financing investment grant and technical assistance grant [REDACTED]has been provided [REDACTED].

[REDACTED]

## INVESTMENT PROPOSAL SUMMARY

### 1. STRATEGIC FIT AND KEY ISSUES

#### 1.1 STRATEGIC CONTEXT

In the recent years, the tourism industry in Albania has emerged as a significant contributor to growth with a direct contribution to total GDP of 8.5 per cent in 2018 and is expected to reach 9.3 per cent of GDP in 2028. Therefore, tourism has become a strategic sector for growth and employment and a key factor for Albania's sustainable long-term growth and competitiveness. However, according to the 2019 World Economic Forum's report on Travel & Tourism Competitiveness, Albania's tourism sector ranks 86 out of 140 countries, lagging significantly behind other countries in the region (Montenegro: 67, Greece: 24 and Bulgaria: 45). The competitiveness of the Albania's tourism sector reflects the lack of enabling infrastructure, the lack of market information, poor customer care, poor promotion and marketing and the absence of destination management systems resulting in a touristic product that is often below the expected standards.

While much of this tourism is concentrated in the coastal parts of the country given Albania's extensive coastline, significant potential exists for the development of inland tourism. This is owing to a large number of UNESCO World Heritage sites which include Berat Castle and the ancient city of Apollonia located near Fier, historical buildings and areas of natural beauty, including the Shkodra lake - the largest lake in Southern Europe - and a number of national parks. The development of this sector is, however, hampered by inadequate infrastructure and, in some instances, heritage sites being in a poor state of repair and an under-developed service sector.

According to UN data, men's participation in the labour market in Albania is almost 15 per cent higher compared to women's. [REDACTED] Albania has a shortage of qualified tourist guides, waiters, hotel and restaurant managers, and other tourism services providers. Delivering and broadening the necessary skills in these areas will be a key part of ensuring Albania's future tourism competitiveness. According to the European Training Foundation ("ETF")<sup>3</sup>, the unresponsiveness of vocational training to employers' needs means that many in the tourism sector cannot find workers with the relevant skills they need to operate their business. This is confirmed through extensive consultations with stakeholders and business representatives, country-wide.

SMEs operating in the tourism sector and related ones are facing significant challenges and difficulties due to Covid-19 crisis. Having a significant business seasonality, especially during the summer season, hotels, guesthouses, travel agencies and tour operators have experienced a considerable decrease in business activity. [REDACTED] Currently, the attention of tourism SMEs is focused on attracting clients from the local and regional market, due to restrictions of international travel.

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<sup>3</sup> ETF, 2014

In order to address the above identified challenges, the Government of Albania (“GoA”) has increased public spending on cultural and recreational services such as museums and national parks and has made important steps for strengthening the competitiveness of this sector such as through the reduction of the VAT rate on hotel accommodation from 20 per cent to 6 per cent. In addition, the EU prepared an IPA 2017 action programme for Albania which aims to promote local economic development in the country by investing in tourism-enabling infrastructure, restoration, improvement and/or development of cultural and natural heritage assets, municipal and transport infrastructure and also by supporting tourism-related SMEs. The Bank received a specific request from the EU and the GoA to implement EU’s Action Programme given its unique ability to support and promote both public and private sector as well as its well-rounded expertise across a wide range of sectors: property and tourism, financial institutions, infrastructure and advice to small businesses.

The earthquake in Durres in November 2019 and the Covid-19 pandemic have exacerbated the challenges already faced by the tourism sector in Albania. The Project will support the Government of Albania and tourism sector recover from both crises.

The Project is independent from the Integrated Cultural Heritage Framework (DTM 49640) [REDACTED].

Component A of the Project will address the tourism sector by financing tourism-enabling infrastructure and the restoration, improvement and/or development of cultural heritage and natural sites in the Designated Regions. In order to ensure a strategic approach, the projects under Component A are subject to defined eligibility criteria based on a top-down diagnostic study carried out by an independent consultant on the tourism market potential of the Designated Regions (the “Scoping Study”). The restoration, improvement and/or development of cultural and natural heritage sites will be funded solely by EU grants. The indicative list of subprojects under Component A include: i) 11 cultural and natural heritage sites [REDACTED] and ii) 11 infrastructure subprojects [REDACTED].

Component B of the Project will support local economic development and facilitate tourism across the country through the rehabilitation and upgrade of local and regional priority infrastructure. The roads under Component B will promote connectivity and accessibility of sites of touristic interest. The sub-projects under Component B will have to comply with the eligibility criteria defined in Annex 3 in order to be eligible for financing. The indicative long list of subprojects under Component B include five sub-projects [REDACTED]. Component B investments are shown in a map of Albania in Annex 5. Projects in Durres and in other earthquake affected areas may be included under Component B.

The list of sub-projects has been developed by ADF taking into consideration the recommendations of the Scoping Study. In addition, ADF has ensured that the sub-

projects do not overlap with other investment programmes and initiatives that are currently being considered by the Bank and other IFIs in the country.

In addition to providing financing, the Project will be combined with a large package of technical assistance designed to (i) improve the tourism offering in the Designated Regions, (ii) improve access to high quality training for the local population in the areas of tourism services and management of cultural and natural heritage sites, including enhanced women's participation in tourism value chain, (iii) establish a Public-Private Tourism SSP in Albania to shape skills and human capital policy reforms in the sector, and (iv) support SMEs active in the tourism sector by providing know-how on how to improve their businesses under the Bank's Advice for Small Business programme.

With regards to the Bank's Advice for Small Business Programme, the Bank has provided tourism SMEs with tailored support to recover from the Covid-19 crisis. [REDACTED] At present, advisory projects supported by the Bank aim to minimize the effects of the crisis in business operations. Tourism enterprises are being supported to digitalize their businesses, improve financial management and develop their skills. Online sector development activities have been organized to equip tourism-sector SMEs and local consultants with know-how and expertise by international sector advisers in relation to crisis management and on opportunities rising during crisis times, targeting also women-led businesses.

#### Country Strategy fit

The Project is fully consistent with the Bank's Strategy for Albania, which includes tourism competitiveness through enabling investments in infrastructure and building capacity as an EBRD reform area.

The AITP is therefore in line with the following sector strategies:

- Municipal and Environmental Infrastructure Sector Strategy – *“in coordination with Property and Tourism group, explore cultural heritage project opportunities, focused on providing access to cultural sites for tourism by investing in transport systems and infrastructure needs.”*
- Transport Sector Strategy - *“Complement co-financing partners with investment in constructing, upgrading and modernising of motorways, national, regional, local and rural cross border road infrastructure to improve access to markets and services, and create linkages to key transport networks and corridors.”*
- Property and Tourism Sector Strategy - *“Investing in inclusive, competitive and sustainable tourism and cultural heritage led developments promoting training for the youth [...] and strengthening of backward linkages to the local economies”* has been identified as a Strategic Approach in the sector strategy.

- Bank's Economic Inclusion Strategy as economic inclusion impact will be achieved by improving access to economic opportunities through high quality training for the local population in more underserved regions and by initiating and strengthening the dialogue between employers and authorities in order to introduce effective work based learning models and standards.
- Bank's Strategy for the Promotion of Gender Equality as it will promote equal opportunities for both women and men across training programmes and various capacity building programmes, with a specific focus on promoting women's economic participation across the tourism value chain.

The Project has the potential to be replicated by the Bank in other EU accession countries. The Bank can use the experience from the proposed Project to design and implement, jointly with the EU and/or other EU accession countries similar programmes that fit well with the Bank's mandate and strategy for the specific markets and sectors.

## 1.2 TRANSITION IMPACT

The Project will contribute to the transition qualities of *Competitive* and *Inclusive* by: (i) enhancing Albania's inland tourism competitiveness so that it can develop its significant potential outside existing coastal destinations; and (ii) introducing new high quality training opportunities for the local population in the tourism areas and management of cultural and natural heritage sites with a particular emphasis on promoting women's participation in Albania's tourism value chain. The Project will introduce a new policy engagement for the Bank on skills governance to establish a Public-Private Tourism SSP in Albania.

The Project will build on the Bank's previous positive experience gained in similar projects implemented by ADF in Albania.

The table below sets out the TI Objectives and details of the Project. The relevant Monitoring Indicators and timing for their delivery are shown in Section 2.

### Primary TI Quality: Competitive

Obj · No.	Objective	Details
1.1	The Project will support the overall competitiveness of Albania by leveraging on the synergies between the necessary infrastructure and improvement in the tourism standards.	Albania faces challenges regarding the competitiveness of the tourism sector, notably in: i) the coverage and quality of facilities, infrastructure and service provision and ii) diversifying tourist attractions and leveraging the impact of cultural and natural heritage sites.  The investments under the Project would support the expansion or rehabilitation of physical municipal and

		<p>transport infrastructure and the provision of improved quality of services (such as, water and wastewater supply). In addition to these investments, rehabilitation of cultural and natural heritage sites in the Designated Regions will be funded under the EU grant.</p> <p>The financing of capex will be complemented by a large technical assistance package which will focus on: i) the improvement of tourism offering in the Designated Regions, and ii) advice and capacity building to local SMEs active in the tourism sector.</p> <p>The financing of the investments together with the technical assistance package will strengthen the overall competitiveness of tourism activities in Albania and lead to additional value in terms of new businesses, job creation, higher product and quality standards, and better accessibility and/or visibility of less known sites/cultural and natural heritage assets.</p>
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#### Secondary TI Quality: Inclusive

Obj No.	Objective	Details
2.1	The project will introduce a new, replicable and accredited training programme improving skills [REDACTED] in partnership with an existing education body.	<p>The Project will introduce new high quality training and work-based learning opportunities for men and women in the areas of tourism products and services. [REDACTED] [L]ocal people (disaggregated by gender) will gain high quality vocational skills and achieve accreditations as a result of training. EU funding will support the development and implementation of [REDACTED] training programmes in coordination with Technical and Vocational Education and Training (“TVET”) providers, develop associated curricula for work-based learning courses for skills and occupations related to restoration, improvement and/or development of cultural and natural heritage assets and responsible tourism management, building tourism offering (market research, presentations, events, branding, tourism product development and diversification etc), customer service and guiding, gastronomy and strategic planning for sustainable tourism.</p> <p>In addition, [REDACTED] civil servants and other experts working in the sector will be trained to</p>

		<p>improve their capacity to manage cultural heritage and natural sites.</p> <p>The training programmes will pay specific special attention to encouraging the development of certified skills among women, disadvantaged youth, and those without tertiary qualifications. They will be planned and implemented in a gender sensitive way – by applying gender sensitive training materials and ensuring outreach for the participation of vulnerable women. The programmes will provide targeted training and capacity building to women-led businesses in the tourism value chain. These measures will form part of a new strategic focus by the Ministry of Tourism to addresses skills mismatch and builds women’s skills in high value-added areas of Albania’s tourism industry.</p>
2.2	The project will introduce legislative or regulatory reform or the establishment of new institutions (e.g. establishment of sector skill platforms, or; removal of legislative barriers to women’s employment).	<p>The Project will establish Albania’s first Tourism SSP in Albania. The SSP will help shape human capital policy within the sector (e.g. skill standards, occupational standards, dual learning models etc.) based on international best practice and in line with the requirements of employers. The process will be led by a public private steering group consisting of private sector enterprises, training providers and government representatives. The resulting policy reforms will be based on labour market information assessments (Labour Market Intelligence - LMI) to identify market demands and priorities in the sector (from a skills perspective). This will help better align sector skills supply with demand and alleviate skills mismatches. This shall include addressing women’s skills mismatches in high value-added areas of Albania’s tourism industry. [REDACTED]</p>

[REDACTED]

### 1.3 ADDITIONALITY

Additionality sources	Evidence of additionality sources
<p><b>Financing structure.</b> EBRD offers a <b>tenor</b>, which is above the market average and is necessary to structure the project.</p> <p>EBRD offers financing that is not available in the market from commercial sources on</p>	<p>15 years [REDACTED]</p> <p>In addition, the Bank is additional due to the Bank’s capacity to lend long-term for multisector investments as long as in its ability to work alongside the EU.</p>



reasonable <b>terms and conditions</b> , e.g. a longer grace period that is rarely available in the market, restricted foreign currency financing etc. Such financing is necessary to structure the project.	
<p><b>Risk mitigation.</b></p> <p>Client seeks/makes use of EBRD expertise on <b>higher inclusion</b> (e.g. adherence to labour standards which goes beyond the provisions set in PR2 of the ESP, development of comprehensive and institutional corporate social responsibility programmes) <b>and gender standards and/or equal opportunities action plans</b> (e.g. improving women's access to safe transport and/or women-led businesses participation in the client supply chain).</p> <p>Client seeks/makes use of EBRD expertise on <b>best international procurement standards</b>.</p>	<p>The Project will make use of EBRD expertise for the establishment of Albania's first Tourism SSP. EBRD has launched similar private sector-led policy engagements in Jordan and Egypt. The TC support programme for Gender and Economic Inclusion will also focus on providing training to local tourism services while ensuring gender sensitive training materials are developed and vulnerable women reached out to for training opportunities. [REDACTED] Based on the recommendations, it will support the design of strategies to build capacity of women-led businesses in the tourism industry to support formalisation and scaling-up current activities in the sector and promote participation of women-led businesses in high value-added areas of the tourism value chain.</p> <p>The capacity of women in the tourism industry to play a more active role in existing tourism business associations will also be strengthened.</p> <p>The Project will be carried out in accordance with EBRD's PP&amp;R.</p>

#### 1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Political risk	High/Medium	The Project is a high priority for the Government which has a strong interest in ensuring its smooth implementation. In addition, this risk is mitigated by the Bank strong profile in the country and its long experience of policy dialogue with the Albanian Government [REDACTED].
Macro-economic risk	Low/High	[REDACTED] Albania's [REDACTED] economy is likely to be strongly affected by the Covid-19 pandemic. The economic slowdown is mitigated by an expected recovery in the economy in 2021 [REDACTED]
Implementation risk	Medium/Medium	The implementation schedule may be challenging given the large number of investments envisaged, [REDACTED] ADF has experience in working with the Bank in infrastructure projects under EBRD procurement rules. Moreover, external consultants will be engaged to assist the ADF during project implementation [REDACTED].



## 2. MEASURING / MONITORING SUCCESS

### Primary Quality: Competitive

Obj. No.	Monitoring Indicator	Details	Baseline	Target	Due date
1.1	Number of beneficiaries with improved access to services	The Project will contribute to foreign arrivals to Albania	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Number of beneficiaries with improved access to services	The Project will contribute to an increase in number of visitors to key cultural heritage sites in the four Designated Regions	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Advocacy/knowledge management activity(ies) delivered	The Bank will mobilise technical assistance to develop new touristic packages in the Designated Regions.	[REDACTED]	[REDACTED]	[REDACTED]

### Secondary Quality: Inclusive

Obj. No.	Monitoring Indicator	Details	Baseline	Target	Due date
2.1	Number of local people earning an accredited certification of the new/improved target skills obtained as a result of training	New high quality training and work-based learning opportunities for men and women in the areas of tourism services and management of cultural and natural heritage sites. All accredited by the Ministry of Education [REDACTED]. Targets will be monitored disaggregated by gender and women's participation will be strengthened through the development of a women in tourism outreach action plan.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	New training and worked based learning programmes developed and	Funded by the EU grant, the Gender and Economic Inclusion Programme will support the development and implementation of	[REDACTED]	[REDACTED]	[REDACTED]

	implemented by the Client	[REDACTED] training programmes with a focus on sub-project sectoral skills priorities.			
2.3	Cooperation/partnership with education providers established or strengthened in target area	Training programmes will be developed and implemented in collaboration with national and local VET institutions.	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Client/sponsor actively participates in policy dialogue supported by the Bank	Labour market information assessments (Labour Market Intelligence – “LMI”) delivered and Tourism Sector Skills Platform established	[REDACTED]	[REDACTED]	[REDACTED]

### 3. KEY PARTIES

#### 3.1 BORROWER

The Borrower is the Republic of Albania represented by the Ministry of Finance and Economy (“MFE”). Overall the economy of Albania grew by 2.2 per cent in 2019 [REDACTED]. Average inflation in 2019 was just 1.4 per cent, still below the central bank’s target of 3 per cent for the eighth consecutive year, and despite the continuation of the historically low policy rate of the Bank of Albania, at 1.00 per cent. [REDACTED][T]he economy is likely to be strongly affected by the Covid-19 pandemic due to its high reliance on tourism and exports of low-value added intermediate goods to Italy’s fashion industry. The likely reduction in remittances is also expected to act as a drag on growth. In 2021 the economy is expected to rebound [REDACTED]. In June 2020, the Republic of Albania successfully priced a new 7 – year €650 million international bond at a coupon of 3.50%. The transaction marked Albania’s successful return to international capital markets, following prior issuances in 2010, 2015 and 2018. In spite of challenging market conditions, the issuance attracted a very strong order book and the bond was several times oversubscribed.

#### 3.2 CLIENT

The Client and the implementing agency is ADF. ADF was established in 1993 as an autonomous agency following an agreement between GoA and the World Bank. ADF is governed by a Board of Trustees, chaired by the Deputy Prime Minister and composed of members of the government and representatives of local government units. Its mission is i) to manage infrastructure projects financed by the GoA or donors, ii) to provide financial assistance to the local government units to improve municipal infrastructure, and iii) to provide technical support/assistance for implementation and supervision of investments and for institutional strengthening of local government units. The Bank has a long standing relationship with ADF developed during the preparation and implementation of a successful project co-financed by the Bank, the EIB and the EU through IPA investment grants, the Local and Regional Roads project (DTM 40153). ADF has a good track record with the implementation of other projects financed by other IFIs and has a good oversight on other IFI/donor projects in the same sector. The organisational chart of ADF is presented in Annex 1.

## **4. MARKET CONTEXT**

In the past, the tourism industry in Albania was regulated by layers of administrative and legislative framework with lack of state-level coordination and poor statistical data. As a response to the lack of overview of the tourism industry, the GoA has formed the Ministry of Tourism and Environment and the National Tourism Agency.

The tourism industry has become a strategic sector for the growth and employment in Albania [REDACTED].

The tourism sector has been the most impacted from the Covid-19 crisis. In an effort to support the recovery of the sector during the summer season, Albania has drafted a protocol including measures such as thorough temperature checks for all beach goers, a Covid-19 coordinator overseeing the hygiene measures for staff, obligatory masks and gloves for staff, which must also be available for all tourists. International flights from Tirana International Airports restarted on 22 June 2020. Destinations are determined based on flight schedules approved by the Civil Aviation Authority. In the meantime, border crossings from Kosovo and North Macedonia to Albania are allowed. Given proximity to Albania and shorter driving distances, it is expected that these movements would help alleviate the impact of the COVID 19 outbreak during the summer season.

## **5. FINANCIAL / ECONOMIC ANALYSIS**

### **5.1 FINANCIAL HIGHLIGHTS**

[REDACTED]

### **5.2 ECONOMIC ANALYSIS**

[REDACTED]

### **5.3 PROJECTED PROFITABILITY FOR THE BANK**

[REDACTED]

## 6. OTHER KEY CONSIDERATIONS

### 6.1 ENVIRONMENT

Categorised B in accordance with the EBRD's Environmental and Social Policy 2014. The Project is expected to promote local economic development through tourism-enabling sub-projects in Designated Regions of Albania and transport and municipal infrastructure sub-projects in other parts of the country. The project is co-financed through EU grants which will specifically fund the rehabilitation and development of cultural and natural heritage sub-projects. The initial review of the indicative sub-projects comprising road rehabilitation, water supply and wastewater infrastructure, construction and rehabilitation of cultural and natural heritage sites and tourism enabling developments indicated that the associated Environmental, Social, Health and Safety ("ESHS") risks can be readily addressed through the implementation of targeted mitigation and management measures. ESD has not identified any sub-projects in the indicative list that would trigger an A categorisation. ADF is an existing client of the Bank, familiar with the EBRD Performance Requirements ("PRs") and has capacity to implement the project in accordance with the EBRD PRs.

Consultant support will be provided to ADF Project Implementation Unit ("PIU") to facilitate the effective implementation of the Project sub projects in line with the Bank's standards including E&S requirements. The Consultant will develop guidelines and provide trainings for the PIU to screen the proposed sub-projects to ensure that no category A components are included in the project; to identify, assess, mitigate and manage EHSS risks encountered in the sub-projects; and to implement good international practices including pollution prevention, public and occupational health and safety, biodiversity, resettlement, cultural heritage and stakeholder engagement.

In relation to the preceding project with ADF, a comprehensive ESAP has been developed in 2019. It has been updated to address the sub-project eligibility criteria under the new project and specific cultural heritage implications. This update was agreed by ADF. ESD will monitor closely the implementation of the Project through E&S monitoring reports and site visits where necessary.

### 6.2 INTEGRITY

A thorough integrity due diligence of the ADF and its key officials was carried out and this project does not pose an unacceptable reputational risk to the Bank.

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other

required documentation which have been properly and accurately completed to proceed with the Project.

### **6.3 IMPLEMENTATION ARRANGEMENTS**

ADF will implement the Project with assistance of external consultants during project preparation and implementation, such as, preparation of tender documents and tendering process. The works contracts will be procured through open tendering procedure fully in accordance with Section III of the Bank's Procurement Policies Rules ("PP&R") for public sector operations and will be subject to prior review by the Bank.

The [REDACTED] advance procurement consultant [REDACTED] will support the Client on the most suitable procurement strategy and method for each contract. In addition, the advance procurement expert will support the Client with the preparation of Terms of Reference and selection for consultancy services that will involve on contract for PIU support, Procurement Support and Supervision.

More detail about the procurement arrangements is provided in Annex 7.

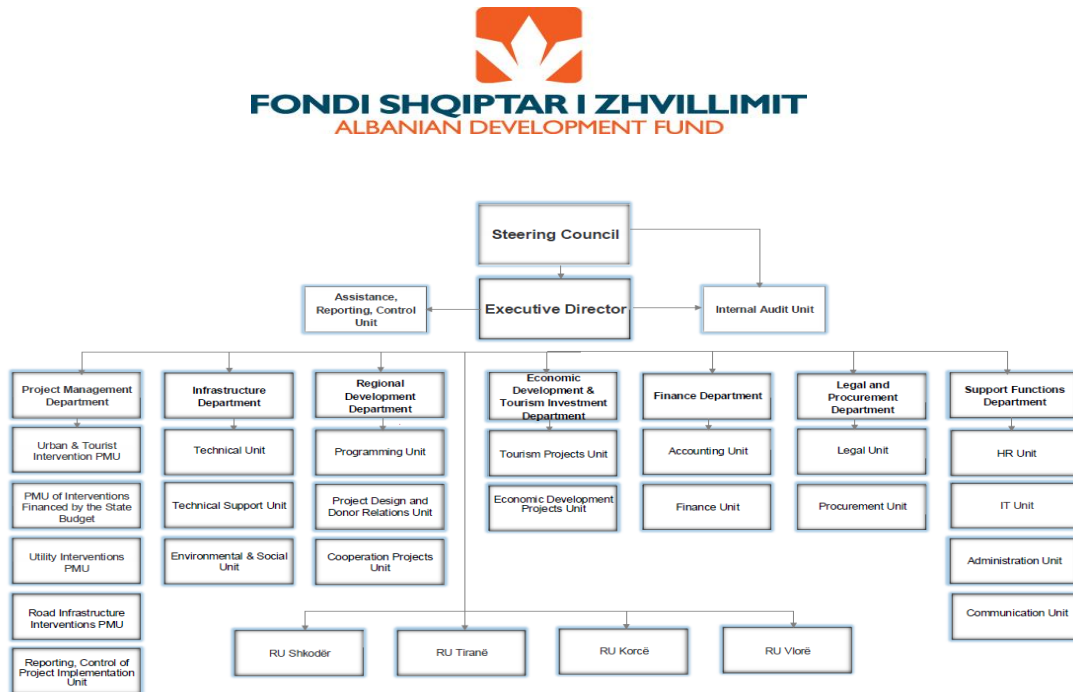
### **6.4 CONCESSIONAL FINANCING**

The amount of concessional financing in the Project has been pre-agreed by the Albanian authorities and the EU prior to the Bank's involvement. [REDACTED]

**ANNEXES TO OPERATION REPORT**

ANNEX 1	ADF's Organisational Structure
ANNEX 2	ADF's Financial Highlights
ANNEX 3	Sub-projects' eligibility criteria
ANNEX 4	Indicative list of infrastructure sub-projects
ANNEX 5	Touristic map of Albania
ANNEX 6	Macroeconomic analysis
ANNEX 7	Project Implementation and Procurement Plan

## ANNEX 1: ADF'S ORGANISATIONAL STRUCTURE



## ANNEX 2: ADF'S FINANCIAL HIGHLIGHTS

[REDACTED]

## ANNEX 3: SUB-PROJECTS' ELIGIBILITY CRITERIA

[REDACTED]

## ANNEX 4: INDICATIVE LIST OF SUB-PROJECTS

[REDACTED]

## ANNEX 5: TOURISTIC MAP OF ALBANIA [SHOWING POSSIBLE SITES]

[REDACTED]



## ANNEX 6: MACROECONOMIC ANALYSIS

[REDACTED]

### Highlights

- **Growth accelerated in 2018, but has slowed in 2019.** After 4.1 per cent growth in 2018, the economy grew by just 2.2 per cent year-on-year in 2019, the slowdown being primarily due to lower power generation and a decline in construction output.
- **Albania is facing the challenges of twin shocks.** The earthquake on November 26, 2019 was the strongest in Albania in four decades. 51 people were killed and 11,490 housing units were destroyed. [REDACTED] While reconstruction has just started, the country is now being severely impacted by the global pandemic of the coronavirus disease. [REDACTED]

### Macroeconomic performance

- **After accelerating in 2018, growth subsided in 2019.** GDP growth increased to 4.1 per cent in 2018, primarily as a result of good hydrological conditions and, consequently, high electricity production. Tourism remained an important contributor to growth too. However, 2019 saw a significant slowdown in economic growth, to 2.2 per cent year-on-year. It came mainly as a consequence of weaker power generation, combined with the high base effect from last year, and a decline in construction output. Unemployment fell to a record low of 11.4 percent in 2019 but remains at double-digit levels.
- **Fiscal deficits are low but public debt is still high.** Fiscal policy was slightly tighter in 2018, with the primary surplus stood at 0.3 per cent of GDP (from 0.6 per cent in 2018). Overall, the budget recorded a deficit of 1.8 per cent of GDP in 2019. [REDACTED]

Moody's credit rating for Albania was last affirmed on 2 August 2019 at B1 with stable outlook whereas S&P rating for Albania stands at B+ also with stable outlook.

## ANNEX 7: PROJECT IMPLEMENTATION

### Procurement classification – *Public Sovereign*

[REDACTED] This is a well-known client to the Bank, thus the risk assessment was determined on the basis of the experience gained so far during the implementation of the Local and Regional Roads Project (DTM 40153) as well as the Regional and Local Roads Connectivity Project (DTM 50123). The Client has relevant experience in procuring assets and infrastructure under IFI financing using diverse set of rules. The Client will need to be supported on the Tender Documents preparation, procurement process in accordance with Bank's procedures and implementation of the expected contracts following the best practices. [REDACTED]

**Project implementation arrangements:**

ADF will be responsible for the implementation of the Project, including carrying out the procurement process.

A PIU will be established within the Client and it will have overall responsibility for the implementation of the Project. The PIU will be supported by a donor-funded experienced procurement Consultant. The Consultant will also assist the Client in all aspects of procurement and the implementation of the Project in accordance with the Bank's policies and also support PIU in meeting requirements of various financing documents. Where necessary, the consultant will train the client and PIU staff in addressing the project procurement and implementation matters.

**Procurement arrangements:**

There are expected several works contracts divided in Cultural Heritage and Natural Sites and Municipal and Transport Infrastructure, further description of the involved contracts is presented in the procurement plan.

The contracts listed in the procurement plan under Cultural Heritage and Natural Sites will be solely financed by the EU grant. While the contracts listed in the procurement plan under Municipal and Transport Infrastructure will be funded by the proceeds of the Bank's Loan and the EU grant.

The contracts will be procured following open tendering procedures in accordance with the requirements of the Bank's Procurement Policies and Rules ("PP&R") for public sector operations and will be subject to prior review by the Bank. It is envisaged that the Tender Documents for the procurement of goods will be based on the latest version of the Bank's Standard Tender Documents for Procurement of Goods, while the procurement of works will use the most suitable Bank Standard Tender Documents available for procurement of works. Due to the number and diverse nature of the expected contracts, the related Tender Document will be reviewed to ensure compliance with the Bank's PP&R and best practices.

The Project also envisages one large Technical Cooperation contract to support the PIU along the entire project cycle by preparing preliminary and detailed designs, procurement support, contracting and supervision. In addition, the Technical Assistance will include a Tourism-led Model TC, a Gender and Economic Inclusion Programme the Creation of Sectors Skills Platform and a Monitoring and Verification consultant. [REDACTED]

All the consultancy contracts will be procured following the provisions of the Bank's PP&R Section 5 (Procurement of Consultant Services).

The Procurement Plan below provides the details of planned investment and consultancy assignments.

**Additional information:**

The Contracts will be tendered via the EBRD Client e-Procurement Portal (“ECEPP”). [REDACTED]