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Comments on the draft EBRD country strategy for Albania

The environmental center EDEN is convinced that the EBRD can play a significant role in supporting Albanian development and the country's preparation for the European Union access. We believe that the Bank's expertise and funds can be provided for environmental and social friendly projects having in mind the sustainable development concept.

Several examples of previously funded projects show that this is possible. However still the majority of funds go to huge scale projects that often harm the environment and social cohesion.

The EDEN center welcomes the draft of the EBRD country strategy for Albania as an appropriate input material for the public discussion on the role of EBRD in Albania. EDEN center takes this opportunity to deliver the following important comments and is happy to take part in the following discussions.

Comments on the text of the draft strategy:

3. Strategy orientation

3.1 The bank's Priorities for the Strategy Period

In privatisations and PPP projects the EBRD:

- Must ensure that the contracts represent good value for money for the Albanian government and taxpayers. We would suggest the insertion of a sentence clarifying how the EBRD will do this.
- Provide support and technical advice to the Albanian government so that the mistake made with the "over exclusivity on the flight operation in all Albanian territory" in the Tirana international airport PPP is not replicated

"Given the above, the Bank's operations over the strategy period will focus on the following main priorities: (i) financing transport, municipal, energy and environmental projects" (page 23)

The bank should not finance any fossil fuel projects due to their lack of development benefits. Furthermore, the Bank should refrain from combining finance for a/ environmental rehabilitation b/expansion of extraction in fossil fuels under a single project such as in the case of "Patos-Marinza Environmental Remediation and Development". Combining the two aspects under a single project gives distorted information about the project impacts and poses a risk of greenwashing environmentally unsound investments.

3.2 Sectoral Challenges and Bank's Objectives

3.2.1 Infrastructure and Energy

“In the municipal sector, promote commercialisation of public utilities” (page 23)

In commercialisation of utilities, the EBRD must ensure that adequate safeguard measures are in place to protect the poorest sector of the population.

We appreciate that the bank will continue to work to improve the distribution network. This will automatically reduce the levels of 30 % loss in the system and of course will decrease import needs. Nevertheless the Bank should not finance fossil fuel projects because of their serious negative impact on the environment.

In case of the future large scale infrastructure and energy investment we strongly advise the Bank to draw lessons from the failures of the Vlora thermo power plant (TPP). As demonstrated by the World Bank Inspection Panel report, it is of extreme importance that the multilateral development banks pay attention to adequate environmental assessment, assessment of economic viability, and public participation in decision-making. This should serve as a lesson learned for the EBRD not to be involved in projects with scant feasibility that have large impacts on the environment. The project has a particular negative impact on tourism as it is located on the coast, with a potential risk of oil spills.

Further more the bank should not finance other fossil fuel projects such as the Porto Romano TPP. To date, the project promoters have failed to produce a high quality Environmental Impact Assessment (EIA) and organise proper public consultations.

“It will also consider supporting the implementation of other forms of renewable energy projects, e.g. wind, to improve energy security.” (page 23)

We would encourage the bank to support different forms of renewable energy facilities as long as they do not have a negative impact on nature and the landscape. The energy produced should be mainly destined for domestic use.

The bank should pay special attention to the following:

Large dams

As per the Country Strategy, the Bank “will consider working with private investors to develop new hydro power plant concessions“. Due to the legacy of environmental and social harm caused by large dams, we call on the Bank to refrain from financing large hydro power plants and support small hydro power plants (SHPP) instead. Should the EBRD finance large dam projects, we ask the Bank to pay due respect to the standards of the World Commission on Dams (WCD).

The key recommendations of the WCD include a principle of priority to maximising the efficiency of existing water and energy systems before building any new projects. With respect to the Ashta hydro power plant such a prioritisation has not been made. We call on the EBRD to take a specific interest in the restoration of the existing small hydro power plants and to specify so in the country strategy.

Renewable energy

The EBRD should support renewable energy facilities that use local resources (solar, wind, biomass and small hydro power plants). We understand that such renewable energy projects might be too small for individual financing at the EBRD, nevertheless we urge the Bank to expand its support renewable energy projects in Albania under its other financing and donor initiatives.

Small hydropower plants

We encourage the bank to lend support for the unused potential in the small hydro sector (over the last

year the government has given some 107 concessions for small hydro) as a means of decreasing energy import dependence but also as a tool to boost the local economy and regional employment. As we understand the EBRD's Western Balkans programmes for renewable energy may support this sector where the projects are viable, and we support this.

The Bank should also ensure legal guarantees obliging the state electricity agency KESH to purchase the electricity produced by the privatized SHPPs.

Small wind power farms

We ask the Bank to explore the Albanian potential for the development of small wind power facilities.

Solar power facilities

Similarly, we invite the EBRD to look for ways of supporting the installation of photovoltaic systems.

Biomass

Due to the presence of agricultural residues, Albania has still untapped potential for biomass. This provides the Bank with further financing opportunities in renewables.

Energy efficiency

Albania has very low efficiency of energy use. The Bank is encouraged to adopt concrete commitments in this area in the next three years as per the suggestion below.

Thermal quality of buildings

The residential sector in Albania consumes over 60 % of electricity production. According to the enerCEE, the insulation of buildings could bring the reduction of one third of energy for heating. The EBRD is asked to take an active role in the promotion and support of energy saving measures in residential as well as official buildings.

Clean Development Mechanism

Largely due to the inefficient energy sector Albania has potential for the cost-effective reduction of greenhouse gas emissions. Albania has been therefore increasingly promoted as a partner in Clean Development Mechanism (CDM) projects.

The principal problem of CDM projects is the additionality principal – the emission cuts achieved by the CDM and therefore the projects, must be additional to what would have happened anyway. Nowadays, two in every three CDM projects are deemed to be non-additional, ie. they would be carried forward even without the finance from sales of CDM carbon credits. Such loopholes enable developed countries and companies to buy cheap carbon credits instead of achieving real domestic emission reductions. For project developers, countries with low environmental and social standards enable low cost CDM implementation. While the local population suffers from any negative impacts, the profit flows out of the country into the accounts of the implementing company.

Should Albania implement CDM projects, we recommend they are designed and carried forward according to the CDM Gold Standard rules. These strict sustainability criteria bring benefits to the local population and the country, as well as for the company, as demand and price of high-quality CDM credits is high.

Transport:

Given the poor condition of the transport network in Albania, investment in this sector is very much needed. However, the Bank should not only support the construction of motorways and highways but also development of the railways by supporting both the rehabilitation of the existing connections and the construction of new ones within Albania and with the neighbouring countries. The railways should be used both for the transportation of people and goods.

The Bank should also support municipalities in improving public transport, although EBRD should ensure that these means of transport will be affordable even by the poorer sectors of the population.

Municipal and Environmental Infrastructure:

“Success stories, such as ... the Italian-funded upgrade of Sharra landfill in Tirana, are rare.” (page 24)

The Italian funded upgrade of Sharra could not be considered a successful story. It started 6 years ago and did not resolve the waste disposal of the capital for long (maximum 8 years of operation were envisaged in the feasibility study back in 2003/2004)

The Bank should support waste water treatment projects in cities with large populations. However, the support should not be focused only on the construction of the waste water treatment plants themselves but also on the irrigation and drainage of rainwater and waste water. The Bank’s support should go to projects aiming at the separation of waste and to recycling plants for paper, glass, plastics and other communal waste that can be separated and recycled.

“Building on the first, sovereign loan with the municipality of Tirana, the Bank is developing a second municipal loan for urban road development.” (page 25)

The bank should ensure that the new urban roads will be walker- and bicycle-friendly. Also be taken into consideration is the easing of transportation of people with physical disabilities.

Natural Resources:

The bank should not support the opening of new mining projects of any type. In case it supports the rehabilitation of existing mines, it should ensure that this step will not augment production.

3.2.2 Enterprise Sector

We very much welcome the Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDF), however the list of projects planned should be revealed to ensure that the funds are used for the best possible projects.

Operational Priorities:

The bank should not finance cement factories because of their negative environmental impact and the current sufficient capacity in Albania. In this field the Bank should be monitoring the existing cement factories: Fushe-Kruja and the Antea cement factory. It should ensure the proper implementation of the environmental and social mitigation measures in the above mentioned projects.

3.2.4 Policy Dialogue

“Expanding the use of private concessions in infrastructure (e.g. seeking to repeat the success example of the Tirana International Airport)” (page 27)

In promoting private concessions, the Bank needs to ensure that the public sector obtains good value for money.

Further recommendations to the Bank:

TAM/BAS Programme

We commend the Bank for promoting TAM targets in the food-processing industry, manufacturing and tourism. Given the chaotic tourism-related development in Albania, we agree that a special TAM initiative is needed.

We note with high satisfaction that support to women entrepreneurs and equal labour opportunities for females will be sought through TAM/BAS, especially in Albania’s mountainous Northern area. We

would however welcome more concrete indications what companies and activities these programmes would entail.

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