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Report No: PAD4873

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED LOAN

IN THE AMOUNT OF EUR 75.5 MILLION
(US$ 80 MILLION EQUIVALENT)

TO THE

REPUBLIC OF ALBANIA

FOR A

CLEAN AND RESILIENT ENVIRONMENT FOR BLUE SEA PROJECT

NOVEMBER 7, 2023

Environment, Natural Resources & the Blue Economy Global Practice
Europe and Central Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective Sept 30, 2023)

Currency Unit =	EUR
ALL 1 =	EUR 0.0094
US$ 1 =	EUR 0.9426

FISCAL YEAR
January 1 – December 31

Regional Vice President:	Antonella Bassani
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ABBREVIATIONS AND ACRONYMS

AKUM	National Agency for Water, Sewage and Waste Infrastructure (*Agjencia Kombëtare Ujësjellës Kanalizime dhe Mbetjeve te Ngurta*)
BOD	Biological Oxygen Demand
CARE4BLUE	Clean and Resilient Environment for Blue Sea
COD	Chemical Oxygen Demand
CPF	Country Partnership Framework
DA	Designated Account
DFIL	Disbursement and Financial Information Letter
DPF	Development Policy Financing
E&S	Environmental and Social
EA	Economic Analysis
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
eMBeD	Mind, Behavior, and Development Unit
EPBI	Environmental Performance-Based Investment
EPR	Extended Producer Responsibility
ERRU	Regulatory Authority of the Water Supply, Wastewater Disposal and Treatment Sector (*Enti Rregullator i Sektorit të Furnizimit me Ujëdhe Largimit e Përpunimit të Ujërave të Ndotura*)
ESF	Environmental and Social Framework
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GIZ	*Gesellschaft für Internationale Zusammenarbeit*
GIS	Geographic Information System
GoA	Government of Albania
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IA	Implementing Agency
IDSI	Intra-Domiciliary Sanitation Investments
IFR	Interim Financial Report
IPF	Investment Project Financing
IRR	Internal Rate of Return
IUCN	International Union for Conservation of Nature

KfW	German Development and Investment Bank (*Kreditanstalt für Wiederaufbau*)
KPI	Key Performance Indicator
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MoFE	Ministry of Finance and Economy
MoIE	Ministry of Infrastructure and Energy
MoTE	Ministry of Tourism and Environment
MSW	Municipal Solid Waste
MTBP	Medium-Term Budget Program
MTR	Midterm Review
NBS	Nature-Based Solutions
NEA	National Environment Agency
NPS	Nonpoint Source
NPV	Net Present Value
O&M	Operation and Maintenance
PAD	Project Appraisal Document
PCU	Project Coordination Unit
PDO	Project Development Objective
PFM	Public Financial Management
PFS	Project Financial Statements
PIUTD	Project for Integrated Urban and Tourism Development
PMT	Project Management Team
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
RPF	Resettlement Policy Framework
SDGs	Sustainable Development Goals
SEP	Stakeholder Engagement Plan
SLM	Sustainable Land Management
SOE	Statement of Expenses
STEP	Systematic Tracking of Exchanges in Procurement
SWM	Solid Waste Management
TA	Technical Assistance
TOR	Terms of Reference
UWWTD	Urban Wastewater Treatment Directive
WBG	World Bank Group
WSS	Water Supply and Sanitation
WWTP	Wastewater Treatment Plant

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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name		
Albania	Clean and Resilient Environment for Blue Sea Project		
Operation ID	Financing Instrument	Environmental and Social Risk Classification	
P176163	Investment Project Financing (IPF)	Substantial	

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternative Procurement Arrangements (APA)	[ ] Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
01-Dec-2023	29-Mar-2030
Bank/IFC Collaboration	
No	

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 Name	Cost (US$)
Component 1: Promote Integrated & Circular Approaches for Protection of Landscapes & Water Resources	13,800,000.00
Component 2: Reduce Water Pollution in the Vjosa River	62,055,400.00
Component 3. Project Management, Monitoring and Evaluation	4,144,600.00

Organizations

Borrower:	Republic of Albania
Implementing Agency:	Agency for Water Supply and Sewerage and Waste Infrastructure, Ministry of Tourism and Environment

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation 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

Expected Disbursements (US$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029	2030	2031

Annual	2.60	6.24	9.04	12.46	15.23	17.51	15.07	1.48
Cumulative	2.60	8.84	17.88	30.34	45.57	63.08	78.15	79.63

PRACTICE AREA(S)

Practice Area (Lead)

Environment, Natural Resources & the Blue Economy

Contributing Practice Areas

Urban, Resilience and Land; Water

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Moderate
7. Environment and Social	Substantial
8. Stakeholders	Moderate
9. Other	
10. Overall	Moderate

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description
Loan Agreement, Schedule 2, Section I.A.1(c). The Borrower, through MoTE, shall establish, not later than three (3) months from the Effective Date, and thereafter a Project Steering Committee, with functions, membership, and responsibilities set forth in the POM, to provide inter-institutional coordination and overall guidance on Project implementation.

Section I.A.3. of the Schedule 2. The Borrower, through MoTE, shall, and shall cause AKUM to, not later than ninety (90) days from the Effective Date, acquire and install or update, as need be, an accounting software capable to support the Project reporting and accounting requirements;all of the above in accordance with terms of reference acceptable to the Bank.

Conditions

Type	Citation	Description	Financing Source
Effectiveness	Condition-2	Article 5.01 (b) of the Loan Agreement. The Borrower has established (i) through MoTE, a Project Management Team, and (ii) through AKUM, a Project Coordination Unit, both with staff, terms of reference and competencies satisfactory to the Bank.	IBRD/IDA
Effectiveness	Condition-1	Article 5.01 (a) of the Loan Agreement. The POM including the EPBI Manual, has been prepared and adopted by the MoTE and AKUM, in form and substance satisfactory to the Bank.	IBRD/IDA
Disbursement	Condition-3	Section III.B.1 of Schedule 2 of the Loan Agreement. No withdrawal shall be made under Category 3 until and unless the Borrower has hired the EPBI manager.	IBRD/IDA

I. STRATEGIC CONTEXT

A. Country Context

1. **Sustaining economic growth and macroeconomic balances has proven challenging in the face of a sequence of economic shocks.** 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 gross domestic product (GDP) fully recovering to pre-pandemic levels. Growth in 2022 reached 4.8 percent as private consumption, exports, and investment expanded despite increasing energy and food prices. Growth is expected to be moderate in 2023, despite another year of exceptional increase in tourism. Poverty levels continued their downward trend as employment and wages increase. 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 tourism sector will continue to drive 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 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 coast and its tourism sectors are facing growing pressure on environment and natural resources and are 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.[5] 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.[6] These climate change impacts 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.[7]

4. **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 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.

[1] WTTC (World Travel and Tourism Council). 2022. "Albania 2022 Annual Research: Key Highlights."
[2] Ibid.
[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] https://www.worldbank.org/en/country/albania/brief/climate-change-in-albania.
[6] Think Hazard! Albania Profile (accessed November 25, 2022), https://thinkhazard.org/en/report/3-albania.
[7] Ibid.

B. Sectoral and Institutional Context

5. **The Government of Albania (GoA) has identified South Albania's Coastal Belt[8] 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 construction and plastic litter.

6. **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 €1.74 million to the fishing fleet, and in the range of €1.73–5.62 million for beach cleaning.[9] 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 coastline. A 2018 regional survey which included six other surrounding countries found that 48.9 percent of marine litter came from land-based activities.

7. **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. It supports diverse landscapes, unique native plant and animal species, natural habitats, and geodiversity sites of special spiritual, scientific, educational, recreational, and tourism significance.[10] 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.

8. **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 technical assistance (TA) and investment support include waste management and water pollution.

(i) Waste Management

9. **Albania needs a more effective SWM system.** Nationally, approximately 70 percent of the population is covered by waste collection services, but this is mainly in urban areas. Urban waste services (street sweeping and waste collection) are provided in all urban areas and, to a lesser degree, in rural areas. The SWM system is characterized by high reliance on landfills. The collection infrastructure is poor, and the number of containers is often insufficient, resulting in a lack of cleanliness and poor service efficiency. About 80 percent of waste is deposited in one of four sanitary landfills, one incinerator, and recognized landfills or illegal dumpsites.[11] In total, about 40 percent of the total waste is disposed of in

[8] 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.
[9] World Bank. 2020. *Realizing the Blue Economy Potential in Albania*. Washington, DC: World Bank.
[10] Sovinc, A. 2021. *Protection Study of the Vjosa River Valley Based on IUCN Protected Area Standards.* Belgrade, Serbia: IUCN.
[11] At present, four compliant landfills (Bajkaj, Maliq, Bushat, and Sharra) and one waste-to-energy plant/incinerator (Elbasan) are operational.

regulated sites.[12] Overall, the level of mismanaged plastic waste is high, reaching 73 percent, thus making Albania a major contributor of marine litter among the countries in the Mediterranean.[13]

10. **Albania is enhancing the legal framework for waste management by aligning it with the EU acquis.** Currently, there are several legal and economic instruments in place to regulate, fund, and incentivize waste management efforts, including to protect the marine environment. The new National Integrated Waste Management Plan 2020–2035[14] aims to incorporate circular economy principles into the national waste management system. The key targets for increasing recycling to 40 percent by 2035 and reducing the landfilling to 10 percent of total waste collected by 2035 are relatively ambitious while the recycling targets are still below the EU requirements of 65 percent by 2035. Since June 2022, all single-use plastic bags have been banned from production, import, and everyday use. The National Integrated Waste Management Plan divides the country into waste zones which are different from regional administrative boundaries.

11. **At present, municipalities are responsible for the management of municipal waste, but they often lack capacity to deliver on their responsibilities**. Because of the lack of funding, administrative capacity and public awareness, municipalities have not been reaching their waste-related targets set by the government.[15] The situation is compounded by the limited monitoring for compliance. Added benefits could be derived from strengthened waste management capacities and include cleaner landscapes, enhanced resilience, reduced land erosion, and avoided siltation and pollution.

12. **Weak implementation and enforcement of waste management regulations is related to low financial sustainability, lack of equipment, limited technical capacity, absence of consistent data, and insufficient public awareness.** According to the Albanian legislation, municipalities' waste management costs should be covered by service tariffs, but in practice, they are only partially covered. The funding system needs to be improved to cover all expenses arising from waste management, including for the introduction of separate collection, treatment, and safe disposal of waste for most areas. The average cost recovery of municipal waste management services at the national level is 73 percent for collection and disposal.[16] Fiscal transfers from the central government to the municipalities often cover the gap, but as the system is modernized, higher cost recovery will be required for investment and higher operational expenses.

13. **In the longer term, integrating circular economy principles into national and regional waste management systems will help Albania turn sustainability and resilience challenges into opportunities.** Albania is committed to improving recycling of municipal waste and is planning to introduce Extended Producer Responsibility (EPR). The new law on EPR is anticipated to place administrative and financial responsibility on producers to collect and recycle or manage the waste from products they are placing on the market. While there is no plan for construction waste minimization, reuse, and recycling, the Government intends to develop a circular economy approach with regard to the sector. Albania is a signatory to the Sofia Declaration on the Green Agenda for the Western Balkans and has committed to circular transition, including by actions laid out in the Action Plan for the Implementation of the Sofia Declaration 2021–2030.

14. **Behavior changes and public participation are key to a well-functioning waste system.** To transition to a functional waste management system, working toward meeting the targets of the National Waste Management Plan will require an introduction of enforcement mechanisms and improved public awareness. Changing behavioral practices and promoting public participation are thus key and require the design of incentives and awareness systems.

[12] European Environment Agency. 2021. *Country Fact Sheet - Municipal Waste Management: Albania*.
[13] WWF (World Wildlife Fund). 2019. *Stop the Flood of Plastic. How Mediterranean Countries Can Save their Sea*.
[14] http://extwprlegs1.fao.org/docs/pdf/alb204067.pdf.
[15] European Environmental Agency, Municipal Waste Management Albania Country Fact Sheet, November 2021.
[16] Ungerer, Christoph T. F., Hilda Shijaku, Natasha Rovo, Sarah Coll-Black, Stefanie Koettl-Brodmann, Flora Kelmendi, Angela Demas, Lucas Gortazar, Romina Miorelli, Marolla Haddad, and Cornelius Claus Von Lenthe.. 2021. *Albania Country Economic Memorandum: Strengthening the Sustainability of Albania's Growth Model (English)*. Washington, DC: World Bank Group.

(ii) Water Pollution

15. **Although Albania's freshwater resources are abundant, they are under increasing pressure from pollution and climate change risks.** Available monitoring data and assessment criteria do not yet allow for a comprehensive assessment of the environmental state of water bodies. Most of Albania's rivers are polluted in their middle or lower courses. Sources that contribute to high concentration of nutrients (nitrogen [N] and phosphates [P]) and cause eutrophication affecting the ecological status of rivers are (a) urban liquid and solid waste; (b) a growing number of fertilizer and pesticide storage facilities (10 of them are considered hot spots and significant sources of N and P);[17] (c) livestock manure used as fertilizer for agricultural production and (d) other identified point sources, industrial or urban. It is estimated that these sources supply up to 20 percent of the N and P transported to river catchments. Generally, the concentrations of N and P compounds in accession countries such as Albania are above background levels.[18] Another important contributing factor to water pollution in Albania is land erosion. The erosion rate, which varies from 1 to 30 tons per hectare per year, is the highest in Southeast Europe.

16. **Water quality problems also relate to pollution from urban settlements and farms that fail to meet environmental protection requirements.** Local practices and development priorities threaten the natural values of the Vjosa River and coastal wetlands. The transmission of N, P, pesticides, sediments, and salts from agricultural production to surface water and groundwater is an important source of water quality problems and is a growing concern in Albania. Investments in the treatment of agriculture waste and the education of farmers, as well as the enforcement of legislation, are priorities.[19] Additionally or equally important are the incentives to adopt sustainable land management practices that can protect soil and water resources and reduce sedimentation. There are signs of high erosion levels along the coast including erosion of riverbeds, causing modification of turbidity and excessive sediment load, particularly in the past 10 years.[20]

17. **Albania has developed a strong regulatory framework for water supply and sanitation (WSS) service delivery, but most WSS utilities are trapped in a downward spiral of low revenue and low levels of service delivery.** The changes in the institutional arrangements were aiming to improve service delivery and local oversight. Following the 2013 Territorial Administrative Reform, 16 WSS services were reorganized under municipally owned water companies serving around 70 percent of the population. Of these, 32 provide services and 5 treat wastewater. The regulatory framework established a clear division of roles: the central government is responsible for sector strategies and policy development, while local governments are responsible for service provision and independent tariff setting. The financial viability of most WSS utilities is very low, in part due to politically driven low tariff levels, which limits the overall availability of sector funding sources to improve and expand WSS service delivery.

18. **More investments are needed to expand the sewage network and wastewater treatment to cover a higher share of the population and bridge the urban-rural divide.** Based on the Sustainable Development Goals (SDGs) definition of access to sanitation services, access to safely managed water supply and sanitation services is 69 percent and 55 percent of the population, respectively.[21] These overall national figures, however, mask huge differences in urban and rural rates (92 percent versus 59 percent for water supply and 76 percent versus 13 percent for sewerage for urban and rural areas,

[17] Bani, Aida, Evan Rroco, Jamarbër Malltezi, Seit Shallari, Zamir Libohova, Sokrat Sinaj, and Nikolla Qafoku. 2018. "Water Quality in Albania: An Overview of Sources of Contamination and Controlling Factors."
[18] https://www.eea.europa.eu/data-and-maps/indicators/nitrogen-and-phosphorus-in-rivers#toc-0.
[19] FAO (Food and Agriculture Organization of the United Nations). 2020. *Smallholders and Family Farms in Albania. Country Study Report 2019*. Budapest: FAO.
[20] FAO. 2018. *Comprehensive Analysis of Disaster Risk Reduction and Management System for Agriculture in Albania.* http://www.fao.org/3/i8866en/I8866EN.pdf.
[21] National figures for piped water supply and sewerage, as used in the National Strategy, are at 78.0 percent and 50.2 percent, respectively.

respectively).[22] Of 11 sewage treatment plants, 10 are in operation. These treat only around 13 percent of all wastewater.[23] The rest is discharged untreated into rivers, lakes, and the sea. The level of nonrevenue water on average was 64 percent in 2019, much higher than the average of 20 percent in the EU.[24]

19. **A broad spectrum of green infrastructure/nature-based solutions (NBS) can be deployed to address key water management challenges**, **including both point and diffuse/nonpoint sources (NPSs) pollution, alongside grey infrastructure, or as self-standing solutions.** Investing in NBS can help wastewater treatment operators lower their operational costs, access new revenue streams, increase customer engagement, and provide public environmental goods and services. Operation and maintenance (O&M) costs, as well as initial investments, are often lower than conventional activated sludge systems, depending on land costs, technologies used, and availability of resources.[25]

20. **In response, the proposed operation is designed to reduce environmental impacts and enhance the resilience of aquatic resources through improved SWM and sanitation services and the implementation of approaches that prevent NPS pollution runoffs.** The focus on pollution reduction and prevention measures will include investments in grey and green infrastructure and in human capital for behavior change to address (a) improved and integrated management of municipal waste – including plastic waste – to move towards a more circular economy in the Vlora South-Gjirokaster Waste Zone and (b) water pollution from point sources, specifically untreated sewage, and NPSs such as sediment and runoffs from manure in the Vjosa River Basin (Map 4.1, annex 4). Additional climate benefits would be derived by steering the transition of waste management systems toward more circularity.

C. Relevance to Higher Level Objectives

21. **The project is aligned with the GoA's top priorities.** It will deliver integrated investments that meet key priorities set forth in the GoA's development strategies. These include Albania's National Strategy for Development and Integration and its objectives of European integration and sustainable use of resources and territorial development; the National Strategy for Sustainable Tourism Development (2019–2023) and its strategic goal for developing Albania as a hospitable, attractive, and authentic destination for sustainable development of the country's economic, natural, and social potentials; Albania 2030 Integrated Cross-Sectoral Plan for the Coastal Belt presenting a vision for the sustainable development of the Albanian coast until 2030; the National Integrated Waste Management Plan 2020–2035, being the main strategic plan for waste management in Albania; the Albanian National Strategy of the Water Supply Sector and sewerage 2020-2030 and the Strategic Policy Document and the National Sectoral Plan for solid waste.

22. **The project is aligned with the goals of the Paris Agreement**. The project contributes to the Albanian National Adaptation Plan 2021 (NAP) by integrating adaptation measures for coastal ecosystems (e.g., control contamination and pollution, encourage afforestation and restoration) and agriculture (e.g., practices of fertilizers use). The project also aligns with targets and commitments set forth in Albania's revised Nationally Determined Contribution (NDC) including prioritized adaptation measures to adapt the supporting built and natural environment, and the Strategic Policy Document and the National Sectoral Plan for solid waste. Annex 2 provides further details about alignment with the goals of the Paris Agreement on both mitigation and adaptation.

23. **The proposed operation responds to the World Bank Group (WBG) corporate priorities.** The project contributes to the core objectives of the WBG Action Plan on Climate Change Adaptation and Resilience by supporting the integration of climate risks at the sector level and through the implementation of cross-cutting solutions to improve the overall

[22] Data from the National Water Supply and Sewerage Services Sector Strategy 2019–2030. JMP WASH data, used in the State of the Sector Report 2018 Update, also show higher levels of piped water coverage for rural and urban areas (which includes self-supply), as well as higher levels of basic and safely managed sanitation (due to a large share of on-site flush toilets).
[23] Negotiations and Investment Planning Support proposal.
[24] Nonrevenue water is water that has been produced but lost before it reaches the customer.
[25] Nature-Based Solutions for Wastewater Treatment. http://iwap`online.com/ebooks/book-pdf/929917/wio9781789062267.pdf.

productivity and sustainability of the Vjosa River region. By integrating gender-responsive actions in its design, the project supports the operationalization of the WBG's Gender Strategy for FY16–23, notably Pillar 3 'Removing barriers to women's ownership and control of assets', by giving women access to improve sanitation facilities, and Pillar 4 'Enabling Women's Voice and Agency', by promoting women's participation in project-supported activities and capacity-building programs.

24. **The project is aligned with the WBG's Strategy in Albania.** The project is aligned with the WBG Country Partnership Framework (CPF) (FY23-27)[26] which includes 'improved competitiveness of key sectors' as CPF Objective 1.2 and 'improved provision of municipal services' as CPF Objective 2.3.

25. **The project supports the national legal framework's alignment with EU Directives.** The project will support Albania in furthering specific policies and their implementation in line with EU Waste Framework and Nutrient Directives. The proposed activities are fully aligned with the approach supported in the EU Waste Framework Directive and its targets as well as the Circular Economy Action Plan[27] for a cleaner and more competitive Europe. The project approach integrates EU policy objectives of these directives by overlaying its investment activities in the South-West Coastal Belt of Albania and achieve Albania's aspirations for clean and green development. In addition, the project is well aligned with the objectives of the Green Agenda for the Western Balkans 2021–2030, addressing various activities mentioned in the Action Plan particularly related to the proposed Circular Economy Roadmap.

26. **The project is expected to benefit from and complement other World Bank-financed programs.** The project will support complementary activities to the Albania National Water Supply and Sanitation Sector Modernization Program (P170891), the Albania First Resilience and Green Development Policy Financing (DPF) (P178202), and the Integrated Urban and Tourism Development Project (P155875).

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

27. 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[28] of Albania.

PDO Level Indicators

28. **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)

B. Project Components

29. 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

[26] Report No. 177135-AL, discussed by the Board of Executive Directors on March 16, 2023
[27] A New Circular Economy Action Plan: For a Cleaner and More Competitive Europe, March 11, 2020.
[28] Coastal belt is defined in the *2030 Integrated Cross-Sectorial Plan for the* Coastal Belt of the GoA. It has four contiguous zones that extend deep into the hinterland, cover the Vjosa River Basin, and stretch from Oriqum to the Greek border. See Map 4.1 in annex 4.

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. 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.

30. The project is structured around three components. A description of activities under each component is provided in the following paragraphs, and additional details are provided in annex 5.

Component 1: Promote Integrated and Circular Approaches for Protection of Landscapes and Water Resources (EUR 13.03 million (USD 13.8 million equivalent))

31. This component will support the implementation of local solutions for protection of valuable landscapes and water resources within the Vlora South-Gjirokaster Waste Zone (map 4 in annex 4). The project applies an integrated approach to SWM investments, considering circular economy principles, and supports a system that is more environmentally, financially, and operationally sustainable. The outcomes of these activities are synergetic with those of Component 2 on water and sanitation. 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 (EUR 1.04 million (USD 1.10 million equivalent))

32. This subcomponent aims to improve the enabling environment for operational sustainability and more circularity in waste management. This will be achieved through technical assistance and capacity support for filling specific technical gaps for effective implementation of solid waste management policies. The following activities will be financed: (i) provision of technical support for data management and performance monitoring of solid waste management, including (a) support for data management and verification systems at the municipal level, (b) monitoring performance and developing an enforcement mechanism for municipal waste management activities, and (c) improved performance capacity, including training, to Eligible Municipalities to ensure the enabling environment for management and implementation of the Environmental-Performance Based Investments (EPBIs) financed under subcomponent 1.2; (ii) carrying out a study on financial sustainability and providing related capacity building (i.e., cost recovery, tariff setting and collection, contract management) at the municipal level; (iii) support to MoTE and municipalities for (a) the implementation of the extended-producer responsibility (i.e. permitting support, reporting, monitoring), and (b) the update and/or development of the regulatory framework on construction waste management, including materials and construction/inert waste management standards.

Subcomponent 1.2: Environmental-Performance Based Investments for local pollution prevention (EUR 9.44 million (USD 10.00 million equivalent))

33. This subcomponent will finance the EPBIs to municipalities in the Vlora South-Gjirokaster Waste Zone for improved municipal waste management. Municipalities will receive local investment upon measurable and sustained improvements on solid waste collection, increased recyclability and/or cost recovery. These local investments will support behavior change for cleaner and greener urban space and healthier coastal and aquatic ecosystems. Municipalities will become eligible to enter the EPBI based on past performance in addition to other criteria. Municipality's eligibility and prioritization and implementation modalities of this activity are further detailed in annex 5.

34. To ensure the appropriate enabling environment for municipalities to achieve performance improvements through EPBI, the project will support a set of upfront investments during the first two years of project implementation. These investments would consist of equipment to support the monitoring system of municipalities; provision of equipment and vehicles for waste collection and source separation; and provision of equipment for recycling centers.

35. *Subcomponent 1.3: Behavioral change support and dissemination for scaling up (EUR 2.55 million (USD 2.70 million equivalent).* This subcomponent will carry out knowledge management activities (such as the preparation and dissemination of lessons learned from the EPBI for possible scale-up at national level), public awareness-raising campaigns, including communication campaigns in schools on enhanced waste management, waste separation, water sanitation services, and construction waste management, at a national level. These campaigns will communicate on enhanced services for municipal waste management, and water and sanitation services to support the acceptance of related service delivery fee level. To support behavior change for source separation and plastics recycling in areas of high population and tourism, the project will also install solar compaction bins in Vlora South-Gjirokaster Waste Zone.

Component 2: Reduce Water Pollution in the Vjosa River (EUR 58.56 million (USD 62.06 million equivalent))

36. 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. 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 to operate and maintain sewer systems, trucks, and treatment plants.

Subcomponent 2.1: Expansion of sanitation infrastructure (EUR 54.55 million (USD 57.81 million equivalent))

37. This subcomponent will finance investments in infrastructure improvements in selected municipalities to improve sanitation services and reduce/control point source pollution of waterbodies within the Vjosa River Basin. The following municipalities along the Vjosa River have been prioritized: Permet, Kelcyre, Gjirokaster, Libohove, Tepelene, Memaliaj, and Selenice. The project will support (i) the construction of selected sanitation facilities; (ii) rehabilitation, improvement, and expansion of sewers; (iii) provision and installation of on-site or decentralized sanitation solutions (such as individual systems not connected to a central wastewater treatment system); and (iv) provision of operational equipment, including vacuum trucks and tools for sewer network maintenance; (v) carrying out an assessment of pollutants and sludge quality; and (vi) provision, implementation and monitoring the Intra-Domiciliary Sanitation Investments (IDSI) for qualifying[29] households.

38. The project will support technical sanitation solutions[30] according to the framework presented on the project's decision tree (see annex 3), which has been designed in line with the EU Urban Wastewater Treatment Directive (UWWTD). Site-specific designs will be carried out for each municipality during project implementation. A combination of grey infrastructure and NBS will be considered during the design phase promoting the reuse of wastewater treatment by-products such as sludge. An assessment of pollutants and sludge quality will be carried out to ensure safe reuse and promote circularity.

Subcomponent 2.2: Improved sanitation facilities and management (EUR 0.96 million (USD 1.02 million equivalent))

39. The project will provide support to the National Agency for Water, Sewage and Waste Infrastructure (*Agjencia Kombëtare Ujësjellës Kanalizime dhe Mbetjeve te Ngurta* – AKUM), the Regulatory Authority of the Water Supply, Wastewater Disposal and Treatment Sector (*Enti Rregullator I Sektorit të Furnizimit me Ujëdhe Largimit e Përpunimit të Ujërave të Ndotura* -ERRU), and the regional utilities in the development of institutional, policy and regulatory frameworks on sewage management and sanitation services, including through: (i) carrying out studies to develop a strategy for sanitation services and regional/municipal water and sanitation plans; (ii) strengthening planning for nature-based solutions to reduce water pollution; (iii) assistance for regional/municipal water and sanitation plans and for regional utility aggregation; (iv) training to operate and maintain sewer systems, trucks and treatment plants; (v) designing and

[29] As per the eligibility criteria defined in the POM.
[30] Applies to (i), (ii) and (iii)

implementing a unified information system to monitor the provision of sanitation service and environmental protection; and (vi) technical inputs to update the regulatory framework on sanitation cost structure.

Subcomponent 2.3: Non-point source pollution prevention (EUR 3.05 million (USD 3.23 million equivalent))

40. The project will support small-scale investments to prevent nutrient runoffs from agriculture and siltation from erosion in select locations of the Vjosa River Basin. The subcomponent will finance the implementation of Nature-Based Solution (NBS) approaches, Sustainable Land Management (SLM) and other integrated solutions in selected locations in the river basin and will include (i) improving the vegetation cover on slopes and riverbanks; (ii) conducting wetland management and restoration to improve waterflow and mitigate storm water and flood risks; and (iii) supporting sustainable agriculture practices. The small-scale investments promoting sustainable agriculture practices, livestock manure management, pasture regeneration, organic fertilization, composting, and improved farming practices, will engage farmers and local user groups from the villages in the watershed of the Vjosa River.

Component 3: Project Management, Monitoring and Evaluation (EUR 3.91 million (USD 4.14 million equivalent))

41. 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 Operating Costs, and Training for (i) MoTE Project Management Team (PMT) and (ii) AKUM Project Coordination Unit (PCU).

Table 1. Summary of Project Costs, Financing, and Responsible Entity by Component

Components	Implementing Agency (IA)	Cost (EUR, millions)
Component 1: Promote Integrated and Circular Approaches for Protection of Landscapes and Water Resources	**MoTE**	**13.03**
Subcomponent 1.1: Institutional support for sustainable performance, enhanced monitoring and transition to circular economy	MoTE	1.04
Subcomponent 1.2: Environmental-Performance Based Investments for local pollution prevention	MoTE	9.44
Subcomponent 1.3: Behavioral change support and dissemination for scaling up	MoTE	2.55
Component 2: Reduce Water Pollution in the Vjosa River	**MoTE/AKUM**	**58.56**
Subcomponent 2.1: Expansion of sanitation infrastructure	AKUM	54.55
Subcomponent 2.2: Improved sanitation facilities and management	AKUM	0.96
Subcomponent 2.3: Non-point source pollution prevention	MoTE	3.05
Component 3: Project Management, Monitoring and Evaluation	MoTE/AKUM	**3.91**
Subcomponent 3.1: Management and coordination activities by MoTE	MoTE	2.39
Subcomponent 3.2: Management and coordination activities by AKUM	AKUM	1.52
TOTAL		**75.50**

C. Project Beneficiaries

42. **The project activities are expected to directly benefit an estimated 138,800 people (5 percent of the Albanian population) through improved SWM and sanitation services.** An estimated 87,000 beneficiaries in selected municipalities will benefit from better SWM with increased collection, separation, and recycling of municipal waste. An estimated 51,800 beneficiaries in selected municipalities will also benefit from gaining access to new and/or improved sanitation services. An additional estimated 200 beneficiaries are expected to benefit from the implementation of land management and farm

practices and approaches that prevent runoffs and pollution in the Vjosa River and its tributaries. Similarly, civil society organizations will also be expected to benefit from implementing such initiatives and engaging as proponents of cleaner environment in the South-West Coastal Belt.

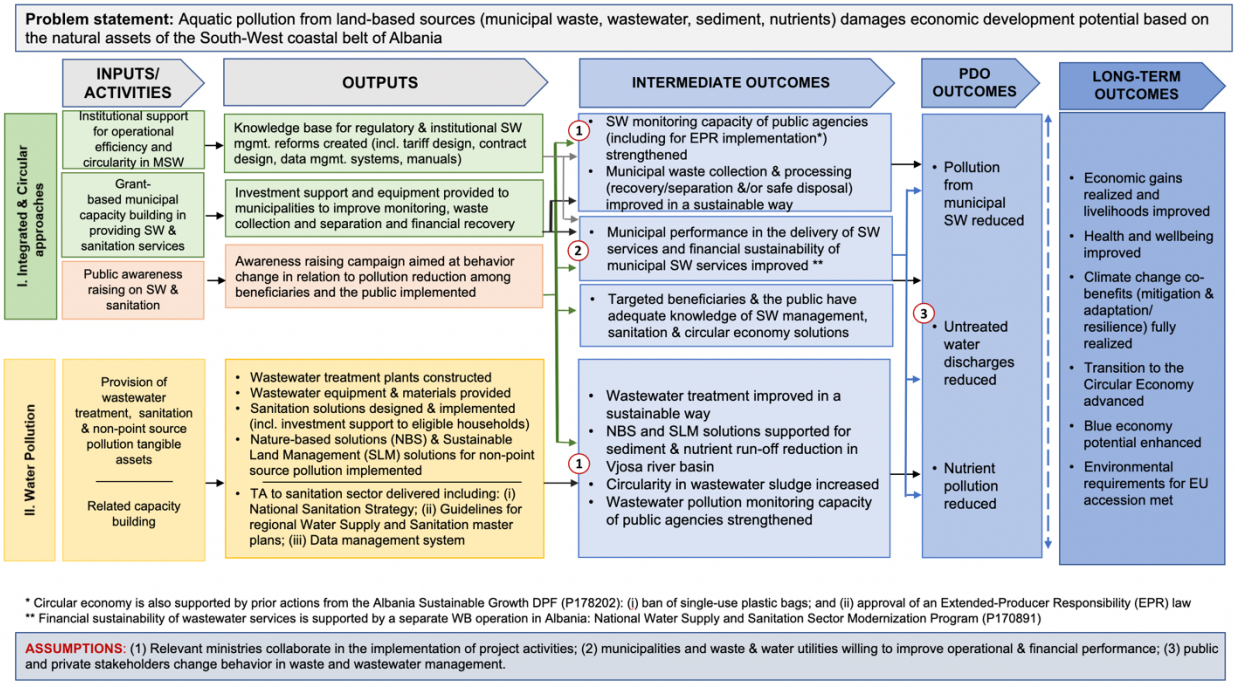
43. Institutional beneficiaries include service providers (WSS and waste management utilities) at the municipal level directly, and their customers indirectly will benefit from operational and efficiency performance improvements realized under the project. Institutional stakeholders, namely MoTE and AKUM, are expected to benefit, along with municipal governments, from better solid waste and sanitation management, monitoring and improved planning environment, an improved regulatory framework for operational and financial sustainability, and capacity building and training workshops.

44. Tourists visiting the Vjosa River and the country's coastline may also benefit from the cleaner coastline and natural sites than in the absence of the proposed project. Effective management of solid waste at the city level will also help reduce marine litter, which would have a wide impact extending across and beyond Albania.

D. Results Chain

45. The central problem statement the project tries to address is aquatic pollution from land-based sources (municipal waste, wastewater, sediment, and nutrients) damaging the economic development potential based on the natural assets of the South-West Coastal Belt of Albania. The proposed operation will address these issues through three groups of interventions: (a) provision of municipal waste equipment and capacity building; (b) provision of wastewater treatment, sanitation, and NPS pollution tangible assets and related capacity building; and (c) behavior change on SWM and sanitation. Planned activities are expected to help reduce pollution at the landscape level, and in the long run, these outcomes will result in economic gains and enhance the well-being of Albanians, generate climate co-benefits for increased resilience, and support Albania's transition to the circular economy and alignment with the EU acquis. The project's theory of change is presented in Figure 1.

Figure 1. Project Theory of Change



E. Rationale for Bank Involvement and Role of Partners

46. **The World Bank has a comparative advantage in financing the proposed project.** It has developed a close working relationship with the Government over the past 30 years with a series of related projects in the environmental, solid waste, and water services sectors, for example, Integrated Coastal Zone Management & Clean-up Project (P086807, completed in 2015), Albania Water Sector Investment Project (P102733, completed in 2020), Albania Environmental Services project (P130492, completed in 2021) and the Water Resources and Irrigation Project (P121186, completed in 2021). In Albania, the World Bank worked closely with the Government in the preparation of the 2020 'Realizing the Blue Economy Potential in Albania' report. The report has helped fill key knowledge gaps in advancing Albania's vision of the blue economy, in the context of the country's aim of joining the EU. The two most important sectors in this regard were fisheries and tourism. In the case of the latter, an important issue was the need to address marine and coastal plastics pollution, which is included for support in this project. In addition to being at the forefront of blue economy approaches, the World Bank has a growing body of expertise and experience with NBS, particularly in the water sector.

47. **Given the integrated and multi-sectoral nature of the project, the World Bank can play a key role, through its convening power, in helping create and sustain the institutional arrangements for integrated development.** It can help foster open communications among various agencies involved in implementing the project and representatives of local government, civil society, and rural areas. The World Bank will steer up-market development for recycling and reuse of waste by providing support to essential regulatory instruments and infrastructure. As part of project preparation, the World Bank has assisted the GoA in convening meetings of donors to help ensure coordination in the relevant areas of work. The WBG adds value by convening global experience, knowledge, sectors, and organizations to support investing in adequate solutions.

48. **The World Bank held extensive consultations with other donors to promote synergies with other ongoing initiatives and projects and to assess existing gaps and account for clients' priority needs.** The project aims at coordinating and maximizing potential sources of finances, prioritizing grants for TA, building capacity, and piloting innovative pollution reduction approaches through the EPBI. The remaining activities are of a public sector nature and focus on creating the right environment for the implementation of pollution reduction strategies that are more efficient and environmentally sustainable and supporting priority investments that cannot be supported by the private sector.

F. Lessons Learned and Reflected in the Project Design

49. **The project design reflects lessons from previous operations in Albania and globally, analytical work, and international best practices.** These lessons and how they have been incorporated in the project design are summarized in the following paragraphs:

50. **Stakeholder consultations.** To ensure the sustainability of public investments in the coastal areas of Albania, a consensus among various development partners and country stakeholders is essential. Considering that many donor organizations are engaged in SWM, working in partnership with multilateral and bilateral organizations is not only desirable but indeed necessary to ensure that the activities of development partners are compatible and not mutually exclusive or duplicative. Throughout project preparation, the World Bank has coordinated with key donors and agencies including KfW, GIZ, the German Embassy, *Agence Française de Développement*, Swedish International Development Cooperation Agency, and others, to ensure that World Bank-financed activities are compatible with and complement existing government and donor programs. The World Bank assisted the GoA/MoTE to convene donor meetings, helping ensure that there would be synergies across the range of relevant donor project/programs. It has also coordinated with the State Agency of Strategic Programming and Aid Coordination during preparation and will continue to do so during implementation.

51. **At the project level, demonstrating the value of NBS can be challenging, particularly quantifying the benefits and costs of NBS.** Even though they sometimes perform better than conventional grey technologies, NBS are de-

prioritized. For NBS to indeed be effective in addressing the pressing challenges at specific locations, an integrated approach will be needed including rigorous consideration of ecosystem services, societal costs and benefits, and engagement with local stakeholders, as well as ensuring long-term O&M arrangements so that NBS are targeted to the right places. To address this challenge, the project will make the best use of the resources and technical knowledge available to support implementation of NBS, for example, the World Bank and the Natural Capital Project[31] have together developed knowledge to enable rigorous NBS benefit assessment to inform projects across sectors.[32] The project will also work to ensure that key agencies raise their awareness and understanding of the value of NBS and thus increase their acceptance of such approaches.

52. **Sustainable and scalable outcomes in municipal waste management that support circularity require that clear priority be given to the adoption and implementation of integrated sustainable waste management practices, in line with client needs and capabilities for municipal SWM.** Albania's waste management practices are still dominated by a linear collect-and-dispose approach instead of integrated sustainable waste management. More specifically, project activities will support concrete actions that will help Albania implement 3Rs measures (waste reduction, reuse, and recycling), improve data management, implement EPR requirements (that is, permitting support, reporting, and monitoring), and encourage behavior change. Support will build on proven good practice by addressing the entire waste value chain in an integrated, phased, and incremental manner tailored to client needs and capabilities and by supporting the adoption of circular economy principles.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

53. **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 (Component 1, and Subcomponents 2.3 and 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 expert, and a full-time environmental and 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 (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 water and 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.

54. **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. MoTE and AKUM, through their project teams, will also 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.

55. **The Project Operations Manual (POM) should be prepared and adopted by MoTE and AKUM and is a condition to 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

[31] Natural Capital Project, Stanford University.

[32] https://blogs.worldbank.org/climatechange/can-we-help-nature-bounce-back-realizing-benefits-nature-based-solutions-climate.

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.

56. **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. More information on the role and responsibilities of municipalities are provided in annex 1. Municipalities will be eligible for EPBIs in accordance to eligibility criteria and procedures as set forth in the loan agreement and the EPBI Manual, which will include the obligations to (i) have established a waste data management, monitoring, and reporting system, to the Borrower's and the Bank's satisfaction; (ii) develop of a waste management plan; (iii) provide adequate technical waste management staff for planning and operations, as well as data management and monitoring functions; (iv) develop a capacity-building plan to support improvements of targeted key performance indicators; (v) provide budget allocation and investment in solid waste management and circular economy over the past four years.

57. Households will be eligible for IDSIs in accordance with eligibility criteria and procedures as set forth in the loan agreement and the POM.

B. Results Monitoring and Evaluation Arrangements

58. **Project progress will be monitored based on completed procurements, disbursements by the project, physical progress of works, and project indicators.** The PMT will include a dedicated M&E expert and will develop an M&E manual that is acceptable to the World Bank, as part of the overall POM. The PMT will also ensure that data and information collected from various sources as indicated in the M&E Plan of the Results Framework are accurate and reports are produced on time. It will develop a data quality assurance mechanism and provide technical support to the PMT. The project Results Framework includes specific gender and citizen engagement indicators as discussed in those sections.

59. **A detailed review of the implementation progress will be conducted at the project's midterm review (MTR) to assess course correction where needed.** Subject to a satisfactory implementation of project activities, the MTR will also assess any potential for additional financing or follow-up engagement in the relevant sectors.

60. The Borrower will furnish the World Bank with Project Reports not later than one month after the end of each calendar semester.

C. Sustainability

61. **A key feature of the project is to support a mix of institutional, analytical, and advisory services and investments and to complement ongoing efforts**. These actions are designed to ensure not only the successful implementation of the project in the short-term but also its sustainability beyond the lifetime of the project. Moreover, project investments are complementary to the ongoing Albania Sustainable Growth (P178202) Development Policy Financing (DPF) which includes related prior actions on ban of single-use plastic bags and approval of an EPR.

62. **Changing behaviors.** The most effective means of reducing pollution is to prevent pollution in the first place. Hence, achieving sustainable change depends fundamentally on changing unsustainable practices and behaviors. To enhance project sustainability, the project will aim to incentivize behavioral changes through the implementation of awareness campaigns, the provision of training programs to competent authorities, and the provision of performance-based local investments and technical support.

63. **Financial sustainability.** The financial viability of SWM and WSS are presently very low, in part due to politically driven low tariff levels, which limit the overall availability of funding sources to improve and expand service delivery. Target activities have been planned specifically to strengthen the financial sustainability of waste management utilities through activities that support cost recovery, tariff setting, and collection studies (Subcomponent 1.1). With regard to

investments in WSS utilities, technical inputs for ERRU will be provided to update the regulatory framework on sanitation cost structure, including a framework for setting tariffs/fees for sanitation that reflect the costs of providing services and the payment capacity of users (Subcomponent 2.2). Moreover, specific activities to support the overall sector reform are planned under the complementary National Water Supply and Sanitation Sector Modernization Program (P170891) program-for-results operation which includes as Result Area 2 "to improve the operational efficiency and financial performance of WSS utilities by supporting business planning and targeted investments." The EPBI to the municipalities (Subcomponent 1.2) includes cost recovery as one of the three criteria monitored for reward, thus providing an incentive to improve financial sustainability.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

64. **Economic analysis.** The economic cost-benefit analysis has been carried out to assess the economic viability of the proposed investments. The project is expected to bring sizable economic and social benefits to the local communities, business, and industries by reducing pollution from land-based sources into the aquatic environment in selected areas of the South-West coastal belt of Albania. Reduction of point and NPS sources through investments in wastewater treatment and other sanitation facilities would improve the public and ecosystems health by reducing the risk of diseases and protecting quality of surface and groundwater resources in the Vjosa river basin. Improved solid waste management in terms of improved waste collection and recycling would allow for reduced landfill areas and increased market value of the land. The cleaner environment will improve the aesthetics of the coastal area and provide additional opportunities for the development of tourism, increasing employment and incomes of the local population.

65. The package of proposed investments in improving municipal solid waste management and wastewater treatment and sanitation facilities in the project area was found to be economically viable with the project Economic Rate of Return (EIRR) estimated at 9.5 percent and the Net Present Value (NPV) of USD 22.1 million at a discount rate of 6 percent (see annex 6). The benefits quantified in the economic analysis capture only part of the project benefits and their total economic value estimated in this EA is considered conservative. A number of other potential benefits of the project are acknowledged but not included in the EA due to the difficulties in quantifying them, including the prevention of groundwater contamination due to improved sanitation, the potential to mitigate water scarcity by wastewater reuse, and climate adaptation benefits due to the potential reduction of flood risks and improved climate resilience resulted from the project activities.

66. Greenhouse Gas (GHG) emission reductions are expected due to the improvements in municipal solid waste management and subsequent reduction of waste burning and untapped methane generation from uncontrolled waste processing and landfilling. Using the shadow prices of carbon as recommended by the World Bank Guidance for a low- and high-level scenarios, it was estimated that the value of the GHG emissions reduction over the project lifetime constitutes between 3.8 percent (the low case) and 7.4 percent (the high case) of the project total net benefit, increasing the project NPV to USD 26.6 million and USD 31.2 million, and EIRR to 10.1 percent and 10.7 percent, respectively to the low and high case scenarios.

67. **Project financial sustainability**. The project will improve the quality and reliability of important public services notably sewage water treatment, and collection and processing of solid waste, thus improving the environmental and socio-economic situation in the project area. To ensure sustainability of the project results into the future, the current structure of tariffs for the sewerage and solid waste management services will need to be assessed towards the possibility of higher recovery of O&M cost. A detailed tariff modelling exercise will be carried out in the feasibility study during the project implementation, aiming at investigating the impact of various tariffs on the project's financial and economic outcomes, and developing recommendations.

B. Fiduciary

(i) Financial Management

68. The overall FM arrangements meet the minimum requirements of the World Bank's Policy and Directive on Investment Project Financing (IPF).[33] Responsibility for the project's FM will remain with both IAs, MoTE and AKUM, for each of the respective project components, as defined in Table 1. Both agencies will maintain adequate project FM systems capable of tracking all project operations, resources, and expenditures and generating regular financial reports. The agencies will be supported by the PMT and PCU, respectively, in carrying out the fiduciary function. The overall FM risk is Moderate.

69. **Disbursements under the proposed project will be carried out in line with the World Bank Disbursement Guidelines for IPF (February 2017)**. The loan will entirely finance all eligible expenditures. The funds will be disbursed following IPF disbursement methods, including advances, reimbursements, direct payments, and special commitments. Each IA will manage the disbursements of the loan proceeds for its respective project parts. There would be two segregated Designated Accounts (DAs) denominated in the loan currency, one for each IA, to be opened at the Bank of Albania. The DA ceilings was fixed. Eligible expenditures will be documented through Statements of Expenses (SOEs) and records. Detailed disbursement arrangements are set out in the Disbursement and Financial Information Letter (DFIL).

70. **The project's unaudited interim financial reports (IFRs) and annual project financial statements (PFS) will present all project sources and operations.** With regard to the FM requirements included in the DFIL, quarterly IFRs, in the form and substance agreed with the World Bank, will be submitted to the World Bank, by each IA for their respective parts, and annual PFS, separately for each agency, will be audited by independent auditors under terms of reference (TOR) acceptable to the World Bank.

(ii) Procurement

71. **Procurement will be carried out in accordance with the requirements in the World Bank Procurement Regulations for IPF Borrowers dated November 2020**. The borrower will also observe the provisions in 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', revised as of July 1, 2016, and the provisions stipulated in the Loan Agreement. The proposed project will use the Systematic Tracking of Exchanges in Procurement (STEP) tool.

72. **A Project Procurement Strategy for Development (PPSD) has been prepared by the IAs (MoTE and AKUM) and reviewed by the World Bank team.** The PPSD outlines the selection methods to be followed by the borrower during project implementation in the procurement of goods, works, and non-consulting and consulting services financed by the World Bank. The underlying Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

C. Legal Operational Policies

73. **International Waterways (OP 7.50)** is applicable to the proposed project as some of the planned interventions may affect water resources of the Vjosa River shared by Albania and Greece, which is an international waterway. Accordingly, the GoA notified Greece, the other riparian country of the proposed project. No response was received by the deadline set out in the notification letter sent to the riparian countries to respond to the project.

[33] An FM assessment was conducted in accordance with the Financial Management Manual for World Bank Investment Project Financing Operations (2010, revised 2017).

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

74. **The proposed project activities outlined in the PAD are assessed to have 'Substantial' environmental risk** mainly of a temporary nature and are mostly related to infrastructure investments in waste and wastewater treatment facilities. Waste management activities. Potential environmental risks related to waste management activities of a temporary nature could occur if no mitigation measures are taken. Risks mainly related to the small and medium WWTPs are possible but not likely, and these will be addressed through feasibility and engineering studies during project implementation. The municipalities are identified, as agglomerations with low density of population, with approximately 100,000 inhabitants and key environmental risks and impacts that are expected to occur during the construction and operational phases of the proposed investments are to be site-specific, short-term, and effectively avoided, minimized, or mitigated subject to the establishment of proper E&S measures. Some of the key negative potential impacts during the construction and operational phases of the project may include: (i) vegetation and soil loss; (ii) generation of solid waste from residual construction materials; (iii) generation of solid waste and sludge from the operation of the proposed WWTPs; (iv) discharging pollutants to water bodies from the operation of WWTPs activities; (v) nuisance related to dust generation, vibration, noise and odors; (vi) temporary disruptions to local traffic during the construction phase; and (vii) Occupational Health and Safety (OHS) hazards to the workforce. The location and scale of the proposed works will be determined during implementation, and the risk rating may be increased or decreased proportionately if deemed necessary. The positive impact of improved sanitation infrastructure and services will be the reduction of untreated discharge of wastewater directly into the environment resulting mainly in the protection of rivers and groundwater. It has been estimated that currently, the population of all seven municipalities generates approximately 2,190 tones/year of organic matter (BOD load), which instead of being discharged into water bodies can be appropriately managed.

75. **The project is expected to have numerous positive social impacts,** including on the health and safety of the population of this area, through the removal of wastes, and pollution from wastewater, effective and efficient public services, and greater resilience of river ecosystems. The project will engage Civil Society Organizations (CSOs) and NGOs, Local Governments, educational and research institutions, individual applicants, community, and resource user groups, for pollution prevention through awareness-raising activities. The project will finance civil works with the use of a combination of the unskilled labor force and workers using specialized machinery. In both cases, it may result in health and safety risks for the workers as well as surrounding communities which makes relevant ESS2 and ESS4. Probable ESS2 related issues could be unregistered workers and workers without PPE (Personal Protection Equipment). Labor for most of the civil works will be local. The works will use specialized machinery, thus the number of workers on-site will not be large. Foreign workers might be brought for sophisticated work though the number would be small. It is crucial to ensure that local labor laws and the requirements of ESS2 are followed. The project activities also have the potential to exclude certain vulnerable groups in stakeholder engagement. The project will include risk screening for Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) and appropriate measures will be developed, as necessary. To manage the risks, the client has prepared a stakeholder engagement process to ensure that all stakeholder's views are incorporated. The project has prepared a SEP with a Grievance Redress Mechanism (GRM), Labour Management Procedures (LMP) with a GRM for labor-related complaints. The project could impact also private land through its linear projects (such as pipes) and the WWTP or solid waste transfer/treatment stations. With the linear projects ESS relevant impacts will be small with a larger number of PAPs (Project Affected People) whereas the impacts of the nonlinear infrastructure, such as transfer/treatment stations and WWTP, would impact smaller number but with concentrated effects. Given that investment locations are not determined precisely, a Resettlement Policy Framework (RPF) to guide the project in dealing with restrictions to access,

or any economic and/or physical displacement will be prepared. The RPF will also define the approach on how to deal with potential land acquisition and/or livelihood impacts for the investment activities. The socioeconomic profiles of the areas will be developed to better inform the development of the Environmental and Social (E&S) instruments. Overall social impacts of the project are expected to be positive. The Environmental and Social Risk Classification (ESRC) will be reviewed throughout the project cycle to ensure that it continues to reflect the risk level that the project presents. **At the present, the social risk level is assessed as substantial.** The relevant social standards for this operation are: SS1, SS2, SS4, SS5 and SS10.

E. Gender, Citizen Engagement and Climate Change

76. **Gender aspects.** Gender gaps remain in Albania, with women participating in the labor force at a rate than men (60 percent in 2018). Women have lower labor force participation rates and employment rates, and higher inactivity rates due to household responsibilities. The average amount of water used by women is estimated at approximately $8m^3$, while men use $4m^3$ of the total amount of $12m^3$ water use per month. Accordingly, deficiencies in water supply and wastewater systems impacts the female population in a differentiated and unequal manner. Women are more affected by the lack of wastewater treatment and by an inoperative sewerage system due to their domestic and health and hygiene needs, and since inadequate sanitation poses specific health risks to women.

77. The project has identified specific activities to help reduce gender gaps and promote gender equality, notably by supporting women to access in-kind intra-domiciliary sanitation investments, including female-headed households, and providing tailored technical support and training skills to women to respond to their specific sanitation needs (annex 5 paragraph 19) and facilitating their integration in the job market via provision of dedicated training modules to undergraduate students and local government administration (annex 5 paragraph 12).

78. Table 2.3 in annex 2 defines project actions that will help reduce identified gender gaps and implement government national policy objectives. The Results Framework includes the following gender indicator: ‘Women-headed households who receive Intra-Domiciliary Sanitation Investments”.

79. **Citizen engagement.** The project is building on a strong and socially inclusive citizen engagement pillar and includes specific activities to seek beneficiaries’ feedback throughout project implementation and to report on what happened with the feedback (closing the feedback loop). During preparation, the project carried out stakeholder consultations with civil society, academia, and other relevant stakeholders, and their feedback was duly incorporated into the project design. During implementation, the World Bank team will work closely with social specialists of the government agencies to ensure that citizen engagement activities are implemented as planned and that budgets are allocated to each citizen engagement activity. The project will promote socially inclusive citizen engagement for all and will pay particular attention to engage and empower women, youth, and vulnerable groups and promote their active participation. Citizen engagement will be promoted in the three components; table 2.2 in annex 2 further describes citizen engagement mechanisms per project activity. The Results Framework includes one citizen engagement indicator: ‘Share of activities that are designed and implemented through engagement of stakeholders and public’, which will be regularly and frequently measured through rapid citizen satisfaction surveys at the time of each infrastructure improvement (for example, through mini questionnaires).

80. **Climate change.** The project will have direct benefits on ecosystem quality and conservation through the implementation of activities that help reduce the inflows of waste and wastewater, thus strengthening ecosystem resilience to climate change impacts. Moreover, targeted NBS to work in combination with grey infrastructure and the implementation of SLM practices will also contribute to increase resilience by enhancing the provision of ecosystem services and mitigating flood risks and erosion impacts. Flooding risk will also be mitigated by waste collection around waterways, preventing waste from blocking drains and causing flooding, and restored wetlands. Component 1 activities, through the provision of investments and technical support for behavior change incentives, will facilitate the transition from a climate-vulnerable, linear system to a more climate-resilient and circular system of waste management. The

feasibility studies and engineering designs (financed under the IPF) of facilities and infrastructure for the project's investments will include building resilience to drought, flooding, and sea level rise where relevant. The project will also generate important climate mitigation co-benefits notably through improved efficiency in WSS service provision and waste management reducing these sectors' GHG emission.

81. **GHG emissions.** The waste sector is responsible for 10 percent of GHG emissions in Albania. GHG emission reductions are expected due to the improvements in municipal SWM and subsequent reduction of waste burning and untapped methane generation from uncontrolled waste processing and landfilling. The project will also contribute to GHG sequestration by investing in wastewater treatment facilities and thus reduction of pollutant concentration in surface water and groundwater resources and by supporting restoration of the wetlands. The annual GHG emissions reduction due to the project is estimated at 6,968 tCO_2e/year, with the total project emissions reduction of about 209,000 tCO_2e/year over the project lifetime (see annex 6).

V. GRIEVANCE REDRESS SERVICES

Grievance Redress. Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, visit https://accountability.worldbank.org.

VI. KEY RISKS

82. **The overall residual risk of the project is assessed as Moderate,** considering the mitigation measures adopted in the project design. The following paragraphs provide the risk rating consideration made for each risk category rated Moderate and above.

83. **The residual macroeconomic risk is assessed as Moderate.** Given Albania's growing reliance on external financing, the exchange rate, interest rate, and refinancing related risks remain elevated. Further increases in energy prices are a key risk to growth, as they could affect real disposable income, slow poverty reduction, and constrain fiscal space. Moreover, as a small, open economy, Albania is highly exposed to external shocks, such as recession in Europe or further tightening of financing conditions in international capital markets beyond the current year. These risks could impact the capacity of the government to cover expenses associated with the delivery of quality public services related to waste management and water sanitation. These will be mitigated by the fact that project will strengthen the financial sustainability of waste management utilities through activities that support cost recovery, tariff setting, and collection studies and through technical inputs support to update the regulatory framework on sanitation cost structure, including a framework for setting tariffs/fees for sanitation. Moreover, specific activities to support the overall sector reform are planned under the complementary National Water Supply and Sanitation Sector Modernization Program (P170891) program-for-results operation.

84. **The residual political and governance risk is assessed as Moderate.** The inherent risk was assessed as Substantial considering existing weak governance mechanisms illustrated by development pressure, vested interests, and a lack of transparency in decisions affecting the natural environment along the Vjosa River. The risk of political influence and

interference in the use of funds, according to experience, is not to be underestimated either and needs vigilant supervision and robust accountability provisions notably for the beneficiaries of small investments. While the project could potentially suffer from existing weaknesses in governance and possible political influence in project locations, this risk will be mitigated by Albania's ongoing efforts to align with the EU acquis as well as the WBG's planned fiduciary oversight throughout the project. As the 2021 EU Commission Report on Albania recalls, Albania's final EU accession depends on lasting, in-depth, and irreversible reforms across fundamental areas, starting with the rule of law and the functioning of democratic institutions. Moreover, the report emphasizes the Albanian authorities' obligation to continue eliminating corruption and criminal activities from all domains of public life, including public procurement procedures and political party financing.

85. **The residual sector strategies and policies risk is assessed as Moderate.** The project implementation will benefit from relevant sector strategies and policies recently endorsed by the government for both waste and water and sanitation in relation to the activities and planned project outcomes.

86. **The residual technical design risk is assessed as Moderate.** The inherent risk was assessed as Substantial considering the fact that project aims to address defined pollution challenges managed by different ministries at different levels, which could slow down implementation. To mitigate this risk, implementation responsibility was assigned based on the respective mandate of the two IAs, and the roles of other key agencies and participating municipalities were further clarified during preparation. In addition, to facilitate rapid implementation of activities, the TOR for consulting services to develop preliminary designs will be finalized by March 2024 for Component 2 activities. These services will be included in the advanced procurement package to be procured shortly after effectiveness to ensure delivery of detailed designs by the first year of project implementation. Further, as part of project preparation, a pilot implementation of the decision tree framework for sanitation infrastructure has started for the municipality of Permet, which will allow for early implementation of activities.

87. **The residual stakeholders' risk is assessed as Moderate.** The inherent risk was assessed as Substantial considering potential resistance of key public and private sector stakeholders to the introduction of stricter regulation, monitoring and recording of specific waste streams, and measures for increased cost recovery of services, which may provide disproportionate short-term benefits or may affect current advantages and status quo. A series of behavioral change and awareness campaigns to be implemented throughout the life of the project, the use of consultative and transparent processes in the design and implementation of the related investments, reform processes, and communication will help mitigate these risks.

88. **The residual fiduciary risk is assessed as Moderate.** The inherent procurement risk is substantial and is associated with weak procurement capacity to manage large contracts (Components 1 and 2) and low coordination between central and local institutions involved in procurement and contract implementation. The inherent financial management risk is substantial as it reflects on : (a) weak capacities and low efficacy of the processes and systems around budget formulation, monitoring and management of public investments and grants; (b) complex institutional arrangements, lack of clarity on responsibilities, and weak coordination between parties throughout budget cycle, control framework, monitoring, and reporting; (c) shortcomings of the treasury workflow for multiple currency transactions and their recording and reporting; (d) introduction of new financing mechanism such as EPBI and IDSI, for which no structure and legal and regulatory framework exists; and (e) additional workload and lack of technical skills on the World Bank disbursement, reporting, and FM requirements. These risks will be mitigated through procurement and FM implementation support which include the adoption of alternative FM arrangements instead of the treasury system, adoption of clear general procurement and FM procedures, adoption of guidelines and procedures for the EPBI and IDSI administration, and periodic monitoring and implementation support by the World Bank team as well as continuous fiduciary training. To mitigate the risk pertaining to budget adequacy, the project will implement an effective and documented project planning and contract monitoring process.

89. **The residual institutional capacity risk is assessed as Moderate.** The inherent institutional risk was assessed as Substantial, as the waste management and sanitation services sectors are faced with weak institutional capacities, including insufficient financial and human resources. In recent months (summer 2023), the government has addressed key gaps with the finalization of two waste treatment centers in the Vlora South Waste Zone, increased unconditional transfer from the state budget to municipalities and establishment of a unified WSS institutional responsibility at regional level. The risk will be further mitigated by the project through institutional development, and improved data management to ensure investments are sustainably planned, implemented, and operated. At the local level, the provision of EPBI to municipalities will provide them with an incentive to improve their performance and adopt sustainability principles. Moreover, the central government has demonstrated a high level of political leadership and committed additional state budget allocations for investments and TA resources through the proposed project, the Albania Water Supply and Sanitation Sector Modernization Project (P170891), and the Albania Sustainable Growth (P178202) Development Policy Financing (DPF). These will serve as an incentive for waste and water utilities to engage in reform and improve performance.

90. **Environment and social residual risk is assessed as 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. More details on E&S risks and proposed mitigation measures are provided in section IV.D of the PAD.

VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Closing Period
To reduce pollution from land-based sources into the aquatic environment in selected areas	
Population covered by municipal waste collection service (Percentage)	
Jul/2023	Jan/2030
75.00	90.00
Wastewater flows from urban agglomerations safely treated (Percentage)	
Jul/2023	Jan/2030
0.00	80.00
Nutrients pollution filtered and avoided (Percentage)	
Jul/2023	Jan/2030
0.00	45.00

Intermediate Indicators by Components

Baseline	Closing Period
Component 1: Promote Integrated & Circular Approaches for Protection of Landscapes & Water Resources	
Municipalities improving waste management service performance (Number)	
Jul/2023	Jan/2030
0.00	6.00
Cost recovery rate for municipal solid waste management services of selected municipalities (Percentage)	
Jul/2023	Jan/2030
64.00	80.00
Municipal waste recycled (Metric tons/year)	
Mar/2023	Apr/2029
0.00	1,300.00
Municipalities with a Performance Monitoring Information Systems (MIS) for municipal solid waste that is operational and reporting on key KPIs (Number)	
Mar/2023	Apr/2029

0.00	4.00
Component 2: Reduce Water Pollution in the Vjosa River	
New treatment plants for wastewater / sludge established and operational (Number)	
Mar/2023	Apr/2029
0.00	6.00
Infrastructure integrating climate change related risks in the design (Percentage)	
Mar/2023	Apr/2029
0.00	100.00
On-site/decentralized sanitation solutions implemented and operational (Number)	
Jul/2023	Jan/2030
0.00	2,800.00
People provided with access to improved sanitation services (Number) CRI	
Mar/2023	Apr/2029
0.00	51800.00
➢People provided with access to improved sanitation services - Female (RMS requirement) (Number) CRI	
0.00	26000.00
➢People provided with access to improved sanitation services - rural (Number) CRI	
0.00	11500.00
➢People provided with access to improved sanitation services - urban (Number) CRI	
0.00	30000.00
People with access to safely managed sanitation services (Number)	
Mar/2023	Apr/2029
0.00	51,800.00
Municipalities with a GIS-based information system operational (Number)	
Mar/2023	Apr/2029
0.00	6.00
Women-headed household's who receive Intra-Domiciliary Sanitation Investments (Percentage)	
Jul/2023	Jan/2030
0.00	15.00
Land area under sustainable landscape management practices (Hectare(Ha)) CRI	
Mar/2023	Apr/2029
0.00	200.00
Share of activities that are designed and implemented through engagement of stakeholders and public (Percentage)	
Mar/2023	Apr/2029

0.00	85.00
GHG emissions reduction due to the improved wastewater treatment (Metric tons/year)	
Mar/2023	Apr/2029
0.00	5,800.00
Component 3. Project Management, Monitoring and Evaluation	

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

To reduce pollution from land-based sources into the aquatic environment	
Population covered by municipal waste collection service (Percentage)	
Description	This indicator measures the number of people benefiting from municipal waste collection service out of the total number of people in the Vlora South – Gjirokaster waste zone. It focuses on municipal waste only.
Frequency	Yearly
Data source	Reports from municipal waste service providers
Methodology for Data Collection	Number inhabitants served with municipal waste collection service as a percentage of the total number of inhabitants in the Vlora South – Gjirokaster waste zone
Responsibility for Data Collection	Municipalities/NEA
Wastewater flows from urban agglomerations safely treated (Percentage)	
Description	This indicator stems from SDG target 6.3. It measures the volumes of wastewater which are generated through different activities, and the volumes of wastewater which are safely treated before discharge into the environment. Both indicators are measured in units of 1000 m3/day. The ratio of the volume treated to the volume generated is taken as the 'proportion of wastewater flow safely treated', where safely treated implies the compliance with local environmental standards as well as with EU Directive (91/271/EEC). The geographical scope covers urban areas only in the seven prioritized municipalities.
Frequency	Yearly
Data source	Reports from wastewater treatment plants
Methodology for Data Collection	The 6 wastewater treatment plants to be constructed will produce data on wastewater volumes safely treated and total volumes generated will be also provided by the water utility directorate in the region/municipality
Responsibility for Data Collection	AKUM
Nutrients pollution filtered and avoided (Percentage)	
Description	This indicator measures the amount of nitrogen and phosphorus pollution avoided by the project, against the baseline pollution load. Avoided pollution is generated by expanded and restored wetlands and specific agricultural practices pertaining to the use of fertilizer and manure management.
Frequency	Twice during the life of the project (at mid-term and project completion)
Data source	Measurement reports produced by NEA
Methodology for Data Collection	The indicator is measured by taking the samples of water and doing the analysis in NEA's laboratory to assess the level of nutrients at mid-term and project completion on the sample data taken at several points of the sites where the creation/restoration of wetlands is taking place along Vjosa. The comparison will be made against baseline data produced by NEA's laboratory recently on the nitrates and phosphorus content in waters of Vjosa river.
Responsibility for Data Collection	NEA/AKUM

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Component 1: Promote Integrated and Circular Approaches for protection of Landscapes and Water Resources	
Municipalities improving waste management service performance (Number)	
Description	This indicator measures the improvement of municipal solid waste management in municipalities benefitting from environmental investments for local pollution prevention/reduction. To be accounted for, a municipality must improve one of the following indicators compared to the baseline (established in year 1): (a) percentage of waste collected / increased service coverage of population, (b) percentage of waste recovered for recycling
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Mid-Term and Final Beneficiaries Survey/ Project progress reports

Methodology for Data Collection	Number of municipalities qualifying for EPBI investments, based on verified performance improvements under the EPBI scheme on waste collected/service coverage or waste recycled
Responsibility for Data Collection	MoTE
Cost recovery rate for municipal solid waste management services of selected municipalities (Percentage)	
Description	This indicator measures the improved cost recovery of municipal solid waste operations. More specifically, the indicator measures the share of annual revenue from waste management (fee collection) against the operating costs of waste management faced by the municipality (i.e. collection, recycling, transfer, and/or disposal costs)
Frequency	Yearly
Data source	Performance Monitoring Information System established at municipalities/ Project progress reports
Methodology for Data Collection	Annual revenue from waste management (fee collection) as a percentage of the total cost of municipal solid waste service delivery in selected municipalities that qualify for EPBI investments
Responsibility for Data Collection	Municipalities/NEA
Municipal waste recycled (Metric tons/year)	
Description	This indicator measures the weight of waste collected annually by municipalities that is then separated for recycling
Frequency	Yearly
Data source	Reports produced by the municipal wasterecycling centers
Methodology for Data Collection	Total municipal waste collected and separated for further processing (recycling) is weighed at municipal waste recycling centers
Responsibility for Data Collection	Municipalities/NEA/ site operators
Municipalities with a Performance Monitoring Information Systems (MIS) for municipal solid waste that is operational and reporting on key KPIs (Number)	
Description	This indicator measures the operationalization and effective adoption by targeted municipalities of the MIS set up by the project for monitoring municipal solid waste management.
Frequency	Twice during the life of the project (mid-term review and project completion
Data source	Communication from municipalities
Methodology for Data Collection	Observation
Responsibility for Data Collection	MoTE/NEA and Municipalities
Component 2: Reduce Water Pollution in the Vjosa River	
New treatment plants for wastewater / sludge established and operational (Number)	
Description	This indicator measures the extended coverage of wastewater / sludge treatment plants. These treatment plants, either centralized or semi-centralized, should be established and operational to be accounted for. However the final number is subject to the conclusions deriving from the Feasibility Studies.
Frequency	Once at project completion
Data source	Project Completion report
Methodology for Data Collection	Observation
Responsibility for Data Collection	MoTE/AKUM
Infrastructure integrating climate change related risks in the design (Percentage)	
Description	This indicator measures the share of infrastructure financed or supported by the project that have been designed taking climate change risks into account
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Project Progress Report
Methodology for Data Collection	The ratio of facilities number considering climate resilience aspects in design toward total number of designed facilities under the project will produce the indicator

Responsibility for Data Collection	MoTE/AKUM
On-site/decentralized sanitation solutions implemented and operational (Number)	
Description	This indicator measures the number of individual sanitation solutions financed by the project. The sanitation solutions are a combination of grey and green infrastructure, and will include new sanitation facilities for urban agglomerations as well as on-site or decentralized sanitation solutions.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Project Progress Report
Methodology for Data Collection	Observation
Responsibility for Data Collection	AKUM
People provided with access to improved sanitation services (Number) CRI	
Description	The indicator measures the cumulative number of people who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Mid-Term and Final Beneficiaries Survey
Methodology for Data Collection	Survey
Responsibility for Data Collection	AKUM
People provided with access to improved sanitation services - Female (RMS requirement) (Number) CRI	
Description	The indicator measures the cumulative number of people (females) who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Mid-Term and Final Beneficiaries Survey
Methodology for Data Collection	Survey
Responsibility for Data Collection	AKUM
People provided with access to improved sanitation services - rural (Number) CRI	
Description	The indicator measures the cumulative number of people (rural) who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Mid-Term and Final Beneficiaries Survey
Methodology for Data Collection	Survey
Responsibility for Data Collection	AKUM
People provided with access to improved sanitation services - urban (Number) CRI	
Description	The indicator measures the cumulative number of people (urban) who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Mid-Term and Final Beneficiaries Survey
Methodology for Data Collection	Survey
Responsibility for Data Collection	AKUM
People with access to safely managed sanitation services (Number)	
Description	This indicator will measure the impact of the expansion of sanitation infrastructure supported by the project on the

	population.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Mid-Term and Final Beneficiaries Survey
Methodology for Data Collection	Survey
Responsibility for Data Collection	MoTE/AKUM
Municipalities with a GIS-based information system operational (Number)	
Description	This indicator measures the number of municipalities benefitting from the improved monitoring of the provision of sanitation services and environmental protection. It does so by assessing the number of municipalities having implemented and using the GIS-based information system designed under the project.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Report from municipalities
Methodology for Data Collection	Observation
Responsibility for Data Collection	MoTE/AKUM
Women-headed household's who receive Intra-Domiciliary Sanitation Investments (Percentage)	
Description	This indicator measures the % of Women-headed households who receive Intra-Domiciliary Sanitation Investments. The project will support 100% of the Women-headed households part of the social support scheme in the Region of Gjirokastra, with the assumption that the region follows the same trend/% as the national aggregated % of households headed by women, which is ~15%.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Report on IDSI applications submitted
Methodology for Data Collection	Review of applications
Responsibility for Data Collection	AKUM/ Municipalities
Land area under sustainable landscape management practices (Hectare(Ha)) CRI	
Description	The indicator measures, in hectares, the land area for which new and/or improved sustainable land management practices have been introduced. Land is the terrestrial biologically productive system comprising soil, vegetation, and the associated ecological and hydrological processes; Adoption refers to change of practice or change in the use of a technology promoted or introduced by the project; Sustainable land management (SLM) practices refers to a combination of at least two technologies and approaches to increase land quality and restore degraded lands for example, agronomic, vegetative, structural, and management measures that, applied as a combination, increase the connectivity between protected areas, forest land, rangeland, and agriculture land.
Frequency	Twice during the life of the project (mid-term review and project completion)
Data source	Report from MoTE
Methodology for Data Collection	The measurements are realized based on the assessments of volume of works derived from the certified situations by assigned teams of experts
Responsibility for Data Collection	MoTE/ Vjosa Park Administration
Share of activities that are designed and implemented through engagement of stakeholders and public (Percentage)	
Description	This indicator measures the stakeholder engagement in the design and implementation of the project. Each activity that is designed and implemented using the engagement of stakeholders and the general public will count toward this indicator.
Frequency	Yearly
Data source	Project Progress Reports
Methodology for Data Collection	Observation

	The announcements will be posted electronically or in physical form in the most frequented places in towns or near the villages. The designs will be consulted with the local stakeholders
Responsibility for Data Collection	MoTE/AKUM
GHG emissions reduction due to the improved wastewater treatment (Metric tons/year)	
Description	This indicator measures the amounts of GHG emission reduction due to the improved treatment of wastewater, compared to the business as usual. The project expects to reduce the GHG emissions. The target shows the expected reduction by project activities
Frequency	End of the project
Data source	Project Completion Report
Methodology for Data Collection	Economic analysis report has calculated the ex-ante GHG emission reductions for the project and the economic analysis report will be used for ex-post emission reductions at project completion
Responsibility for Data Collection	MoTE
Component 3. Project Management, Monitoring and Evaluation	

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Republic of Albania
Clean and Resilient Environment for Blue Sea Project

1. **The project will have two 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 expert, and a full-time environmental and 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 water and 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.

2. 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.

3. 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 World Bank. Disbursements will only be possible once the EPBI manager is hired. MoTE will prepare an EPBI manual setting forth investment implementation arrangements, eligibility criteria and selection procedures. MoTE will supervise the agreed activities and disseminate good practice results. Details of the EPBI implementation are provided in annex 5.

4. 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.

5. The Project Operations Manual (POM) should be prepared and adopted by MoTE and AKUM and is a condition to 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.

6. **Responsibility for the project's FM will remain with both IAs.** MoTE for the project subcomponents 1.1, 1.2, 1.3, 2.3, 3.1 and AKUM for the project subcomponents 2.1, 2.2, and 3.2. Both agencies will maintain adequate project FM systems capable of tracking all project operations, resources, and expenditures and generating regular financial reports. The IAs will be supported by the PMT and PCU in carrying out the fiduciary function, a similar arrangement adopted with previous World Bank-financed projects. The project will rely on selected aspects of the country budget formulation and execution processes; however, the treasury system will not be used. Instead of full treasury workflow, alternative funds flow arrangements will be adopted, similar to the previous projects implemented. A project FM system will be acquired that will automatically produce project financial information to meet the reporting requirements and inform decision-making. The FM processes, workflow, internal controls, funds flow, and financial reporting requirements will be defined in the POM. In addition, the manual will depict the division of roles and responsibilities and coordination between the two IAs and with the other stakeholder entities (municipalities and utilities), among other things, on the FM and funds flow aspects.

7. MoTE's mandate is to coordinate policies and investments on sustainable natural resource management and tourism development, climate change mitigation and adaptation, and environmental monitoring and compliance. AKUM, through its legal and technical authority, coordinates, programs, and monitors all activities of water supply and sewage and wastewater treatment infrastructure, in cooperation with other institutions at the central and local levels. Together, the two IAs will implement wastewater and pollution prevention and reduction investments, as well as technical and institutional support activities. During project preparation, a team comprising representatives of several relevant agencies such as AKUM, National Agency for Territorial Planning, MoIE, NEA, and MoFE was established. A similar arrangement will be proposed for project implementation given the multi-sectoral nature and multiple levels of governance that the project will support.

8. The NEA will support water quality monitoring and data management of the waste management system. The NEA is the competent authority for water quality monitoring in Albania based on the Decision of Council of Ministers No. 1189 of 18.11.2009 'On the rules and procedures for implementation of National Monitoring Program' and according to the National Environmental Monitoring Program approved annually by the Minister of Tourism and Environment. The laboratory of NEA monitors the surface water quality. The agency reports, on an annual basis, to the European Environmental Agency all the environmental monitoring data for the rivers, lakes, underground water, bathing water, and coastal water. The NEA will work closely with municipalities on data management and monitoring of municipal waste.

9. **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. Municipal utilities will work with AKUM to develop higher technical capacities and to achieve economies of scale for service provision through the utility aggregation planned in the strategy. Municipalities will also be beneficiaries of the EPBI for municipal waste management and will be responsible for managing, monitoring, and reporting data related to the KPIs under the EPBIs. They will need to work with the independent verifier under the EPBIs and adhere to data audits and verification of data. Once the law on EPR is approved, municipalities will be responsible for establishing agreements

and/or contracts with producer responsibilities for separate collection of waste. They will also need to adjust their waste-related tariffs and/or payment collection systems to improve cost recovery (Component 1). Municipalities and municipal utilities in the Vjosa River Basin will assess current needs, participate in project planning, and monitor progress toward the achievement of specific sanitation targets in their territories (Component 2).

10. Municipalities will be eligible for EPBIs in accordance to eligibility criteria and procedures as set forth in the loan agreement and the EPBI Manual, which will include, as applicable, the obligations to (i) have established a waste data management, monitoring, and reporting system, to the Borrower's and the Bank's satisfaction; (ii) develop of a waste management plan; (iii) provide adequate technical waste management staff for planning and operations, as well as data management and monitoring functions; (iv) develop a capacity-building plan to support improvements of targeted key performance indicators; (v) provide budget allocation and investment in solid waste management and circular economy over the past four years.

11. Households will be eligible for IDSIs in accordance with eligibility criteria and procedures acceptable to the Bank and set forth in the loan agreement and the POM.

12. Project progress will be monitored based on completed procurements, disbursements by the project, physical progress of works, and project indicators. The PMT will include a dedicated M&E specialist and will develop an M&E manual that is acceptable to the World Bank, as part of the overall POM. The PMT will also ensure that data and information collected from various sources as indicated in the M&E Plan of the Results Framework are accurate and reports are produced on time. It will develop a data quality assurance mechanism and provide technical support to the PMT. The project Results Framework includes specific gender and citizen engagement indicators as discussed in those sections.

13. A detailed review of the implementation progress will be conducted at the project's midterm review (MTR) to assess course correction where needed. Subject to a satisfactory implementation of project activities, the MTR will also assess any potential for additional financing or follow-up engagement in the relevant sectors.

14. The Borrower should furnish the Bank with Project Reports not later than one month after the end of each calendar semester, covering each calendar semester.

Financial Management

15. **An FM assessment was carried out to determine the FM implementation risk and help establish adequate FM arrangements for the proposed project.** The assessment demonstrates that the FM arrangements in MoTE and AKUM, as adopted by the closed World Bank-financed projects by each IA, are adequate for the implementation of the proposed project and comply with the World Bank policies. The conclusion is based on the following: (a) FM arrangements proposed are similar to the previous World Bank-financed projects and found to be adequate; (b) no significant issues were identified in the audits of the previous projects implemented by MoTE and AKUM; and (c) the units responsible for FM and project coordination, under both IAs, are familiar with the implementation of World Bank-funded projects. The FM risks identified and proposed mitigation measures are indicated under the risk section.

16. **Country issues.** The various country PFM reviews and analysis available have plotted the significant progress that Albania has made in improving PFM. The last Public Expenditure and Financial Accountability assessment for Albania, from 2016, concluded that Albania has advanced in some areas such as budget credibility, elements of fiscal transparency, monitoring of expenditure arrears, and procurement. Despite significant progress, lagging areas include (a) monitoring of extra-budgetary units, (b) public investment management, (c) better links between the sector strategies and budget, (d) systematic arrears monitoring, (e) implementation of internal audit and financial management and control, and (f) scope and nature of the external audit function.

17. **FM staff.** MoTE's and AKUM's organizational structure and existing FM capacity were analyzed. The Department of Budget and Finance is responsible for the overall FM of MoTE operations, including the closed World Bank-financed project. This unit was supported by an external FM expert, who was part of the PMT, and covered for the additional workload, and lack of knowledge and expertise of World Bank disbursement and FM requirements. The FM function in AKUM is divided between two units, the Directorate of Investment Planning, responsible for budget planning and execution, and the finance sector, responsible for payments and reporting. Historically, foreign-financed projects are implemented though a dedicated Project Implementation Unit, established as a separate spending unit. However, the Directorate of Investment Planning still plays a critical role in the budget preparation. Similar arrangements will be adopted for the proposed operation as the same gaps are noted. The workflow and shared responsibilities will be defined in the POM. The funding for the experts will be provided through the project management cost in Component 3. During the project implementation, the finance staff engaged in the project will attend periodic and on-the-job training on World Bank disbursement and FM as part of the external or World Bank training program.

18. **Budgeting.** The operation will rely on country public budget and planning systems. MoTE and AKUM will be responsible for the preparation of the project's medium-term forecasts and annual budgets, in line with the approved implementation plans and Procurement Plan. The budget structure is clear in terms of sources of funding, budgetary vehicles, and categories of expenditures. The medium-term budget program (MTBP), which is developed in the context of the Organic Budget Law (the current MTBP covers the period 2023–25 and is updated annually through the Annual Budget Law), helps ensure the sustainability of the project financing. As of the date of the assessment, the project spending is not included and articulated in the MTBP for the period 2023–25 and 2023 budget law. Despite recent reform, there are still concerns with respect to the quality and capacity of planning and budgeting processes, and as suggested by recurring arrears in the system. The planning function will be closely linked with contract management (procurement, planning, and implementation/management of contracts) to ensure that forecasts and budgets are realistic and updated frequently. The budget requests, at various stages during the budget preparation and execution process, will be based on the forecasts and technical inputs provided by the project coordinator, engineers, and procurement expert. The annual project budgets will be reviewed and approved by the project management, including the structures responsible for strategic planning and budgeting within the ministry. Such processes will be aligned with the ministry's MTBP process and annual budgeting process, and the project budget and forecast will be part of the ministry program budget, identified and monitored separately from other activities. For 2023, an adequate budget allocation for the first year of project spending needs to be ensured though the midyear budget review process. Variances of actual versus budgeted figures will be monitored on a regular basis and appropriately analyzed and corrective actions taken.

19. **Accounting and maintenance of accounting records.** The previously used FM software appears to be outdated, and the vendor discontinued support and maintenance services. To facilitate the accounting and financial reporting, a more modern and sophisticated accounting software will be necessary, to be installed and maintained in both IAs. The project funds and expenditures will be accounted separately, and the project chart of accounts will be defined based on the project activities. The accounting records for all project expenditures will be maintained by category and by component. Periodic reconciliation will be performed between general ledger and project bank accounts and the World Bank disbursement data.

20. **Periodic financial reporting.** Quarterly IFRs containing at least (a) the statement of sources and uses of funds (with expenditure classified by category and component), (b) contract monitoring, and (c) a DA statement will be submitted to the World Bank, by each IA, within 45 days of the end of each quarter. The format and content of the IFRs will be agreed with the World Bank and included in the POM. The annual PFS will be prepared, separately by each IA, in accordance with International Public Sector Accounting Standards on a cash basis. The financial reports will be prepared in the loan currency. The first quarterly IFRs will be submitted after the end of the first full quarter following the first disbursement. The IFRs will be reviewed and confirmed every quarter by the World Bank team.

21. **Internal controls.** Details on institutional and implementation arrangements will be described in the POM. The POM will include an FM section, covering key internal control mechanisms to be followed by the staff in the application and use of project funds. This section will elaborate on the fiduciary controls, work and documentation flow, and roles and responsibilities of staff involved. The POM will provide a detailed description of processes (budgeting, execution of expenditure, recording, reporting, and auditing) and will depict the key control activities that will ensure proper verification, authorization, and documentation of all project expenditures; proper contract financial monitoring; and adequate segregation of functions. The manual will also describe procedures for ensuring completeness of accounting transactions, reliability of accounting data, and regular financial reporting. Special consideration will be given to the clarity on roles and responsibilities of different institutions involved during the project implementation, including municipalities. The preparation and adoption of the POM will be an effectiveness condition.

22. **Local investment programs.** For the proposed local investment programs that are not regulated by current legislation, additional measures will be put in place. MoTE will prepare and adopt guidelines and procedures for the administration of small investments, satisfactory to the World Bank, that will describe design, administration, and internal controls over the proposed programs. These will be detailed in an Investment Manual included in the POM and the hiring of the investment manager as a disbursement condition. A consultancy was selected in November 2022 to support the design and implementation modalities of the EPBI, the work of which was substantially completed by May 2023 with a draft EPBI manual to be included in the POM. Key internal controls and procedures that need to be in place should include, among others:

- Clear description of eligibility criteria for beneficiary municipalities;
- Clear description of eligibility criteria for activities;
- Procedures for the evaluation and selection of investments, including determining and describing responsibilities for this process;

- Funds flow mechanism;
- Reporting and monitoring of investments implementation, including financial and technical progress and maintaining of appropriate accounting records and supporting documentation; and
- Procurement processes to be followed.

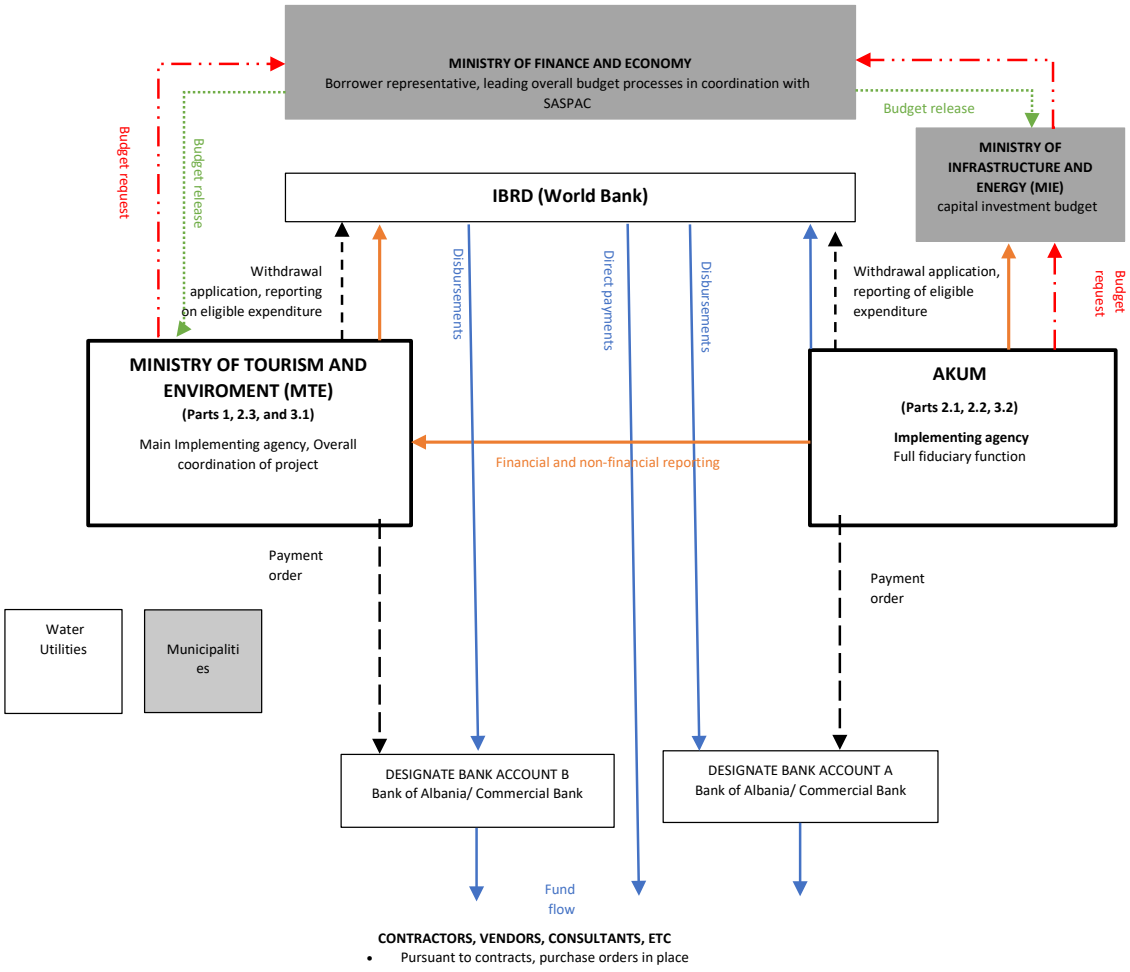
23. **Annual audit.** The PFS, as prepared by each of the IAs, will be audited annually by independent auditors acceptable to the World Bank. The audit TOR based on International Standards on Auditing will be cleared by the World Bank. The audit scope will be extended to include the audit of the subproject financed by the investment programs. The audit service contract may be procured by AKUM for both entities and the audit fees will be covered by loan. This arrangement may change in agreement with the MoFE. The audited PFS will be submitted not later than six months after the end of the reporting period. Pursuant to the World Bank Policy on Access to Information (July 2010), the IAs will have to disclose the audit reports within two months of their receipt from the auditors, by publishing the reports on their website. Following formal receipt of these reports, the World Bank will make them publicly available as well. At present, there are no overdue audits from both IAs.

24. **Disbursement.** The project would be completely financed by an IBRD loan. The loan proceeds will be disbursed based on standard World Bank disbursement methods for investment projects. The currency of disbursements will be the same as the loan currency. Two DAs, denominated in the loan currency, one for each IA, will be opened and maintained at the Bank of Albania, specifically for this project, where the World Bank will advance loan proceeds.

25. **Project's funds flow.** Project funds will flow from the World Bank, either through the DAs, which will be replenished based on the documentation specified in the DFIL or by using the direct payment method or the special commitment. Once the funds have been deposited in the DA, the treasury department at MoFE, on the request of the IAs, will transfer the loan proceeds from the DA to the project bank accounts that will be maintained in a commercial bank, acceptable to MoFE, to make project expenditure payments to third parties, that is, consultants, contractors, and suppliers. These bank accounts (one denominated in the loan currency and one in Albanian lek) will be managed by MoTE and AKUM separately. The treasury systems will not be used for funds flow.

26. **Supporting documentation requirements for disbursement.** The World Bank will require either copies of the original documents evidencing eligible expenditures (records) or SOE, as specified in the DFIL. The use of the advances would be documented with a detailed list of expenditures (SOE). Withdrawal applications would be sent to the World Bank at least every three months. However, for direct payments, records would be required, consisting of documents such as invoices and receipts. In all cases, MoTE and AKUM are required to maintain original documents evidencing eligible expenditures and making them available for audit or inspection. These documents should be maintained for at least two years after receipt of the audit report by IBRD and for a period required by local legislation.

Figure 1.1. Project Funds Flow



Procurement

27. Under the Procurement Regulations, a PPSD has been prepared and approved by the Bank, and defines the optimum procurement approach to deliver the optimal procurement results. The PPSD is informed by a strategic assessment of the operating context and beneficiaries' capacities, as well as the market, the different stakeholders, and the risks affecting the procurement processes.

28. The project will use the online tool STEP to record all procurement transactions as well as relevant data on contract implementation. Both IAs will be registered as separate agencies in STEP and will enter their respective procurements.

29. **Major procurement categories under the project.** The project's total value is US$80 million. Works will total US$49.7 million, followed by goods and non-consulting services in the amount of US$13.

10 million and consultancy services in the amount of US12.38 million. The project will also include two investment schemes in the amount of US$9.42 million.

30. Most of the works and supplies financed by the project will be procured through open and international competitive bidding using Request for Proposal method; yet, some bidding packages may be procured through Request for Quotation method. Hiring of consulting services will be procured mostly through Quality- and Cost-Based Selection and Consultant's Qualifications. Individual consultants to be hired at the PMT and PCU will be procured using the individual consultant selection method.

31. **Market analysis for major contracts.** Experience from MoTE and AKUM highlighted both local and foreign construction enterprises have interest in participating in similar biddings (usually 4–6 bidders expressed interest in each tender of similar works).

32. **Project procurement result indicators.** The achievement of the PDO will be measured by the following indicator: 'timely completion of major contracts by 75 percent'.

33. **Key procurement under the project.** The following procurement methods are anticipated under the project: Procurement of Goods, Works, and Non-Consulting Services. Works required under the project include the construction of six new WWTPs for urban agglomerations in the priority municipalities. Under goods category, provision of equipment and vehicles is foreseen for waste collection, source separation, recycling centers vacuum trucks, and specialized tooling for sewer network.

34. **Selection of consultants.** Consulting services includes support to establish circular waste management scheme and technical support to AKUM, ERRU, and the regional utilities in planning for the necessary institutional, policy, and regulatory changes that will be required to carry out their mandates for improved wastewater management and sanitation service provision. Moreover, behavior change activities, awareness-raising campaigns to the public and to the beneficiaries of enhanced waste management and water and sanitation services, and capacity building for potential stakeholders and beneficiaries are foreseen.

35. **Implementation of investments scheme.** Investments scheme will be provided (i) under Component 1 through EPBIs to municipalities in the project area which commit to improved environmental services and (ii) under Component 2, through IDSIs to qualifying households.

36. **Advertisements.** A General Procurement Notice will be published through STEP in the United Nations Development Business online and on the World Bank's external website. Specific Procurement Notices will be published as the corresponding bid documents become available. All these advertisements shall be made through STEP.

37. **Debarments.** The borrower will respect debarment decisions by the World Bank and will exclude debarred firms and individuals from participation in the competition for World Bank-financed contracts. Current listing of such firms and individuals can be found at the following website address: http://www.worldbank.org;/debarr

38. **Procurement methods and prior review thresholds.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's mandatory prior review. It is proposed to follow the

procurement thresholds applicable effective July 2023, as part of the Procurement Regulations. All other contracts shall be subject to post review by the World Bank. The prior review thresholds will be periodically reviewed and revised as needed during the project implementation period based on implementation of risk mitigation measures, reports from procurement post reviews, and improved capacity of the IAs.

39. **Assessment of the agency's capacity to implement procurement.** The World Bank's team has carried out separate assessment of the procurement capacity of MoIE and AKUM, as IAs under the project. The procurement assessment concluded that MoTE has experience with implementing a World Bank project (Environmental Services, P128412, completed in May 2021); however, MoTE is affected by staff reshuffle after the 2021 government was established. New staff capacity to manage the World Bank project should be enhanced. It is expected that a new organigram of MoTE will be in force in January 2023 and three main departments will be directly involved in the implementation of the respective components of the project for which MoTE is the IA. A PMT is expected to be appointed by the minister with clear responsibilities for project implementation including preparation of TOR and possible engagement in bid evaluation and contract monitoring. The POM will define the division of responsibilities among technical departments and PMT staff regarding the procurement processes and will set indicative timelines to complete such responsibilities. A procurement consultant experienced with World Bank Procurement Regulations is expected to be hired under the PMT. However, since MoTE will have the overall project lead, there should be a strong coordination mechanism in place among PMT at MoTE and PCU at AKUM.

40. AKUM also has experience in implementing World Bank projects (Water Sector Investment Project which was completed in March 2020 and the Program-for-Results on National Water Supply and Sanitation Sector Modernization Program (P170891) which became effective in May 2023). The same PCU that will be established for the latter will have fiduciary responsibility for relevant Component 1 and 2 activities under and their respective activities under Component 3 for which AKUM will be the IA. The majority of activities to be implemented by AKUM are works contracts, not complex by nature of investment but spread across different municipalities. During preparation of the PPSD, AKUM will consider whether there are opportunities to merge the procurement procedures in lots. Considering the expected workload for the PCU, there is the need to strengthen its structure by engaging at least two procurement consultants who will support the PCU in conducting the procurement procedures under the two projects.

41. Based on the above assessment, the inherent procurement risk is assessed as Substantial. To mitigate the identified risk, the following measures are proposed: (a) technical staff with experience will be hired as part of the PMT and PCU to increase technical capabilities; (b) the PMT and PCU will include a procurement expert who should be experienced with World Bank's procurement; (c) both IAs should set up the evaluation committee on time for the evaluation of bids/proposals; and (d) the PMT and PCU staff should attend the procurement trainings/workshops organized by the World Bank in the region. After the above mitigation measures are taken, the residual procurement risk is assessed as Moderate.

Strategy and Approach for Implementation Support

42. The implementation support will focus on accomplishing the following objectives: (i) provide necessary technical advice to the client and bring international experiences and good practices to ensure

that the project meets the Bank's technical standards; (ii) ensure that the Implementing Agency's measures meet the standards approved by the Bank in terms of project supervision; and (iii) ensure that the required fiduciary, social, and environmental standards are put in place and implemented per the Financing Agreement and other project documents.

43. The Bank team will review implementation progress at least two times a year, provide recommendations and guidance, and agree on the action plan/next steps. More frequent interaction will be carried out by the staff based in the region as needed.

44. **Procurement Supervision and Ex-post Review.** Routine procurement reviews and supervision will be conducted by the procurement specialist. In addition, the procurement supervision missions are planned to be conducted every six months during the first year of implementation, and once every subsequent year. Post reviews will be carried out regularly with a minimum sampling of two out of ten.

45. **FM implementation support and supervision plan.** During project implementation, the World Bank will supervise the project's FM arrangements in two main ways: (a) reviewing the project's IFRs and the annual audited financial statements and auditor's management recommendation letters and (b) performing on-site supervision combined with virtual reviews at a frequency base on the project's risk and performance and (c) reviewing the project's FM and disbursement arrangements to ensure compliance with the World Bank's minimum requirements. As with technical oversight and support, the World Bank fiduciary team will provide intense support at two points during project implementation: during the first 12 months (from approval to effectiveness and through early implementation) and at midterm.

46. **Environmental and Social Implementation Support.** The Bank`s Environmental and Social Specialist each will monitor the environmental and social performance of the project and the implementation of material measures and actions required under the Environmental and Social Commitment Plan (ESCP) including the timeframe for implementation of activities specified therein.

47. Given the diversity of activities that the project supports, the Bank task team will require a corresponding range of skills covering general wastewater and sanitation, waste management, environmental management, nature-based solutions, agriculture, behavioral change and gender (Table 1)

Table 1: Skills mix required for the duration of project implementation

Skills Needed	Number of Staff Weeks/Year	Number of Trips
Task Team Leader/ Environment Specialist	8	At least 2 missions per year
Technical (Wastewater and Sanitation Management Specialist)	6	At least 2 missions per year
Technical (Waste Management Specialist)	4	At least 2 missions per year
Technical (Environment/Nature-based Solutions Specialist)	4	At least 2 missions per year
Technical (Behavioral change)	4	At least 2 missions per year

Technical (Agriculture Specialist)	2	At least 2 missions per year
Operations Specialist	4	At least 2 missions per year
Project Assistant (Operations)	4	At least 2 missions per year
Environmental Specialist (Safeguards)	3	At least 1 mission per year
Social Specialist (Safeguards)	3	At least 1 mission per year
FM Specialist	3	Site visits as needed
Procurement Specialist	4	Site visits as needed

ANNEX 2: Corporate Commitments – Climate Change, Citizen Engagement, and Gender

COUNTRY: Republic of Albania
Clean and Resilient Environment for Blue Sea Project

I. Climate Change

1. **Project Alignment with the Paris Agreement on both mitigation and adaptation.** The project aligns with targets and commitments set forth in Albania's NDC and NAP by supporting both mitigation and adaptation efforts contributing to Albania's transition towards a low-carbon and climate resilient development trajectory.

2. **Assessment and reduction of adaptation risks.** Planned activities will help build longer-term climate resilience through the removal of waste and pollution from wastewater, enhanced water quality and by improving public and ecosystems health. The reduction of damages through floods has been listed as one of the key goals for the Albanian adaptation process and addressed in this operation. Specifically, climate change risks and vulnerability will be managed and mitigated through sustainable land management measures, such as afforestation/reforestation, forest protection, wetland restoration, and improved agricultural practices which can provide effective solutions to address erosion and agricultural runoff, mitigate flood risks and increase biodiversity benefits.

3. **Assessment and reduction of mitigation risks.** The proposed operation is aligned with the Paris Agreement's mitigation goals as it actively contributes to decarbonization by expanding waste collection and recycling/reusing and lengthening the landfill lifespan by reducing use and transportation-related emissions. GHG emission reductions are expected due to the improvements in wastewater treatment facilities, restoration of the wetlands, improved efficiency in wastewater treatment and reduction of pollutant concentration in surface water and groundwater resources. Carbon storage capacity is being increased through the project activities of landscape and ecosystem management such as afforestation, restoration of waterflow and maintenance of wetland ecosystems, promotion of climate smart agriculture, protection of freshwater systems, grasslands, and coastal and marine ecosystems.

Table 2.1. Project Climate co-benefits by Components

Components	Climate Adaptation	Climate Mitigation
Component 1: Promote Integrated and Circular Approaches for Protection of Landscapes and Water Resources	• Local investments and technical support for behavior change incentives and to support the adoption of waste separation and improved sanitation will facilitate the transition from a climate-vulnerable, linear system to a more climate-resilient and circular system. • Awareness-raising campaign will include dedicated message on adaptation to climate change and resilience through NBS as well as information on recycling, material recovery, and circular economy concepts.	• The project will support reforms in SWM that help reduce sectoral GHG emissions (for example, improved data management and smart monitoring for improved performance). • The EPBI window to the municipalities will support improved management of municipal waste contributing to reduced GHG emission by improving collection and recycling/reusing waste and lengthening the landfill lifespan by reducing use and transportation-related emissions. • Awareness raising, behavior change incentives, and changing of behaviors will contribute to reduce GHG through the wiser use of raw materials, improved energy, and resource efficiency.

Components	Climate Adaptation	Climate Mitigation
Component 2: Reduce Water Pollution in the Vjosa River	• All investments will consider climate-change-related risks to ensure climate resilience of planned infrastructure. • Targeted NBS contribute to increased resilience by enhancing the provision of ecosystem services and mitigating flood risks and erosion impacts. • Construction of planned infrastructure will adhere to design principles that ensure climate resilience of the facilities and their operations going forward including, but not limited to, measures for preventing intrusion of floodwater, protecting critical assets and operations, ensuring continuity of power reliability, preventing leakage and spillage of chemicals, and managing stormwater runoff.	• Improved efficiency in wastewater management service provision will contribute to reducing the sector GHG emission. The estimated reduction is 3,131 tCO2e per year. • The design of new facilities/centers will include energy-efficient measures in site maintenance and operation, including smart lighting, efficient electricity measures, and building envelope design considerations. • NBS for increasing the forest retention functions; restoration of waterflow and maintenance of wetland ecosystems; and protection of freshwater systems, grasslands, and coastal and marine ecosystems will increase carbon storage capacity. The estimated reduction of GHG emissions with the restoration of 200 ha of coastal wetlands is 210 tCO2e per year and 6,307 tCO2e over the 30 years of the project lifetime.

II. Citizen Engagement

Table 2.2. Citizen Engagement

Citizen Engagement Approaches	Project Activities
Consultative and participatory process for the sanitation infrastructure improvements	• For Components 2, socially inclusive consultations will be organized throughout the design process—conducted through focus group discussions and multi-stakeholder forums during which the preliminary designs will be shared and discussed with beneficiaries near identified locations (but also through social networks and local media). The facilitation will be done by the local governments. • For Subcomponent 2.1, a few of the selected municipalities will pilot participatory planning and monitoring committees in their local communities. The committees will ensure local citizens' feedback and suggestions are addressed by the infrastructure improvements and will enable participatory monitoring of sanitation solution constructions.
Robust information and feedback mechanism for the EPBI	• For Component 2, the IDSIs for improved sanitation facilities, the PMT will establish a robust and socially inclusive information and feedback mechanism that enables beneficiary households to receive accessible information, to provide feedback on IDSI arrangements and functionality (ease of access, transparency, quality, and processes) and, if necessary, to join working groups to improve the IDSIs.
Socially inclusive awareness-raising campaigns to facilitate behavior change, help reduce pollution, and improve water and sanitation	• Beneficiary awareness-raising campaigns for the public and specific schools will promote behavior change to (a) reduce, reuse, and recover solid waste; (b) reduce water pollution; and (c) promote water conservation and efficiency. These campaigns will communicate on the enhanced waste management and water and sanitation services to foster behavior change in relation to, for example, the adequate use of the sanitation facilities, importance of sanitation services, and wastewater management.
Rapid and frequent citizen satisfaction surveys—complemented with annual public forums/roundtables	• Collect data on beneficiaries' perceptions on infrastructure improvements and the EPBIs—if they reflect their needs. • Annually disseminate and publicly discuss survey results at public forums/roundtables, so beneficiaries know what difference their feedback has made during the implementation (close the feedback loop)—specific outreach to • households will be ensured.
GRM	• Grievances are registered in a well-promoted and socially inclusive GRM and responded to within two weeks and resolved within four weeks.

III. Gender

4. Albania scores relatively high in the EU's Gender Equality Index (GEI) published in 2020, with 60.4 out of 100 points, which is seven points below the EU-28 average[34]. Gender gaps remain in Albania, with women participating in the labor force at a much lower rate than men (60 percent in 2018). The labor market shows disparities between women and men in Albania, which are greater than in the EU-28. Women have lower labor force participation rates and employment rates, and higher inactivity rates due to household responsibilities. At the water utilities level, women constitute the minority part among the employees representing 10 to 40% of the total workforce, with most of the employed women holding administrative and finance job positions.[35]

5. In Albania, women play a key role in the provision, management and conservation of water. Estimated household water use shows that women are responsible for 66% of the total amount of water billed per month. If this percentage is expressed in figures, the average amount of water used by women is estimated at approximately $8m^3$, while men use $4m^3$ of the total amount of $12m^3$ water use per month[36]. Accordingly, deficiencies in water supply and wastewater systems impacts the female population in a differentiated and unequal manner. Women are more affected by the lack of wastewater treatment and by an inoperative sewerage system due to their domestic and health and hygiene needs, and since inadequate sanitation poses specific health risks to women.

6. As part of project preparation, national policies and laws that promote gender equality were carefully reviewed (for example, National Strategy on Gender Equality,[37] Law on Gender Equality, Gender Equality Index Report[38], and the overall institutional framework). The National Strategy on Gender Equality is in line with EU Gender Action Plan III (2021–2025), and the Gender Equality Index report applies the European Institute of Gender Equality methodology.[39] The National Strategy on Gender Equality has four key objectives: (a) economic empowerment of women, girls, men, and youth; (b) guarantee of factual and equal participation of women in politics and public decision-making at the local level; (c) reduction of gender-based violence and domestic violence; and (d) application of gender integration to ensure equality and gender justice in the society.

[34] Gender Equality Index for the Republic of Albania, 2020
[35] Gender Agenda and Action Plan for Water Utilities in Albania 2019-2030
[36] *Ibid*
[37] National Strategy for Gender Equality 2021–2030 approved by Council of Minsters' Decision No. 400, dated 30.6.2021; Law no. 9970 dated 24.07.2008 'On gender equality in society'.
[38] http://www.instat.gov.al/media/6661/gender_equality_index_for_the_republic_of_albania_2020.pdf.
[39] The Gender Equality Index measures gender equality on a scale of 1 (full inequality) to 100 (full equality).

Table 2.3 Gender Aspects

Gender Gap	Project Activities
Objective 1. Improving Human Endowments (health, education, and social protection)	
Women are more affected by the lack of wastewater treatment and by an inoperative sewerage system due to their domestic and health and hygiene needs.	Under the Intra-Domiciliary Sanitation Investments (IDSIs) (annex 5 paragraph 23) for improved sanitation facilities, project investments will increase access to in-house sanitary facilities as decided by women within the households.
Women have lower labor force participation rates and employment rates, and higher inactivity rates due to household responsibilities. Women are less educated than men, especially in rural municipalities. There are fewer female than male graduates on wastewater treatment and SWM.	Investments in sewage treatment under Component 2 will reduce both environmental and health risks to the population including women. These investments will also improve human endowments and promote women's social and economic empowerment, especially in women-headed households, since women are traditionally in charge of household responsibilities (such as cooking, collecting water, etc.). Sewage treatment e.g. saves time for women in household responsibilities and allow for women economic enrollment. As part of capacity building in Components 1 (annex 5 paragraph 12), the project will provide dedicated training modules to undergraduate-level students and local government administration. - Address women's need for water and sanitation and rise awareness on the linkages between gender, water and poverty. - Encourage equal representation, equal contributions and equal recognition among women and men, starting at school level. - Enlist strong role models to get girls to study science, engineering, and math, in order to move to top positions. - Promote gender-sensitive participatory processes that not only empower women but also raise awareness among men and create an environment where women and men can work together towards common goals.

Gender Gap	Project Activities
Objective 2: Removing Constraints for More and Better Jobs (care services, unsafe transport, occupational sex segregation, and entrepreneurship)	
Double burdening of women. Activities directed at empowering women create additional burdens or increase women's workload.	Organize trainings and consultation activities in a gender-friendly way (that is aligning with female work schedules and spaces, and their daily routines; accommodate childcare needs and/or schedules/locations convenient for women and use communication tools that consider cultural barriers that create information asymmetries).
Objective 3. Removing Barriers to Women's Ownership of and Control over Assets (land, housing, financial inclusion, and technology, including ICT)	
There is a large gender gap in access to improved assets for women compared to men,[40] and household resources are not distributed equally among its members. The situation is enhanced when considering access to financial resources in conjunction with ownership of assets within the household.[41]	The IDSI (annex 5 paragraph 23) will reach target marginalized population with a special focus to grant access to safe sanitation to women- headed households. The criteria that will be specified in the POM regarding IDSI will be developed using gender sensitive tools, including sex-disaggregated data, gender analysis, gender-sensitive indicators, gender budget initiatives, and training.
Objective 4. Enhancing Women's Voice and Agency and Engaging Men and Boys (child marriage, gender-based violence, engaging men and boys, women's participation and decision-making in service delivery in governance structures)	
Not all data collected are disaggregated by gender.	Ensure that all data gathered as part of the project will be disaggregated by gender where appropriate.
Gender gaps in voice and decision-making, especially in SWM and sanitation.	Encourage women's meaningful participation in executive or decision-making roles in the context of the project.

[40] Qualitative research of laws and practices in property rights confirms that women are strongly discriminated compared to men in term of access to property. The "Albania Demographic and Health Survey 2017-2018" gathered some data on property rights by sex, which confirms the disparities between women and men in access to property.

[41] Data on the control over earnings of household members show that 82 percent of married women ages 15–59, who receive cash earnings, decide together with their husband or partner how to use the money; 8 percent decide mainly themselves. For one out of ten women, it is the husband who decides how her earnings are used (Albania Demographic and Health Survey 2017–2018, October 2018).

ANNEX 3: Decision Tree to Guide Interventions in Sanitation Infrastructure

COUNTRY: Republic of Albania
Clean and Resilient Environment for Blue Sea Project

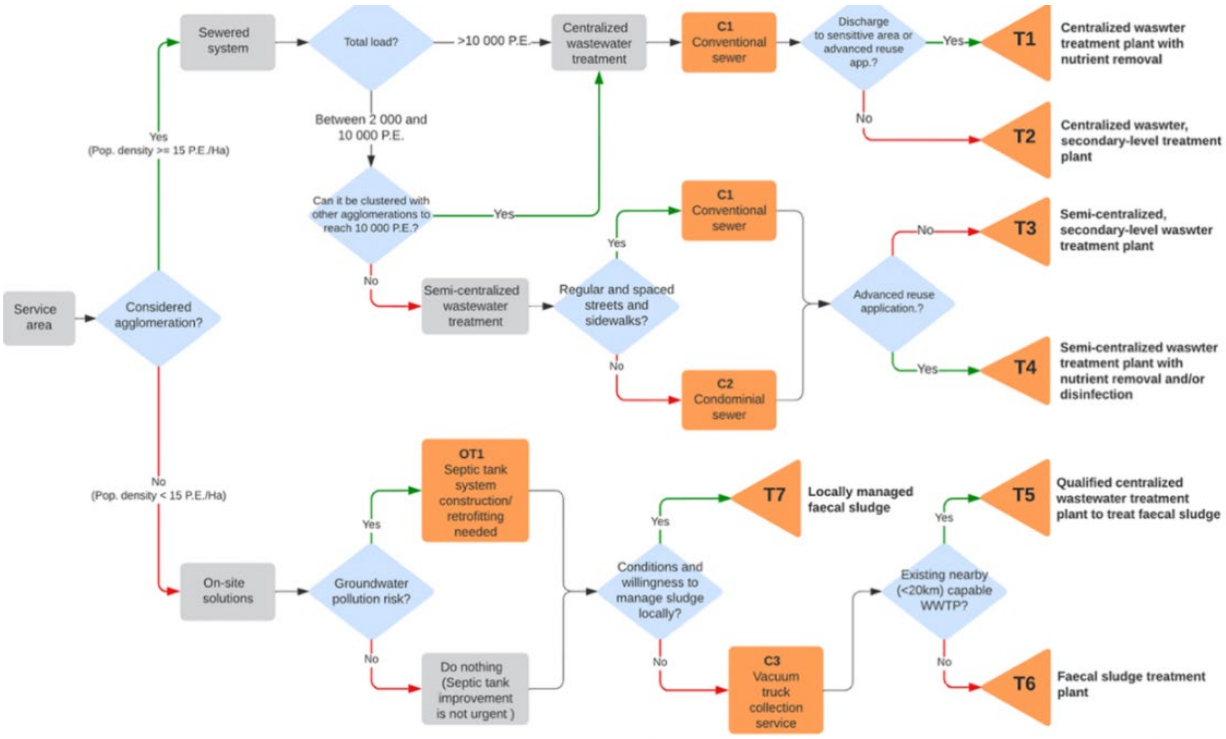
1. The project will support technical sanitation solutions according to the framework presented on the project's decision tree presented in **Figure 3.1**, which has been designed in line with the EU UWWTD. According to this framework, any urban agglomeration of 2,000 p.e. and higher should have a collection network (sewer system) and a WWTP. Population is considered 'sufficiently concentrated' for a sewer system when the population density is 15 p.e. per ha or higher. If the population density is less than 15 p.e. per ha, the project will support the implementation of on-site solutions. The decision tree presents three alternatives for collecting sewage:

(a) Conventional sewer (C1)
(b) Condominial sewer (C2)
(c) Vacuum truck for sludge removal and transport (C3).

2. These collection systems can be combined with the following six options for wastewater treatment technologies:

(a) Centralized, tertiary-level WWTP (T1)
(b) Centralized, secondary-level WWTP (T2)
(c) Semi-centralized, secondary-level WWTP (T3)
(d) Semi-centralized, tertiary-level compact WWTP (T4)
(e) Qualified centralized WWTP to treat fecal sludge (T5)
(f) Fecal sludge treatment plant (T6).

Figure 3.1. Decision Tree to Guide Interventions in Infrastructure (Collection Systems and On-Site Semi-Centralized and Centralized Wastewater and Fecal Sludge Treatment)



ANNEX 4: Project Map

COUNTRY: Republic of Albania
Clean and Resilient Environment for Blue Sea Project

Map 4.1. Project Area - Vjosa River Basin and Vlora South-Gjirokaster Waste Zone

ANNEX 5: Detailed Project Description

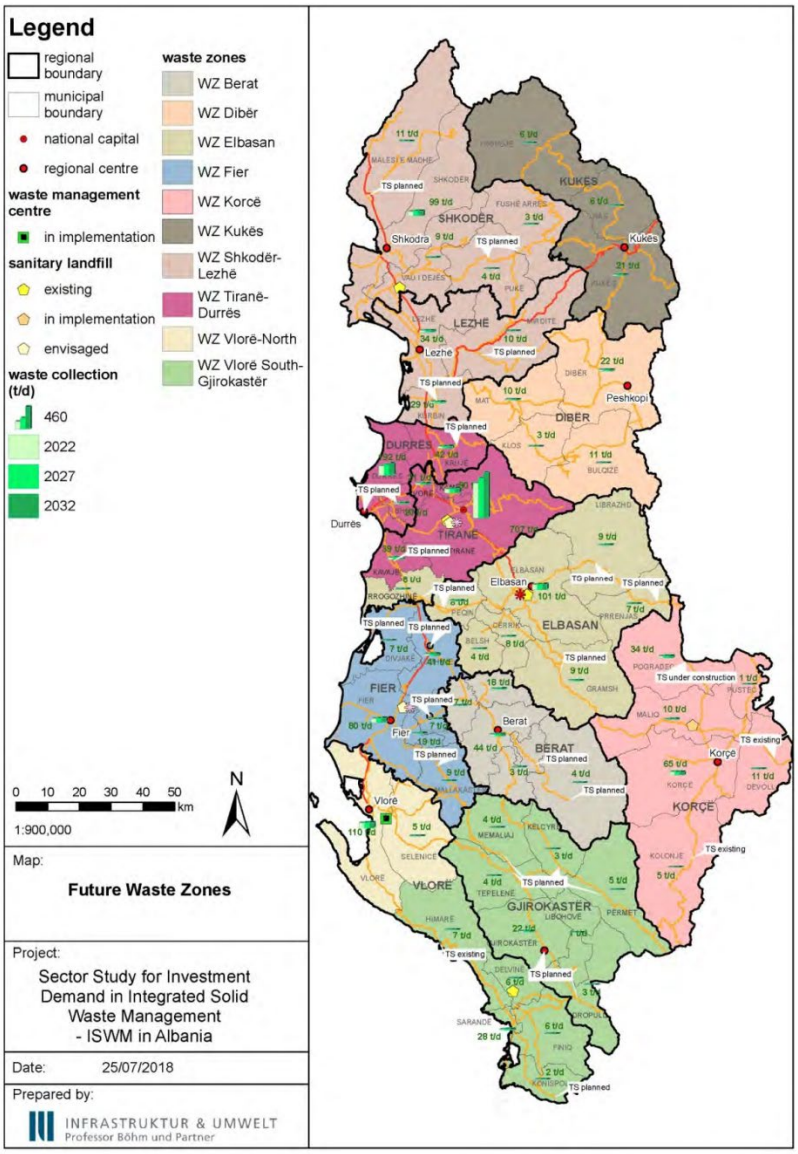
COUNTRY: Albania
Clean and Resilient Environment for Blue Sea Project

1. The project takes an integrated approach to preventing pollution at source caused by specific solid waste streams and municipal sewage. The dual focus on 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. The investment interventions in Components 1 and 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 behavior change activities of Component 1 are designed to enhance pollution prevention, by incentivizing municipalities to improve waste management services and further engaging the public and relevant stakeholders with awareness campaigns and school programs. 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. The interventions will be sequenced with much of the TA support being provided up front. The project is structured into three components:

Component 1: Promote Integrated and Circular Approaches for Protection of Landscapes and Water Resources (EUR 13.03 million (USD 13.8 million equivalent))

2. This component will support the implementation of local solutions for protection of valuable landscapes and water resources within the broad boundaries of the Vlora South-Gjirokaster Waste Zone. The project applies an integrated approach to SWM investments, considering circular economy principles, and support for more sustainable system environmentally, financially, and operationally as the waste management system modernizes. This component will also provide local environmental investments and technical support for behavior change incentives in waste management and will support the implementation of awareness-raising campaigns, notably for young students in schools, and dissemination activities. The outcomes of these activities are synergetic with those of component 2 on water and sanitation and are designed to build capacity and support residents and municipalities to expand waste collection, increase recycling, and increase cost recovery. By improving municipal waste management, planned activities will generate climate mitigation co-benefits from improved management and improve resilience through reduced plastic leakage as well as reduced raw material extraction and manufacturing. This component will finance consulting services, non-consulting services, goods, and training.

Map 2. Waste Zones and Regional Waste Management Facilities in Albania



Subcomponent 1.1: Institutional support for sustainable performance, enhanced monitoring and transition to circular economy (EUR 1.04 million (USD 1.10 million equivalent))

3. This subcomponent aims to improve the enabling environment for operational sustainability and more circularity in waste management. This will be achieved through technical assistance and capacity support for filling specific technical gaps for effective implementation of solid waste management policies. To accomplish this goal the following activities will be financed: (i) provision of technical support for data management and performance monitoring of solid waste management, including (a) support for data management and verification systems at the municipal level, (b) monitoring performance and developing an enforcement mechanism for municipal waste management activities, and (c) Improved performance

capacity, including training, to Eligible Municipalities to ensure the enabling environment for management and implementation of the Environmental-Performance Based Investments financed under subcomponent 1.2; (ii) carrying out a study on financial sustainability and providing related capacity building (i.e., cost recovery, tariff setting and collection, contract management) at the municipal level; (iii) support to MoTE and municipalities for (a) the implementation of the extended-producer responsibility (i.e. permitting support, reporting, monitoring), and (b) the update and/or development of the regulatory framework on construction waste management, including materials and construction/inert waste management standards.

4. The technical assistance for data management and performance monitoring to municipalities will be mainly delivered in the earlier years of the project and will focus on the EPBI eligibility criteria (detailed further in subcomponent 1.2) and plans for implementing the municipalities' commitments to increased circularity over the life of the project. In addition, the technical assistance and training for EPBI-participating municipalities will include topics on financial management (that is, budgeting, tariff setting, and tariff collection), contract/operational management, planning, and citizen engagement initiatives. The PMT at MoTE will support local governments for capacity building, and set up the administrative team for monitoring, verifying results, and evaluating local governments against performance criteria. More broadly, all data management and performance monitoring activities with municipalities will be coordinated with the National Environmental Agency (NEA), which has the overall responsibility for data collection, monitoring and reporting on waste generation, collection and treatment, including with respect to Extended Producer Responsibility (EPR) schemes.

Subcomponent 1.2: Environmental-Performance Based Investments for local pollution prevention (EUR 9.44 million (USD 10.0 million equivalent))

5. This subcomponent will finance the provision, implementation and monitoring of EPBIs to municipalities in the Vlora South-Gjirokaster Waste Zone for improved municipal waste management. During implementation, the delivery of investments will be sequenced with other planned activities to help expand the public support for transition to circularity and changes in resident behavior. Considering the cross-cutting nature of this component, planned activities are aligned with the EU Waste Framework Directive.

6. Municipalities will receive local investment upon measurable and sustained improvements on solid waste collection, increased solid waste service coverage levels, and/or cost recovery. These local investments will support behavior change for cleaner and greener urban space and healthier coastal and aquatic ecosystems. Municipalities will become eligible to participate in the EPBI based on past performance in addition to other criteria. The minimum criterion for municipality eligibility is the establishment of a waste data management, monitoring, and reporting system which will be supported through TA from the project (sub-component 1.1). The following additional factors will be used for municipality prioritization:

(i) Development of a waste management investment plan
(ii) Adequate number of technical waste management staff for planning and operations as well as data management and monitoring functions

(iii) Development of a capacity-building plan to support improvements of targeted key performance indicators (KPIs)
(iv) Budget allocation and investments in SWM and circular economy over the past four years.

7. The provision of the EPBI investments will be based on how well each municipality performs on the following performance indicators which will be used to monitor progress: (a) percentage of waste collected/increased service coverage of population, (b) percentage of households covered by solid waste services, and (c) cost recovery of services at the municipality (local government unit) level. The baseline for the KPIs for eligible municipalities will be established in the first year and will be verified independently each year. Implementation modalities of the EPBIs for improved municipal waste management will be detailed in the POM. The anticipated design of the program is as follows:

Annual Administrative Arrangements

- MoTE should publish performance guidelines for the calendar year and the formula that will be used in the subsequent year to determine performance-based investment allocations.
- Municipalities should take actions toward meeting the performance targets and report performance outcomes to MoTE. The results should be verified by an independent verifier.
- MoTE should verify results, prepare a monitoring report on the performance of municipalities under the performance-based investment framework, and recommend the investment allocation for each municipality. It should publish the monitoring report on the performance of municipalities under the performance-based investment framework.

Financing Amount, Sources, and Modalities

- **Budget envelope.** The budget allocation should be large enough to provide a meaningful incentive to local governments. This is anticipated to be no more than 20 percent of operating expenses based on experience in other countries.
- **Funding sources.** Project finance during the life of the project. Beyond the project, general budget, donor funding, and/or earmarked funds (that is, plastic bag taxes, EPR, and taxes on noncompliant landfills) will be considered.
- **Investment disbursement modalities.** Based on the investment plan prepared by the municipalities, the PMT will procure the goods or works up to the allocated amount under EPBI. However, beyond the project, the modality will differ and could include direct fiscal transfer from MoFE.

Performance Targets and Local Investment Allocation Formula

- Targets under the performance-based investment framework should align with the indicators in the National Waste Management Strategy as well as the Waste Management Plans which have been defined and implemented in some municipalities.

- Differentiated financial incentives for larger versus smaller municipalities would occur since service provision costs would differ. All incentives will be multiplied with an adjustment factor.
- Municipalities not meeting the eligibility criteria have an opportunity to receive TA to work toward it.

Table 5.1. Indicative List of Performance Indicators

Indicator	Performance Criteria	Incentive
Waste management monitoring *= Establishment of waste management data measurement, management, and reporting systems* *(Measuring Indicator 1 in the National Waste Management Strategy: In 2019, 25 out of 61 municipalities met this standard.)*	Yes/No	If data management system is in place, local governments receive an incentive.
Collection coverage *= quantity of waste collected/quantity of waste generated* *(Measuring Indicator 5 in the National Waste Management Strategy: In 2019, 60% of waste generated was collected nationally.)*	Incremental performance	If local government improves performance or remains a high performer, an incentive will be granted.
Household service coverage *= number of households covered by solid waste services/total number of of households* *(Measuring Indicator 6 in the National Waste Management Strategy: In 2019, 15% of the population was covered by waste management service.)*	Incremental performance	If local government improves performance or remains a high performer, an incentive will be granted.
Cost recovery *= annual revenues from waste management/operating costs of waste collection* *(Measuring Indicator 30 in the National Waste Management Strategy: In 2019, 40% of service cost was covered by fees nationally.)*	Incremental performance	If local government improves performance or remains a high performer, an incentive will be granted.

Monitoring and Reporting

- **KPIs.** (a) collection coverage, (b) service coverage, and (c) cost recovery.
- **Reporting sources:** Municipal councils should submit performance data annually as well as responsible regional/national entities. This should align with the national performance reporting framework.
- **Monitoring sources.** (a) responsible regional/national institutions (that is, the Albanian Institute of Statistics (INSTAT), (b) municipal councils, and (c) ad hoc monitoring by a third party with noncompliance penalties to ensure external verification by MoTE.

8. To ensure the appropriate enabling environment for municipalities to achieve performance improvements through EPBI, the project will support a set of upfront investments during the first two years of project implementation to underpin solid waste service delivery by participating municipalities. These investments would consist of equipment to support the monitoring system of municipalities; provision of equipment and vehicles for waste collection and source separation; and provision of equipment for recycling centers. The enabling environment for EPBI will also be directly supported by complementary activities under subcomponent 1.1. (i) (c) that focus on building the capacity of participating municipalities to better achieve the targeted performance improvements. The delivery of these capacity building activities for municipalities will be aligned with the timeline of EPBI implementation beginning with minimum criteria in the initial year through to targets for improved performance in subsequent years.

Subcomponent 1.3: Behavioral change support and dissemination for scaling up (EUR 2.55 million (USD 2.70 million equivalent))

9. This subcomponent will finance knowledge management activities (such as the preparation and dissemination of lessons learned from the EPBI for possible scale-up at national level) and awareness-raising campaigns targeted at beneficiaries, schools, seasonal tourists, and the broader public. These campaigns will communicate on the enhanced waste management and water and sanitation services to support the acceptance of related service delivery fee level and foster behavior change in relation to, for example, the separation of waste, the waste hierarchy, the adequate use of the sanitation facilities, importance of sanitation services and wastewater management, and user responsibility with gender and social inclusion and to optimize fee payment. Training will be provided for women to respond to their water and sanitation needs and awareness raising materials on the linkages between gender, water and poverty for senior managers, officials, decision makers and technical staff within WSS utilities. There will be focused communication activities on recoverability of various waste streams to support the development of the recycling markets and reducing the waste management costs of municipalities. Given the importance of behavior change for source separation and plastics recycling in areas of high population and tourism, solar compaction bins will be made available for selected EPBI-participating municipalities in need of appropriate solutions for managing peak volumes of waste generation in an eco-friendly manner, and/or for other municipalities benefiting from investments in recycling supported by other development partners. This subcomponent will also disseminate good practices from the EPBIs.

10. A diagnostic will be conducted by the Mind, Behavior, and Development Unit (eMBeD) team before commencing implementation of the activities under this subcomponent. This diagnostic will specifically seek to understand structural factors, behavioral barriers, choice architecture concerning decision-making processes within the household, and existing strategies to promote compliance with SWM and recycling and sanitation, connecting to available wastewater systems, and correct disposal of wastewater. While specific activities will be better defined after conducting the diagnostic, they will likely revolve around educating households about proper SWM, providing better information about recycling, educating around the importance of good sanitation and hygiene, and raising awareness around the improvements in the sanitation systems being implemented as part of this project. Depending on the outcomes of the diagnostic, the behavior change activities can be based on either communication

campaigns or changing the choice architecture or both.[42] There are generally four types of communications campaigns: clear and stream-lined instructions, highlighting of benefits and risks, attitude change and emotional appeals, and providing reminders.

11. In addition to households, the behavior change campaign will also specifically target students. The reason for targeting students is to establish desirable behaviors at an early age to foster life-long desirable behaviors around SWM, wastewater management, sanitation, and hygiene. The student campaigns will be designed around the behaviors observed by the eMBeD diagnostic but will also focus on education around proper SWM, the importance of sanitation and hygiene, and proper hygiene behaviors.

12. Planned activities will be organized in a gender-friendly manner and training modules to undergraduate-level students and local government administration will be tailored to: (i) encourage equal representation, equal contributions and equal recognition among women and men, starting at school level; (ii) enlist strong role models to get girls to study science, engineering, and math, in order to move to top positions; and (iii) promote gender-sensitive participatory processes that not only empower women but also raise awareness among men and create an environment where women and men can work together towards common goals.

Component 2: Reduce Water Pollution in the Vjosa River (EUR 58.56 million (USD 62.06 million equivalent))

13. 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. Municipalities and municipal utilities in the Vjosa River Basin will play an instrumental role in this project by assessing current needs, participating in project planning, and monitoring progress toward the achievement of specific sanitation targets in their territories. Municipal utilities will work with AKUM to achieve economies of scale for service provision and develop higher technical capacities.

Subcomponent 2.1: Expansion of sanitation infrastructure (EUR 54.55 million (USD 57.81 million equivalent))

14. Under this subcomponent, the project will finance investments in infrastructure improvements in selected municipalities to improve sanitation services and reduce/control point source pollution of waterbodies within the Vjosa River Basin (namely Vjosa and Drinos Rivers as well as groundwater). The following municipalities along the Vjosa River have been prioritized: Permet, Kelcyre, Gjirokaster, Libohove, Tepelene, Memaliaj, and Selenice. The project will support (i) the construction of selected

[42] World Bank. 2022. "Integrating a Behavioral Approach to Urban Sanitation Operations: A Guidance Note for Task Team Leaders." World Bank, Washington, DC.

sanitation facilities for urban agglomerations in the prioritized municipalities; (ii) rehabilitation, improvement, and expansion of sewers to benefit up to 11,000 inhabitants which would allow wastewater generated by 30,000 inhabitants to be properly treated before being discharged to the water bodies; (iii) provision and installation of on-site or decentralized sanitation solutions (such individual systems not connected to a central wastewater treatment system) to benefit 8,000 inhabitants; and (iv) provision of operational equipment, including vacuum trucks and tools for sewer network maintenance; (v) carrying out an assessment of pollutants and sludge quality; and (vi) Intra-Domiciliary Sanitation Investments (IDSI) for qualifying[43] households.

15. The approach agreed is one of a framework project where appropriate technologies and type of sanitation solutions have been defined (see design decision tree in annex 3), and site-specific designs will be carried out for each municipality during project implementation. A combination of grey infrastructure and NBS will be considered during the design phase promoting the reuse of wastewater treatment by-products such as sludge. An assessment of pollutants and sludge quality will be carried out to ensure safe reuse and promote circularity. As part of project preparation, a pilot implementation of the framework has started for Permet, which would allow for early implementation of activities. The GoA through AKUM will prepare the TOR to engage a consulting firm to have detailed designs for all benefitting municipalities following the framework agreed; these services will be included in the advanced procurement package, which will be procured by July 2023 to ensure delivery of detailed designs by the first year of project implementation. In a few of the selected municipalities, the engagement of local communities will be supported through piloting participatory planning and monitoring committees. The committees will ensure local citizens' feedback and suggestions are addressed by the infrastructure improvements and will enable participatory monitoring of sanitation solution constructions.

16. The project will support technical sanitation solutions according to the framework presented on the project's decision tree (see annex 3), which has been designed in line with the EU Urban Wastewater Treatment Directive (UWWTD). According to this framework, any urban agglomeration of 2,000 population equivalent (p.e.) and higher should have a collection network (sewer system) and a WWTP. Population is considered 'sufficiently concentrated' for a sewer system when the population density is 15 p.e. per hectare or higher. If the population density is less than 15 p.e. per hectare, the project will support the implementation of on-site solutions.

17. In the case of the urban agglomerations, there are two different options for the design of the wastewater collection systems: conventional sewers and condominial/simplified sewers, being the second option appropriate for areas with narrow streets and/or for mountainous areas where conventional sewers are not technically feasible. These collection systems can be combined with the following options for wastewater treatment based on the agglomeration's population size and specific point of discharge: (a) centralized treatment with nutrient removal for agglomerations over 10,000 p.e., (b) centralized treatment to secondary level for agglomerations between 2,000 and 10,000 p.e., (c) decentralized treatment to secondary level for smaller populations that are not part of an agglomeration, and (d) decentralized treatment systems with nutrient removal for specific or advanced reuse applications. According to the UWWTD (Article 5), any agglomeration of 10,000 p.e. and higher should be provided with a wastewater treatment system capable of reducing nutrient concentrations (more stringent treatment), whereas for agglomerations between 2,000 and 10,000 p.e., wastewater will be

[43] As per the eligibility criteria defined in the POM.

treated to secondary level or equivalent treatment (UWWTD, Annex I B, Article 4). When local conditions of space are favorable, NBS such as wetlands or land overflow will be combined with the WWTPs to further treat the effluent, reducing the concentration of nutrients before discharge. Treatment facilities will incorporate the components needed to appropriately manage and dispose or reuse sludge generated during the treatment process and collected from on-site or decentralized systems in their proximities. Correct reuse of sludge will be encouraged in compliance with Council Directive 86/278/EEC.

18. In the case of disperse population (less than 15 p.e. per hectare), the proposed framework considers on-site wastewater management. In this case, septic tank systems with appropriate infiltration for treated effluent are proposed for low-density areas where there is risk of polluting groundwater due to local conditions such as proximity to karst aquifers. Wherever possible, existing septic tanks will be rehabilitated, retrofitted, or updated. Regional water and sanitation utilities will implement a sludge collection and treatment service for on-site and decentralized solutions. Collection will be carried out using vacuum trucks, and specific WWTPs will be equipped to handle the collected sludge.

19. The project will also support IDSIs for qualifying households to support the transition from improved[44] sanitation systems to safely managed[45] sanitation systems by connecting existing sanitary infrastructure to new or rehabilitated networks or to an improved on-site sanitation system (for example, improved septic tanks). To incentivize households to move up in the sanitation ladder and control the amount of organic load and nutrients being discharged to the water bodies, the project will provide investments to the households that agree on transitioning to a safely managed system. Materials and labor for the construction will be provided by the project. Water utilities and municipalities will prepare the list of qualifying beneficiary households, as per the eligibility criteria defined in the POM, and will oversee the implementation of the program, and the PMT will procure the materials and labor for prioritized beneficiaries and establish a robust and socially inclusive information and feedback mechanism that enables beneficiary households to receive information, to provide feedback on IDSI arrangements and its functionality (ease of access, transparency, quality, and processes), and, if necessary, to join working groups to improve the IDSIs. Women-headed households will be particularly encouraged to participate.

20. **Scope of the program.** The seven municipalities prioritized under Component 2 will be eligible to participate, namely Gjirokaster, Kelcyre, Libohove, Memaliaj, Permet, Tepelene, and Selenice. All these municipalities are in the Gjirokaster Region, except for Selenice which belongs to the Vlore Region.

21. **Selection criteria for areas of intervention.** AKUM and the municipalities will determine the areas where sewer systems will be rehabilitated and expanded according to the definition of ‘agglomerations’ following EU Directive (91/271/EEC). All households in the agglomerations will be expected to connect. The compliance criterion adopted by the European Court of Justice is that 98 percent of users must be connected to the collection system (European Court of Justice; C-395/13 – Commission v Belgium - ECLI:EU:C:2014:2347). This is an extremely ambitious target and, therefore, justifies the establishment of a local investment program to incentivize vulnerable households to connect.

[44] Hygienically separates human excreta from human contact.
[45] Not shared with other households and where excreta are safely disposed of in situ or treated off-site.

22. For municipal areas where population density is less than 15 p.e. per ha (villages), on-site sanitation solutions will be implemented, such as septic tanks with appropriate infiltration systems. Some areas might be more sensitive than others to groundwater pollution depending on the depth of the water table and the type of terrain (such as karstic terrain). A high water table and rocky terrain facilitate water infiltration and are susceptible to creating shortcuts between untreated wastewater and aquifers resulting in a risk of pollution of water bodies that can potentially be used as water sources for neighboring areas. It is essential to determine the areas in each municipality which are more prone to this type of contamination. AKUM and the municipalities will prioritize areas of intervention based on the preliminary studies performed during the sanitation assessment phase.

Subcomponent 2.2: Improved sanitation facilities and management (EUR 0.96 million (USD 1.02 million equivalent))

23. The project will provide support to AKUM, ERRU, and the regional utilities in the development of institutional, policy and regulatory frameworks on sewage management and sanitation services that will be required to carry out their mandates for improved sewage management and sanitation service provision; coordination between different agencies and alignment of relevant policies. Support will include (i) technical assistance to carry out studies to develop a strategy for sanitation services and regional/municipal water and sanitation plans; (ii) technical assistance to strengthen planning for nature-based solutions to reduce water pollution; (iii) assistance for regional/municipal water and sanitation plans and for regional utility aggregation; (iv) training to operate and maintain sewer systems, trucks and treatment plants (the training will be gender friendly); (v) designing and implementing a unified information system to monitor the provision of sanitation service and environmental protection; and (vi) technical assistance to carry out studies to support the update of a regulatory framework on sanitation cost structure.

Subcomponent 2.3: Non-point source pollution prevention (EUR 3.05 million (USD 3.23 million equivalent))

24. The project will support small-scale investments for reducing NPS pollution in the watershed of Vjosa to prevent nutrient runoffs from agriculture and siltation by erosion in select locations of the Vjosa river Basin. The subcomponent will finance the implementation of Nature-Based Solution (NBS) approaches and integrated solutions in selected locations in the river basin. These are relatively small activities which, in aggregate, will augment the positive impact of sanitation infrastructure. These activities will be location specific and will include (i) improving the vegetation cover on slopes and riverbanks and implementing erosion control measures; (ii) conducting wetland management and restoration to improve waterflow and mitigate storm water and flood risks; and (iii) supporting sustainable agriculture practices. The small-scale investments promoting sustainable agriculture practices, livestock manure management, pasture regeneration, organic fertilization, composting, and improved farming practices, will engage farmers and local user groups from the villages in the watershed of the Vjosa River.

25. The Vjosa River was recently declared a National Park on March 15, 2023. MoTE conducted a feasibility study aiming to support the definition of the future Vjosa River Basin National Park. The study will be followed by preparation of the park management plan identifying management objectives, zoning, and regimes and interventions to support the objectives. While the definition of the territory for the national park and its zoning are yet to be developed, the prospects for restoring and expanding the

wetlands close to the river delta and in the lower plains of tributaries seems realistic in Shushica and Drinos. It is envisaged that the Vjosa River National Park will be managed by a task force team of the Regional Administration of Protected Areas (in 2023) while transitioning park management in 2024 to a separate park authority under the supervision of MoTE. The PMT will closely collaborate with the Vjosa River National Park management team, Regional Administrations of Protected Areas and the National Agency of Protected Areaas (NAPA) to guarantee synergies of project activities with the park management regimes and complementarity of NBS activities with the proposed park management interventions.

Component 3: Project Management, Monitoring and Evaluation (estimated costs EUR 3.91 million (USD 4.14 million equivalent))

26. This component will provide support for, inter alia, 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 Operating Costs, and Training for (i) MoTE PMT and (ii) AKUM PCU. In AKUM, the existing Project Coordination Unit (PCU) for the Water Modernization Program-for-Results will be strengthened with experts as detailed in annex 1.

ANNEX 6: Economic Analysis

COUNTRY: Albania

Clean and Resilient Environment for Blue Sea Project

1. The project is expected to bring sizable economic and social benefits to the local communities, business, and industries by reducing pollution from land-based sources into the aquatic environment in selected areas of the South-West coastal belt of Albania. The focus on pollution reduction and prevention measures will include investments in grey and green infrastructure and in human capital for behavior change to address: (i) pollution risks - municipal solid waste streams in the Southern coast; and (ii) water pollution from point sources, specifically untreated wastewater, and non-point sources, such as sediment and runoffs from manure in the Vjosa River Basin.

2. An economic analysis (EA) was carried out to assess the economic viability of the project investments as the project will be implemented in the public sector with the use of public financing resources. The EA approach follows OP 10.04 "Economic Evaluation of Investment Operations" and the Bank Guidance Note for the Economic Analysis[46]. The EA is based on a comparison between the "without-the-project" and "with-the-project" scenarios, where the latter is evaluated in incremental terms in relation to the former.

3. The data used to determine the potential impacts of the CARE project included technical data and assessments undertaken during the project preparation, complemented by data collected from literature review and World Bank databases, and from interviews with relevant government and technical experts. The proposed investments have been evaluated by the economic internal rate of return (EIRR) and the net present value (NPV) calculated at a discount rate of 6 percent as recommended by the World Bank Guidance[47]. The lifetime of the project investments was assumed at 30 years. The economic analysis was performed in constant 2023 prices and price escalation due to inflation is not included. The economic analysis of the project investments uses economic project costs that exclude taxes, duties and price contingencies.

4. ***Project estimated costs.*** The total cost of the project is US$80 million. The total costs included in the EA comprise the lifetime economic costs of project investments, including the capital costs and O&M costs after the project implementation period. Annual operation and maintenance (O&M) costs have been estimated and included in the EA in the post-implementation period until Year 30. These O&M costs will need to be incurred in order to sustain project results into the future after the project completion.

5. ***Estimated project benefits.*** Investments under the CARE project are envisaged to yield substantial environmental and socio-economic benefits. Improved solid waste management in terms of improved waste collection and recycling would allow for reduced landfill areas and increased market value of the land. Reduction of and reduction of point and non-point pollution sources through investments in wastewater treatment and other sanitation facilities would improve the public and ecosystems health by reducing the risk of diseases and protecting quality of surface and groundwater resources in the Vjosa river basin. The cleaner environments will improve the aesthetics of the coastal area and provide additional opportunities for the development of tourism, increasing employment and incomes of the local population.

6. The flow of economic benefits in the "with the project" situation considered in this EA comes from the implementation of investments in Component 1 and 2. The CARE project proposes a combination of both "hard" and "soft'

[46] World Bank. 2013. Guidance Note for the Economic Analysis.
[47] World Bank OPSPQ. 2016. Discounting Costs and Benefits in Economic Analysis of World Bank Projects.

support to the government and service providers, in the forms of financial and technical assistance. The behavior changes activities are designed to incentivize municipalities to improve waste management services and by further engaging the public and relevant stakeholders with awareness campaigns and school programs. The project will also establish a performance–based investment system to users that agree on transitioning to better management systems.

7. Component 1 interventions in the Vlora South Waste Zone project area will improve the management of municipal waste to prevent negative impacts on the coastal environment and landscapes. Benefits of Component 1 investments in municipal solid waste management are expected to result in the additional collection and recycling of 2,500 tons of municipal waste a year in the Vlora South Girokaster. Additionally, 14,000 tons of mixed municipal waste presently not-properly disposed at dumpsites will be collected and designated to regional compliant waste landfill. Environmental performance–based investments (EPBIs) will be available to municipalities in Vlora South-Gjirokaster Waste Zone that commit to improved environmental services related to waste management. Investments in the local communities will support behavior change for cleaner and greener urban space and healthier coastal and aquatic ecosystems.

8. The estimated project benefits of Component 1 investments included the economic value of the increased quantities of the recycled and reused materials as well as the increased value of land and properties in the vicinity of the municipalities and rural agglomerations benefiting from project. Estimated benefits of the EBPIs implementation included the reduced burden from diarrheal morbidity and productivity losses due to poor sanitation for over 8,600 people, and increased value of housing with improved on-site sanitation, assumed equivalent to the amount of investment made.

9. Component 2 investments will support the construction of six wastewater/sludge treatment (WWT) plants that are expected improve the quality of recreational water, reduce the negative impacts on the environment due to water and ecosystem degradation, and contribute to the reduction of GHG emissions. The improved wastewater treatment in the area is also expected to reduce the negative effects of untreated wastewater on agricultural productivity, the market value of crops, the number of tourists visiting the area (or willingness to pay for tourist services) and the quality and market value of fish and shellfish catches. Detailed assessment of the impacts described above is data and time consuming. The applied approach to the estimation of benefits of investments in wastewater treatment plants is based on determining the economic damage associated with certain water pollutants to the environment. The approach uses the available research results on the economic value of decreased pollutant emissions into water bodies as a proxy for the economic value of the WWTs environmental benefits. Quantification of these economic benefits have been done using “shadow prices” of the reduction of such pollutants discharged in water as TN, TP, TSS, BOD and COD. As estimated in the EA, the annual reduction of these pollutants discharge in rivers after the wastewater treatment by the newly constructed plants, will be reduced in the range from 48 to 76 percent, depending on the pollutant type. This will result in the total pollutant load reduction of 2,060 ton/year with the estimated annual economic value of $3.95 million.

10. In addition to the construction of new WWTPs to benefit 30,100 people living in urban agglomerations, Component 2 investments will also finance new sewers connections for 10,300 people. Additionally, 11,531 people living outside the urban agglomerations will gain access to improved on-site or decentralized sanitation solutions such as individual septic tanks or mini treatment plants for small groups or households. Together with the support envisaged by EBPIs, the total of about 20,000 people will benefit from the improved on-site sanitation solutions as a result of the project implementation. For the households newly connected to a centralized sewerage system, the estimated benefits included costs avoided for periodic emptying of cesspits/septic tanks. The estimated benefits from the on-site sanitation

investments include reduced burden from morbidity with diarrheal diseases by at least 15 percent[48]. The reduced morbidity burden is estimated as economic value of avoided medical treatment cost as well as avoided productivity losses due to reduced days of sickness and caretaker time required. The on-site sanitation interventions will also increase the value of the housing provided with improved sanitation solutions.

11. Augmenting the impact of investments in new sanitation infrastructure, the project will also finance the implementation of NBS integrated solutions for further prevention of water pollution in selected locations in the Vjosa river basin. Specifically, it will improve the vegetation cover on the riverbanks and stabilization of slopes for erosion control and sedimentation prevention and promote sustainable farming practices. The project will also restore 200 ha of wetlands in the floodplain areas contributing to the maintenance of the coastal waters' ecological balance. The important environmental benefit of wetlands restoration is the reinstitution of their capacity to filter impurities entering the waters from point and non-point pollution sources. The restoration of 200 ha of wetlands will further reduce the TN and TP pollutants load in the river with the estimated economic benefit of $2.05 million/year.

12. The project is also expected to generate significant tourism-related economic benefits. The project area is in the South Albania's Coastal Belt that has its distinctive potential for high value tourism as a driver of local, regional, and national economic growth. There is a mutually reinforcing relationship between the cleaner environment, better sanitation and water and wastewater infrastructure, and the development of tourism. The research results based on worldwide data showed that a 1% increase in the population with access to improved sanitation is associated with a 2.6 % increase in the number of tourist arrivals, confirming therefore that improved sanitation is an important aspect of supporting tourism development. In the European context, the analysis of the statistical data from the EU27 countries, from 2000 to 2019, demonstrated that in the long run environmental and healthcare expenditures have a statistically significant and positive impact on tourism arrivals and receipts. Specifically, it showed that a 1% increase in environmental expenditure supports an increase of 2% in international tourism. However, in turn, increasing tourism also increases a pressure on the environmental resources and local water and sanitation infrastructure.

13. The potential tourism-related economic benefits of improved sanitation and wastewater treatment in the project area have been assessed within the project economic analysis. In the absence of subnational tourism statistics, the analysis used the appraisal data from the ongoing World Bank Integrated Urban and Tourism Development project (PIUTD)[49] as well as the national tourism statistics and studies. The analysis assumed that at least 20% of tourists visiting Albania will visit the project area[50] and used results of tourists' wiliness to pay (WTP) from the WTP study conducted under PIUTD (2016). It was assumed that the necessary investments in touristic infrastructure to support the tourism increase are funded by the PIUTD and other government investment activities in the area, outside of the CARE project. The assessment accounted for the additional cleanup cost associated with the expected increase in the tourist numbers estimated at the conservative level of $1.36 million/year. It is estimated that the improved environmental situation in the area due to the project investments will result in the economic benefit of tourism increase at $4.3 million/year.

14. ***Accounting for climate change mitigation co-benefits.*** The potential GHG emissions reduction due to the project investments have been calculated in the analysis. Component 1 activities focusing on the improvement of municipal solid waste management will help reduce GHG emissions from waste burning and untapped methane generation by supporting

[48] According to the official statistics, diarrheal diseases account for around 36% of annual infectious disease morbidity in Albania:
Source: http://www.ishp.gov. al/wp-content/uploads/2015/04/ newsletter-4-2016-in-english. pdf: The incidence of diarrheal diseases in Albania in 2015. Rovena DAJA, Silva Bino_ Institute of Public Health, Tirana.
[49]World Bank Project for Urban and Tourist Development in Albania. Project Appraisal Document, 2016
[50] 5.7 million tourists visited Albania in 2022: INSTAT 2022

the adoption of controlled waste processing and landfilling. The expected reduction in these emissions was estimated as 920 tCO2e/year. Under Component 2, the implementation of the NBS approach will result in the restoration of 200 ha of the coastal wetlands. Using the EXACT tool, it was calculated that investments in wetland restoration will allow to sequestrate 210 tCO_2e/year and 6,307 tCO_2e over the 30 years of the project lifetime. The proposed investments in the improvement of wastewater treatment will provide for the reduction of GHG emissions of 5,838 tCO2e/year. The annual GHG emissions reduction due to the project is therefore estimated at 6,968 tCO2 / year, with the total project emissions reduction of about 209,000 tCO_2e over the project lifetime.

15. Economic value of the net GHG emissions from the project activities was estimated using the shadow price of carbon as recommended by the World Bank Guidance for a low- and high-level scenarios[51] The analysis used the shadow prices of carbon adjusted to US Consumer Price Index 2022. According to these calculations, the value of the GHG emissions reduction over the project lifetime constitutes between 3.8 percent (the low case) and 7.4 percent (the high case) of the project total benefit, slightly increasing the total net project benefits and the project economic efficiency indicators (see Table 4.2).

16. **EA results.** Economic cost benefit analysis has been conducted for the total package of investments as well as separately for each of the two main investment components on (i) improving solid waste management and (ii) wastewater treatment and sanitation improvement. In all cases the proposed investments were found to be economically feasible with the EIRR exceeding the threshold of 6% of opportunity cost of capital. Results of the project economic analysis demonstrate that the proposed package of investments is economically viable, with the project NPV estimated at 22.1 million and EIRR – at 9.5 % (without accounting for GHG emissions reduction co-benefits). The project economics also demonstrates low sensitivity to the total costs overrun and reduction of the total benefits. The project withstands the cost overrun by 30 percent or the benefits reduction by 20 percent, with the NPV remaining positive and the EIRR still holding above the 6% threshold. The results of the project cost-benefit analysis are summarized in Table 2.

Table 4.2. Summary of EA results with and without carbon value accounting

Investments	W/O accounting for value of GHG emission reduction		W/accounting for value of GHG emission reduction – LOW case		W/accounting for value of GHG emission reduction – HIGH case	
	NPV ($ million)	EIRR	NPV ($ million)	EIRR	NPV ($million)	EIRR
Project total (with project total investment cost)	22.1	9.5%	26.6	10.1%	31.2	10.7%

17. The benefits quantified in the economic analysis capture only part of the project benefits and their total economic value estimated in this EA is therefore considered to be conservative. Several other potential benefits of the project are acknowledged but are not included in the EA due to the difficulties in quantifying them. These include the prevention of groundwater contamination due to improved sanitation, the potential to mitigate water scarcity by wastewater reuse, and climate adaptation benefits as the proposed project activities will also result in reduction of flood risks and improved climate resilience.

[51] World Bank Guidance note on shadow price of carbon in economic analysis: November 2017

18. **Project financial sustainability**. The project will improve the quality and reliability of such important public services as sewerage water treatment, and collection and processing of solid waste this improving the environmental and socio-economic situation in the project area. To ensure a sustainability of the project results into the future, the current structure of tariffs for the sewerage and solid waste management services will need to be assessed towards the possibility of higher recovery of O&M cost and increasing the role of the private sector in the services provision. A detailed tariff modelling exercise will be carried out in the feasibility study during the project implementation, aiming at investigating the impact of various tariffs on the project's financial and economic outcomes, and developing recommendations.