

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

Approved by the Board of Directors on 29 January 2025<sup>1</sup>

**ALBANIA**

**OSHEE SUSTAINABILITY 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 (2024), 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.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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## ABBREVIATIONS / CURRENCY CONVERSIONS

Abbreviation/Acronym	Definition
<b>ALL</b>	Albanian Lek
<b>APEX</b>	Albanian Power Exchange
<b>ABI</b>	American Bank of Investments
<b>BoA</b>	Bank of Albania
<b>EnCS</b>	Energy Community Secretariat
<b>EUR</b>	Euro
<b>FIT</b>	Feed-in tariff
<b>FSHU</b>	Furnizuesi i Sherbimit Universal
<b>FTL</b>	Furnizuesi i Tregut te Lire
<b>GoA</b>	Government of Albania
<b>HPP</b>	Hydro Power Plant
<b>HUPX</b>	Hungarian Power Exchange
<b>IPP</b>	Independent Power Producer
<b>KESH</b>	Korporata Elektroenergjitike Shqiptare
<b>KV</b>	Kilovolt
<b>MIE</b>	Ministry of Infrastructure and Energy
<b>MoF</b>	Ministry of Finance and Economy
<b>NREAP</b>	National Renewable Energy Action Plan
<b>OSHEE</b>	Operatori i Shperndarjes se Energjise Elektrike
<b>OSSH</b>	Operatori i Sistemit te Shperndarjes
<b>PPA</b>	Power Purchase Agreement
<b>PSL</b>	Power Sector Law
<b>PSO</b>	Public Service Obligation
<b>PV</b>	Photovoltaic
<b>RES</b>	Renewable Energy Sources
<b>SOE</b>	State-owned enterprise
<b>TA</b>	Technical Assistance
<b>TC</b>	Technical Cooperation
<b>TSO</b>	Transmission System Operator
<b>VET</b>	Vocational Education and Training

## PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Operatori i Shperndarjes se Energjise Elektrike (“OSHEE”, or the “Company”), the state-owned power distribution operator and retail supplier incorporated in Albania, are submitted for consideration by the Board of Directors.

The facility will consist of a sovereign guaranteed loan of up to EUR 45.75 million. The loan proceeds will be used to refinance part of short-term, sovereign-guaranteed debt exposure in the amount of EUR 81.5 million, which OSHEE incurred in late 2021 to fund electricity imports at the time of global peak energy prices. The EBRD is refinancing up to EUR 45.75 million of the total debt, while commercial banks are restructuring the remaining EUR 35.75 million of their short-term exposure at financing terms similar to EBRD. As part of the project, OSHEE will publicly commit to invest up to EUR 45 million in green capex over the next four years. The committed investments will improve stability of the distribution grid and facilitate connection of new renewables, while simultaneously reducing network losses.

This operation enables the Bank to promote an ambitious reform agenda, which focuses on (i) assisting OSHEE with preparing a 10-year strategic investment plan and (ii) updating the country's Distribution Code.

The expected transition impact of the project is derived from the Resilient and Inclusive qualities: financial resilience will be achieved through restructuring the company's balance sheet, while policy engagement will support the development of a resilient distribution grid development, and inclusive skills in the sector. Key reform commitments include (i) aligning Albania's Distribution Code with international standards; (ii) improving long-term network investment planning for renewable energy integration; and (iii) launching a Sector Skills Council to shape energy industry skills policies.

Furthermore, the project will promote human capital development by supporting the establishment of OSHEE's training academy and upskilling a wide range of energy distribution specialists and technicians. Additionally, the project is Gender SMART as OSHEE will improve awareness of equal opportunities across its workforce. It will also introduce new capacity building courses for its staff and management on best practice approaches for gender equality, as well as new courses targeted to respond to women's skills needs (e.g., women in leadership).

Moreover, a comprehensive assistance will be provided to OSHEE to help with implementation of the ESAP and to strengthen their Health & Safety department. The TC package supporting advancement of reforms and inclusion components of the project is expected to be financed by an international donor or the EBRD Shareholder Special Fund (“SSF”).

I am satisfied that the operation is consistent with the Bank's Strategy for Albania, the Energy Sector Strategy 2024-2028, the Equality of Opportunity 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.

**Odile Renaud-Basso**

## BOARD DECISION SHEET

Albania - OSHEE Sustainability Project - DTM 55236	
<b>Transaction / Board Decision</b>	Board approval <sup>2</sup> is sought for a sovereign-guaranteed loan of up to EUR 45.75 million in favour of Operatori i Shperndarjes se Energjise Elektrike (“OSHEE”, or the “Company”), the state-owned electricity distribution and supply company of Albania (the “Project”). The loan proceeds will be used to refinance part of short-term, sovereign-guaranteed debt exposure in the amount of EUR 81.5 million, which OSHEE incurred in late 2021 to fund electricity imports at the time of global peak energy prices. The EBRD is refinancing up to EUR 45.75 million of the total debt, while commercial banks are restructuring the remaining EUR 35.75 million of their short-term exposure at financing terms similar to EBRD.
<b>Client</b>	OSHEE is the 100% state-owned electricity distribution and supply company of Albania. OSHEE supplies all Albanian regulated customers and acts as the supplier of last resort for unregulated customers. OSHEE is responsible for the distribution network and acts as the off-taker of electricity produced by most of the independent power producers (“IPPs”) in Albania. OSHEE recorded revenues of EUR 689 million, net income of EUR 48.8m and total assets of EUR 1,030 million in 2023.
<b>Main Elements of the Proposal</b>	<p><u>Transition impact: Primary Quality – Resilient:</u> The Project will improve the financial resilience of OSHEE through the restructuring of its financial position, allowing for necessary improvements to the distribution grid, alongside policy work which will ensure that such grid developments are done in accordance with the Energy Community and EU regulatory standards, and under long-term investment planning in line with best EU and International standards.</p> <p><u>Secondary Quality – Inclusive:</u> The Project will support the launch of a Sector Skills Council in Energy, the establishment of OSHEE’s training academy, the introduction of five new industry-certified training courses, upskilling a wide range of energy distribution specialists and technicians.</p> <p><u>Additionality:</u> EBRD provides long term financing not available on the local market and enables certain commercial banks to extend their tenor. The expected cash flow savings as a result of the restructuring of short-term overdrafts will enable important green capex over next several years. The initially envisaged amount of the Bank’s loan has been reduced by the amount of long-term financing OSHEE will be able to restructure with the commercial banks, in the amount of EUR 35.75m.</p> <p><u>Gender SMART Tag:</u> The Bank will support OSHEE in integrating a gender lens into the set-up of its training academy and throughout its upcoming activities.</p> <p><u>Sound banking</u> – The proposed loan structure is based on detailed financial analysis, consideration of all key risks and appropriate stress-testing.</p>
<b>Key Risks</b>	<p><u>Counterparty risk:</u> The Company has a large amount of payables to KESH and OST, which can negatively impact its creditworthiness. <i>Mitigant:</i> The loan will benefit from a sovereign guarantee.</p> <p><u>Guarantor risk:</u> The transaction depends significantly on the creditworthiness of the Guarantor to mitigate credit risk. <i>Mitigant:</i> Albania’s fiscal health has improved notably, with the budget deficit reduced to 1.4% of GDP in 2023 and public debt falling to a record low of 59.2% of GDP by the year's end. This economic performance led to improved credit ratings in 2024, with S&amp;P Global Ratings upgrading Albania to 'BB-' and Moody’s revising its outlook to ‘Positive’.</p>
<b>Strategic Fit Summary</b>	The proposed loan provides the necessary support to ensure financial sustainability of the client and unlock important green Capex investments. As a result, the Operation is consistent with the Bank’s Strategy for Albania and the Energy Sector Strategy 2024-2028. The proposed inclusive actions are in line with the EBRD’s Strategy for the Promotion of Gender Equality, and the Bank’s Equality of Opportunity Strategy, and the Strategy for the Promotion of Gender Equality.

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

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	Up to EUR 45.75 million senior sovereign-guaranteed loan to OSHEE. The loan proceeds will be used to refinance short-term, commercial bank loans taken on by OSHEE at the end of 2021 in order to fund emergency electricity imports at the time of peak energy prices.
<b>Associated Derivative Exposure</b>	N/A
<b>Existing Exposure</b>	<b>52360 – VISP: OSHEE COVID-19 Response:</b> A sovereign guaranteed loan to OSHEE of EUR 70 million structured in two tranches – T1 of EUR 55 million to alleviate liquidity shortages as a result of COVID-19, while T2 of EUR 15 million to be used for the construction of an underground electricity distribution substation. Operating assets amounted to EUR 20.9m as of the end of December 2024.
<b>Maturity / Repayment</b>	Maturity of 12 years [REDACTED].
<b>Potential AMI eligible financing</b>	None.
<b>Use of Proceeds - Description</b>	<p>The proceeds of the Bank's investment will be used to restructure OSHEE's balance sheet and indirectly support important green Capex investments. The Bank's operation will replace the short-term loans with long-term facilities of up to 12 years, inviting of OSHEE's existing lenders to offer terms similar to those set out by EBRD, therefore reducing the EBRD loan proportionally. This will provide terms more aligned with OSHEE's operations and applicable tariff methodology, therefore freeing up capital and allowing the Company to invest in new additional green capex, such as electricity distribution lines and substations. The detailed capex list has been assessed and agreed with the Bank, it will be made publicly available on the OSHEE web site and monitored along with the ESAP. These investments will improve the stability of the distribution grid and ensure the connection of new renewable energy sources, while simultaneously reducing network losses.</p> <p>The EBRD investment will be conditional upon a comprehensive program of reforms agreed by the Company, which will improve the development, management, and operational efficiency of the Company and by extension, the power sector in Albania.</p>
<b>Use of Proceeds – Assessment and Controls</b>	<p>OSHEE has existing short-term facilities with Tirana Bank, Raiffeisen Bank Albania, American Bank of Investments (ABI), and OTP Bank Albania.</p> <p>The proceeds of the loan will go directly to reduce the outstanding amounts of the facilities with ABI Bank, Tirana Bank and Raiffeisen Bank Albania. A report from each of the relevant banks will be required as proof that the refinancing has taken place.</p>
<b>Investment Plan</b>	[REDACTED]
<b>Financing Plan</b>	[REDACTED]
<b>Key Parties Involved</b>	Borrower: OSHEE Guarantor: Republic of Albania
<b>Conditions to disbursement</b>	[REDACTED]
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	Sovereign Guarantee
<b>Other material agreements</b>	None

<b>Associated Donor Funded TC and Blended Concessional Finance</b>	<b>Technical Cooperation (TC)</b>  <b>Pre-signing:</b> <ul style="list-style-type: none"> <li>i. TC mobilized in the amount of EUR 34,927 to perform a due diligence review to: 1) Assess the extent at which the capex plan for 2025 to 2029 will integrate RES into the grid and reduce the network losses; 2) Assess and opine on OSHEE's environmental health and safety arrangements, as well as progress made against the Bank's environmental and social requirements.</li> </ul> <b>Post-signing:</b> <ul style="list-style-type: none"> <li>i. <b>SOEs Management Assistance Reform and Transformation (SMART) - "Distribution Code update and Investment Planning support to OSHEE"</b> to provide technical assistance to OSHEE to enable efficient network operations and development, further RES penetration and least-cost infrastructure development. The estimated cost of the Assignment is up to EUR 300,000, expected to be financed by an international donor or the SSF. Support the Company to develop and submit an <b>Investment Plan</b> in line with local rules and regulations and best EU/international standards.</li> <li>ii. <b>Supporting the establishment of an OSHEE Training Academy and Sector Skills Council in Energy in Albania.</b> OSHEE will establish an in-house academy that will offer life-long learning opportunities to the Company's employees. A dedicated TC will support the set-up of the academy by helping to identify and address the skills gap in the short to long term. The Project will also support the launch of an Energy Sector Skills Council (SSC) in Albania, to be approved by the National Agency for Vocational Education, Trainings and Qualifications (NAVETQ). The estimated cost of the Assignment is of up to EUR 210,000, expected to be financed by the SSF.</li> <li>iii. Renew and extend the <b>Health &amp; Safety ISO 45001</b> assignment for an additional 12 months to support implementation of the management system. The estimated cost of the Assignment is of up to EUR 40,000, expected to be financed by an international donor or the SSF.</li> <li>iv. <b>Support OSHEE with the implementation of ESAP</b> and train staff to prepare environmental and social reporting. The estimated cost of the Assignment is of up to EUR 70,000, expected to be financed by an international donor or the SSF.</li> </ul>
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[REDACTED]

## **INVESTMENT PROPOSAL SUMMARY**

### **1. STRATEGIC FIT AND KEY ISSUES**

#### **1.1 STRATEGIC CONTEXT**

OSHEE, the incumbent state-owned distribution utility in Albania, plays a vital role in the energy sector by owning and operating the distribution network and providing the majority of retail electricity supply to end consumers. As a key entity, OSHEE facilitates payments from consumers to other sector participants, including the transmission operator, the state-owned hydropower generation company KESH, and virtually all independent renewable generators (IPPs). Maintaining OSHEE's liquidity is crucial for ensuring stability in both network provision and the overall energy sector in Albania. Furthermore, the Company is one of the largest employers in the country, underpinning its socioeconomic significance.

In October 2021, Albania faced a state of emergency in the energy sector due to skyrocketing electricity import prices, driven by severe drought conditions that diminished hydropower output. In order to avoid blackouts, the country was forced to import electricity during a period coinciding with a surge in global electricity prices, doubling import costs by the end of October 2021 compared to the previous year. The Government of Albania (“GoA”) responded with an emergency support package for OSHEE and suspended its investment programs until mid-2022. Consequently, OSHEE was forced to obtain short-term, one-year revolving facilities from local commercial banks as a stop-gap measure. These facilities carry a perpetual refinancing risk which hinders OSHEE in its ability to plan long-term capital investments.

To address these challenges, the Bank proposes a long-term loan facility for OSHEE with a 12-year tenor and 3-year grace period. This facility aims to align with OSHEE’s underlying assets and operations, enhancing financial resilience and enabling the Company to finance overdue modernization. This support will stabilize OSHEE financially, reduce its dependency on state budget allocations, and progressively improve its efficiency and competitiveness. Preliminary calculations suggest that OSHEE could save between EUR 5-8 million in interest expenses over five years, with ten-year cumulative savings between EUR 18 million and EUR 20 million (depending on EURIBOR levels). These savings could fund significant capital expenditures (CAPEX), including substations, distribution lines, smart metering, and smart grid technologies, to be completed (covenanted) within four years from the date of loan effectiveness. The project is excluded from application of the Bank’s PPR, in accordance with Article 2.6 (d) of the PPR, on the basis that the loan funds will be used solely for the purposes of refinancing existing debt with commercial banks and will not be used to finance any goods, works, services or consultancy services.

The Bank's support will bolster one of Albania’s key utility companies, enhancing sector stability and reducing reliance on carbon-intensive regional imports. With 18.5% (as of September 2024) of Albania’s electricity supply lost in the distribution network due to technical and commercial losses, sustained investment in the network is critical. Addressing these losses will yield both economic and environmental benefits.

The Bank also plans to mobilize commercial banking lending for up to 50% of the existing sovereign-guaranteed short-term facilities, subject to their appetite. It will invite existing local banks to convert their short-term facilities into long-term ones, mirroring the Bank's proposed transaction terms. This approach aims to leverage commercial funding, further stabilizing OSHEE and ensuring the continuity of essential investment in the energy sector.

The Bank investment will be supported with a dedicated policy dialogue aiming to: (i) update the Albanian Distribution Code, a key piece of secondary legislation for energy system operations, in a way which supports efficient network operations, RES penetration, and long-term competition in the Albanian energy market; and (ii) improve long-term network investment planning in a manner which lends further support to RES penetration, is fully in line with the principles of non-discrimination and least-cost development, and complies with best international standards, to the benefit of Albanian consumers.

Moreover, this loan will be accompanied by a set of reform actions designed to promote human capital development, as well as health and safety. In each case Bank-led TC projects support these key actions, allowing the Bank to leverage its short-term loan to promote long-term systemic reform in this large and systemically important SOE and, more broadly, across the energy sector. These reforms come on the back of an ongoing Anti-Corruption Action Plan (ACAP) which has been finalized during 2023 and is now under implementation. The assignment included a comprehensive review of OSHEE's Code of Conduct, procurement processes, anti-corruption procedures, policies, and overall governance structure. As a result, OSHEE established a compliance function and appointed a compliance officer. Key actions include developing an Integrity Charter, with the Chief Integrity Office designated as the Anti-Bribery & Corruption Programme owner. OSHEE has agreed with the ACAP recommendations, and consultants have provided support, including policy templates, draft guidance, and training. The final training session was conducted in June 2024.

According to the study by the European Training Foundation on the Future of Skills in the Energy Sector of Albania, the main challenge for the country's electricity distribution companies is the lack of qualified and future-proof human capital. Skills gaps are already evident across a number of professional profiles. While the country's universities target the needs of high-skilled profiles such as engineers, the coverage of vocational schools is limited. This results in a shortage of medium-skilled and low-skilled technical profiles, in a sector where installers and operators are in demand. The skills shortage is even more relevant as Albania's energy sector is a turning point in how it operates its energy distribution due to both technological change (i.e., new energy saving mechanisms and digitalisation processes) and the green economy transition (i.e., the expected growth of renewable energy subsector), which will both lead to significant shifts in the demand for labour and skills.

Against such a background, the Project will assist in setting up a Sector Skills Council for Energy to shape skills policies across the energy industry. The Project will also promote human capital development by supporting the establishment of OSHEE's training academy, the introduction of five new industry-certified training courses and the delivery of a Training of Trainers programme to reach multiplier effects for the broader upskilling of energy distribution specialists and technicians. In addition, the Project is Gender SMART as OSHEE will improve awareness of equal opportunities across its workforce by integrating a gender lens throughout the activities of its upcoming training academy and introducing new capacity building courses for its staff and management on best practice approaches for gender equality, as well as new courses targeted to respond to women's skills needs (e.g., women in leadership).

Finally, the Project should be seen in the context of the broader framework of the Bank's extensive engagement with the Albanian energy sector, which encompasses:

- Comprehensive Corporate governance and commercialisation reform of the state-owned hydropower generator KESH, built around the Bank's EUR 218 million KESH Restructuring project (BDS16-084) signed in 2016.
- Promotion of renewables through both i) investments in KESH (EUR 9 million loan for KESH's innovative floating solar project, signed on 31 March 2021) and the private sector clients such as Voltalia's 140 MW Karavasta Project (EUR 29 million loan signed on 19 April 2023); and ii) notably through the Bank's TC support for solar and wind auctions. Through the later, the Ministry of Infrastructure and Energy ("MIE") has commissioned ca. 465 MWp in RES with exceptionally low tariffs, below 30 EUR/MWh for solar and a record low price of 44 EUR/MWh for wind from one of the three winning bidders. A third solar auction was completed in July 2024. Total wind and solar capacity auctioned amounts to ca. 750 MW.

The Bank's loan to OSHEE will further strengthen the Bank's position as a key stakeholder in the sector promoting the twin pillars of renewable development and SOE commercialisation.

The investment is consistent with the objectives stated in the Bank's (a) Strategy for Albania, which states that the Bank will "support governance improvements across the economy" and "strengthen energy diversification and low-carbon transition"; (b) the Energy Sector Strategy 2024-2028, which promotes decarbonisation of energy sectors; (c) the Equality of Opportunity Strategy, which fosters access to skills and employment for youth and women; and (d) the Strategy for the Promotion of Gender Equality, which supports the mainstreaming of gender activities into the Bank's operations.

## 1.2 TRANSITION IMPACT

### Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	The project entails financial restructuring making the company less vulnerable to shocks, for instance by affecting the asset liability/FX mismatch in the company.	The loan proceeds will be used to restructure and refinance short-term, sovereign guaranteed financial debt which OSHEE has entered into on an emergency basis with commercial banks in order to alleviate critical cash situation as a result of the energy crises. The Bank's operation will lengthen the tenor to up to 12 years, providing terms more consistent with OSHEE's operations. This will have the immediate impact of freeing a considerable level of liquidity which would help finance the long overdue but ongoing modernisation of OSHEE.
1.2	The project entails a policy dialogue initiative that has been assessed as Strong Good by the sector economist.	The Project will support through dedicated policy dialogue the following actions: (i) updating the Albanian Distribution Code, a key piece of secondary legislation for energy system operations, in a way which supports efficient network operations, RES penetration, and long-term competition in the Albanian energy market; and (ii) improving long-term network investment planning in a manner which lends further support to RES penetration, is fully in line with the principles of non-discrimination and least-cost development, and

		complies with best international standards, to the benefit of Albanian consumers.
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### Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	EMPLOYABILITY: The Project broadens access to market-relevant skills and training opportunities, boosting the supply of human capital with demonstrably moderate need and robust effectiveness.	The Project will enhance access to market-relevant skills for energy distribution specialists by strengthening the capacity of OSHEE to promote upskilling solutions for its 6,400 employees. Over the next five years, the initiative will introduce at least 5 new industry-certified training curricula and aim to reach multiplier effects by training 100 Company's trainers. OSHEE's activities to develop job-relevant technical skills will be key in addressing local skills deficits and promoting the energy transition agenda, with a focus on enhancing digital skills and energy efficiency competences. The 5 new curricula will target the specific skills needs of different types of energy distribution specialists, such as the need for energy marketers (e.g. with customer relationship and marketing skills), advanced cablemen (e.g. able to understand routing and cabling issues for data network centres), and installers up-to-date on the latest technologies -e.g. smart metering and heat pumps for domestic installers, renewable energy solutions for civic installers that specialise in pro-consumers, and cost reduction strategies for industrial installers dealing with complex electric machines.
2.3	EMPLOYABILITY: The Project delivers inclusive business policies, practices or standards at the client level with verifiable commitment within 1-2 distinct behavioural change areas	OSHEE will establish an in-house academy that will offer life-long learning opportunities to the Company's employees. A dedicated TC will support the set-up of the academy by helping with the prioritisation of skills needs to be addressed in the short to long term, the development of an action plan for the activities of the academy, the identification of relevant training partners, the integration of skills development practices into the HR (Human Resources) practices of the Company, and the overall sustainability of the academy.
2.4	EMPLOYABILITY: The Project encompasses sizeable impact on a policy, regional or sectoral scale with measurable policy-level outcomes.	The Project will support the launch of an Energy Sector Skills Council (SSC) in Albania, to be approved by the National Agency for Vocational Education, Trainings and Qualifications (NAVETQ) - a subordinate institution, under the Ministry of Economy, Innovation and Culture in charge of skills policy in the country. The SSC will include OSHEE and other public and private sector employers to share human capital policy in line with international best practice. Through the SSC, employers will have the opportunity to engage directly with relevant government authorities and training providers to develop new occupational skills standards, educational standards, dual learning programmes, and curricula that meet their sector's requirements. The SSC will serve as a platform to continuously enriching the Albanian Qualifications Framework with the upgrade of skills standards and the introduction of emerging ones. This will alleviate skills mismatches in the sector by contributing to align skills' supply and demand and driving skills policy reforms in response to the changing needs of today's labour markets.

### 1.3 ADDITIONALITY

Identified triggers	Description
A significant share (100%) of the Project is for <b>refinancing purposes</b> .	The loan proceeds will be used to refinance short-term, sovereign guaranteed commercial bank loans which OSHEE entered into on an emergency basis as a result of the energy crisis. These are short-term, revolving one-year facilities that carry a perpetual refinancing risk

	which hinders OSHEE in its ability to plan long-term capital investments.
<b>Additionality sources</b>	<b>Description of additionality sources</b>
<b>Financing Structure:</b> <ul style="list-style-type: none"> <li>EBRD offers financing that is not available in the market from commercial sources on reasonable <b>terms and conditions</b>, e.g., a longer grace period. Such financing is necessary to structure the project.</li> <li>EBRD offers a <b>tenor</b>, which is longer than available to the client in the market on reasonable terms and conditions.</li> </ul>	<p>The recent energy crisis that resulted in unprecedented spike in energy costs, coincided with a period of severe lack of rainfall and hydro generation for Albania, causing the domestic demand to be met primarily by extremely expensive imports in 2021, under inability to pass on costs to end-users. This triggered the declaration of state of emergency in the sector in October 2021, with the suspension of OSHEE's investment programmes until mid-2022, and it resulted on the later entering in short-term, revolving one-year financing from local commercial banks.</p> <p>The Bank is now providing a sovereign loan with a tenor of 12 years [REDACTED], to refinance such exposures. A loan with such [REDACTED] tenor has not been available from commercial sources in Albania.</p> <p>Furthermore, EBRD financing is relatively sizeable for the local market. Where Commercial Banks or other Financial Institutions will be willing to provide loans to OSHEE for tenors of 5 years or more, the Bank shall reduce its Loan Amount by the aggregate amount committed by commercial banks or other financial institutions, hence not risking crowding out other sources.</p>
<b>Policy, sector, institutional, or regulatory change</b>  EBRD's involvement in a project is considered additional when it is designed to <b>trigger a change in the policy</b> , sector, institutional or regulatory framework, or enhance practices at the sector or country level.	<p>The Bank's engagement will help initiate improvements at the Client and sector through the TC support that will be mobilised.</p> <p>With the support of the consultants, the Albanian Distribution Code shall be amended in line with the latest EU directives, in a way which supports efficient network operations, RES penetration, and long-term competition in the Albanian energy market: and the long-term investment planning at OSHEE shall be improved to lead to further support to RES penetration, in line with the principles of non-discrimination and least-cost development, and with best international standards, to the benefit of Albanian consumers.</p>

#### 1.4 SOUND BANKING - KEY RISKS

<b>Risks</b>	<b>Probability / Effect</b>	<b>Comments</b>
<b>Counterparty Creditworthiness</b>	<b>High/ Medium</b>	<p><b>Risk:</b> OSHEE's accumulated legacy receivables, primarily from state-owned water utility companies, significantly undermine the company's liquidity position. The delayed collection of these receivables adversely affects not only OSHEE's balance sheet but also the broader sector. Furthermore, the inability to receive timely payments hinders OSHEE's capacity to fulfil its financial obligations to KESH and other Independent Power Producers (IPPs), creating a cascading effect throughout the entire energy sector.</p> <p><b>Mitigants:</b> Authorities are considering new efforts to mitigate this issue, including: i) fundamental restructuring the water sector, which is ongoing, and ii) exploring options for water utility companies to develop their own independent renewable energy sources. These measures aim to alleviate the financial strain on OSHEE and stabilize the sector by ensuring more reliable payment flows. On the liabilities side, while there is</p>

		an agreement with KESH and OST and these outflows have been reflected in the model, so far there has been no pressure on OSHEE to stick to the repayment schedule. The Project will benefit from a sovereign guarantee until maturity which mitigates the main risks at the Counterparty level.
<b>Guarantor Creditworthiness</b>	<b>Low/ High</b>	Albania's fiscal health improved notably, with the budget deficit reduced to 1.4% of GDP in 2023 and public debt falling to a record low of 59.2% of GDP by the year's end. The government also made significant strides in reducing public debt, including buying back bonds worth EUR 133.3 million. This economic performance led to improved credit ratings in 2024, with S&P Global Ratings upgrading Albania to 'BB-' and Moody's revising its outlook to Positive. Moody's expects the debt-to-GDP ratio to decline further, supported by solid nominal GDP growth and small fiscal surpluses. Risks remain from weather-related electricity imports and state-owned enterprises, but ongoing power sector reforms and increased foreign direct investment in tourism and energy sectors are expected to bolster growth and mitigate these risks.

## 2. MEASURING / MONITORING SUCCESS

### Transition Impact Monitoring Indicators

#### *Primary Quality: Resilient*

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Legal, institutional or regulatory frameworks in target areas improved [REDACTED]	Amendments to the Albanian Distribution code agreed with OSHEE and ERE	N	Y	[REDACTED]
1.2	Financial restructuring completed as targeted [REDACTED]	The proceeds of the Bank's investment will be used for the restructuring of OSHEE's balance sheet and to indirectly fund crucial renewable energy enabling capex.	N	Y	[REDACTED]
1.3	Physical capacity of the client extended or modernised (specify) [REDACTED]	OSHEE to prepare a detailed list of Capex amounting up to EUR 45 million, to be agreed with EBRD and to publicly commit to implement it within YE 2028. Implementation of this Capex shall be monitored	0	45	[REDACTED]

		under the committed ESAP.			
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***Secondary Quality: Inclusive***

<b>Obj. No.</b>	<b>Monitoring indicator</b>	<b>Details</b>	<b>Baseline</b>	<b>Target</b>	<b>Due date</b>
2.1	Tailored training programme developed and implemented	Under the TC, 5 training programmes will be designed	No	Yes	[REDACTED]
2.2	Practices of the relevant stakeholder improved (skills development)	OSHEE will set up a new training academy to offer life-long learning opportunities to its employees.	No	Yes	[REDACTED]
2.3	Policy engagement platform is operational [REDACTED]	The Project will also establish a Sector Skills Council in Energy and support it for the first three years of its operations to help alleviate skills mismatches in the sector. It will help alleviate skills mismatches in the sector by developing new occupational skills standards, educational standards, dual learning programmes, and curricula that meet their sector's requirements.	No	Yes	[REDACTED]
2.4	Number of individuals enhancing their skills as a result of training [REDACTED]	OSHEE will introduce 5 new industry-certified training courses and deliver a Training of Trainers programme to a first cohort of 20 selected employees for each course, aiming to reach multiplier effects for the broader upskilling of its workforce, meaning that the final number will be higher than 100. The 5 new courses will target the specific skills needs of different types of energy distribution specialists.	0	100	[REDACTED]

**Additional Indicators**

<b>Indicator type</b>	<b>Monitoring indicator</b>	<b>Details</b>	<b>Baseline</b>	<b>Target</b>	<b>Due date</b>
Advisory & Policy Indicators	Practices of the relevant stakeholder improved (equal opportunity practices of the client)	The set-up of OSHEE's training academy will integrate a gender lens throughout, including a specific focus on the development of a gender-responsive action plan for its activities.	No	Yes	[REDACTED]
Advisory & Policy Indicators	Tailored training programme developed and implemented [REDACTED]	OSHEE will introduce new capacity building courses for its staff and management (including those assigned to work at the training academy) on best practice approaches for gender equality, as well as of new courses targeted to women (e.g. women in leadership).	No	Yes	[REDACTED]

### 3. KEY PARTIES

#### 3.1 BORROWER

##### Structure and operations:

OSHEE is the 100% state-owned electricity distribution and retail supply company of Albania. OSHEE supplies all Albanian regulated customers and acts as the supplier of last resort for unregulated customers. OSHEE is responsible for the distribution network and acts as the off-taker of electricity produced by most independent power producers (“IPPs”) in Albania.

OSHEE’s primary supplier is KESH who has a Public Service Obligation (**PSO**) to supply OSHEE with the necessary amount of energy to: i) satisfy regulated demand at approximately 4 TWh per annum provided on a contractual price that has typically been below market prices (currently provided at a price of EUR11/MWh), and ii) offset network losses of c 19.0% provided at market prices. Any remaining gap between domestic supply and demand is OSHEE’s responsibility to fill, typically through imports sourced by traders.

Having been legally unbundled since March 2018, OSHEE is now in the process of completing the functional and operational unbundling – a requirement of the power sector law as well as a key step for Albania’s commitment under the Energy Community Treaty. OSHEE has legally unbundled into three fully owned subsidiaries: FSHU (the retail supplier), OSSH (the distribution network operator) and FTL (the supplier to unregulated customers). FSHU is the retail supplier subsidiary of OSHEE carrying out the obligation to supply regulated customers and to act as a last resort supplier for liberalized/unregulated customers. OSSH is the distribution network operator, operating and maintaining the distribution network from (high, medium, and low voltage). FTL is the non-regulated subsidiary currently acting as the offtaker subsidiary for the IPP generation and import acquisition.

FSHU and OSSH tariffs are regulated. Supply tariffs are structured by voltage, type of business and customer category. OSHEE is one of the main employers in the country, with a workforce of 6,400 employees, 30 percent of which are women.

#### **[REDACTED]3.2 GUARANTOR**

The project will be financed with a sovereign guaranteed loan to OSHEE, with the latter serving as the Borrower, while the Ministry of Finance of Albania as Guarantor. EBRD’s public sector lending terms and conditions would apply. A snapshot of Albania’s macro-economic is presented below:

**Economic growth continued in 2023, but at a more moderate pace.** Following a rise in gross domestic product (GDP) of 4.8 per cent in 2022, supported by a record tourist season, growth moderated to 3.3 per cent year on year in the first three quarters of 2023. The slowdown was mainly driven by weaker domestic demand resulting from elevated inflation. Goods exports contracted on an annual basis in the same period year amid sluggish growth in Albania’s key trading partners and sharp currency appreciation. The lek strengthened due to record levels of tourist arrivals alongside robust inflows of remittances and foreign direct investment.

**Inflation has bounced back below its objective.** Having reached an annual rate of 8.3 per cent in October 2022, inflation declined to 3.4 per cent in January 2024 and to 2.6 per cent in April 2024, partly on the back of strong appreciation. In response to elevated inflation, the

national bank raised the policy rate several times, from 0.5 per cent in March 2022 to 3.25 per cent in November 2023 (valid in February 2024). Due to higher borrowing costs, credit growth has slowed markedly, but remained positive at 4 per cent year on year in December 2023. The authorities began to reform and increase public-sector wages and raised the minimum wage by around 18 per cent in 2023. Considering the significant local-currency appreciation, the authorities put in place measures to support exporters' liquidity, such as a temporary freeze on profit tax prepayments, an acceleration of value-added tax (VAT) refunds and a full refund of excise taxes on petroleum gas and certain types of oil. Budget deficit was reduced to 1.4 per cent of projected GDP in 2023, and the government confirmed its commitment to achieving surplus in the future. The government also bought back bonds of EUR 133.3 million in November 2023, which along with good economic performance helped reduce public debt to record low 59.2 per cent of GDP at the end of 2023.

**Improved Credit Rating in 2024:** On March 22, 2024, S&P Global Ratings raised its long-term foreign and local currency sovereign credit ratings on Albania to 'BB-' from 'B+' on the back of the decline in public debt and strong tourism sector, while retaining its outlook as stable. Moody's followed suit and on 19 April 2024, revised Albania's outlook to Positive from Stable and affirmed 'B1' rating on the back of an improving trend of public finances. After peaking at 74.5% of GDP in 2022, the public debt ratio is on a firm downward path. Moody's anticipates a decline in the debt-to-GDP ratio to 56.3% by the end of 2024 and to below 50% in 2030. Debt reduction will be underpinned by solid nominal GDP growth and small primary fiscal surpluses. Contingent liability risks remain significant and stem from weather-related electricity imports, liabilities arising from state-owned enterprises and from reliance on public private partnerships to scale up investment. However, according to Moody's the risk of materialisation of contingent liabilities from weather-related electricity imports will decline due to a comprehensive power sector reform, reduction of losses in distribution and transmission, diversification of the energy mix and rising domestic electricity production. Foreign direct investments in the tourism and energy sectors, alongside shifts towards more productive sectors and improved labour market conditions, will continue to bolster growth according to Moody's.

#### 4. MARKET CONTEXT

The Albanian power market remains largely state owned and consists of following main state participants: 1) state utility KESH; 2) distribution company OSHEE, and 3) the transmission system operator OST. The electricity system of Albania is interconnected with the neighbouring systems of Greece, Montenegro, Kosovo and North Macedonia (the 400kV transmission line is under construction). Albania's total electricity consumption is met c.70% by domestic hydro generation and the remaining amount is imported with the amount of imports each year depending on the hydro yield that year.

Apart from 1,350 MW hydro capacity owned and operated by KESH, there are additional ~1GW of hydro capacities developed through concessions. Furthermore, currently there are approximately 190MW (including Voltalia's 140MWp Karavasta PV Plant) of installed capacity coming from solar PV parks, while an additional aggregate 130MW that has been implemented for self-consumption purposes by both households and business. In a normal hydrological year, Albania's existing hydro power plants will generate about 5-6 TWh (out of which 3.8 TWh/year from KESH owned HPPs and the rest from Independent Power Producers (IPPs), while the total electricity consumption in the country is more than 7 TWh/year. As a consequence, Albania is heavily dependent on electric power imports at high costs.

The Government of Albania considers the energy sector at the top of its priorities. This has been demonstrated through strong executive measures. The National Renewable Energy Action Plan (“NREAP”) includes a renewables target to up to 640 MW within 2030. To mitigate the reliance on imports, in the short term the Government has procured two floating TPP (power-ships or barges). While longer term plans include i) increased RES capacities (both solar and wind); ii) develop a hydro pump storage in KESH’s existing generation assets; iii) seeking to reinstate the Vlora TPP and iv) building Skavica HPP. In addition to the capacities auctioned by the Ministry of Infrastructure and Energy with the Bank’s support via two solar auctions and one in wind, for a total of 465MWp, there are approximately another 1 GW of unsupported private PV projects in the pipeline to further diversify and increase domestic generation to reduce import dependency. While the third Bank’ supported solar auction was completed in July 2024.

**Energy Crises:** Albania’s challenges to ensure security of supply at skyrocketing electricity import prices while unable to increase prices for final consumers triggered declaration of state of emergency in the sector since October 2021, well ahead of other countries in the region. Following a very wet first half of 2021, Albania underwent a period of severe lack of rainfall and hydro generation, causing the domestic demand to be met primarily by imports in 2021. This period of significant increase in import demand has coincided with the severe global electricity price hikes. As of end of October 2021, import costs have reached double the annual import costs in 2020. The Government of Albania announced a support package to OSHEE of EUR 200 million and ordered the suspension of OSHEE’s and KESH’s investment programmes until 15 April 2022. Starting January 2022, KESH took over electricity import duties from OSHEE as part of their Public Service Obligations (PSO), leveraging their reservoir capacity to manage imports better. However, high import costs depleted KESH’s liquidity, necessitating government’s financial support. In 2022, KESH’s import costs reached approximately EUR 500 million, mostly funded by government injections. Improved hydrology in 2023 helped KESH recover some of the previous year’s losses.

## 5. FINANCIAL ANALYSIS

### 5.1 FINANCIAL PROJECTIONS

[REDACTED]

### 5.2 SENSITIVITY ANALYSIS

[REDACTED]

### 5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

## 6. OTHER KEY CONSIDERATIONS

### 6.1 ENVIRONMENT

Categorised B (ESP 2019). Environmental and social issues associated with the operation of the existing distribution network are site specific and can be readily assessed and mitigated. Environmental and Social Due diligence (ESDD) was carried out in-house by the Bank's Environmental and Sustainability Department (ESD) and include a review to the progress implementing the existing ESAP actions, Annual E&S report and discussion with the Client.

OSHEE is an existing Client of the Bank, with a liquidity loan for general working capital needs provided (as part of the Bank's Covid-19 response) in 2021. The existing ESAP was developed to ensure alignment between OSHEE's ongoing operations with the Bank's Environmental and Social Performance Requirements, a key component of which was the establishment and implementation a formalised, integrated Health and Safety and Environmental and Social management system (HS-ESMS) and provision a senior H&S manager and environmental specialist responsible for operational activities. The system has since been developed with consultant support, but implementation is yet to commence. Implementation of other ESAP actions related to the on-going operations, including allocation of the new H&S manager and those related to PR2 and PR10 remain behind schedule.

The EBRD investment will be conditioned upon an agreed plan for a comprehensive program of reforms of the Company and the implementation of a defined CAPEX programme. Although this will not be financed by the Bank, E&S screening of potential CAPEX projects, which include new construction or rehabilitation of existing substation and overhead and underground distribution lines has been carried out as part of the ESDD. This has concluded that no Category A projects are included in the final CAPEX list and greenfield projects located in and with potential impacts on biodiversity protected or recognised areas have been excluded.

The existing ESAP has been updated and agreed with the Client. Post-signing TC support will be provided to support overdue ESAP items related to PR2, 4 and 10 and the required implementation of the HS-ESMS. In addition, the ESAP includes development of an avian protection plan and as good practice, corporate procedures to manage land acquisition in accordance with national and EBRD requirements. The EBRD will monitor the project through review of regular Environmental and Social reports and monitoring visits as required.

### 6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on OSHEE, its subsidiaries, senior management and other relevant parties, including participating commercial banks. [REDACTED].

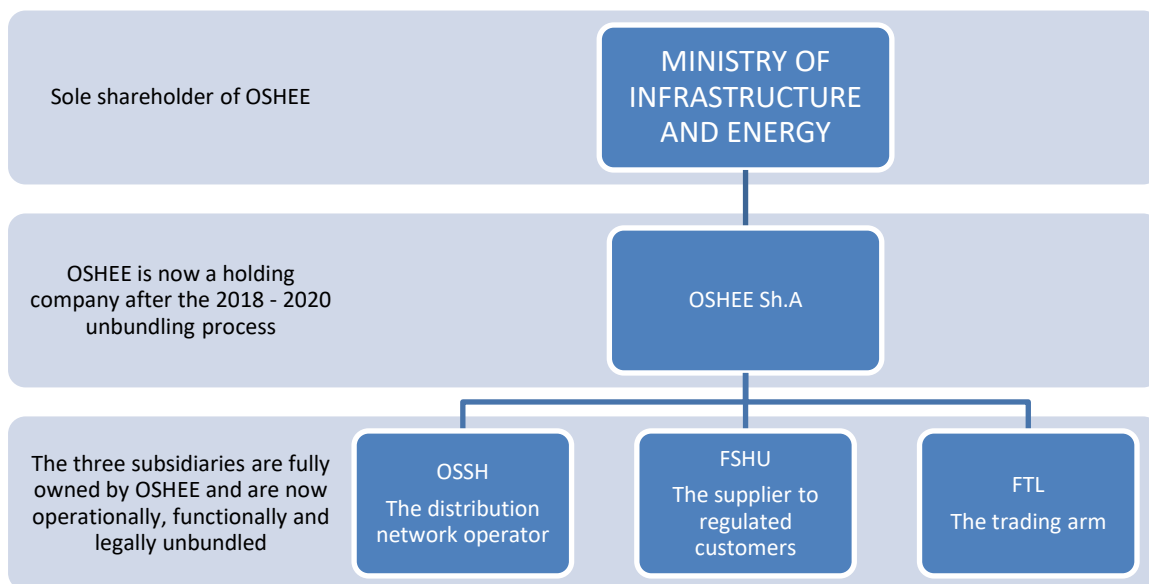
All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

**ANNEXES TO OPERATION REPORT**

ANNEX 1	SHAREHOLDING STRUCTURE
ANNEX 2	GREEN ASSESSMENT
ANNEX 3	ALBANIA'S MACROECONOMIC PERFORMANCE

## ANNEX 1 – SHAREHOLDING STRUCTURE

OSHEE is 100% owned by the Government of Albania via the Ministry of Infrastructure and Energy. OSHEE fully owns three subsidiaries, OSSH, FSHU and FTL - the distribution network operator, the universal service supplier (supplier to the regulated customer) and a trading arm.



Source: National Registration Center

## ANNEX 2 – GREEN ASSESSMENT

### SUMMARY

- The Project consists of refinancing of sovereign-guaranteed overdrafts with a more sustainable, long-term loan.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- The Project is attributed 41% **GET** based on enabled GET finance approach.
- [REDACTED].

### PARIS ALIGNMENT ASSESSMENT

#### *Alignment with the mitigation goals of Paris Agreement - General screening*

The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank's Paris alignment approach for direct finance.

- The projects activity and the enabled green capex list of investments is included in the 'MDBs' aligned list' under the category "Electricity transmission and distribution, including energy access, energy storage and demand-side management".
- There are no activities included in the 'non-aligned list'.

#### *Alignment with the adaptation goals of Paris Agreement*

The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. No material physical climate risks have been identified.

### GET ATTRIBUTION

The Project is attributed 41% GET. The project is consistent with the enabled GET finance approach and is expected to lead to net technical losses reduction of 1,341,203 kWh. The green capex investments consist in rehabilitation and construction of stations/substations and associated investments, and transmission lines, totalling Euro 40.3m. They are expected to be implemented from 2025 to 2028. These investments are primarily brownfield hence GET eligibility is evidenced by a reduction of net technical losses. For greenfield investments in the green capex list, these qualify as GET as these are used to accommodate only renewables, considering that Albania's energy generation is 100% renewables. No CO2 emission reductions are reported considering that the grid emission factor for Albania is 0. The Client will issue a statement before loan signing, committing to implementing this capex investments by end of 2028. [REDACTED].

## ANNEX 3 - ALBANIA'S MACROECONOMIC PERFORMANCE

**Economic growth expected to continue in 2024 at a similar pace.** Following a rise in gross domestic product (GDP) of 4.9 per cent in 2022, supported by booming tourist season, growth moderated to 3.4 per cent year on year in 2023. The slowdown was mainly driven by weaker domestic demand resulting from elevated inflation. Goods exports contracted by 17 per cent amid sluggish growth in Albania's key trading partners and sharp currency appreciation. The lek strengthened due to record levels of tourist arrivals alongside robust inflows of remittances and foreign direct investment. In line with lower domestic and external demand, agriculture and industry declined, while service sectors such as real estate, construction, information and communications technology (ICT) and retail trade were the fastest-growing sectors driving the economic growth. Service exports growth accelerated further to 20 per cent in 2023, as Albania's booming tourism sector continued to outperform expectation in terms of tourist arrivals and overnight stays with annual growth of 35 per cent. As a result, current account deficit reached a historic low of 0.9% of GDP. Growth of 3.3 per cent is expected for 2024, on the back of persistent tourism growth and recovery of private consumption driven by easing inflation and rise in wages.

**Inflation down to target band.** Having reached an annual rate of 8.3 per cent in October 2022, inflation declined to 2.2 per cent in May 2024, partly on the back of strong appreciation of the local currency but also due to high base from the first half of 2023. In response to elevated inflation, the national bank raised the policy rate several times, from 0.5 per cent in March 2022 to 3.25 per cent in November 2023 (valid in May 2024). Due to higher borrowing costs, credit growth has slowed markedly, but remained positive at 4 per cent year on year in December 2023. The authorities began to reform and increase public-sector wages and raised the minimum wage by around 18 per cent in 2023. In light of significant local-currency appreciation, the authorities put in place measures to support exporters' liquidity, such as a temporary freeze on profit tax prepayments, an acceleration of value-added tax (VAT) refunds and a full refund of excise taxes on petroleum gas and certain types of oil. In addition, the government approved the loan guarantees to manufacturing industry, which will benefit from lower interest rates (1.5-2 per cent).

**Fiscal deficit was reduced to 1.4 per cent of projected GDP in 2023,** and the government confirmed its commitment to achieving surplus in the future, which is materialising in the first five months of 2024, with surplus of around €500mn. Despite the positive start, the recently approved 2024-2026 fiscal plan anticipates a slightly higher deficit target of 2.5% of GDP for 2024, compared to the previously projected 2.2%. To support the state budget and help repay an existing Eurobond that matures in 2025, Albania tapped into external markets by way of an oversubscribed five-year €600 million Eurobond in June 2023. The government also bought back bonds of €133.3m in November, which along with good economic performance helped reduce public debt to record low 59.2 per cent of GDP at the end of 2023. In first five months of

**Growth is set to remain around the same level in the near term.** Economic growth in 2024 is expected to be at a similar level (3.3 per cent) and to accelerate further to 3.5 per cent in 2025, on the back of strong performance of the hospitality sector and the improvement in global outlook. Risks to growth arise from a possible drought, negatively affecting agricultural output and electricity supply.

**Macro financial stability is maintained despite pressures.** The current account deficit narrowed to a record low of 0.9 per cent of GDP at the end of 2023, coupled with increase in international reserves to €6 bn. The banking sector remains well capitalised and liquid with non-performing loans (NPLs) at some of the lowest levels in more than a decade (4.8 cent in April 2024).

## **Structural reform developments**

**Public finance management sectoral strategy 2023-2030 is approved** with the focus on transparency, accountability, and efficiency in managing public resources to improve service delivery and economic development. The new strategy outlines several key objectives in six pillars, such as stronger fiscal and macroeconomic policies, enhanced planning and reporting, increased revenue mobilization, improved budget management, strengthened internal controls, and green economy integration. Indicative cost of strategy implementation is around EUR 11.5m, most of which is expected to be provided by External Development and Integration Partners. And most of the costs is related to revenue mobilization and management, including investment in tax and customs administration capacities.

**In line with public sector wage reform initiated in 2023 new salary increase has been approved in sectors of pre-university education, healthcare and security.** The education sector will see the biggest boost, with over EUR 110m allocated to teacher salaries alone, which will benefit from a cumulative increase of 35.0% to 60.0% over the past two years. This investment aims to improve education quality and develop Albania's future workforce. In addition, the government is working on tax relief package for young people up to 29 years old, aiming to promote youth employment by offering tax deductions based on age.

**In November 2023, the European Commission adopted a new Growth Plan for the Western Balkans to improve the level and speed of convergence between the Western Balkans and the EU.** The new Growth Plan is based on four pillars, aimed at: enhancing economic integration with the European Union's single market, boosting economic integration within the Western Balkans through the Common Regional Market, accelerating fundamental reforms and improving sustainable economic growth including through attracting foreign investments and strengthening regional stability, and increasing financial assistance to support the reforms.

**Electricity market coupling with Kosovo took place at the end of January 2024** and is the very first coupling project in the WB6 economies. It has the potential to provide substantial benefits to both economies in terms of both supply security and price competitiveness of electricity.

**The National Employment and Skills Strategy 2023-2030** as the main policy document that guides the implementation of actions related to employment and skills development in the country has been approved in 2023. The policy goals of this Strategy are skills development and better matching of demand with supply in the labour market for more employment, enabling decent employment for women and men through the implementation of comprehensive labour market policies.

**The Albanian parliament adopted the amendments to the law on Support and development of start-ups allowing the establishment of the Start-up Albania** agency which will be responsible for development and support of start-ups during the incubation period, until the end of the implementation of the project financially supported as a start-up or facilitator of

start-ups. It will periodically monitor start-ups and facilitators of start-ups that have received support measures through grants. Additionally, two new bodies will be established for evaluation of requests from start-ups and start-up facilitators, respectively the “Evaluation Commission” and the “Appeal Commission”.