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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 09-Jun-2023 | Report No: PIDISDSA36246

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Albania	P176163	Clean and Resilient Environment for Blue Sea Project	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EUROPE AND CENTRAL ASIA	16-Jan-2023	26-Jul-2023	Environment, Natural Resources & the Blue Economy
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Finance and Economy	Agency for Water Supply and Sewerage and Waste Infrastructure, Ministry of Tourism and Environment	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to reduce pollution from land-based sources into the aquatic environment in selected areas of the South-West Coastal Belt of Albania.

Components

Component 1: Promote Integrated and Circular Approaches for protection of Landscapes and Water Resources
Component 2: Reduce Water Pollution in the Vjosa River
Component 3. Project Management, Monitoring and Evaluation

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	80.00
Total Financing	80.00
of which IBRD/IDA	80.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	80.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Sustaining economic growth and macroeconomic balances has proven challenging in the face of a sequence of economic shocks.** In November 2019, Albania was hit by a devastating 6.3-magnitude earthquake which directly affected 7 percent of the population, causing damages to physical assets and losses equivalent to an estimated 7.5 percent of the gross domestic product (GDP). The COVID-19 pandemic caused a dramatic slowdown in the tourism sector, which accounts for 26 percent of Albania's economic output. The Albanian economy has shown considerable resilience in the face of consecutive shocks since 2019-2020. During 2021-2022, the economy experienced a strong rebound, with GDP fully recovering to pre-pandemic levels. Real GDP expanded by 8.5 percent in 2021, surpassing its level in 2019 by 4.7 percent and fully closing the output gap. Poverty levels continued their downward trend in 2022. Yet, sustaining the pace of reforms has been challenging and rising inflation could dim Albania's growth prospects. Through more green, resilient, and inclusive development, Albania can ensure that growth gains are sustainable.

2. **Albania's core economic sectors, notably tourism, will benefit from renewed attention to the natural environment.** It is one of the few countries in Europe with pristine coastal stretches and naturally flowing rivers with a potential to attract high-value tourists. Albania's tourism sector is and will remain a key driver of economic growth. The sector directly supported 20 percent of the total employment in 2021,[1] recording a direct contribution of US$3 billion, accounting for about 17.4 percent of GDP[2] with an

[1] WTTC (World Travel and Tourism Council). 2022. "Albania 2022 Annual Research: Key Highlights."
[2] Ibid.

annual growth rate of 10–15 percent.[3] The economic contribution of the tourism sector through indirect multiplier effects is estimated at US$3.4 billion, which represents 26.2 percent of the GDP.[4] The economic impact of COVID-19 has underscored the need for Albania to rebalance its approach to tourism development, as part of a strategy to build back better.

3. **Albania's General National Spatial Plan 2015–2030 singles out the coast as the most important zone of the national territory because of its position, natural values, biodiversity significance, and cultural and historical heritage.**[5] Its coastal and marine resources are a vital part of its national economy and significantly contribute to the country's economic growth and employment. The country's coast supports unique ecosystems and is a vital part of its national economy, with its coastal districts contributing 37 percent of its GDP in 2017.[6] The Government of Albania (GoA) aspires to develop an integrated and sustainable plan to harness the economic contribution of its coastal and marine resources. While Albania has made impressive progress with promoting growth, jobs, investment, and poverty reduction, it is yet to realize the full economic potential of its coastal and marine assets. While the Blue Economy is a relatively new concept in Albania, it has become a public policy goal, in part due to the anticipated negotiations around Albania's entry into the European Union (EU).

4. **Albania's coast is facing growing pressure on environment and natural resources and is vulnerable to climate change impacts.** Environmental degradation from ineffective waste management systems and water treatment constitutes a direct risk to the health of Albanians and their livelihoods, as well as key economic sectors such as tourism. Albanian tourism depends on the sustainable management of natural and cultural assets, including freshwater and marine ecosystems. Furthermore, Albania is one of the most climate-vulnerable countries in Europe,[7] frequently exposed to climate- and weather-related hazards and increasing risks to the economy, infrastructure, and its people. The major risks posed by climate change are rising sea levels, greater flooding, extended droughts, rapid shoreline erosion, saltwater intrusion, increased risk of wildfires, landslides, and changes in temperature.[8] Observed and anticipated climate change impacts, such as more intense precipitation and rising sea levels, coupled with decreased rainfall, are expected to increase the risks of exposure to natural disasters, including more frequent and intense flooding in low-lying areas of river deltas and coastal cities, and likely lead to water stress for the country's drier areas.[9] Albania is highly urbanized with a rate of 1.29 percent annually and nearly 63 percent of the population residing in urban areas.[10] This growth model requires effective solutions for pollution prevention and investments in protecting the value of natural assets (land, water, and ecosystems) on which a large part of the national economy depends.

5. **Accession to the EU and its continued commitment to a Green Deal are strong incentives for the country to boost its reform agenda including better stewardship of natural resources, environmental protection, and addressing of climate change.** Albania maintains a constant and strong commitment toward European integration. Since 2011, Albania has achieved significant progress in the adoption of

[3] International Labour Organization. 2021. *Towards Sustainable Tourism in Albania's Vjosa River Region: An Analysis of the Key Constraints and Opportunities to Create More and Better Jobs in the Region around Europe's Last Wild River*.
[4] Ministry of Tourism and Environment (2019).
[5] Albania (2016). General National Spatial Plan. First National Document on Spatial Planning 2015–2030.
[6] Ibid.
[7] https://www.worldbank.org/en/country/albania/brief/climate-change-in-albania.
[8] Think Hazard! Albania Profile (accessed November 25, 2022), https://thinkhazard.org/en/report/3-albania.
[9] Ibid.
[10] World Bank data, 2021, Urban Population Percentage.

new, modern environmental legislation and initiated steps toward introducing circular economy and green growth actions. This process was driven by the efforts to approximate the EU environmental acquis, as the country was granted candidate status in 2014. However, implementation is slow due to the absence of subsidiary regulation and bylaws and a lack of institutional and financial capacity.

Sectoral and Institutional Context

6. **Competing demands from multiple users on the natural resources act as stressors and undermine their economic value for growth.** The current development model has put high pressure on land, water, coastal, and marine resources. Albanian tourism and natural assets are linked through a causal-effect interdependency. On one hand, pressures from poor environmental management of public spaces (for example, river basins, ecologically sensitive areas, and coastal beaches) and urban expansion without adequate solid waste and waste treatment facilities reduce the amenity value of natural assets and inevitably increase the maintenance and operation cost of the tourism sector. On the other hand, pressures of high intensity based on seasonality and specific geographic location, coupled with lacking environmental infrastructure and climate impacts (for example, flash floods, erosion, and loss of vegetation), further erode the natural assets base.

7. **The GoA has identified South Albania's Coastal Belt[11] as a priority for regional development.** With its unique natural assets and cultural heritage, the South Coastal Belt has distinctive potential for high-value tourism as a driver of local, regional, and national economic growth. In this regard, the region could be pivotal for Albania's sustainable tourism branding and offerings for 'blue seas' and 'clean rivers'. This, however, can only be realized if multiple pollution challenges threatening the health of river and coastal ecosystems are addressed. Several tourist centers such as Himara, Saranda, and a few smaller ones along the coast are facing issues related to municipal waste management, particularly associated with increased tourism and plastic litter.

8. **Pollution leads to high socioeconomic costs incurred by altering the ecosystem services and their productivity and resilience.** Coastal economy is in a closed-loop relationship with the quality of aquatic and terrestrial ecosystems. Polluted visitor attractions, for example, beaches, rivers, towns, and marine areas, pose risks to the tourism sector with negative impacts on aesthetic values and recreational use and the Albanian aspiration to brand its tourism as 'clean and green'. A recent World Bank study estimated the economic loss in Albania due to marine litter in 2017 at €0.34 million to fisheries, €1.74 million to the fishing fleet, and in the range of €1.73–5.62 million for beach cleaning.[12] Moreover, the public sector is affected by the high cost and administrative burden associated with littering, including clean-ups, enforcement of prevention measures, and treatment costs. In 2021, the Ministry of Tourism and Environment (MoTE) topped up municipal efforts to clean beaches with US$5 million—and again in 2022 with close to US$1 million. The cost for additional waste collection and prevention measures in the Adriatic is estimated at €2,505 per tourist facility and €1.73–5.62 million annually for the entire Albanian

[11] The south of Albania, as referred to in this project, does not correspond to a specific administrative region. It is a geographic area that has been recognized for its tourism potential and includes several of Albania's most attractive and diverse tourism assets. It comprises the area between Fier-Vlora and Saranda and covers both the coast and the hinterland, including Berat, Permet, and Gjirokaster and the Vjosa River.

[12] World Bank. 2020. *Realizing the Blue Economy Potential in Albania*. Washington, DC: World Bank.

coastline. In comparison, a study on the benefits of banning plastic bags estimated that this measure will save municipalities US$4 million per year in transportation and storage of waste.

9. **Preventing pollution from land-based sources is essential to realize Albania's blue economy potential.** A 2018 regional survey which included six other surrounding countries found that 48.9 percent of marine litter came from land-based activities, which was far more prevalent than litter from sea-based activities. Sewage and wastewater, persistent organic pollutants (including pesticides), nutrients, and sediments—whether brought by rivers or discharged directly into coastal waters—take a severe toll on human health as well as coastal ecosystems. Coastal economic sectors are highly dependent on healthy and functioning ecosystems; hence, addressing land-based pollution is key to support the transition toward sustainable blue economies.

10. **The Vjosa River, located in southern Albania, is an important tourist attraction and is one of the last rivers in Europe retaining its natural flow.** Together with its tributaries, Vjosa is a rare undisturbed river system and the longest transboundary river in the Balkans. It flows unobstructed by dams and hydropower plants along its 270 km course through deep canyons and wide meanders to the Adriatic Sea. Vjosa flows through narrow gorges in the upper part to the wide braided river sections in the middle part, to the near-natural delta at the Adriatic Sea. It is an important natural freshwater source for the organic-rich wetland areas close to the coast where freshwater and saltwater mix. The Vjosa River Basin provides important ecological benefits to the coastal and marine ecosystem. It supports diverse landscapes, unique native plant and animal species, natural habitats, and geodiversity sites of special spiritual, scientific, educational, recreational, and tourism significance.[13] The Vjosa River has exceptional value as a tourist attraction and was declared a National Park (International Union for Conservation of Nature [IUCN] category II) by the Albanian Government on March 15, 2023, becoming the first Wild River National Park in Europe.

11. **The drainage basin of the Vjosa River system and the coastal wetlands are joined and connected through various transport mechanisms.** Physical, chemical, and biological stressors originating outside the river and wetlands ecosystems can affect their health. The sensitive and heterogeneous river system of the Vjosa River is increasingly exposed to anthropogenic contaminants from various sources, including untreated sewage, agricultural runoff, solid waste, among other sources affecting the water quality of the river. In this regard, addressing pollution from untreated sewage and nonpoint sources (NPSs) are priorities for the Government. Reducing environmental pressures on coastal wetlands, lagoons, and beaches from waste deposited on surrounding slopes and beaches causing siltation, erosion, and poor water quality is equally important.

12. **The delivery of efficient waste management and sanitation services and pollution control are limited by infrastructure deficiencies, insufficient financial resources, inconsistent monitoring data, weak enforcement, and low public awareness.** Waste management is still dominated by a linear collect-and-dispose approach. The adoption of circular economy principles in Albania has been slow. Currently, the pollution prevention approach in the solid waste management (SWM) system still does not include reducing pollution at source. Specific areas of concern in the purview of the project which need substantial technical assistance (TA) and investment support include waste management and water pollution.

[13] Sovinc, A. 2021. *Protection Study of the Vjosa River Valley Based on IUCN Protected Area Standards*. Belgrade, Serbia: IUCN.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

13. The Project Development Objective (PDO) is to reduce pollution from land-based sources into the aquatic environment in selected areas of the South-West Coastal Belt of Albania.

Key Results

14. Key results toward the specific PDO will be measured with the following indicators:

(a) Population covered by municipal waste collection service (Percentage)

(b) Wastewater flows from urban agglomerations safely treated (percentage)

(c) Nutrients pollution filtered and avoided (percentage)

D. Project Description

15. The project takes an integrated approach to preventing pollution at source caused by municipal solid waste and sewage. The dual focus on investments in solid waste and sewage encompasses the foremost defense against pressures on water bodies and coastal landscape on which the local economy depends. In the context of the integrated approach to pollution prevention, the outcomes of these investments are mutually reinforcing. Potential co-benefits of SWM and wastewater treatment include preventing clogging of sewers, co-digestion or composting of organic matter, and reuse of sludge as soil amendment for landfill covers and closure. Component 1 activities are designed to enhance pollution prevention by providing institutional support and incentivizing municipalities to improve waste management services and further engaging the public and relevant stakeholders with awareness campaigns and school programs. The investment interventions in Component 2 are designed to tackle the pathways of pollution from land to the aquatic environment in a manner that is synergetic and factors in behavior and climate impacts. The small-scale activities financed under Subcomponent 2.3 will augment the impact of outcomes through support to green solutions demonstrating circularity, filtration of nutrients using small green infrastructure, and pollution prevention activities that can be scaled up. Planned activities have been designed to meet the technical standards and requirements of the EU Waste Framework and the EU Urban Wastewater Treatment Framework Directives and their targets. Henceforth, the project will support the GoA's efforts toward advancing the EU accession agenda, particularly on increasing circularity and water quality.

16. The project is structured around the following three components and associated sub-components.

Component 1: Promote Integrated and Circular Approaches for Protection of Landscapes and Water Resources, in the Amount of €12.94 million (US$ 13.80 million Equivalent)

17. This component will support the implementation of local solutions for the protection of valuable landscapes and water resources within the Vlora South-Gjirokaster Waste Zone. The project will apply an integrated approach to SWM investments, considering circular economy principles, and support a more environmentally, financially, and operationally sustainable waste management system modernizes. This component will provide local environmental investments and technical support to municipalities to improve SWM services and will support the implementation of awareness-raising campaigns, notably for young students in schools, and dissemination activities. By improving municipal waste management, project activities will generate climate mitigation co-benefits. This component will finance consulting services, non-consulting services, goods, and training.

- *Subcomponent 1.1: Institutional support for sustainable performance, enhanced monitoring, and transition to circular economy: €1.03 million (US$ 1.10 million equivalent)*
- *Subcomponent 1.2: Environmental-Performance Based Investments for local pollution prevention: €9,38 million (US$ 10.00 million equivalent)*
- *Subcomponent 1.3: Behavioral change support and dissemination for scaling up: €2.53 million (US$ 2.70 million equivalent)*

Component 2: Reduce Water Pollution in the Vjosa River, in the Amount of €58.18 million (US$ 62.06 million Equivalent)

18. This component will support activities to reduce the adverse impacts of point source pollution from untreated municipal wastewater and stormwater runoffs and from NPS pollution that pose significant threats to aquatic ecosystems and the environment. Interventions proposed under this component will help the GoA in reaching Target 6.3 of the SDGs, to “improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving by 2030 the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.” All investments will consider climate-change-related risks to ensure climate resilience of infrastructure. This component will finance construction works, consulting services, non-consulting services, goods, and training.

- *Subcomponent 2.1: Expansion of sanitation infrastructure: €54.19 million (US$ 57.80 million equivalent)*
- *Subcomponent 2.2: Improved sanitation facilities and management: €0.96 million (US$ 1.02 million equivalent)*
- *Subcomponent 2.3: Non-point source pollution prevention : €3.03 million (US$ 3.24 million equivalent)*

Component 3: Project Management, Monitoring and Evaluation, *in the Amount of €3.8* million (US$ 4.15 million Equivalent)

19. This component will provide support for project management, implementation, and monitoring, evaluation, and reporting, including in the areas of financial management, procurement, environmental and social risk management, Project audits, and financing of Operation Costs, and Training for (i) MoTE PMT and (ii) AKUM PCU.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

20. **Environment and social risk are both rated Substantial.** The environmental risk is assessed as Substantial. The environmental impact of the project interventions is expected to be largely positive; however, some potential risks of temporary nature associated with activities related to construction of wastewater infrastructure are expected. The social risk is assessed as Substantial. Potential social risks may include exclusion from project activities and health and safety risks for the workers that may also -in some cases- be unregistered and unskilled workers. Moreover, surrounding communities may be affected as a result of nuisances resulting from construction works in the surrounding lands. The project activities also have the potential to exclude certain vulnerable groups in the stakeholder engagement. Moreover, the construction of planned infrastructure could affect private lands. To avoid potential conflicts, local communities will be provided with opportunities to participate in decision-making and derive full benefits. To mitigate social and environmental risks, appropriate World Bank standards will apply and site-specific instruments will be prepared.

E. Implementation

Institutional and Implementation Arrangements

21. **The project will have two Implementing Agencies (IAs).** MoTE will be responsible for overall project coordination, reporting and monitoring. MoTE will establish a dedicated Project Management Team (PMT) responsible for day-to-day supervision of Project implementation for the MoTE Parts of the Project (subcomponents 1.1, 1.2, 1.3, 2.3, 3.1) and other responsibilities as set forth in the POM. The PMT will include inter alia: a coordinator, a procurement expert, a financial management expert, an investment manager, a monitoring and evaluation, a full-time environmental expert, and a full-time social expert. AKUM will establish a Project Coordination Unit (PCU) which will also manage the World Bank-funded Program-for-Results on National Water Supply and Sanitation Sector Modernization Program. The PCU will be responsible for day-to-day supervision of Project implementation for the AKUM Parts of the Project (project subcomponents 2.1, 2.2, and 3.2) and other responsibilities as set forth in the POM. The PCU will include inter alia: a coordinator, a sanitation expert, an environmental expert, a social expert, a procurement expert, and a financial management expert. The project will also hire technical service providers as required and appropriate, in accordance with project work plans.

22. MoTE and AKUM, through their project teams, will closely collaborate with four key local partners: (a) National Environment Agency (NEA) for Component 1, (b) Regional Directorate of Water Utilities for Component 2, (c) National Agency for Protected Areas for Component 2, and (d) municipalities for all three components.

23. MoTE will ensure an accounting software is in place at both MoTE and AKUM, capable to support the Project reporting and accounting requirements; all of the above in accordance with terms of reference acceptable to the Bank. Disbursements will only be possible once the EPBI manager is hired. MoTE will prepare a EPBI manual setting forth investment implementation arrangements, eligibility criteria and selection procedures.

24. A Project Steering Committee (PSC), chaired by MoTE and comprising representatives from AKUM, Ministry of Infrastructure, and Ministry of Finance and Economy (MoFE), will be established with functions, membership, and responsibilities set forth in the POM, to provide coordination and overall guidance on project implementation.

25. **The Project Operations Manual (POM) will be prepared to guide the implementation of the project before project effectiveness.** The POM will provide detailed implementation and institutional arrangements for the Project; including, inter alia: (a) procurement; (b) financial management and accounting; (c) monitoring and evaluation; (d) implementation arrangements; (e) selection criteria for potential sites for Project interventions; (f) coordination arrangements between MoTE and AKUM, and municipalities and utilities; (g) Personal Data protocols to be used under the Project; (h) EPBI Manual setting forth, inter alia, Investment implementation arrangements, eligibility criteria and selection procedures; and (i) such other technical, administrative, fiduciary or coordination arrangements as may be necessary to ensure effective Project implementation.

26. **Municipalities are beneficiaries and will play an important role in implementation.** Municipalities will be actively engaged in key project decisions, yet fiduciary and ESF functions will remain with the PMT and PCU.

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APPROVAL

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