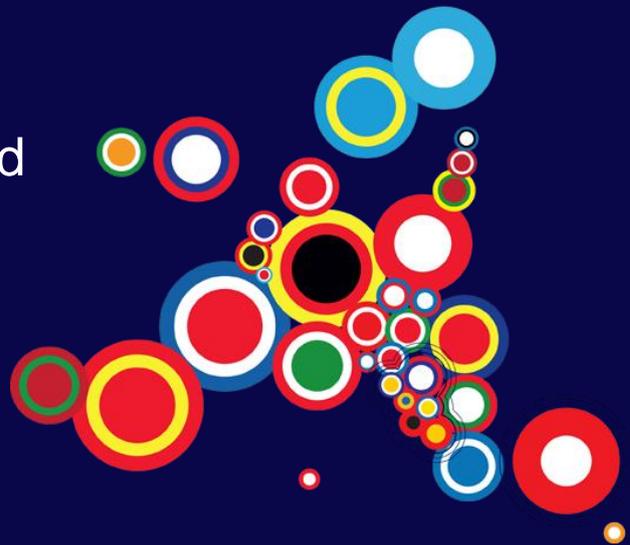




## INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

### ALBANIA

#### EU support to a tourism-led model for Local Economic Development



#### **Action summary**

This action aims at increasing the contribution of sustainable and responsible tourism to Albania's economic growth. The action will implement and test a tourism-led local development model focused on a number of pilots of cultural and natural heritage, and other local destinations' assets. The action will improve sustainable and responsible tourism, thus regenerating local economic fabric and urban environment. More and attractive tourist destinations will increase tourists' spending, the length of the tourist season, job opportunities for local population and income in target areas. This goes along with a high visibility of EU support. The model will be extended to other locations, which will be selected based on their needs and potential for local development, in line with the Albanian regional development policy. Municipalities can receive support for the upgrading of municipal and business related infrastructures, improved energy efficiency and increased climate resilience, regional connectivity, and municipal services. Support to growth and competitiveness will also include improving the innovative eco-system and boosting start-ups creation.

<b>Action Identification</b>	
<b>Action Programme Title</b>	IPA 2017 Action Programme for Albania
<b>Action Title</b>	EU support to a tourism-led model for Local Economic Development
<b>Action ID</b>	IPA 2017/ 040210 /AL/Tourism
<b>Sector Information</b>	
<b>IPA II Sector</b>	Competitiveness and Innovation
<b>DAC Sector</b>	33210 – Tourism policy and administrative management
<b>Budget</b>	
<b>Total cost</b>	EUR 46.6 Million
<b>EU contribution</b>	EUR 46.6 Million
<b>Budget line(s)</b>	22.02.01.02
<b>Management and Implementation</b>	
<b>Management mode</b>	Indirect management
<i>Indirect management:</i>	Indirect management by entrusted entities listed below: The European Bank for Reconstruction and Development (EBRD) for component 1 and 2 and The German Society for Development Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, GIZ) and the Swedish International Development Cooperation Agency (SIDA) as co-delegatee or, if negotiations fail with SIDA as co-delegatee, only the German Society for Development Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH GIZ) for component 3
<b>Implementation responsibilities</b>	The Albanian Development Fund (ADF) and / or Municipalities
<b>Location</b>	
<b>Zone benefiting from the action</b>	Albania
<b>Specific implementation area(s)</b>	Berat, Divjake-Fier, Korce, Shkoder for Component 1
<b>Timeline</b>	
<b>Final date for concluding Financing Agreement(s) with IPA II beneficiary</b>	At the latest by 31 December 2018
<b>Final date for concluding delegation agreements under indirect management</b>	At the latest by 31 December 2018
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
<b>Final date for operational</b>	6 years following the conclusion of the Financing Agreement

<b>implementation</b>			
<b>Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)</b>	12 years following the conclusion of the Financing Agreement		
<b>Policy objectives / Markers (DAC form)</b>			
<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input type="checkbox"/>	x	<input type="checkbox"/>
Aid to environment	<input type="checkbox"/>	x	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	x	<input type="checkbox"/>
Trade Development	<input type="checkbox"/>	x	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	x	<input type="checkbox"/>	<input type="checkbox"/>

# 1. RATIONALE

## PROBLEM AND STAKEHOLDER ANALYSIS

With a raising share in world's exports to 7% in 2015, tourism has proven to be an important source of income and job creation in many economies (some estimates point to 10% of the global job market); as it encompasses many different industries and services (both supply and demand) and includes social, cultural and environmental concerns beyond physical development and marketing, tourism has the potential to contribute to sustainable, inclusive growth and competitiveness of Albania. In particular, Albania appears to be ideally situated to meet the shifting demands of an increasingly nature and culture oriented, sustainable tourism market.

**The tourism industry in Albania** has emerged as a significant contributor to growth with 4 million inbound tourists in 2015, a direct contribution to total GDP of 8.4 % for 2016 (USD 1.0 bl) and forecasted annual average growth rates of 6.2% until 2027<sup>1</sup>; in 2016 travel & tourism directly supported 85,500 jobs (7.7% of total employment), expected to rise by 3.2% in 2017, and by 3.1% pa to 120,000 jobs (10.1% of total employment) in 2027. Therefore, it **has become a strategic sector for growth and employment**<sup>2</sup>. Consequently, tourism is seen as a key channel through which Albania can achieve sustainable long-term growth and competitiveness, while safeguarding the environment.

With increased public spending on cultural services such as museums and recreational services such as national parks, the Government of Albania (GoA) is committed to the development of tourism in Albania and has made important steps required for strengthening the competitiveness of this sector. During 2016 a number of bylaws pursuant to the law on tourism were adopted. The ERP 2017-2019 outlines a set of measures supported by budget allocations to address the need for tourism standardisation.

On sectoral policies, the regulation on the organisation and functioning of the National Tourism Agency was amended in April 2016 to task it with implementing the National Tourism Strategy, including promotion and marketing. However, the **tourism strategy has not been adopted yet**. Uncertainties over property ownership, lack of formalisation and standardisation in services and poor access to basic infrastructure, energy and waste management remain among the main obstacles to tourism development.<sup>3</sup>

Operating in and supporting the development of the tourism sector requires institutional capacity building of the stakeholders involved in the sector, and more generally in the development of territorial entities. This is why the action is closely interlinked with the process of **Regional Development (RD)** that Albania is experiencing.

The current NSDI 2015-2020 (National Strategy for Development and Integration) with its component on regional development, has been finalized in 2016; recently, the four Regional Development Agencies (RDAs) have been produced the Regional Management Areas<sup>4</sup> (RMAs) profiles (databases), which should be followed by other steps such as data analysis, consultation with local and regional stakeholders based on the participatory approach (non-governmental and governmental ones), and setting up RMAs priorities.

Considering the importance of the bottom up approach in designing national strategies and programs, RMAs strategic priorities might serve as the basis during the revision process of NSDI (the part of regional development) and operational programs for the years to come.

This strategy is based on a mixture of elements such as: a shift from sector orientation to a territorial approach; competitiveness and balanced RD approach; focus on the endogenous potential of a region.

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<sup>1</sup> World Travel & Tourism Council, Travel & Tourism Economic impact 2016 – Albania

<sup>2</sup> Economic Reform Programme for Albania (2017-2019)

<sup>3</sup> EC Albania Report 2016

<sup>4</sup> RMA1 includes parks of Shkoder, Lezhe and Kukes; RMA2 – Tirana, Dures, Diber; RMA3 Fier, Vlore, Gjirokaster; RMA4 – Elbasan, Berat, Korce

Although Albania has significant potential for tourism development across the country, it faces challenges associated with **lack of coordination, planning and undisciplined development of the tourism industry**. The competitiveness of the sector is weakened by the lack of well-defined rules and regulations of tourism activities, the absence of any form of classification, licensing, certification and monitoring system enabling higher standards and quality in the sector, and unfair competition due to high level of informality. Having competitive neighbours, high air transport prices, lack of accommodation facilities with large capacities and harmonised standards compared with regional countries, puts more emphasis on the **needs to systematically address the sectorial competitiveness aspects**<sup>5</sup>.

A key competitive challenges faced by the tourism sector is **seasonality**. Tourism demand (particularly foreign) is reported to be mainly concentrated in the summer months, with 50% of visitors arriving in July and August. There is a strong need to diversify, expand and integrate tourism by offering a variety of attractions, activities and services which would enhance opportunities for tourists all year round and increase their spending at the destinations they visit.

According to the European Training Foundation (ETF)<sup>6</sup>, due to a lack of a well-planned platform for vocational training, employees in the tourism industry are generally reported to **lack relevant skills** in Albania. This is confirmed by extensive consultations with stakeholders and business representatives at the national and local level. There is a lack of trained tourist guides, waiters, hotel and restaurant managers, and other service providers in the tourism sectors.

Other key constraints from which the tourism sector suffers in Albania include **lack of enabling infrastructure, lack of market information, poor customer care, poor promotion and marketing, absence of destination management systems and a touristic product that is often below the expected standards**. Even though continuously improving, the overall business climate, including access to finance, hampers small and medium sized enterprises (SMEs) to keep pace with the increasing number of tourists and meeting their requirements.

The other challenges to be addressed regarding tourism competitiveness relate to the **weak capacity** of the Government and the tourism industry **to enhance the attractiveness of the country**, including its rich cultural heritage and under-visited inland regions. There has been limited consensus and cooperation about how to prioritise actions to improve quality and innovation and how to ensure sustainable development.

In addition, there is **limited understanding of responsible tourism**, with the result that environmental damage has occurred through tourism growth (particularly on the coast) and economic and social opportunities have not been always been maximised or fairly balanced.

In the area of culture, Albania has an extraordinarily rich and varied resource, but much built heritage is in **need of conservation and better protection** and intangible heritage is also threatened by increasingly rapid change. Similar challenges face the country's superb natural heritage, including Protected Areas, which have weak institutional protection. Addressing all of these areas is a key part of ensuring Albania's future tourism competitiveness.

Science, technology and innovation are considered to be fundamental factors for a knowledge-based economy. They are important at all stages of development, notwithstanding of different forms and ways.

Capacities to develop basic and applied scientific research, to adapt and implement technologies in economic structures, to creatively develop new products and services, using innovative technology and disseminate them to the public, are fundamental for developing a competitive economy.

According to the Global Innovation Index 2016, Albania ranks 92th in the world out of 128 countries where innovation has been measured. It is 39th (out of 51 countries) in Europe and has an efficiency ratio of 0.40 ranking 121th in the world in terms of efficiency.

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<sup>5</sup> ERP, 2017-2019

<sup>6</sup> ETF, 2014

Albania has only 245 researchers per million of population, representing less than 10 percent of the EU average of 3,166 researchers per million of population, based on UNESCO estimates for 2010 . Albania does not have yet a business incubator, or any science or technology parks. There are few institutional support services promoting innovation or linking universities and research centres with innovative SMEs, including an OECD-supported Triple Helix Competition in 2015-16 and the Swiss Entrepreneurship Programme for Western Balkans.

The low level of innovation in economy limits the potentials of the country to increase the productivity and engage in medium to high value added products.

A very recent report on Evaluation on EU Support to SME Competitiveness in Enlargement and Neighbourhood Countries (April 2017), highlighted that despite the necessary strategic documents exist or are in preparation, Albania faces key challenges as a limited institutional support infrastructure to promote innovation within SMEs, while funding remains a bottleneck, becoming a vacuum in case of seed funding for start-ups and early-stage businesses.

In addition, if on one hand on the demand side there appears to be a shortage of potential new entrepreneurs and start-ups (the pipeline is weak, particularly among women), on the other hand physical space, where to transform ideas into tangible prototypes and products using state-of-the-art smart tools, still remains a big challenge.

### *The Stakeholders*

Within the tourism sector, Albania's tourism enterprises are key stakeholders, as are Municipalities, the Ministry of Tourism and Environment, the Ministry of Culture, the Ministry of Finance and Economy and related Government Agencies. Institutional and organisational strengthening is particularly needed in the National Tourism Agency (NTA) and in Municipalities with significant heritage assets around which responsible tourism industries can be built.

From a pre-accession perspective, the Albanian tourism industry needs to be supported in delivering products, which can compete with and compatible with the requirements of EU member states. This includes that good governance principles need to be adopted in Ministries, Agencies and Municipalities regarding tourism and cultural and natural heritage to contribute to functioning market economy in the sector. Albania is not yet well known, or a positively regarded tourism destination. There is an opportunity to build on its "undiscovered" reputation and very rich underlying resources in heritage, culture and nature.

Access infrastructure is beginning to be developed and the time is right to put in place cluster /value chain and destination management initiatives which will facilitate tourism product development and diversification, sustainable growth, job creation and a greater sense of pride in heritage amongst Albanian citizens. Indeed, Albanians themselves are the main stakeholders for promoting the country's cultural heritage, some of which is enlisted by UNESCO as World Heritage for all mankind.

The tourism sector is complex and is closely connected with other value chains (e.g., transport, agriculture, crafts, creative industries, etc.). This means that any improvements in the tourism sector will have a positive effect also on other interconnected industries and related employment. Therefore, it is important to design interventions for **integrated tourism-led local development**, with bottom-up, inclusive approaches that are based on priorities and initiatives shaped by local communities.

Two central Regional Development Agencies (NARD: National Agency for Regional Development and ARED: Agency for Regional Economic Development) and **four RDAs**: Regional Development Agencies (1 for each RMA) have been established as deconcentrated bodies and are responsible for implementing the Regional Development policy and operational programs in the country.

There is no full representation of regional development actors in the boards of the new RDAs (only 4 Ministries and 4 largest Municipalities). Municipalities (the largest ones in terms of population) are also part of the boards of the RDAs. A broader network of regional development actors such as Albanian Development Fund, Associations, Civil Society, Chambers of Commerce, Private Sector etc. are not yet formally part of the new regional development institutional map, probably until the full Regional Development policy frame is defined and agreed.

The creation in 2015 of the Regional Development Agencies (see above) aims at ensuring a balanced development of the 4 regions, and also at supporting potential growth poles in the country; the approach is based upon the economic features of these territories, access to infrastructure, natural resources, administrative boundaries, and historical links/traditions. They are not meant as administrative units but instead as “action spaces”, which share potentials, confront common challenges and are expected to develop shared strategies and projects. Regional Development Agencies are at a very early stage of their development and they will require a significant amount of **capacity building** before they can become full-fledged actors in regional development. Support for RDAs capacity building is envisaged by Swiss and Austrian donors' interventions, which are at early stage of implementation.

For the support to Innovative ecosystem - incubator/start-ups two are the key institutions assigned for scientific research and innovation in Albania: the National Agency for Funding in Higher Education (NAFHE) and the National Agency for Scientific Research and Innovation (NASRI). NAFHE is responsible for the distribution of public funds which support activities performed by institutions of high education, including scientific research activities. NASRI evaluate, monitor and manage programs and projects in the fields of science, technology and innovation in Albania; it aims to fund projects in the field of small and medium business as well as transfer, modernization and renewal of their technologies. The Business Relay and Innovation Centre, which operates under AIDA, owns limited resources. The Minister of State for Innovation and Public Administration has established the Innovation Hub, which is supporting pre-start-ups with a range of programmes on capacity building, awareness raising and networking with potential partners mostly in the ICT sector.

Some private-led initiatives are starting to appear in Tirana, providing institutional support to SMEs and innovation, but their scale is fairly small. Among them, Oficina is an Open Society Foundation for Albania initiative to support sustainable growth to innovative start-ups through decent pre-acceleration and acceleration programmes; CEBE (Center for Economic and Business Education) in an NGO that managed a UNDP programme for entrepreneurship, a pre-accelerator action that showed some good results, including in rural areas. The existing technology transfer offices (TTOs) operate under the auspices of the Ministry of Agriculture and Rural Development act as consulting centres to the agricultural sector rather than as typical TTOs.

## **OUTLINE OF IPA II ASSISTANCE**

This Action contributes to the overall objectives outlined in the Indicative Strategy for Albania (2014-2020), and specifically objective (b) **support for economic, social and territorial development**.

Focusing on a number of pilot cultural heritage, natural and other local destinations' assets, this action aims at supporting target territories in exploiting their potential to attract visitors, and at raising the quality of tourism offer. This shall ultimately result into an increase in tourists' spending and an extended season beyond the summer months; and it will be of benefit for local population in target areas by generating more job opportunities and income, including changing attitudes of local communities and making EU intervention very visible. By regenerating local economic fabric and urban, rural and natural environment, the action will increase the contribution of sustainable and responsible tourism to Albania's competitiveness and economic growth.

This action will extend its support to local economic development to all other territories/regions, tapping under-utilised local/regional potential (assets) to maximize opportunities for growth and competitiveness. Any Municipality, according to their needs and potential for local development, could get support on upgrading of municipal infrastructures, including in energy efficiency, regional connectivity, municipal services, business-related infrastructures, etc.; local development priority infrastructures will be selected on the basis of proper methodology for the identification and selection of investment projects, in the framework of the Albanian regional development policy. "Soft" accompanying measures to support capacities, private initiatives and skills will complement the "hard" element of infrastructural development.

Main activities under this action would include, inter alia, undertaking firstly a comprehensive tourism sector value chain/cluster analysis in each target area, mapping out stakeholders, opportunities and gaps in tourism services/products, ensuring gender sensitive approach; secondly, to support collaborative (bottom-up and private sector led) initiatives for integrated tourism product/service development, small infrastructure improvements and B&B refurbishment, marketing initiatives and website development, local crafts and

traditional souvenir production, landscaping, etc. Other activities will also support the establishment of tools for better data collection and adoption of international standards and best practises, while ensuring sex-disaggregate statistics.

The action will implement conservation and restoration works of selected heritage assets in pilot destinations, infrastructure improvements around the target cultural heritage (CH) sites, including addressing accessibility, waste management and sanitation requirements at the heritage sites and around them.

With regard to local economic development, support will be provided to the proper application of the National Single Projects Pipeline (NSPP) methodology for the identification and selection of investment projects in business-related infrastructure, efficiency of resource utilization, regional connectivity and quality of urban environment.

The action will provide support to innovative eco-system in Albania by establishing an incubator with a fabrication laboratory (FabLab) type facility, improving access to finance and acceleration support to innovative start-ups. The aim is also to address the need for a well linked institutional support infrastructure (academia - industry - government) to promote innovation policy within SMEs, that would underpin and create the right conditions for the entire entrepreneurship eco-system: from a) the fertile terrain for inspired business idea generation (pre-acceleration) → to b) an acceleration and incubation system enabled to provide access to sustainable business models, a tested and prototyped product/service/process and facilitated funding, including seed capital for early-stage business, to → c) mentoring for scaling-up and championing best start-ups ready for corporate high-growth.

This innovation eco-system will encompass important elements as cost sharing and strong links and networking with private businesses and operators of key sectors not limited to ICT, but also tourism/crafting (feeding into Component 1 of this action), construction technologies, agri-food, biotechnology, green economy, etc.; not least, the system will aim at capitalizing on well-educated Albanian diaspora (approx. 15,000 young/middle aged professionals that own Phd or master degree), a good potential for the country bringing innovative ideas, mentoring, networking and boosting research and development capacity.

The detailed activities are described in Section 2 of the Action Document.

## **RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES**

The scope of the sector supported by this Action is defined in the EU **Indicative Strategy Paper for Albania (ISP 2014-2020)**: the competitiveness of the economy with a particular focus on SME development and the *promotion of tourism*, which has a particular potential for growth. This sector is an important element of the EU support to strengthening Albania's economic governance. The ISP also envisages assistance to the preservation of **cultural heritage**<sup>7</sup>.

The enlargement countries have been asked to prepare annual **Economic Reform Programmes (ERP)** including Competitiveness and Growth Programmes covering key sector reforms underpinning competitiveness; the recently approved ERP 2017-19 includes a specific measure on tourism standardization, as well as broader/horizontal measures on the business environment, transport infrastructure (rehabilitation/construction railway line airport-Tirana-Durres) and VET. In Albania, tourism has been identified as a strategic sector that can achieve sustainable long-term growth and contribute to employment as for the **National Strategy on Employment and Skills 2014-2020**, which aims at promoting quality of jobs and skills opportunities for all Albanian, women and men, throughout the lifecycle, an area where EU is particularly focused with IPA II **Budget Support** for the Employment & Skills Sector (SRC 2016-2018 - €27 million plus €3 million for Technical Assistance) targeting measures to increase youth and female employment and the reform of the VET system.

The overall objective of the action corresponds to the objective of the **National Strategy for Development and Investment (NSDI) 2014-2020**: to improve competitiveness and economic growth of Albania through high quality and sustainable tourism.

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<sup>7</sup> [http://ec.europa.eu/enlargement/pdf/key\\_documents/2014/20140919-csp-albania.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2014/20140919-csp-albania.pdf)

The recommendations of the **EC Annual Report 2016<sup>8</sup> for Albania**, particularly those related to the main obstacles to tourism development, will be taken into consideration in this Action.

This action will address one of the main objectives of the **IPA II Multi-Country Indicative Strategy Paper (2014-2020)<sup>9</sup>** of strengthening the economic and job potential of the region. The Paper notes the importance of tourism industry as one of the major contributors to region's growth and competitiveness, whilst assessing good neighbourly relations as the overall objective for territorial cooperation through a number of cross-border cooperation programmes foreseen in encouraging tourism and cultural and natural heritage.

With particular relevance to Component 2 of this Action, within the **WBIF - Western Balkans Investment Framework for the period 2014-2020**, which plays a crucial role in the implementation of the EU enlargement strategy and the Connectivity Agenda under the "Berlin Process", list of sectors for the Single Project Pipeline (SPP) of investments has been updated in Albania. In 2016, the Government, on the basis of a gap analysis, introduced the category of Business-related infrastructures, including clusters and value chains linked to tourism as well as cross-border projects.

With the view of bringing the Country in line with the EU Cohesion Policy Directions and Chapter 22 of the acquis, the Government has been developing the **Regional Development Reform in Albania**, aiming at supporting territorial based initiatives at local and regional level, with the Regional Development Fund (RDF) as the main financing mechanism and the National Investment Committee (NIC) as the SPP decision making body for programming all available financing sources.

This Action for tourism-led local economic development would engage the EU in the current setting up of a functioning structure for regional development led by Prime Minister Office, ensuring a transparent project selection based on good sectorial and regional development plans, creating a new professional structure, linking it to an EU model and promoting investments needed across municipal borders for common needs based on proper planning processes. Ultimately, the model could lead to a pool of resources (GoA, EU, IFIs, other donors) with a proper governance structure for a joint decision making process for all decisions and selection of investments, that will benefit from a blending platform for co-financing and implementation support; basically, a possible multi-donor fund that could be replenished on a regular/annual basis.

The Albanian **Strategy for Environment** shall be taken into account at nature protected areas. Any investment aiming at boosting tourism shall respect environment laws and be in accordance with the acquis, particularly with the Environmental Impact Assessment, Natura 2000 and Birds Directives. The national adaptation to Climate Change Strategy on dealing with climate change vulnerability will also be taken into consideration.

The **National Strategy for Science, Technology and Innovation 2017-2022** has not yet been adopted by the Government; the draft is still under discussion with the main stakeholders, but a Working Group has started developing a comprehensive innovation strategy. Senior experts have been hired through the assistance of Swiss Development Agency to review draft strategy in line with ERA –European Research Area priorities, EU innovation indicators and cross-sectorial approach. The main pillars of the Draft Strategy are: scientific research, technology and innovation, as part of the second pillar of the National Strategy for Development and Integration (NSDI) 2015-2020: "The economic growth through increased competitiveness and innovation".

**Inter-Sectorial Strategy "Albanian Digital Agenda 2015-2020" (ISSADA)**, with ICT and digitalization processes as one of the main objectives of this strategy, which strives to support innovative processes such as development of productive capacities, creation of start-ups, smart cities, and social enterprises.

**National Strategy for Intellectual Property (NSIP)** sets the legal and government commitment for improving the functioning of intellectual property system in Albania, aiming to support innovation through the promotion of research done by Albanian companies, local universities and individuals. NSIP aims to

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<sup>8</sup> Commission Staff Working Document, Albania 2016 Report, 9.11.2016

<sup>9</sup> Adopted on 30/06/2014

increase awareness, to strengthen the system of registration, management and protection of the rights derived from intellectual property.

Other key references are as follows:

**EU Strategy for the Adriatic and Ionian Region (EUSAIR)**, where Albania is co-responsible for the coordination of the priority area “Sustainable Tourism”<sup>10</sup>, with focus on diversified tourism offers (products and services), and sustainable and responsible tourism management (innovation and quality).

Albania has adopted the National Action Plan for implementing the **Strategy SEE 2020**<sup>11</sup>, which harmonises the sectoral policies with SEE 2020 objectives, in accordance with the dimensions specified in the SEE 2020 Action Plan. Under the EU 2020 Flagship Initiative, “An industrial policy for the globalisation era”, the Commission will work at the EU level to enhance the competitiveness of the European tourism sector to which this action is aligned.

**IPA II CBC Programme Albania-Kosovo and Montenegro – Albania 2014-2020**, with thematic priority on encouraging tourism, culture and natural heritage as a way to promote the economic development of the areas.

## **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**<sup>12 13</sup>

Some of the issues encountered in previous actions and lessons learned are listed below:

- With regard to programming, previous evaluations of IPA assistance (2007-2013) highlighted the need for better indicators and alignment to national priorities; this Action is well in line with major strategy documents as Tourism is recognized as priority sector, while available indicators not always can be based on reliable data or are not available yet.
- On the need for more ownership and leadership by beneficiaries provided during annual programming, the preparation of this Action has benefited from tailored workshops and several visits to target areas jointly with relevant Ministries representatives; visits were also well attended by local Municipalities, key donors, active NGOs and private sectors operators.
- The need for effective sequencing of assistance, with its related need for beneficiaries’ absorbing / building capacities to increase its impact in agreed priority sectors, has been addressed by this Action with an intervention logic based on a sequencing element between two Components (phases); the first is piloting the model (where possible capitalizing on past IPA / CBC projects) and the second is consequently extending it to other territories, up scaled with access to a blending platform within a regional policy framework that will be up and running by the time the second Component will unfold.
- Some evaluations found that a key problem for developing effective sequencing was that sometimes follow-on projects were implemented before earlier projects had been completed and delivered their outputs and results. This Action will target only mature projects that can be quickly ready for financing with the aim to start the investment from early stage;
- IPA 2007-2013 Report highlights the risk that infrastructure projects may encounter implementation problems, mainly due to a lack of coordination among line ministries and between national and local institutions, and lack of national funds for maintenance and operational costs, with implications for the projects’ long-term sustainability. The Action will address this issue by looking at investment projects that are already part of approved Local Economic Development Plans / Tourism Master Plans and by linking the second phase to a well-established methodology for the selection of specific actions/investments as the one of the NSPP (National Single Projects Pipeline).

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<sup>10</sup> <http://www.adriatic-ionian.eu/about/pillars>

<sup>11</sup> Through the Decision of the Council of Ministers no. 611, dated 17.09.2014

<sup>12</sup> Mid-term Meta Evaluation of IPA Assistance (2007-2013), Final Evaluation Report, 2011 (FWC Commission 2007, Lot No 4) - Evaluation mainly covering Component I of IPA whereas IPA Components II-III-IV-V covered only to a limited extent.

<sup>13</sup> Interim Evaluation of Cross-Border Programmes between Candidate/Potential Candidate Country (Intra-Western Balkan Borders) under the Cross-Border Cooperation Component of IPA, 2010 and 2011

In addition to the EU support, there have been numerous previous actions in the area of tourism in Albania. The country has received technical assistance from the United Nations (UN), JICA, Germany (GIZ) and from Italy, Sweden, Spain, the Czech Republic, other European countries and the United States. The World Bank has also lent significant funds for tourism development projects. Monitoring activities have been carried out for various projects including those of the World Bank, United Nations and the EU. On-going monitoring mechanisms are also built into these projects.

The absence of an overall national tourism strategy to date has resulted in largely fragmented, uncoordinated and unconnected interventions, with limited absorption of lessons learned to date.

Although there was no proper Regional Development policy before 2013 owned by the central government, the main approach applied at the time by various donor-funded interventions on RD was to address disparities and focus mainly on lagging behind regions. Whereas public investments have historically had a sector perspective rather than a territorial one. The current Regional Development policy is based on a mixture of elements of both the old and the new paradigms such as: a top-down approach (at least initially); a shift from sector orientation to a territorial approach; competitiveness and balanced RD approach; focus on the endogenous potential of a region etc.

RD in Albania was mainly supported by various donors (EU, UNDP, Austrian and Swiss Development Agencies), providing support with programs and projects in several areas; for nearly 12 years there has been a focus on RD but these initiatives never managed to materialize successfully. Two important milestones during these years were: 1) the drafting of the Inter-sectoral Strategy for Regional Development (ISR), which followed mainly on the Croatian experience; 2) the efforts of the EU-UNDP ISD program to connect domestic RD with the respective EU Directive. The GoA at the time took such efforts seriously into account, because they constituted a concrete step towards the process of obtaining the candidate status.

Institutions and research & development agencies are weak and do not have the adequate capacities to face the current innovation challenges. The national coordination among main stakeholders (business, government, research institutions, universities, donors agencies etc.) is weak; the national innovation policy is quite fragmented with different strategies, policy documents and several state institutions which address innovation.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE (OO) / IMPACT	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	
<p><b>OO: To enhance the contribution of high quality and sustainable tourism to economic growth and competitiveness of Albanian regions.</b>  <i>(Aligned with Indicative CSP objective: Support for economic, social and territorial development and with NSDI objective: a recognized and attractive tourism industry)</i></p>	<p><u>NSDI indicators:</u>            - Direct contribution of Tourism to GDP (percentage)            - Direct contribution of tourism to employment (percentage)</p>	<p>INSTAT,            WTTC</p>	
SPECIFIC OBJECTIVES (SO) / EXPECTED OUTCOMES (EO)	OBJECTIVELY VERIFIABLE INDICATORS	SOURCES OF VERIFICATION	ASSUMPTIONS
<p>(Component 1)  <b>SO1:</b> To raise the quality and sustainability of integrated tourism offer in pilot territories</p> <p><b>SO2:</b> To enhance and preserve the attractiveness of cultural, natural and other assets in pilot territories for tourists</p> <p>(Component 2)  <b>SO3:</b> To improve local sustainable development of priority infrastructures and improve its climate resilience in the framework of the Albanian regional development policy.</p> <p>(Component 3)  <b>SO4:</b> To improve the innovative eco-system and boost start-ups creation</p>	<p>Average length of stay per tourist in target territories per year (nights)</p> <p>Number of tourists visiting CH/natural assets in target destinations per year</p> <p>Number (with amount) of completed infrastructure investment projects supported by this action.</p> <p>Number of innovative start-ups created (disaggregated by women-led)</p>	<p>INSTAT</p> <p>Municipal statistical data</p> <p>Project/programme reports</p> <p>Project/programme reports</p>	<p>- The National Tourism Strategy will be finalised taking into account i) the methodology for development of the strategic documents and advice on the content of each chapter outlined in the Prime Minister Order No. 93 of 7 August 2012 "On Drafting the National Sector and Cross-Sector Strategies for the period 2013-2010 and Sector Strategic Documents 2013-2020 in the Frame of the National Strategy for Development and Integration, 2013-2020" ii) OECD/SIGMA Recommendations for Monitoring and Reporting of Strategies in Albania (2016).</p> <p>- The results/objectives of the National Adaptation to Climate Change Strategy on dealing with climate change vulnerability are taken into consideration</p> <p>- The action shall be coordinated with the Ministry of Tourism and Environment. All action shall be consistent with the Albanian Strategy for Environment and any investment aiming at boosting tourism should be done with respecting environment laws and in accordance with the acquis, particularly with the Environmental Impact Assessment, Natura 2000 and Birds Directives.</p>

			<p>- The sub-thematic group on Tourism within the Integrated Policy management group for Competitiveness will be established with the involvement of key stakeholders, (i.e. National IPA Coordinator, Ministry of Finance and Economy, Ministry of Tourism and Environment , Ministry of Culture, local actors at the target destinations) and supported by a Technical Secretariat with at least three staff and operates an effective and transparent sector reform planning, monitoring and donor coordination mechanism including for tourism development.</p> <p>- the Involvement and commitment of the stakeholders is maintained</p> <p>-- The mobilisation of key stakeholders in the target territories, including local authorities, civil society and private sector, is effective.</p> <p>- Regional Development Policy framework is operational.</p>
<b>RESULTS / OUTPUTS</b>	<b>OBJECTIVELY VERIFIABLE INDICATORS</b>	<b>SOURCES OF VERIFICATION</b>	<b>ASSUMPTIONS</b>
<p><b>Result 1.1:</b> Marketed integrated tourism package for the target area</p> <p><b>Result 1.2:</b> Established local tourism initiatives based on sustainability, partnerships, clusters and value chain development.</p> <p><b>Result 1.3:</b> Improved skills through training provided to potential local tourism services/product providers in the target areas</p> <p><b>Result 1.4:</b> Improved tourism standards and data in line with international best practice</p>	<p>Number of new touristic packages/itineraries introduced in the target destinations</p> <p>Number of new local collaborative initiatives implemented in the target areas</p> <p>Number of employees trained (disaggregated by sex)</p> <p>Number of established and implemented ETIS tools in the target areas</p>	<p>Project/programme reports</p> <p>Project/programme reports</p> <p>Project/programme reports</p> <p>Project/programme reports</p>	<p>CH assets restored by the IPA II interventions, continue to be maintained and preserved by the beneficiaries</p>
<p><b>Result 2.1:</b> Preserved and restored cultural heritage, natural and other local assets.</p> <p><b>Result 2.2:</b> Improved accessibility and enhanced sustainability of CH, natural and other local assets</p>	<p>Number of cultural heritage assets and infrastructure objects conserved and/or restored</p> <p>Customer satisfaction (based on surveys at target area)</p>	<p>WEF survey</p> <p>Project/programme reports</p>	

<b>Result 2.3:</b> Skills on preservation, restoration and management of experts of relevant public institutions, and CH and natural sites, are improved	Number of experts of relevant public institutions, and CH and natural sites, trained in preservation, restoration and management of CH assets (disaggregated by sex)	Project/programme reports	
<b>Result 3.1:</b> Improved implementation of National Single Project pipeline priority infrastructures in the framework of local development plans	Conversion rate of supported feasibility studies / detailed designs into actual loan agreements	Project/programme reports / NSPP reports	
<b>Result 4.1:</b> Improved accelerators/incubators facilities for supporting start-ups	Number of innovative FabLab type incubators/ start up facility established		
<b>Result 4.2:</b> Improved access to finance for innovative start-ups	Number of innovative start-ups supported (disaggregated by women-led)		

(\*) All indicators should be formulated as measurement, **without specifying targets in the Logical Framework Matrix**. The targets should be included in the performance measurement table in section 4. More detailed guidance on indicators is provided in Section 4 on performance measurement.

(\*\*) Relevant activities have to be included only in the following sub-section.

## **DESCRIPTION OF ACTIVITIES**

This sub-section provides the details of the planned activities, itemised per expected result.

### **- (Component 1)**

#### **SO1. To raise the quality and sustainability of integrated tourism offer in pilot territories**

##### **Result 1.1: Marketed integrated tourism package for the target area**

###### *Planned (indicative) activities*

1. Undertake a comprehensive gender sensitive tourism sector value chain/cluster analysis in each target area, mapping out stakeholders, needs and gaps in tourism services/products.
2. In collaboration with inbound tour operators and in coordination with the National Tourism Agency, hotels, airlines, and other stakeholders, design and develop new integrated tourist packages and promote them using modern technologies and innovative methods.
3. Trainings to improve local capacity to build cultural and natural tourism offerings, including on market research and surveys, presentation and promotional tools, branding, content and events development in line with best practices, ensuring participation of women.
4. Improve awareness of key local development stakeholders of responsible tourism<sup>14</sup> and best practice destination management approaches, and develop related strategic planning skills using a gender sensitive approach.
5. Develop public awareness campaigns and deliver school and community environmental initiatives for responsible tourism and environmental sustainability

##### **Result 1.2: Established local tourism initiatives based on sustainability, partnerships, clusters and value chain development.**

###### *Planned (indicative) activities*

1. Increase engagement of the private sector in tourism industry development: support tourism associations; foster public-private communication, coordination, and partnerships (PPPs).
2. Through grants and/or loans to SMEs and NGOs, support collaborative and integrated initiatives that improve the quality and management of tourism offer including small infrastructure improvements and typical B&B refurbishment and re-styling, marketing initiatives and website development, crafts and souvenirs production, landscaping, signage, gastronomy tours, adventure and winter products, etc., including new inter-municipal and regional tourist packages for the pilot territories. A special attention will be paid to increasing women's access to resources, small businesses, building knowledge and skills on generating incomes and give visibility to the cultural heritage of the area.
3. Foster linkages with related agriculture and other related industries and crafts, to support agri-tourism and rural tourism

##### **Result 1.3: Improved skills through training provided to potential local tourism services/product providers in the target areas**

###### *Planned (indicative) activities*

1. In collaboration with national and local VET institutions, assist in skills development for local tourism systems, including training of guides, hotel managers, waiters, chefs, etc., and encourage a

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<sup>14</sup> Responsible tourism is tourism, which minimizes negative social, economic and environmental impacts, generates greater economic benefits for local people, involves local people in decisions that affect their lives, provides access for physically challenged people, and is culturally sensitive. Responsible Tourism was defined in the Cape Town Declaration of 2002 alongside the World Summit on Sustainable Development.

gender sensitive approach to all activities related to training and skills development, in alignment with affirmative measures for women planned in the National Strategy for Jobs and Skills.

2. Based on assessment of the market demand, develop skills and gender sensitive support initiatives for reviving traditional crafts, trades and products (e.g. wood carving, masonry, carpet production, speciality foods, etc.).

#### **Result 1.4: Improved tourism standards and data in line with international best practice**

##### *Planned (indicative) activities*

1. Undertake gap analysis, identify the needs and prepare and implement a roadmap for adoption of international tourism standards (i.e. certification by self-regulatory organizations, developing new grading, classification/accreditation systems)
2. Develop national standards for Tourism Information Centres (TICs) and tourist information services through Municipalities and DMOs, in line with international standards where appropriate.
3. Support to the establishment and implementation of ETIS<sup>15</sup> (European Tourism Indicators System for sustainable destination management) tools in each of the four territories to enhance data collecting of tourist destinations and tourism planning.

#### **SO2. To enhance and preserve the attractiveness of cultural, natural and other assets in pilot territories for tourists**

##### **Result 2.1: Preserved and restored cultural heritage, natural and other local assets.**

##### *Planned (indicative) activities*

1. Implement and supervise works for conservation and restoration works of selected heritage assets in pilot destinations where detailed design is already available
2. Based on the initial assessment, undertake feasibility studies and detailed design for the agreed future interventions (where possible, accessing WBIF assistance)
3. Create and improve retail facilities and assist in organising marketing and sales of souvenirs and crafts around heritage sites

##### **Result 2.2: Improved accessibility and enhanced sustainability of CH, natural and other local assets**

##### *Planned (indicative) activities*

1. Map the existing CH signage, identify needs for improvement, and install new or improved signage/signalling in the target CH areas
2. Implement small infrastructure improvements required for better access (including access for people with disabilities, roads, cycle paths, walking routes) to the heritage sites with visitor management facilities in place (visitor reception, parking facilities in accordance with international best practice, sanitary facilities, etc.); where feasible, introduce green transport options to heritage sites with visitor management facilities in place
3. Assist Municipalities in upgrading waste management and sanitation facilities

##### **Result 2.3: Skills on preservation, restoration and management of experts of relevant public institutions, and CH and natural sites, are improved.**

##### *Planned (indicative) activities*

1. Provide training to Municipality and management staff of heritage and natural attractions in business planning skills, conservation, responsible tourism management, and management of heritage and protected areas, including visitor management using rights based and a gender sensitive approach.

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<sup>15</sup> <http://ec.europa.eu/growth/sectors/tourism/offer/sustainable/indicators/>

2. For accessing sensitive heritage sites, introduce the international best practice and define the options with local government and community

**- (Component 2)**

**SO3: To improve local sustainable development of priority infrastructures and improve its climate resilience in the framework of the Albanian regional development policy**

**Result 3.1: Improved implementation of National Single Project pipeline priority infrastructures in the framework of local development plans**

*Planned (indicative) activities*

1. To support the proper application of the NSPP methodology for the identification and selection of investment projects for local economic development.
2. Continue and upscale to the regional level the pilot activities of Component I, including for collaborative grant initiatives, with a particular emphasis on public-private partnerships and destination management
3. Support business-related infrastructure, efficiency of resource utilization, regional connectivity and the quality of urban environment on the basis of the NSPP methodology

**- (Component 3)**

**SO4: To improve the innovative eco-system and boost start-ups creation**

**Result 4.1: Improved accelerators/incubators facilities for supporting start-ups**

**Result 4.2: Improved access to finance for innovative start-ups**

*Planned (indicative) activities*

1. To support the establishment of a multi-location facility for Fabrication Laboratory type incubator
2. To design and implement new financing programme / tools / schemes to support most innovative start-ups, including early-stage and women-led enterprises.
3. To promote better links between academia, industry and government for the development of innovation policies based on Triple Helix approach.

**RISKS**

- *Moderate risk:* Weak mechanisms for inter-ministerial coordination and communication related to the C&I sector (and specifically, tourism) is an on-going concern for the development and strategic coordination of the sector. The newly formed IPMG, as a sector coordination mechanism, is yet to demonstrate its effectiveness - *Mitigation measure:* EU will support the reanimation of the IMPG system with targeted assistance in 2018 and this will enhance inter-ministerial coordination
- *Moderate risk:* Strain on local resources as a result of increased influx of tourism - *Mitigation measure:* Mitigation measures will be systematically included in environmental impact assessment (EIA) for every intervention that is planned, and their implementation carefully monitored. With continuous policy dialogue with GoA, responsible tourism principles will be fostered in Government, Municipalities and the tourism industry; robust site management plans and training in site protection measures specific to the sites themselves will be deployed.
- *Moderate risk:* Implementation of the Territorial and Administrative Reform, which entails transfer of competencies to municipalities, like water supply and sewage, forest and fire protection, remains a challenge, as many municipalities face financial and administrative problems in carrying out the entrusted tasks - *Mitigation measure:* EU is starting actions to support capacity building on local governance; other development partners just started actions for capacity building of Regional Development Agencies; continuous policy dialogue with GoA and Municipalities will reinforce their commitment.

## CONDITIONS FOR IMPLEMENTATION

For Component 2 the law on Regional Development is required to be adopted. Failure to comply with this requirement may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

## 3. IMPLEMENTATION ARRANGEMENTS

### ROLES AND RESPONSIBILITIES

**The Ministry of Finance and Economy (MFE)** is the lead institution for the sector, responsible for coordinating the activities of central and local institutions dealing with competitiveness and innovation. The action shall be coordinated with the Ministry of Tourism and Environment.

The Integrated Policy Management Group (**IPMG**) for **Competitiveness and Innovation (C&I)** – as part of the Government’s Integrated Planning System (IPS) <sup>16</sup> - will be the policy dialogue structure bringing together relevant local actors and donors active in the sector. Through this government-donors dialogue structure, the EU will be in a position to pass common and streamlined messages in terms of policy guidelines. Also IPMG aims to strengthen the working relations between the main donors involved in sector support.

This IPMG will be supported by a Technical Secretariat<sup>17</sup>. Thematic groups are being established as prioritized by the IPMG C&I; indicatively in subsectors such as industry, **services (including tourism)**, business environment, corporate governance and reduction of the informal economy, technological absorption and trade integration.

However, at the time of the preparation of this Action, IPMG for C&I is not yet formal and fully operational. It needs to be further supported in terms of better inter-institutional coordination and consultation with stakeholders, greater technical and analytical capacity for reform identification and prioritization, and administrative capacity development of the secretariat and its staff continuity<sup>18</sup>.

Therefore, the Action will have a Steering Committee for decision making, implementation and monitoring, while waiting for the IMPG C&I to be fully operational.

### **Other key institutions involved in the management and implementation of the Action are:**

- Institutions related to Art, Culture and Cultural Heritage within the management responsibility the Ministry of Culture: Institute of the Cultural Monuments, The Agency of Archaeological Service, The Iconographic and National Ethnographic Museum in Berat, National Museum of Medieval Art and Archaeology Education Korce, National Fototeka "Marubi" Shkoder, The National Centre of the Cultural Property Inventory, National Centre of Folk Activities, the management and coordination Office of Apollonia archaeological park, Office of Management and coordination of the archaeological park Bylis, Regional Directorate of National Culture in, Berat, Shkoder and Korçë.
- **Six Agencies established in the framework of the regional development reform:** National Agency for Regional Development; Regional Economic Development Agency; Regional

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<sup>16</sup> Following the Sector Approach introduced in IPA II, the GoA, through a Decision of the Strategic Planning Committee in March 2015, has endorsed the establishment of Integrated Policy Management Groups (IPMGs), by the Prime Minister Order No.129, date 21.9.2015 “For obtaining institutional and operational measures for the implementation of the sectoral approach and the creation of integrated policy management groups” paved the way to establish IPMGs in four priority sectors, including the sector on Competitiveness & Innovation (C&I).

<sup>17</sup>The new structure of this directorate, despite its mission in European Integration and Projects will also exercise functions as a Secretariat of IPMG for C&I.

<sup>18</sup> Progress Report Albania, 2016

Development Agency Shkoder; Regional Development Agency Tirana; Regional Development Agency Vlore; Regional Development Agency Korce.

- **The Albanian Development Fund**<sup>19</sup>: an Albanian public organisation acting as an implementing agency during last 23 years in many infrastructure and tourism development projects
- **International implementing agencies and organizations** active in tourism, regional and local development such as Italian Cooperation as the lead donor of IPMG, GIZ, UNDP, Austrian Development Agency, SIDA, Swiss Agencies etc.
- Albanian Investment and Development Agency (AIDA) and the Business Relay and Innovation Centre (BRIC) supervised by the Ministry of Finance and Economy.
- National Agency for Funding in Higher Education (NAFHE) and the National Agency for Scientific Research and Innovation (NASRI).

The **municipalities** of Shkoder, Berat, Divjake-Fier, and Korce will be direct or indirect implementers of the Action at the Local level, depending on the investments. Mayors of these municipalities are all represented in the boards of their respective Regional Development Agencies.

These four pilot territories have been **selected** jointly with main stakeholders which were previously Ministry of Economic Development, Tourism, Trade and Entrepreneurship, Ministry of Culture, Ministry of Urban Development and Prime Minister Office. The selection has been based on the following criteria: a) presence of outstanding CH or natural assets to work on, b) in-land territory vs crowded costal area, c) sequencing / complementarity to World Bank large project in the South, d) in line with Regional Development policy management areas, e) capitalize on previous IPA / WBIF actions, and f) cross-border potential.

#### **IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING**

Indirect management delegation agreement with the European Bank for Reconstruction and Development (EBRD) for Component 1 and 2.

Indirect management delegation agreement with the German Society for Development Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, GIZ) and the Swedish International Development Cooperation Agency (SIDA) as co-delegatee or, if negotiations fail with SIDA as co-delegatee, only with the German Society for Development Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, GIZ) for Component 3.

The above entities have been pillar assessed; the choice is in respect of the FR applicable to the general budget of the Union - art 58.1 and art 58.3.

## **4. PERFORMANCE MEASUREMENT**

### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

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<sup>19</sup> [http://www.albaniandf.org/english/rreth\\_nesh/Pages/Kuadri\\_ligjor.html](http://www.albaniandf.org/english/rreth_nesh/Pages/Kuadri_ligjor.html)

At the local level (in target territories) monitoring mechanisms will be put in place for each intervention, including technical assistance and grants.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR Guidelines on linking planning/programming, monitoring and evaluation. In addition, the action might be subject to external monitoring in line with the European Commission rules.

## INDICATOR MEASUREMENT

Indicator	Baseline (value + year) (2)	Target 2020 (3)	Final Target (2022) (4)	Source of information
Doing Business - Distance to frontier (score) 1 (Best) - 100 (Worst)	<b>(63.79 2010)</b>			
<sup>20</sup> <b>(OO):</b> To enhance the contribution of high quality and sustainable tourism to economic growth and competitiveness of Albanian regions.				
NSDI: - Direct contribution of Tourism to GDP (percentage of GDP)	2016 – 8.4 %	9,4 %	9,8 %	WTTC
NSDI: - Direct contribution of tourism to employment (percentage of total employment)	2016 – 7.7 %	8.8 %	9,3 %	WTTC
<b>SO1.</b> To raise the quality and sustainability of integrated tourism offer in pilot territories				
Average length of stay per tourist in target territories per year (nights)	(2016) Berat: 2,4 Fier: 2 Korca: 2 Shkoder: 3	3,5 nights	5 nights	INSTAT
<b>SO2.</b> To enhance and preserve the attractiveness of cultural, natural and other assets in pilot territories for tourists				
Number of tourists visiting CH/natural assets in target destinations per year	(2016) Berat: 59,327 (Castel) Fier: 35,000 (Apollonia and beaches); 182,000 (Divjake National Park) Korca: 30,000 average	Berat: 65,260 Fier: 238,700 Korca: 33,000 Shkoder: 220,000	Berat: 72.000 Fier: 262,600 Korca: 36,300 Shkoder: 242,000	Municipal statistical data

<sup>20</sup> Sex disaggregation by women/girls, men/boys. If the indicator is disaggregated by sex, please provide separate values for baseline, milestone and target values for female/male,

<b>Indicator</b>	<b>Baseline (value + year) (2)</b>	<b>Target 2020 (3)</b>	<b>Final Target (2022) (4)</b>	<b>Source of information</b>
	Shkoder: 200,000 (including Velipoja sun and sand tourism, Shkodra mainly cultural/historical tourism and Thethi natural/adventure tourism)			
<b>SO3:</b> To improve local, sustainable development of priority infrastructures and improve its climate resilience in the framework of the Albanian regional development policy.				
Number (with amount) of completed infrastructure investment projects supported by this action.	0(0 M EUR)	2 (8 MEUR)	10(40 MEUR)	Project/programme reports
<b>SO4:</b> To improve the innovative eco-system and boost start-ups creation				
Number of innovative start-ups created (disaggregated by women-led)	0 (of which W-led:0)	60 (of which W-led:20)	140 (of which W-led:50)	Project/programme reports
<b>Result 1.1:</b> Marketed integrated tourism package for the target area				
Number of new touristic packages/itineraries introduced in the target destinations	0	8	12	Project/programme reports
<b>Result 1.2:</b> Established local tourism initiatives based on sustainability, partnerships, clusters and value chain development.				
Number of new local collaborative initiatives implemented in the target areas	0	4	8	Project/programme reports
<b>Result 1.3:</b> Improved skills through training provided to potential local tourism services/product providers in the target areas				
Number of employees trained	M: 0 F: 0	M: 500 F: 500	M: 1000 F: 1000	Project/programme reports
<b>Result 1.4:</b> Improved tourism standards and data in line with international best practice				
Number of established and implemented ETIS tools in the four target areas	0 out of 4 target areas	2 out of four target areas	4 out of four target areas	Project/programme reports
<b>Result 2.1:</b> Preserved and restored cultural heritage, natural and other local assets.				
Number of cultural heritage assets and	0	Berat: 3	Berat: 5	WEF survey

Indicator	Baseline (value + year) (2)	Target 2020 (3)	Final Target (2022) (4)	Source of information
infrastructure objects conserved and/or restored		Fier: 2 Korca: 3 Shkoder: 2	Fier: 4 Korca: 8 Shkoder: 4	
<b>Result 2.2:</b> Improved accessibility and enhanced sustainability of CH, natural and other local assets				
Customer satisfaction (based on surveys at target area)	0	8	16	Project/programme reports
<b>Result 2.3:</b> Skills on preservation, restoration and management of experts of relevant public institutions, and CH and natural sites, are improved				
Number of experts of relevant public institutions, and CH and natural sites, trained in preservation, restoration and management of CH assets.	M: 0 F: 0	M: 50 F: 50	M: 100 F: 100	Project/programme reports
<b>Result 3.1:</b> Improved implementation of National Single Project pipeline priority infrastructures in the framework of local development plans.				
Conversion rate of supported feasibility studies / detailed designs into actual loan agreements	0	1 loan out of 3 fs/dd	1 loans out of 2 fs/dd	Project/programme reports / NSPP reports
<b>Result 4.1:</b> Improved accelerators/incubators facilities for supporting start-ups				
Number of innovative FabLab type incubators/ start-up facility established	0	1	1	Project/programme reports
<b>Result 4.2:</b> Improved access to finance for innovative start-ups				
Number of innovative start-ups supported (disaggregated by women-led)	0 (of which W-led:0)	30 (of which W-led:10)	70 (of which W-led:30)	Project/programme reports

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The target year CANNOT be modified.

(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.

## **5. SECTOR APPROACH ASSESSMENT**

**The Tourism sub-sector in Albania is part of the Competitiveness and Innovation sector.** In terms of sector approach assessment criteria, the following observations can be made<sup>21</sup>.

### **Criteria 1 – National sector strategies and budget appropriation**

Although there is no single strategy addressing competitiveness and innovation as a mainstreaming policy for the sector, the NSDI is a coherent but broad strategic framework, representing a fairly good synthesis of all sector and cross-cutting strategies in the country, as well as other planning documents for reforms. The strategy is of solid good quality, with clearly defined priorities, covering the identified needs fairly well. Despite the logical structuring and the reduction of the number of key strategies it builds upon, NSDI remains complex and has the potential for fragmentation.

The National Tourism Strategy is being finalised at the time of preparation of this Action, however the existing sectorial strategies in place, which are important for competitiveness (transport, energy, employment, education, etc.) are a good strategic framework to build upon for further developing the sector, although linkages between sectorial development strategies with regard to competitiveness and innovation are not always clearly defined. Routine monitoring and reporting of the NSDI and the sector strategies<sup>22</sup> were not effective in many cases due to lack of resources, capacity constraints and management commitment.

In Albania, further improvements are recommended for the quality of strategies and their successful implementation. Both are closely linked to an effective strategic planning process involving stakeholders and groups of interest, proper resources, management capacities, and effective monitoring and reporting systems. In Albania, the elaboration of strategic documents still depends on external financing and the sector allocations are in general low and thus do not cover the identified needs

### **Criteria 2 – Institutional setting, leadership, capacity and performance framework**

There is clear institutional leadership of tourism by Ministry of Tourism and Environment and cultural heritage by the Ministry of Culture, with in general good technical capacities and experience. However, in terms of capacity and performance monitoring framework, more efforts should be made to address: deficient staffing issues, overcrowded and blurred tasks and responsibilities, constant ‘ad hoc’ mode of operation, high turnover of personnel, insufficient coordination and slow internal regulatory processes of public administration

### **Criteria 3 - Sector and donor coordination**

The sector coordination is done by the Integrated Policy Management Group (IPMG) on Competitiveness and Innovation (C&I). This is expected to be also the main donor coordination structure of the sector. IPMG C&I is a high-level management structure, responsible for the integrated preparation, implementation, monitoring and adjustment of sector policies, actions and budgeting. Previously Donor Coordination was secured by Sector Working Groups some of them still functioning.

The efforts of the government to enable proper functioning of the IPMG C&I are an indicator of their will to better coordinate the sector; nevertheless, in the context of the sector-wide approach, the culture of individualized and isolated functioning should be changed and the main public bodies within the C&I sector need to move towards the culture of frequent, open and effective communication, coordination and collaboration.

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<sup>21</sup> Based on EU IPA Programme Mapping of Sector Strategies, 2014

<sup>22</sup> To date, the Monitoring Reports available as follows: Monitoring Report for Public Financial Management Strategy (Jan-June 2016), Annual Review (2014-2015) of the Business and Investment Development Strategy and its Action Plan (2015-2020), Annual Progress Report (2015) of the National Employment and Skills Strategy (2014-2020), Annual Progress Report 2015 of the Cross-cutting Strategy of Public Administration Reform.

The key pillars of RD policy and vision in Albania to date would include: an integrated approach to RD which aims to guide cross-sectoral investments towards the endogenous needs of a territory; attain, through informed decisions, greater impacts of territorial interventions (projects/investments), until now scattered without significant returns; maintaining balanced development of the 4 regions and also supporting potential growth poles in the country; a mixed approach based upon the economic features of these territories, access to infrastructure, natural resources administrative boundaries and historical links/traditions. The new vision embodies the “efficiency objective” as each region is expected to maximize opportunities for growth and competitiveness and also contribute to the national growth.

Research, development and innovation (RDI) is an important part of efforts among emerging and middle-income economies to move up global value chains, escape the “middle-income trap” and move towards knowledge-based economies. Albania is within the “low innovation” category while high-technology exports account for less than 4% of all Albanian exports. In addition, Albania still exports low value-added products (The Organisation for Economic Co-operation and Development, OECD, 2016).

In order to enhance competitiveness, engage in the production of higher value added products, ensure sustainable growth and integrate into the global value chains, provide highly specialized services and high quality products that comply with EU standards, Albanian enterprises need to innovate, invest more in technologies, and internationalise their businesses.

## **6. CROSS-CUTTING ISSUES**

### **GENDER MAINSTREAMING**

Gender equality constitutes a basic principle of international and regional human rights instruments that the country has signed and ratified. While no evidence has been collected for different treatment of staff on the ground of the sex, this action will still address this cross-cutting issue in promoting equal opportunities for men and women through all actions supported under the IPA II. In addition, where possible, gender-sensitive indicators for measuring the success of the projects will be addressed i.e. Number of women and Number of men, benefiting from the action (absolute No and % of all final beneficiaries).

According to the survey undertaken by the German Technical Cooperation in Tirana on Creative Industries in Albania (2011), 78% of the persons employed in the artisan field are women. Moreover, almost half of all handicraft businesses are owned/managed by women (including self-employed individual artisan women). In terms of individual professions, the division is very gender typical: enterprises managed by women usually produce textiles, carpets, laces, crochet works and embroidery products. Men tend to work in wood carving, stone carving, blacksmithing etc. Out of 108 fashion design businesses operating in Albania, 93% are owned or run by women. In the context of tourism-related crafts production, this is important dynamic that will need to be taken into account (particularly with regard to revival of crafts production in the target regions, and youth entrepreneurship and employment).

In addition, there is a significant gender dimension to small family-run, home-stay businesses which are maintained by women's informal labour and often provide women with the only significant income source. Therefore, the particular impact of standardization measures in the sector of tourism needs to be assessed from a gender perspective. It is important to accompany support measures for training and upgrading in order to provide equal opportunities for women to participate in and complete standardization process.

Another concerning issue related to tourism is the disproportional share of women work in informal and unprotected arrangements and in unskilled, ancillary jobs, limiting professional development and productivity. Respective support measures need to be undertaken to intentionally address such issue and effectively contribute to reduce informality and fostering sustainable tourism. A gender analysis will be undertaken as part of actions in the sector which will further inform mainstreaming across all activities and measures, also ensuring that risks of gender – based violence and different forms of exploitation of children are carefully considered.

During the implementation, equal opportunities and gender mainstreaming will be ensured through provision of appropriate gender sensitive analysis, training, review of standards, skills development, information and

publicity materials about the interventions and free access to the opportunities the intervention will offer (grants, training, etc.). An appropriate men/women balance will be sought on all the activities, as well as the managing bodies, of the action. All capacity building activities under the interventions will also increase the capacities for gender mainstreaming of the national and local tourism policy-makers, associations, NGOs, etc.

The National Women's Entrepreneurship Action Plan (2014-2020) aims to improve the overall business environment for women in Albania. Moreover, some activities will directly target increase of women and youth participation in the training activities (e.g. for crafts, art, tourism service development, etc.). In addition, some financing support schemes will address women entrepreneurship, particularly in tourism, handicraft and culture sector. These measures will contribute to ensuring equality and opportunities for all to participate in the tourism activities supported by IPA II.

### **EQUAL OPPORTUNITIES**

During the implementation of the action, equal opportunities will be guaranteed. Human resources, strategic plans and policies will reflect contemporary working practices and take into account equal opportunities and gender issues.

Increased responsiveness of Local Government Units (LGUs) will be supported in order to satisfy the marginalised groups' demand and enable them to exercise their rights of equal access to services. This is consistent with sustained efforts to achieve EU standards and Sustainable Development Goal 11 – Reduced Inequalities.

The design and implementation phases of the Action activities will allow equal opportunities participation of people with disabilities. For example, access to Tourism Facilities and Cultural Heritage sites will be adapted to their needs.

All contractors shall be requested to provide monitoring data recording the participation of men and women in terms of expert inputs, as a proof of equal participation of men and women in the different phase. Enforcement of those principles is likewise ensured through specific administrative procedures applied in accordance with the Law on non-discrimination. In the implementation of activities under this action, the same principles shall apply, so that participation in the envisaged activities will be guaranteed on the basis of equal access regardless of sex, ethnic origin, religion or belief, disability, age, etc.

### **MINORITIES AND VULNERABLE GROUPS**

All interventions will follow the principle of "doing no harm" and respect the rights of all individuals, including children, women, people with disabilities, minorities and other vulnerable groups. On the contrary, it will strongly support and facilitate minorities and vulnerable groups in their access to opportunities for training in crafts and skills relevant for tourism in the target areas. Cultural specificities of minority groups will be promoted. As a way of example, Roma and Egyptian communities have a very peculiar handcrafting and musical skills and traditions that should be given visibility. This would at the same time provide an opportunity for the members of the community to increase their participation in the social, cultural and economic life of the country. In alignment with the International Convention for protection of Children from Labour and Sexual Exploitation and national legislation, all interventions will ensure responsible and ethical tourism, where all businesses will sign the Code of Ethics for protection of children from all forms of exploitations.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

Most of the key decision-making and co-ordination bodies that do, or could play a role in regional development in Albania have little civil society participation (i.e. Strategic Planning Committee, National Territorial Council, Regional Development Committee, and Common Management Board of the NARD). Therefore, this urges for a strategically planned and continuous dialogue among public bodies, economic interest groups, as well as civil society.

The identification and formulation of this intervention was based on participatory approach through organisation of brainstorming workshops in the target areas, and is taking into account the suggestions for priority interventions from a variety of non-state stakeholders, including CSOs, NGOs, private sector organisations and enterprises.

Also the collaborative grants proposed under this action do place an emphasis on a broad, multi-level and cross-cutting participation of various stakeholders, including the civil society. The process of strategic planning and decision making on tourism-led territorial development should allow a closer connection among the public, private and civil society in key related areas, e.g.: rural and mountain tourism, local value chains, accessibility services, local employment initiatives, etc. Implementation of actions will ensure engagement at local and national level with civil society active in the area of tourism, business development, and specifically oriented to supporting social enterprises for vulnerable groups.

## **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

The European Union has a longstanding commitment to address environmental concerns in its assistance programmes (as part as a wider commitment to sustainable development). Environmental aspects are always considered in providing EU support and there will be no exception to this rule by ensuring that none of the funded projects will have harmful impact on the environment.

The intervention is strongly focused on preservation and restoration of cultural heritage, as well as natural assets in the target destinations. This will include environmental impact assessment, as well as identification of new risks related to climate change. The possibility of introducing labels for green tourism will be considered, in order to support green activities and ventures.

In addition, this Action will seek to mitigate major risks such as irresponsible exploitation and management of certain natural and cultural heritage assets which are recognized to have strong tourism potential in the target destinations. Respective measures during policy-making, implementation and monitoring stages, will be undertaken to ensure the sustainability of the touristic products, preservation of assets and a responsible tourism development.

Coastal tourism will not be supported in order to avoid the risk of contributing to the over exploitation of those areas.

## **7. SUSTAINABILITY**

Past experience shows that ensuring sustainability of donor-supported tourism projects can be challenging in Albania. Partly this has been due to the lack of consistent policy environment which coordinated donor support and absorbed lessons learned, but there is also a need to invest in sound baseline and feasibility studies, needs analysis and market research to guide interventions. Ensuring the active involvement of the business sector from the outset of projects is very important as success in tourism is primarily dependent on robust and diversified private sector development, with Government playing the enabling and facilitating role. With private sector ownership and leadership, benefits and results achieved are more likely to be sustained beyond the implementation period. A key aspect of the intervention needs to focus on ensuring a strong product-market match, so that initiatives supported are clearly aimed at addressing the needs of identified market segments, international and domestic.

Investment in heritage attractions, and in preserving natural assets, is in itself sustainable when conducted to a high standard of conservation. Unique assets can be preserved for the next 100 years or more, which would otherwise be lost. Careful investment in these assets will help to ensure that Albania's tourism industry can be sustainable and competitive, and that the assets will be preserved for future generations.

The key factors which can impact on sustainability include the extent to which there is strong local ownership of initiatives; the extent to which the industry and Government are committed to responsible approaches to tourism development (economic, socio-cultural and environmental); the extent to which products developed are linked to and made known to the market; and the extent to which support mechanisms are based on robust feasibility assessments (including realistic consideration of post-Action scenarios). Institutional management capability is acknowledged as an area where strengthening is required in Albania to ensure sustainability; and this is also a key area which the Action seeks to address.

Finally, the integration of the key principles of public administration and the 'Better Regulation' approach into envisaged assistance will also contribute to sustainability of results. In particular, any support on acquis alignment, legislative or policy development shall be done in an inclusive and evidence-based manner; any training, capacity-building and human resources development activities shall be coordinated with the institution that is centrally responsible for human resources management and professional development of civil servants. Any guidelines developed by EU assistance shall be simple enough to allow revision by the beneficiary administrations without further external support; finally any new law or administrative procedures shall not contradict any existing law or procedure or rather ensure their harmonisation

## **8. COMMUNICATION AND VISIBILITY**

Tourism presents particularly strong opportunities for achieving effective visibility, not only in the beneficiary country but also back in the markets from which tourists arrive. In addition, good visibility can be achieved online through tourism and heritage websites that may be supported or developed under the Action. All tourism visibility activities will be delivered in a strategic way because the development of communications strategies will be part of the destination marketing. Finally, there is much goodwill created by projects, which help to conserve heritage sites and protected areas, particularly amongst EU citizens: visibility in relation to cultural and natural heritage preservation aspects of the Action will be ensured both on site and online.

Communication and visibility will be given high importance during the implementation of the Action, with clear description on how the entrust entity will carry out visibility activities and what results are expected; on this regard, a significant allocation of resources (possibly of at least 1 % of total budget) shall be negotiated with the entrust entity and clearly mentioned in the description of the action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences, the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds.