

ANNEX V

to Commission Implementing Decision on the financing of the annual action plan in favour of
Albania for 2021

Action Document for “EU for Innovation Phase II”**1. SYNOPSIS****1.1. Action Summary Table**

Title	EU for Innovation – Phase II Annual Action Plan in favour of Albania for 2021			
CRIS number	IPA III/2021/ 043-666/5			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe Initiative	No			
Zone benefiting from the action	The action shall be carried out in Albania			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR INFORMATION				
Window and thematic priority	W4: Competitiveness and Inclusive Growth TP2: Private sector development, trade, research and innovation			
Sustainable Development Goals (SDGs)	Main SDG: 9: Industry, Innovation and Infrastructure. Other significant SDGs (up to 9) and where appropriate, targets: 5: Achieve gender equality and empower all women and girls. 11: Make cities inclusive, safe, resilient and sustainable. 12: Ensure sustainable consumption and production patterns. 13: Climate Action: Take urgent action to combat climate change and its impacts.			
DAC code(s)	Main DAC code (40%): 25030 Business development services Sub-codes: (40%) 32130 Small and medium-sized enterprises development (20%) 43082 - Research/scientific institutions			
Main Delivery Channel	13000 - Third Country Government (Delegated co-operation)			
Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internal markers¹	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
Amounts concerned	Budget line: 15.020201.02 Total estimated cost: EUR 10 000 000 Total amount of EU budget contribution EUR 10 000 000			
MANAGEMENT AND IMPLEMENTATION				
Type of financing and method(s) of implementation	Project Modality Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, (GIZ) as lead organisation and the Swedish International Development Cooperation Agency (SIDA) partner			
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans	Priorities: Innovation Agenda, Private Sector Support, Human Capital Development.			
Final Date for conclusion of Financing Agreement	At the latest by 31 December N+1			

¹ These markers have a different scope/rationale than the DAC codes. They are drawn from the level of budget allocation and emphasis given to the action in terms main objective(s) selected. The definition of objectives, results, activities in description of the action should be in line with this section.

Final date for concluding contribution / delegation agreements, procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
Indicative operational implementation period	72 months following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

1.2. Summary of the Action

The Action supports Albania to accelerate the transformation to a more innovation-driven and knowledge-based economy embracing the opportunities from the green and digital transition, unlocking its human capital and entrepreneurial potential and thereby increasing its competitiveness.

The Albanian startup and innovation ecosystem is nascent and ranks among the lowest entrepreneurial ecosystems in Europe. The continued pre-COVID GDP growth did not lead to increased competitiveness. Entrepreneurial skills in Albania remain an issue, further exacerbated by brain drain. Several factors and obstacles have hampered the emergence of new startups and the growth of established ones. This Action provides a policy-driven response to build a sound startup and innovation ecosystem in the Albanian economy. The EU shall add value to the Action by transferring knowledge and experience on the implementation of the Quadruple Helix model.

The Action is expected to lay the foundation for a system change in the business environment, innovation ecosystem and investment climate. It will build on smart specialisation to strengthen research, technological development and innovation and support progress towards a knowledge-based society in alignment with the European Green Deal² in four areas: 1) Capacity development addressing the startup and innovation ecosystem, 2) Improved access to finance for startups and Innovation Support Organisations through grants, 3) The promotion and implementation of the Quadruple Helix approach, and 4) The promotion of Albania as a startup and innovation ecosystem and destination for international and domestic innovators and entrepreneurs. The Action has been designed to maximise sustainability and to enhance the ownership by the innovation ecosystem stakeholders. It builds on understanding of the Albanian innovation ecosystem and the positive results achieved by the first phase of EU for Innovation (IPA 2017).

2. RATIONALE

2.1. Context Analysis

The policy framework for innovation in Albania is mainly anchored in the **National Strategy on Science, Technology and Innovation** (2017-2022) and the upcoming **Business and Investment Development Strategy (BIDS)** (2021-2027) including its Action Plan³ developed by the Ministry of Finance and Economy. As an umbrella economic development strategy, the BIDS intends to accelerate the transformation of the Albanian economy into a more innovation-driven and knowledge-based economy creating new and higher-quality jobs. The BIDS contains the following intervention areas / policy goals: 1) Investment attraction and internationalisation, 2) SME development, entrepreneurship and innovation, and 3) Human capital development. The actions under the SME, entrepreneurship and innovation area aim to create a conducive entrepreneurial environment, to increase the effectiveness of SME support and upgrading, and to foster the international integration of the Albanian start-ups ecosystem.

² COM(2019) 640 final

³ It is expected that the BIDS 2021-2027 and its Action Plan shall be approved in 2021.

The **Digital Agenda for Albania**⁴ and the recently adopted Action Plan 2020-2022⁵ set out the vision to “develop a society based on knowledge and information, through the consolidation of digital infrastructure in Albania, improvement of the quality of online services and increase of governance and transparency”. The strategy aims to support economic processes through the improvement of production capacities based on ICT, the knowledge economy and the establishment of start-ups.

The policy formulation of the **Smart Specialisation (S3)** was initiated in Albania in 2017 to integrate all triple helix actors and to create a national innovation policy. For the **S3** mapping process, the status-quo in the areas of research, innovation, industrial structure, human capital, public and private funds, and other relevant framework conditions determining the national innovation ecosystem were analysed in 2019. Initial findings indicate that the ICT service sector, the medical biotechnology sector, professional science and technology services and the banking and finance sector should be strengthened. Albania should increase investment in research, in line with its own commitments and European research area priorities and continue the development of the Smart Specialisation Strategy.

The **Draft Law on the Scientific and Research Activity of Higher Education** in the Republic of Albania envisions that science and research serve public policies and the cooperation between industry and society; support the economic development of the country and affirm the national identity.

Currently a proposed **law on innovative start-ups** has completed the public consultation process and is expected to be adopted in 2021. The Prime Minister’s Office “**Start-up and innovation programme**” provides the overarching vision and policy direction for governmental strategies and policies in this area. The programme will be implemented through an action plan in preparation for approval by the end of 2021.

According to the **EU’s assessment on the Economic Reform Programme (ERP) of Albania 2020-2022**⁶, the Government should improve the provision of technical support services for micro, small and medium-sized enterprises, including through the development of a support network to help them upscale, have better access to finance/funding, innovate, digitalise and export. The ERP also contains reform measure 8: developing a legal framework in support of innovative start-ups.

In the 2021 **Albania Report**⁷, the European Commission highlights the need for further efforts in speeding up the implementation of the triple-helix action plan and it recommends Albania to progress with the adoption of the Law on innovation and the establishment of the Albanian start-up agency. Overall, the report states that Albania has some level of preparation in the area of research and innovation.

2.2. Problem analysis by areas of support

General outlook

The Albanian start up and innovation ecosystem is nascent and ranks among the lowest entrepreneurial ecosystems in Europe. In the 2019 Global Entrepreneurship Index, Albania was placed 83 out of 137 analysed economies.⁸ The business dynamics, not only considering start-ups but also micro and small enterprises, are below the regional and EU average. Albania lost 2 positions in the 2019 Global Competitiveness Index ranking compared to the previous year (scoring 81 out of 141 countries). Thus, seemingly, the continued pre-COVID GDP growth did not lead to increased competitiveness. As the OECD pointed out in May 2019⁹, entrepreneurial skills in Albania remain an issue, further exacerbated by brain drain. The emergence of new startups and the growth of established startups have been hampered so far by several factors and obstacles. This policy-driven Action responds to the need of the Albanian economy to build a sound startup and innovation ecosystem. The EU shall add value to the Action by transferring knowledge and experience on the implementation of the Quadruple Helix model.

Area of support #1: Capacity development and cooperation of the startup and innovation ecosystem stakeholders

Problem analysis. The Quadruple Helix actors (academia, industry, government and society) which form the startup and innovation ecosystem through their interaction and cooperation are confronted with challenges in terms of their size, capacities, budget and international linkages. They are disconnected and mostly working in silos, therefore

⁴ https://akshi.gov.al/wp-content/uploads/2018/03/Digital_Agenda_Strategy_2015_-_2020.pdf

⁵ Approved by DCM No.1081/24.12.2020: <https://qbz.gov.al/eli/fz/2020/233/0c4afe98-ea52-4e67-8f2c-10ef89e88e7b>; the upcoming Cross-Sector Strategy “Digital Agenda for Albania” 2021-2024 to be finalised by Q3 2021.

⁶ <https://data.consilium.europa.eu/doc/document/ST-7468-2020-INIT/en/pdf>

⁷ SWD(2021) 289 final

⁸ <https://thegedi.org/global-entrepreneurship-and-development-index/>

⁹ SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe | en | OECD

hampering innovation. Compared to other WB6 economies or the EU, the number of startup companies in Albania is low. The support provided to startups by Innovation Support Organisations (ISOs) is in general not directed to the (international) growth phase. Additionally, startups are in need of specialised support from ISOs in the form of training, coaching and acceleration programmes, to build their innovation capacity. There have been only sporadic efforts to offer continuous incubation support for aspiring entrepreneurs in cities outside Tirana and Korça. Many local entrepreneurs, startups and ISOs are not aware of the funding landscape inside and outside Albania, nor how to approach potential investors. Crowdfunding, business angels and equity investment¹⁰ are not common in Albania. Local investors have little experience with investing in growth driven startups which makes it hard for them to understand challenges and opportunities. The lack of linkages of Albanian ISOs to the WB6 and European ecosystems restricts their access to international expertise, potential partners, investors and mentors. Only a handful of international actors have explored opportunities to expand their offers to the Albanian ecosystem. The connection between universities and the startup and innovation ecosystem as well as industry and the private sector is extremely weak. Members of the diaspora community can give valuable support for the startup and innovation ecosystem through mentorship, coaching and investments (research suggest that 1.4 million Albanians live outside of Albania¹¹).

The stakeholders of this Action are the diverse actors of the startup and innovation ecosystem: business entities like startups, SMEs and corporates, institutions providing support to the ecosystem actors in a broader sense, like incubators and accelerators, and business support organisations including cluster organisations. Universities and research organisations as well as science and technology parks support the ecosystem providing talent, scientific research and innovation. Financial organisations including venture capital firms, business angels and other types of investors provide access to finance, while public and government authorities on the local and central level have a key role in ensuring sound framework conditions for the ecosystem. The media facilitates the exchange of information and external communication. For the purpose of this Action, the startup and innovation ecosystem is defined as the sum of institutions, enterprises and people that cooperate and interact as a system to promote and create demand-driven entrepreneurship, innovation and research, mutually reinforcing their impact by cooperating and exchanging resources, ideas and talent. In line with the quadruple helix model, the ecosystem should be extended to the civil society in addition to academia, government, and industry. By working together, the quadruple helix approach can create new shared value that benefits all participants. It leans towards structural change, with users co-creating solutions to meet their needs.

Area of support #2: Access to finance for startups and Innovation Support Organisations (ISOs)

Problem analysis. Although there is no formally documented evidence of demand for finance by startup businesses, the current financial and banking landscape of Albania is underdeveloped for seed or early stage startups. For traditional private enterprises, even though the banking sector has been stable, liquid and well-capitalised, credit to the private sector is lower than peers and advanced economies, with Albania having one of the lowest loan-to-deposit ratios among emerging economies, at 47%. Credit is particularly constrained for SMEs, which face steep lending requirements from the banks. These include most notably the high collateral requirements, which exceed 177% of the value of the loan, and since over 90% of loans require collateral, the barrier for SMEs to access finance is high. Meanwhile, there are no alternative forms of finance outside traditional lending for embryonic businesses. However, credit requires proof of financial solvency, collateral, and business history that in most cases startups cannot provide. Consequently, they are automatically excluded from traditional credit schemes: access to finance is still a major problem for startups and ISOs in general, and the current funding landscape in Albania is in need of diversification. This is mainly due to: 1) startups and self-employment initiatives not being able to participate in traditional lending schemes, and 2) lack of flexible funding outside the banking sector available to ad-hoc projects like startup fast piloting or ISO acceleration programmes. While grants are an appropriate tool to support the early stage and development of ideas, the current government programmes offer very small grant amounts. Consequently, their impact is limited¹² The participation of Albanian innovation actors in European Union Programmes needs to be fostered through dedicated support conducive to increasing their participation rates.

Main stakeholders. Albanian startups and ISOs are direct beneficiaries of this Action. As there is currently no central registry or database of Albanian startups, exact information on their number is missing. Startups under this Action shall be defined on the basis of the age of the enterprise (younger than ten/five years depending on the sector), number of employees and turnover. Additional criteria shall be used for selection of grantees such as the ability to grow/scale and level of innovation (in service, product or business model). This action aims to support startups across all sectors.

¹⁰ Based on the EU Financial Regulation art. 2(25) "equity investment" means the provision of capital to a company, invested directly or indirectly in return for total or partial ownership of that company and where the equity investor may assume some management control of the company and may share the company's profits; <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1046&from=EN>

¹¹ IOM UN Migration, 2018.

¹² EUC Albania Report 2020, p. 95.

Relevant target sub-groups are scale-ups (startups with a working product and first customers that want to expand locally or internationally), startups with digital products/services or that work on digitisation across all sectors and startups whose products/services support the EU Green Agenda for the Western Balkans¹³ and the circular economy in all sectors of the economy. These startups have a high ability to grow and scale internationally in the short and medium term, therefore producing positive impact in terms of employment and role models.

ISOs consist of different stakeholders providing a relatively wide range of services. For the purpose of this Action, the focus will be on incubators and accelerators, co-working spaces and university incubation and entrepreneurship programmes. Incubators and accelerators provide training, coaching, matchmaking and networking support to startups and aspiring entrepreneurs. The overall number of ISOs is still limited in Albania¹⁴ (2 pre-incubation programmes; 4 incubation and acceleration programmes, 3 co-working spaces) and their main constraints are the lack of sustainable business models, and a dependence on donor funding. Consequently, they lack diversified revenue streams, leading to short-term planning of activities.

Area of support #3: Application of the Quadruple Helix approach as a means to support the green and digital transition of Albania

Problem analysis. The networking and cooperation of new talents and pockets of excellence among the Quadruple Helix actors to support the further development of smart specialisation in Albania is weak. Due to a lack of trust, there is low cooperation between industry and universities. Existing cooperation mostly focuses on student placement. Although promotion of entrepreneurship is gaining traction in Tirana and Durrës, it remains an alien concept among the Albanian Universities due to the lack of funds and knowledge on how to teach entrepreneurship. Government recognition of the importance of an innovation and startup ecosystem is slowly emerging. As of now, the policy remits for innovation, research, science and economic promotion are scattered among several ministries, departments and agencies. However, in the current drafting of overarching political reform and strategy documents (e.g. the Economic Reform Programme 2021-2023 and the upcoming BIDS 2021-2027), innovation and entrepreneurship are given more consideration and weight.¹⁵

The Albanian economy is at a very early stage of the **green and digital transition**. Enterprises are still rooted in the concept of linear economy. The advanced aspects of circular economy and green growth such as waste prevention, recycling, resource efficiency, eco-design, eco-innovation, are evolving very slowly. The majority of Albanian SMEs lack digital solutions to offer products and services or as a means to more agile resource allocation and knowledge-sharing within the companies. The COVID-19 pandemic has created the need for dramatic changes in the way companies operate. It opens opportunities associated to increasing the remote provision of services, requiring digital innovation that can boost the social and environmental dimensions of competitiveness.

The main stakeholders at the central government level are the Prime Minister's Office (PMO), the Ministry of Finance and Economy (MoFE), the Minister of State for the Protection of Entrepreneurship, the Ministry of Education, Youth and Sports (MoEYS) as well as the Minister of State for the Diaspora and the National Agency of Diaspora. Their capacities in terms of staff are limited and the responsibility for innovation and startup promotion lies with few individuals. The subordinate institution of MoFE, the Albanian Investment Development Agency (AIDA), and the subordinate agency of the MoEYS - the National Agency of Scientific Research and Innovation (NASRI) - do not have the autonomy to set their own strategies nor the budget and staff to implement them. At the local government level, the municipalities of Tirana and Korça stand out with their vision and ambition to develop a vibrant start-up and innovation ecosystem. Other interested regional cities/municipalities are also stakeholders for this Action, as it is important to spread entrepreneurship and innovation beyond these two urban centres¹⁶.

The **Albanian private sector** is mostly characterised by micro and small enterprises, with a few medium sized companies. Based on INSTAT 2019 data, the Small and Medium category (10 – 249 employees) is composed of 8,916 enterprises, while 107,883 micro- category enterprises (1-9 employees)¹⁷ existed in 2019¹⁸. Main sector representatives relevant for the Action are the Union of Chambers of Commerce and Industry of Albania, the Albanian Manufacturers' Union and the Young Entrepreneurs of Albania. Albanian SMEs suffer from a relatively low business

¹³ SWD(2020) 223 final

¹⁴ One of the few regional incubators with a dedicated infrastructure is the Business Incubator in Korça established with the support of the municipality. However, a lack of capacity has prevented it from leveraging its full potential. Organisations like the Albanian Innovation Accelerator in Durrës also exist, however, it seems to offer services only on an ad-hoc basis.

¹⁵ The draft BIDS with the overarching development goal to promote (among others) a competitive Albania, accelerating the transformation into a more innovation-driven and knowledge-based economy, the topics of Innovation and entrepreneurship are considered as one out of four intervention areas.

¹⁶ Based on an assessment of the EU for Innovation project the cities of Elbasan, Durrës, Vlorë and Shkodra could also be considered (<http://euforinnovation.al/new-publication-on-the-entrepreneurial-and-innovation-ecosystem-in-albania/>).

¹⁷ In this category agricultural enterprises with one employee are omitted.

¹⁸ EBRD/IDRA 2020: Support for the Digitalisation of SMEs in Albania to mitigate the negative economic impact of COVID-19.

sophistication and little awareness of the benefits of green and circular economy principles as well as a low intensity of innovation and technology, while large enterprises score better as regards innovation and technology.

Aiming at sparking an interest in entrepreneurship and eventually nurturing innovation culture, the Action puts an additional focus on **Albanian youth**. The percentage of young people versus the overall population of the country was 24% in 2018. According to the Youth Participation Index 2018¹⁹, in 2017 the young population of Albania enrolled in tertiary education stood at 53.9% while the number of young people graduated from tertiary education stood at 26%. Thus, there is a significant pool of talent the startup ecosystem can build on. Albanian youth are considered as an important building block of the **civil society**, which is also targeted by this Action, with a focus on Non-Governmental Organisations (NGOs) and the media.

Area of support #4: Promotion of Albania as a startup and innovation ecosystem and destination for international innovators and entrepreneurs both domestic and abroad

Problem Analysis. Until now, the promotion of the ecosystem has been done through the media nationally, also through the IPA II EU for Innovation Communication and Visibility strategy. The Albanian innovation ecosystem and the startup community have had little access to the international media, actors and stakeholders. National media partners lack awareness and knowledge of topics related to startups and innovation. This is further compounded by under-representation in the media; very few media channels report on innovation-related success stories, and therefore role models are missing. There is currently no joint understanding among the startup ecosystem stakeholders of what constitutes the Albanian ecosystem. Therefore, Albania is not promoted and the potential to attract digital nomads, startups and talent from abroad to work within the ecosystem of the country is not exploited.

The Action targets the national media for training and awareness raising campaigns as **main stakeholders**.

2.3. Relevance and complementarity with strategies supported by key national stakeholders

The problem analysis identifies challenges to the development of entrepreneurship and the diffusion of innovation in Albania in the context of a weak enabling environment and strong regional imbalances. The Quadruple Helix approach will be promoted to support development of smart specialisation in the country. By supporting improvement of the business environment, innovation ecosystem and investment climate, this Action is relevant and complementary to the strategies supported by the national stakeholders in the field of business and investment development as well as science, research and innovation. The challenges described are addressed in the upcoming BIDS (2021-2027) and the associated Action Plan as well as the PMO Programme on Entrepreneurship and Innovation. They link to a number of national and sector strategies described under the context analysis. The action is aligned with the Economic Reform Programme (ERP) of Albania 2021-2023. The application of the Quadruple Helix approach as a means to support the green and digital transition also reflects provisions of the National Diaspora Strategy 2021-2025.

2.4. Relevance and complementarity with EU policy and EU and other donors' assistance

With its overall goal to strengthen the Albanian startup and innovation ecosystem within the context of a green and digital transition, this Action is anchored in the relevant EU policies.

As stated in Window 4 of the **IPA III Programming Framework** and coherently with the European Commission priorities, green transition, digital transformation and an economy that works for people are crucial for relaunching and modernising the economies of the IPA III beneficiaries. Research, innovation, education and culture are essential drivers in this process - underpinned by evidence-based policymaking. Further support is needed to tackle some of the private sector's key challenges including fostering an environment conducive to business creation and domestic and inward foreign investment; promoting SMEs and entrepreneurship; and encouraging innovation. In particular, for MSMEs, challenges include the lack of access to finance and financial inclusion (for women and youth especially) and lack of digital technologies. Access to financial services and finance for MSMEs needs to be supported.

The European Commission together with partnering institutions²⁰ launched the **Digital Innovation and Scale-up Initiative for Central, Eastern and South Eastern Europe (DISC)**²¹ in 2019, with a focus on innovative startups and SMEs that work on technological solutions for substantial scientific or engineering challenges (deep tech).

The **Western Balkans Agenda on Innovation, Research, Education, Culture, Youth and Sport**²² (2020) outlines long-term objectives to strengthen the cooperation between the European Union and WB6 countries in the above-

¹⁹ <https://ybhwt.eu/wp-content/uploads/2019/11/Youth-Participation-Index-2018-1.pdf>

²⁰ Additional partners of the Digital Innovation and Scale-up Initiative are the European Investment Bank, the European Investment Fund, the European Bank for Reconstruction and Development, the World Bank and the International Finance Corporation.

²¹ <https://ec.europa.eu/digital-single-market/en/news/launch-digital-innovation-and-scale-initiative-central-eastern-and-south-eastern-europe>

²² https://wbc-rti.info/object/news/21037/attach/1_WB-Agenda_061020.pdf; <https://op.europa.eu/en/publication-detail/-/publication/147b015e-09dd-11eb-bc07-01aa75ed71a1/>

mentioned areas. This Agenda contributes to a number of priorities including bringing research and innovation ecosystems closer to EU standards to boost the region's innovation capacities, supporting the digital transformation and progressing with circular economy. The full Association to **Horizon Europe (HE)**, the EU's Framework Programme on Research and Innovation is the closest form of cooperation in science and technology. It provides funding for joint innovation projects enabling mutual access to excellence, innovation and research resources. This Action aims to seize HE opportunities offered to Associated Countries under the pillar: the EIT –European Institute of Innovation and Technology, the EIC – European Innovation Council and the EIE - European Innovation Ecosystems.

In line with the **European Green Deal** and Europe's ambition to become the first climate-neutral continent, the **Green Agenda for the Western Balkans**²³ (2020) has five pillars: (1) climate action, including decarbonisation, energy and mobility, (2) circular economy, addressing in particular waste, recycling, sustainable production and efficient use of resources, (3) biodiversity, aiming to protect and restore the natural wealth of the region, (4) fighting pollution of air, water and soil and (5) sustainable food systems and rural areas. The digitalisation of the WB6 economies will be strengthened as a key enabler for these pillars.

To boost the economic recovery of the WB6 region from the COVID-19 crisis, the European Commission adopted in October 2020 the **Economic and Investment Plan for the Western Balkans**²⁴ setting out an investment package of up to EUR 9 Billion for the region. It focuses, among others, on funding for investment flagships in the area of transport, energy, digital transition and support to the private sector in the area of innovation and green growth. The provision of support to foster and expand the Albanian startup and innovation ecosystem in line with the digital and green transition is the proposed priority area for EU Support under this Action.

The National Plan for European Integration (NPEI) 2021-2023 identifies the need to improve the provision of technical support services to micro, small and medium-sized enterprises, to help them upscale, invest, innovate, digitalise and export. The Plan also underlines the need to accelerate the implementation of the Triple helix model, focusing on cooperation between academia, business, and government. According to the Plan, increasing the support on scientific research and the adoption of the Smart Specialisation strategy will be main medium-term priorities.

2.5. Lessons learned and links with previous financial assistance

The Action is a direct continuation of the first phase of the EU for Innovation project, financed under IPA 2017. Based on the activities carried out, the following lessons learnt are highlighted.

Exposure to and cooperation with the European startup scene is crucial for the development of the Albanian ecosystem players. At the same time, international experiences and approaches must be adapted to the local context. The valuable experiences in adapting international approaches and partnerships to the local context gained during phase 1 in both TA and grants areas need to be taken into account, aiming also to achieving greater sustainability.

During the first phase of the IPA 2017 EU for Innovation programme, 500 grant applications submitted by startup businesses and ISOs were assessed under three Calls for Proposals²⁵. 23 startups were awarded. The high number of applications, with many of low quality, reflects the need to strengthen the focused and professional advisory services. Grant programmes with a clear thematic focus or target group have a higher impact as they can provide more specific, concrete and demand-oriented support to startups. To ensure strong synergies between the capacity development and financial support interventions of the Action, a unified and clear definition of the target groups and potential beneficiaries of the Grant scheme is of utmost importance. Key conditions for grant award shall be consulted with the stakeholders before each grant scheme is launched, in order to increase the focus and quality of the applications. Rejected applicants shall receive individual feedback so they can identify the reasons for rejection and improve their performance accordingly (ideally with support from the capacity development interventions of the Action).

Complementarity, synergy and donor co-ordination

The pooling of expertise, resource and budgets across projects and interventions working in the field of entrepreneurship promotion aim to create a critical mass and synergy effects.

ProSEED. The ProSEED programme, being implemented by GIZ in Albania commissioned by the German Federal Ministry for Economic Development and Cooperation, aims at improving the employment situation of the workforce and self-employed, particularly of skilled youth, in the Albanian labour market. Under the component of private sector development, ProSEED supports a network providing business development services to very early stage MSMEs.

²³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020SC0223&from=EN>

²⁴ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/communication_on_wb_economic_and_investment_plan_october_2020_en.pdf

²⁵ A fourth call has been launched in 2021.

Swiss Entrepreneurship Programme (Swiss EP 2015-2023) is a global programme, implemented by Swisscontact and funded by the Swiss State Secretariat of Economic Affairs. It aims to strengthen emerging entrepreneurial ecosystems providing support to local ecosystem builders—incubators, accelerators, co-working spaces, angel networks or Venture Capital funds and entrepreneurs. In Albania it supports seven ecosystem organisations.

EU4Tech (2020-2021) is a regional project for the Western Balkans, offering support to promising technology-based projects at the “Proof of Concept” Stage. Projects from public research organisations (PROs), startups or SMEs are supported by an expert team with the aim to validate and protect newly developed technology, develop a robust business model and move the project closer to the market.

The **EBRD Star Venture Programme** targets promising startups, accelerators and consultants to unleash their full potential, and is operational in the Western Balkans including in Albania.

The **Western Balkans Enterprise and Innovation Development Facility (WB EDIF)** funded by the EU aims at improving access to finance for small and medium-sized enterprises (SMEs) in the Western Balkans. WB EDIF has been designed to offer complementary financial instruments addressing the entire range of SME financing needs in the Western Balkans. WB EDIF first began providing financing to Albania via its Guarantee Facility instrument deployed through commercial banks.

EU for ‘Circular Economy and green growth’- Action planned under IPA 2021 shall contribute to improving the protection of the environment and developing the circular economy and sustainable green growth in Albania.

3. DESCRIPTION OF THE ACTION

3.1. Planned results and intervention logic

The Action aims to increase the competitiveness and post-COVID socio-economic recovery through improvement of the business environment, innovation ecosystem and investment climate. **The Outcome of the action (Maturity and exposure of the Albanian startup and innovation ecosystem and its stakeholders are increased)** will be achieved through four Outputs.

Output 1: Capacity development addressing the startup and innovation ecosystem

This output focuses on encouraging new public and private actors to enter the Albanian startup and innovation ecosystem and complement/expand existing services. Also, existing actors will be strengthened to offer and deliver qualitative and sustainable services to better serve the expanding needs of startups and entrepreneurs. Increasing the number of actors (e.g. supporting a stronger involvement of corporates and members of the diaspora community, aiming to convert the current brain drain into brain gain) and services will help strengthen the ecosystem and widen the reach. Mentoring the actors will enhance the quality of services. The need to raise awareness on the digital, green and circular economy is mainstreamed into this output. The aim is to encourage and support the ecosystem stakeholders to remodel their operations accordingly.

Output 2: Improved access to finance

Until 2019 the Albanian Investment Development Agency (AIDA) operated four supporting schemes for SMEs, mainly on competitiveness, creative economy, support to start-up SMEs and on innovation. However, due to COVID-19 pandemic in 2020, the funds allocated from the state budget for these schemes was re-allocated for COVID-19 support measures for SMEs. On 25 May 2021 Albania launched the online platform Access to Finance (<https://aida-smefinance.gov.al/>) under the management of the Albanian Investment Development Agency (AIDA), to support the SMEs wishing to expand and invest by taking advantage of the financial opportunities offered by the market, with grants, loans or other financing initiatives. This online platform provides a “one-stop-shop” service with information directly related to access to finance for SMEs, which is provided by various private and public institutions, organisations or companies, national and international. There are several credit guarantee schemes in place for SMEs such as the Rural Credit Guarantee Foundation supported by the German Development Bank, which addresses the agro & SME loans; the Agribusiness-Tourism Support Facility to support businesses accessing loans through banks and non-bank financial institutions. The EU for innovation Challenge Fund is the main supporter of the start-ups for innovation. The high demand for funds under the IPA 2017 Innovation Programme, witnesses the high barriers to access startup funding through the credit system. This leaves three avenues: business angels, equity investors, and grants. The latter is supported under Output 2, building on the experience with the Challenge Fund under the first phase. As the ISOs are mostly located in Tirana, the grant scheme aims to encourage development of

ISO support services also outside the capital city. The grant scheme is based on the assumptions that there is demand for grant funds by startups and ISOs, in line with EU and national policies. The aim is to provide more balanced startup services territorially. The EU for Innovation grant scheme will finance 50 startup businesses at early or growth stage, and 15 ISOs including new entrants and current players. The implementation shall involve sectoral partners in accordance with the European Code of Conduct on Partnership. The Grant Scheme will be managed directly by the implementers with strong involvement of public and private sector with the aim to a certain point to handover the Scheme or set up an Innovation Fund during the lifetime of the project as conditions are in place. In general the grant scheme is not the only financing tool the new phase will offer. The Action will also explore the possibilities of an Equity Fund, implement the Business Angel network and the crowdfunding tool. This output shall lead to the development of new businesses and/or growth of startup businesses, and new/improved ISO services to further support entrepreneurship and business development thanks to the improved finance opportunities under the Action, with resources clearly identified for the green growth and digital transformation sub-sectors.

Output 3: The Quadruple Helix approach promoted and implemented

The objective of this intervention is to break down the traditional silos between the enterprises, universities and government and introduce the civil society as the fourth layer of the innovation system. The approach is anchored in the knowledge society through bringing multidisciplinary viewpoints and practices together in an environment that promotes team working, collaboration and sharing of ideas. By working together, the actors forming the ‘Quadruple Helix’ can create new shared value benefiting all participants, thereby strengthening the innovation ecosystem. The rationale is to bridge the cooperation gaps between the innovation actors by fostering a systemic relationship between universities, industry, government and the civil society as a key to innovation and smart specialisation. The approach understands that the innovation paradigm is not a linear model and the quality of institutions as well as external sources of knowledge are of major significance for the pace of innovation. Support to smart specialisation is based on local conditions and needs, targeting the transition to a digital, green and sustainable economy. Strong cooperation and synergies will be sought with the IPA 2021 ‘Circular Economy’ Action. This output will lead to a greater maturity of the startup and innovation ecosystem, and strengthening of the Quadruple Helix approach.

Output 4: Promotion of Albania as a startup and innovation ecosystem and destination for international and domestic innovators and entrepreneurs (Area of support #4)

The rationale is to inform the national media partners on the innovation ecosystem and the potential and opportunities for Albanian startups in a transitioning digital and green economy, and to raise awareness among the international innovation community and media.

3.2. Indicative type of activities

The Action will support the achievement of **Output 1** through **technical assistance** and **policy dialogue**. Capacity development actions such as advisory and mentoring activities to improve existing business services and introduce new services into the market, training, organisation of events, will be carried out etc. Capacity building shall address startups, ISOs, universities, public stakeholders, corporates and the wider business community including members of the Diaspora community (match-making formats between Albanian diaspora and startups to foster business collaborations and investment), and non-credit financial actors (Business Angels, crowdfunding platforms).

Output 2 will be achieved through a **grant scheme**. The EU for Innovation grant scheme will be implemented on a competitive basis, combining capacity building with financial support. The main activities shall be the detailed design of the scheme, promotion of the scheme and guidance to applicants, project selection, contracting, guidance to beneficiaries, contract management, management verifications (administrative and on-the-spot checks), payments, reporting, and visibility actions. For the institutional set-up of the fund, different scenarios are possible: the grant scheme could be managed by the delegated Fund Manager in cooperation with a local institution, thus strengthening grant management knowhow within the local ecosystem; and/or an advisory board or body comprised of the relevant public stakeholders could be set up to provide guidance and monitoring to enhance the public sector’s governance capacities. The entrusted entities’ comparative advantages, strong expertise in the sector and experience in setting up and running this kind of schemes (building on the successful experience with the Challenge Fund under the first phase), will be pivotal to identify the best option given local conditions, taking into account the more advanced models of the innovation funds in Serbia and North Macedonia.

Output 3 will be achieved through: **technical assistance, policy dialogue** and **reinforcing country systems**. This output shall be achieved through the advisory services to the Quadruple Helix actors and facilitation activities such as events (e.g. hackathons, competitions) organised with Quadruple Helix stakeholders to support innovation including for the sustainable, green and digital transition of Albania. Assistance provided to researcher groups/clusters from Albanian universities shall consist of match-making support, workshops and trainings. Universities shall be

supported to incorporate new and/or improved Entrepreneurship courses into their curriculum. To exploit innovation to address green challenges at the local level, communities and local government will be supported to jointly identify green challenges and to build solutions that address them directly. Awareness on the benefits of shifting traditional practices into green models will be promoted. Initiatives aimed at improving the delivery of public services through the application of civic tech innovation with special focus on green solutions and the introduction of the concept of Circular and Regenerative economy by aligning incentives to support sustainable business models will be implemented to improve the everyday life of citizens. Intensive awareness raising events shall be organised at community level, especially outside of the capital, where a green community development model is achievable. Educational workshops, experimentation opportunities on *going green*, and partnerships with local government and industry to get them to lower their footprint are all initiatives planned under this Action.

Output 4 - will be achieved through: **technical assistance**. This output shall be achieved through public relations and press activity as well as dedicated awareness-raising and information events for the media players and the organisation of ecosystem events (e.g. workshops, meet-ups, co-creation events).

3.3. Risks and assumptions

Risks	Risk level (H/M/L)	Mitigating measures
Human resources bottlenecks, variable capacities and high fluctuation of staff in partner institutions (public and private) hampers smooth absorption of the intervention under the Action.	M	Detailed planning of the Action allows all Actors to participate in the activities. Induction capacity building measures are flexibly activated under the Action for newcomers to the system.
Low progress of national authorities with Smart Specialisation Strategy development.	M	Supportive measures identified, agreed and implemented. Clearer responsibilities and appropriate institutional setting will accelerate the S3 process.
The COVID-19 pandemic continues to affect entrepreneurs and privately run ISOs (e.g. co-working spaces) resulting in difficulties to plan and carry out their business activities.	M	Implementation of interventions that support the adaptation of business models through applicable resiliency strategies.
Low take-up of potential entrepreneurs of the opportunities offered by the green and digital transition.	L	Promotional information campaigns targeted to potential entrepreneurs.
Startups and innovation support concentrated in the capital with little ripple effect throughout the country.	M	Activities directed to ISOs operating outside the capital and pilot actions/community innovation events in other cities outside the capital.
International competitiveness of Albanian entrepreneurs is often limited, and local markets offer little opportunities for growth.	M	Provision of tailor-made programmes that specifically work to improve access to international markets and identify the comparative advantages of Albanian startups.

Assumptions (to be reflected in the Logical Framework Matrix above) – grouped by outputs and outcomes

Outcome: All stakeholders collaborate actively in the field of innovation and entrepreneurship policy making and enforcement of the policies.

Output 1

- Innovation Support Organisations are willing to expand their business services for startups to foster innovation and business development in the field of the digital, green and sustainable economy.
- The Albanian startups have the ability to develop products and services that have the potential to succeed on the local, but also regional/international market and can capture the opportunities offered by the digital and green transition.
- There is demand by startups for services provided by Innovation Support Organisations as well as for the Investment Readiness Training organised by the Action.
- Albanian businesspeople are interested in becoming Business Angels and are willing to cooperate within a newly established Business Angels' network.
- The diaspora community is motivated to foster and cooperate with Albanian startups.
- At least one of the new or existing crowdfunding platforms of Albania is available to incorporate a pilot crowdfunding feature supported by the Action.

Output 2

<ul style="list-style-type: none"> • There is demand for grant funds by startups and ISOs that is in line with EU and national policies and the aim to provide territorially more balanced startup services. • Political will, institutional capacity and regulatory framework in place including resources
<p><u>Output 3</u></p> <ul style="list-style-type: none"> • Quadruple Helix actors and institutions collaborate in the field of innovation and entrepreneurship. • The Government is committed to advance startup and SME policies and the smart specialisation strategy. • There are untapped market opportunities for green economy areas such as energy efficiency and adopting circular economy practices. • Cooperation is in place with the stakeholders of the ‘Circular Economy’ Action also financed under IPA III and synergy between the two Actions is achieved.
<p><u>Output 4</u></p> <ul style="list-style-type: none"> • The media is interested in understanding more on the innovation ecosystem in Albania and reporting on opportunities and success stories. • The international innovation community is open to embracing opportunities to work in Albania.

3.4. Mainstreaming

The Action will contribute to gender quality and women’s empowerment by ensuring a gender perspective is mainstreamed into all activities. In particular, the cultural barriers in Albanian society that tend to block women from entrepreneurship and innovation possibilities are addressed on the basis of the gender analysis which has been carried out under the first phase of the EU for Innovation project. Attention shall be paid at the community level for women’s economic empowerment in the digital era. The action will update the existing gender analysis with focus on ensuring gender mainstreaming across programmes, financing schemes, promotion campaigns, policy reports, and assessments as well as on the disaggregation of data by gender.

Environment and Climate change shall be addressed directly by the project activities through the support for start-ups working in the circular economy, as well as fostering the Quadruple Helix approach for the green transition. Furthermore, the shift to the Quadruple Helix model sees civil society as a central player in the innovation ecosystem through systematic engagement that benefits the whole community. The possibility to address challenges faced by vulnerable groups in Albania (such as Roma and Egyptian minorities and people with disabilities) and to actively include them in co-creation events will be considered especially for activities under output 3 (challenges tackled through the cooperation of Quadruple Helix actors).

3.5. Conditions for implementation

In accordance to the recommendations of the last ROM (Result Oriented Monitoring Report) and lessons learnt from the financing scheme under for EU for Innovation I,

- the Law on Start-ups shall be adopted before the start of the programme. The subsequent approval of the following by-laws is a conditionality for the disbursement of the budget foreseen for the Grant Scheme: a) “Organisation and internal functioning of the Agency” (Article 11, paragraph 7), and b) “Rules on selection, remuneration, internal organisation and tasks implementation of the Evaluation Board for Innovative Startups” (Article 13, paragraph 4)
- clear responsibilities for the topic of innovation in Central Government Institutions and operational budget have to be ensured.

Failure to comply with this requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.

3.6. Logical Framework

Results	Results chain: Main expected results	Indicators	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
Impact	To increase the competitiveness and post-COVID socio-economic recovery through improvement of the business environment, innovation ecosystem and investment climate.	Doing business score	67,7 for 2020	Approximately 10% increase, 74,47 for 2027	World Bank	<i>Not applicable</i>
Outcome 1	Maturity and exposure of the Albanian start-up and innovation ecosystem and its stakeholders are increased.	Number of public and private actors within the Albanian startup and innovation ecosystem that have improved their capacities to support the startup and innovation system within a Quadruple Helix approach.	0	Min. 30	Action Reports, explaining for each stakeholder counted for this indicator how capacity development resulted in improved capacities	All stakeholders collaborate actively in the field of innovation and entrepreneurship policy making and enforcement of the policies
		Number of ISOs engaged in cooperation activities with international (incl. WB6) ISOs	0	Min. 9	ISO Records and Annual Reports.	
		Number of startups/ (aspiring) entrepreneurs reporting high satisfaction rates from the services offered by Albanian Innovation Support Organisations (ISOs) (e.g. incubators, accelerators, universities).	0	Min. 200 (disaggregated by women-led)	Survey conducted together with ISOs providing services to startups and entrepreneurs	
		Number of cooperation agreements between supported university research clusters and local or international industry players facilitated through the Action.	0	Min 4	Action Records	
		New digital/green service and/or solutions operational in pilot/selected Albanian municipalities.	0	Min. 2	Action Reports.	
Output 1	The stakeholders of the Albanian startup ecosystem benefited from capacity development interventions	Number of businesses (startups and/or entrepreneurs) that have benefited from support activities (e.g. incubation and acceleration programmes, coaching and workshops focusing on innovation) organised and/or facilitated by the Action (disaggregated numbers by sex, users	200 for 2021	Min. 500 (disaggregated numbers by sex, users that benefit from services for the first-time, by "green/circular" businesses g)	Documentation and reports (e.g. participant lists) of implemented and support interventions. Baseline data from the EU for Innovation Phase I	Innovation Support Organisations are willing to expand their business services for startups to foster innovation and business development in the field of the digital, green and sustainable economy.

Results	Results chain: Main expected results	Indicators	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
		that benefit from services for the first-time, by "green/circular" businesses).				<p>The Albanian startups have the ability to develop products and services that have the potential to succeed on the local, but also regional/international market and can capture the opportunities offered by the digital and green transition.</p> <p>There is demand by startups for services provided by Innovation Support Organisations as well as for the Investment Readiness Training organised by the Action.</p> <p>Albanian businesspeople are interested in becoming Business Angels and are willing to cooperate within a newly established Business Angels' network.</p> <p>The diaspora community is motivated to foster and cooperate with Albanian startups.</p>
		Number of startups that completed the Investment Readiness Programme organised by the Action and that are investment ready (i.e. the required documents and procedures in place (including due diligence process) to apply for funding and/or seek investment.	0	Min. 30 (disaggregated by women-led)	Reports on and documentation of conducted activities of the Investment Readiness Programme	
		Number of capacity development support programmes delivered for startups in the growth stage primarily focusing on innovation (e.g. specialised Acceleration Programmes, Investment Readiness Programme) and number of capacity development support programmes for early-stage startups primarily focusing on innovation (e.g. university incubation programmes) supported by the Action.	6 (programmes for early stages startups currently ongoing in Albania) for 2021 3 (programmes for growth stages startups currently ongoing in Albania) for 2021	Min. 8 Min. 10	Documentation of the support programmes (e.g. training plans, Outlines of the trainings and applied methodologies, invitations, PR material) and their implementation (e.g. invitations, gender	
		Number of events organized by a newly established Albanian Business Angel Network (e.g. match-making with startups, workshops for potential angel investors) supported by the Action.	0	Min. 6	Records/documents proving the existence of the Business Angel Network and documentation of events organised	<p>At least one of the new or existing crowdfunding platforms of Albania is available to incorporate a pilot crowdfunding feature supported by the Action.</p>
		Diaspora mentoring of Albanian startups supported.	12 for 2021	25 (disaggregated by women-led)	Action Reports on and documentation of diaspora mentoring matches. (Baseline from EU4Innovation Phase I)	

Results	Results chain: Main expected results	Indicators	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
		A pilot crowdfunding feature supported by the Action incorporated in one of the new or existing Albanian platforms (e.g. Albanian Online Ecosystem Platform).	0	1	Documentation of the crowdfunding feature; documentation of the platform.	
Output 2	Finance opportunities for Albanian startups and Innovation Support Organisations improved and diversified.	Number of ISOs that received funding under this Grant Scheme.	0	Min. 15	Monitoring reports and finance financial reports of the Grant Scheme.	There is demand for grant funds by startups and ISOs, that is in line with EU and national policies and the aim to provide territorially more balanced startup services. Political will, institutional capacity and regulatory framework in place including resources
		Number of startups that received funding under this Grant Scheme disaggregated by sex, "green/digital" sub-sectors; vulnerable groups.	0	Min. 50 (disaggregated by women-led, green / digital sub-sectors; vulnerable groups.)	Monitoring reports and financial reports of the Grant Scheme.	
		Number of Innovation Fund / Grant Scheme like established or its methodology handed over to a suitable local institution	0	1	Action reports and/or Fund / Grant Scheme operational manual; related legislative / regulatory act	
Output 3	The Quadruple Helix approach promoted and implemented	Policy advice reports drafted addressed to relevant Albanian policy makers and relevant public agencies.	3	Min 6	Action Reports.(baseline from EU4Innovation phase 1)	<p>Quadruple Helix actors and institutions collaborate in the field of innovation and entrepreneurship.</p> <p>The Government is committed to advance startup and SME policies and the smart specialisation strategy.</p> <p>There are untapped market opportunities for green economy areas such as energy efficiency and adopting circular economy practices.</p> <p>Cooperation is in place with the stakeholders of the 'Circular Economy' Action also financed under IPA III</p>
		Number of participants that attended workshops and trainings from Government policy makers and relevant public agencies.	30 for 2021	Min 70 (gender disaggregated)	Training reports. Baseline from EU for Innovation Phase I	
		Number of events (e.g. hackathons, competitions) organised with Quadruple Helix stakeholders to support innovation including for sustainable, green and digital transition of Albania.	0	Min. 10	Documentation and reports of activities.	
		Number of researcher groups/clusters from Albanian universities have received support (match-making support, workshops and trainings).	0	Min. 12	Documentation of support interventions (e.g. training material, gender disaggregated participants lists) and proof of established cooperation (e.g. signed	

Results	Results chain: Main expected results	Indicators	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
					MoU, projects put into action, etc.).	and synergy between the two Actions is achieved.
		Number of Albanian Universities that have incorporated new and/or improved Entrepreneurship courses into their curriculum ²⁶ .	0	Min. 10	Documentation of course material and course announcements by the universities.	
		Number of Albanian ISOs supported for lasting collaboration with foreign ISOs/EU ISO associations.	4 for 2021	Min. 9	Cooperation agreements/ membership of Associations. (Baseline from EU for Innovation Phase I)	
		Number of Albanian ISOs/Startups assisted to apply for support under innovation-related Union Programmes (such as Horizon Europe, pillars as EIT Regional Innovation Scheme (EIT RIS), EIC and EIE once Albania has formally associated) and other EU initiatives including regional instruments disaggregated by "green/digital" sub-sectors.	0	Min. 20 (disaggregated by women-led)	Action Reports with specific information on the assistance provided	
		Number of assisted Albanian ISOs/Startups with successful applications to innovation-related Union Programmes and other EU initiatives including regional instruments.	0	Min. 2	Action reports	

²⁶ According to the current Law on Higher Education & Scientific Research in HEIs in Albania, no 80. dating 2015, in article 35 "Opening, closing and changing study programs in HEIs", item 9, it is explicitly mentioned that "higher education institutions could make the so called 'profiling' changes to accredited study programs to the amount of up to 20 percent of the programme curricula; and can display them in the diploma issued by the HEI. The amendments are approved by the **Academic Senate** and the ministry responsible for higher education is informed / notified no later than six months before the start of the academic year". Thus, the ministry is simply informed and is not entitled to conduct approvals for curricula change up to 20%. The academic senate [university rector, full time teaching staff holding PhD and higher degrees] is the approving entity. The link to the law: [Ligji-80-2015-Për-Arsimin-e-Lartë-dhe-kërkimin-shkencor-në-Shqipëri.pdf \(openuniversity.al\)](#)

Results	Results chain: Main expected results	Indicators	Baselines (year)	Targets (year)	Sources of data (1 per indicator)	Assumptions
		Number of Green and/or digital solutions (e.g. around the topics of recycling, transport, energy, climate) for challenges of Albanian municipalities/cities developed and piloted with the involvement of at least three Quadruple Helix players through the Action disaggregated by "green/digital" sub-sectors.	0	Min. 12	Process documentation of each solved challenge and documentation of the implementation process. (e.g. hackathons).	
Output 4	Albania's startup and innovation ecosystem promoted with innovators and entrepreneurs both domestically and internationally.	Min. number of articles/posts about the Albanian ecosystem (startups, entrepreneurs, institutions) published in national and international media (news article, podcasts, online media).	60 for 2021	Min. 250	Media review and documentation of published articles and posts. (Baseline from EU for Innovation Phase I)	The media is interested in understanding more on the innovation ecosystem in Albania and reporting on opportunities and success stories. The international innovation community is open to embracing opportunities to work in Albania.
		Number of ecosystem events (e.g., workshops, meet-ups, co-creation events) held out of which at least 30% incorporating industry actors organised with the support of the project.	100 for 2021	Min. 250 Out of which, min. 30% incorporate industry actors	Documentation and reports of events (e.g., programme, promotion material, social media posts). (Baseline from EU for Innovation phase I)	

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the Republic of Albania.

4.2. For budget support only [Implementation of the budget support component]

N.A.

4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures²⁷.

4.3.1. Direct Management (Grants)

N.A.

4.3.2. Direct Management (Prizes)

N.A.

4.3.3. Direct Management (Procurement)

N.A.

4.3.4. Indirect management with an entrusted entity(i.e. Member State Organisation, third donor country, EU specialised (traditional/regulatory) agency, international organisation)

This action may be implemented in indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, (GIZ) as lead organisation, and the Swedish International Development Cooperation Agency (SIDA) as partner. This implementation entails outputs 1 to 4.

The envisaged entity has been selected using the following criteria:

- (i) sector expertise in increasing the capacity of innovation ecosystems;
- (ii) technical capacity in the implementation of projects in the field of innovative startups creation;
- (iii) experience in designing and managing grant schemes and sub-granting
- (iv) financial capacity and willingness to provide co-financing and
- (v) proven capacity of GIZ and SIDA to satisfactory implement EU for Innovation I, increasing coordination and aid effectiveness and benefit from donors' comparative advantage and expertise in the sector.

The possibility of financial contribution of 10 % of co-financing will be negotiated with the entrusted entities as for EU4Innovation I.

In case the envisaged entity would need to be replaced, the Commission's services may select a replacement entity using the same selection criteria given above. If the entity is replaced the decision to replace it needs to be justified.

4.3.5. Indirect management with an IPA III beneficiary

N.A.

4.3.6. Contribution to <name of the relevant Regional Blending Facility/Platform>

N.A.

4.3.7. Budgetary guarantees

N.A.

4.3.8. Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

In exceptional circumstances and upon authorisation of the European Commission, changes from indirect to direct management mode (and vice versa) are possible, as well as other changes in the management and procurement modes.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provision:

²⁷www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Indicative Budget components	EU contribution (amount in EUR)	Indicative third-party contribution (amount in EUR)
Output 1: Capacity Development of startups and innovation ecosystem	1 600 000	N.A.
Output 2: Improved access to finance: grant scheme	4 600 000 (including 600,000 for management costs)	N.A.
Output 3: Quadruple Helix approach promoted and implemented	3 400 000	N.A.
Output 4: Promotion of Albania as a startup and innovation ecosystem and destination for international and domestic innovators and entrepreneurs	400 000	N.A.
Composed of:		
Indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, (GIZ) as lead organisation and the Swedish International Development Cooperation Agency (SIDA) as partner - cf. section 4.3.4	10 000 000	N.A.
Evaluation, (cf. section 5.3)	will be covered by another decision	N.A.
Audit/Expenditure verification(cf. section 6)	will be covered by another decision	N.A.
Communication and visibility (cf. section 7)	0	N.A.
Contingencies	0	N.A.
Total	10 000 000	

4.6. Organisational set-up and responsibilities

This Action represents the continuation of the EU for Innovation I implemented under IPA 2017, implemented under indirect management by the following entrusted entities: the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, (GIZ) as lead organisation and the Swedish International Development Cooperation Agency

(SIDA) as co-delegatee. Responsibilities of the entrusted entities for this Action (EU for Innovation II) shall be stipulated in the Description of the Action and the Contribution Agreement.

The EU Delegation to Albania shall supervise the implementation of the Action and organise results-oriented monitoring and evaluation as appropriate.

The main counterpart during the implementation of the Action shall be the Ministry of Economy and Finance (MoFE) as the Lead Beneficiary of the Action. Close involvement of other national stakeholders is foreseen: the Prime Minister's Office – Directorate of Development Policies and Priorities, Development Policy and Good Governance Unit, Department of Development and Good Governance; the Minister of State for the Protection of Entrepreneurship; the Ministry of Education, Youth and Sports (MoEYS); the Minister of State for the Diaspora and the National Agency of Diaspora; the subordinate institution of MoFE, the Albanian Investment Development Agency (AIDA); and, the subordinate agency of the MoEYS - the National Agency of Scientific Research and Innovation (NASRI). The MoFE shall closely coordinate with them during the implementation of the activities.

The Action shall be implemented and monitored in accordance with the stipulations of the European Code of Conduct on Partnership applicable to all IPA III Actions.

The National IPA Coordinator (NIPAC) has the mandate for the overall coordination of the programming of the IPA support, as well as being the main counterpart of the European Commission for the overall process of strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting of IPA III assistance at programme level.

For overall policy and assistance coordination, the Government of Albania has an inter-institutional and operational organisational structure in place for managing the implementation of a broad sectoral/cross-sectoral approach through the Integrated Planning System (IPS), which acts as the main system that sets the tools and mechanisms for integrated public policy planning. The Prime Minister Order (No 157) on 22 October 2018 revised the Integrated Policy Management Groups (IPMGs) and associated sectoral steering committees' structures for implementation of a broad sectoral/cross-sectoral approach to manage and coordinate policies of priority areas and sectors of special importance, as well as inter-sectoral programming through the formation of a sectoral / cross-sectoral management mechanism. The Integrated Policy Management Group (IPMG) 'Competitiveness and Investments' shall provide inter-institutional coordination for this action. Thematic groups (TG) for Competitiveness and Innovation provide for cooperation at technical level including with development partners, within the specific sectors of the respective priority area. The Sectoral Monitoring Committee on 'Competitiveness' shall ensure a quality monitoring and reporting system for the sector.

5. PERFORMANCE/RESULTS MONITORING AND REPORTING

5.1. Internal monitoring

The activities of the Action will be monitored by a result-based monitoring (RBM) system. Monitoring is understood as a continuous and systematic observation and recording of the project's progress. Targets are regularly examined based on indicators and the achievements of the project are assessed from the perspective of key stakeholders. Results-based monitoring tracks the entire change process that is generated by the project and is an integral part of project management. It enables regular dialogue about results, backed up by data and helps to improve quality and results orientation. The project follows the six process steps for designing and using a RBM system:

1. Examine/adjust the results model.
2. Clarify the requirements to be met by the RBM system.
3. Make results measurable.
4. Detailed monitoring and devise the RBM form.
5. Collect and analyse data.
6. Use RBM results.

The internal monitoring system of the Action collects and analyses qualitative as well as quantitative data and will be updated on a 6-monthly basis. Whenever possible, partnering stakeholders and institutions will be involved in monitoring activities as an integral part of capacity development interventions and in line with the ECCP principles.

5.2. Roles & responsibilities for data collection, analysis & reporting

A Project Steering Committee (PSC) will be established that will steer the Action implementation. The PSC shall involve representatives from the main stakeholders, who are also members of the IPMG and TG structures, as well as from the NIPAC and EUD. The PSC shall closely monitor the fulfilment of the Action's objectives and the achievement of results. The NIPAC shall have the role of monitoring the fulfilment of the objectives at the level of the Action. Joint coordination and cooperation meetings on technical level will ensure strong links and synergies between the different output of the Action.

Reporting on Action implementation starts with the inception report within three months from commencement. It will continue with:

- A six-month/yearly **narrative report** summaries the progress in line with the operational plan and indicators, documenting challenges and outlining the operational plan for the coming year.
- Along with the narrative reports, **financial reports** stating the actual incurred costs and legal commitments in the respective reporting period.

A Final report, including information on achievements of the project in line with the indicators, provides a summary of the measures taken to ensure sustainability and up-scaling of activities and results.

The narrative report as well as the final report will also be reported to the **Project Steering Committee (PSC)**. The PSC is suggested to meet at least once a year to oversee and validate the overall direction and policy framework of the project. The committee will furthermore review project implementation progress and provide recommendations to the management of the project in accordance with determined operational plans and outputs set out. PSC members will also receive, revise and discuss external monitoring reports and evaluations, when applicable.

The sector monitoring systems are currently limited. The action aims to support improving the data collection, storage and analysis at the sector level, and contribute to strengthening of the progress reporting.

5.3. Evaluation

Having regard to the importance and the nature of the action a final evaluation will be carried out for this action or its areas of support via independent consultants, contracted by the Commission.

The evaluation will be carried out for learning purposes, in particular with respect to Area of Support 2, as well as for assessing the impact of the proposed activities regarding the maturity and exposure of the innovation ecosystem, thus providing basis for planning further activities for support to innovation in Albania in next phase to be supported by IPA III. It will also be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the implementation of the Quadruple Helix approach as a means to support the green and digital transition of Albania.

The Commission shall inform the implementing partner at least three months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

6. AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

7. COMMUNICATION AND VISIBILITY

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.)

The Action (Result Area / Output 4) will focus on ecosystem promotion not only nationally but also internationally, through big-scale events, campaigns and activities that aim to give needed attention and focus to the developing innovation ecosystem in Albania. Because Albania is a small country and the ecosystem is now emerging, for it to grow and thrive further, the need for international talents / stakeholders to come on board and contribute to its development is the next needed step. Activities will include:

- 1) Creation of a narrative and branding for the Albanian ecosystem (building-up proud ambassadors of the Albanian ecosystem and positive examples of successful entrepreneurs and ecosystem actors)
- 2) PR for Albania (focus international): with a special focus on placing Albania on the map of global startup ecosystems, the objective is to build-up the topic of Albania as “land of opportunities” and create communication and PR interventions targeting foreigners, to make the Albanian ecosystem and the opportunities it offers better known abroad (articles in international media & bloggers to attract digital nomads, startups and talent to work within the ecosystem of the country; Ecosystem Safaris; Albanian Ecosystem Guide);
- 3) Communication campaigns and awareness raising activities to bring the concepts of innovation, startups and entrepreneurship closer to the general population, for them to become more well-known, accepted and sought-after to see life as an entrepreneur as a possible choice for their future. A special focus will be given to female entrepreneurs with topics such as Women in Tech and Women in Science.
- 4) Media trainings and awareness on benefits of innovation and civic tech by turning local media into an informed ally and promoter of the most recent developments of the ecosystem and have a crucial partner in the general social acceptance of breakthroughs.

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

8. SUSTAINABILITY

The Action has been designed to maximise sustainability and to enhance the ownership by the innovation ecosystem stakeholders, building on the trust and understanding of the Albanian innovation ecosystem from the first phase of EU for Innovation. Although staff and capacities among public stakeholders are limited, their commitment to the first phase of EU for Innovation has shown that the institutional stakeholders are fully committed to the Action. In each activity, the appropriate partners and stakeholders shall be involved from the design stage, as well as in on-going monitoring of the Action. As one example, the key stakeholders shall be involved in designing the grant schemes for startups and ISOs, and an institutional body identified to partner the Fund Manager to gain experience in running such a Fund, taking into account the need to gradually foster their capacities through practical experience and to ensure their ability to provide this service in the future. The Albanian ISOs shall gain experience in offering new services, mentored by experts in the Action that can continue beyond the implementation period as well as cooperation with foreign ISOs and associations that can consolidate their operations within the innovation ecosystem. Finally, apart from the financing schemes under the action, the support given to startups, entrepreneurial research teams and ISOs to access other funds (in applications for external grant schemes, credit schemes, Union Programmes etc.) aims to ensure the impact of the Action shall be far greater with beneficial effects beyond its implementation period.