

**CONCEPT NOTE**

Supporting Albanian micro and small businesses affected by November 2019 earthquake and post COVID – 19 to strengthen their livelihood, increase their competitiveness and to build their resilience to future natural and economic shocks.

**BRIEF DESCRIPTION**

The project seeks to support long-term recovery, resilience to future shocks and sustainable development, in the area affected by November 2019 earthquake. Livelihoods and family incomes, as well as micro businesses belonging essentially to tourism, food and beverage and trade, have been seriously affected, impacting on a significant number of families depending on these sectors.

In order to achieve the expected results, the project is intended to strengthen governance by giving priority to national and local capacities in terms of planning, coordination and implementation linked to recovery efforts. In addition, the project envisages different initiatives to support micro businesses with a value chain approach and direct link between supply and demand, based on UNDP international methodologies applied in other post-disaster settings. These initiatives will be integrated into the *build back better* andinclusive *(leave no one behind)* approach, with a gender perspective and environmental sustainability.

**SITUATION ANALYSIS AND CONTEXT**

According to the Albanian Institute of Geophysics, Water and Energy on 26th November 2019 at 03:54, a devastating earthquake, with a magnitude of 6.3 on the Richter scale at a depth of 38 km, hit the country. The epicentre was 22 km from Durres and 30 km from Tirana, where most of the major historically recorded earthquakes have occurred, in the convergent boundary between the Eurasian Plate and the Adriatic Plate.

As a result of the disaster, a total of 202,291 people were affected in the country, 47,263 directly, and 155,029 indirectly. The earthquake caused 51 fatalities and injured at least 913 people. Moreover, up to 17,000 people were displaced due to the loss of their homes. Overall, first responders rescued 48 people from collapsed houses.

On 6th December, the Government of Albania requested support from the European Union, the United Nations, and the World Bank to undertake a full and comprehensive Post-Disaster Needs Assessment (PDNA) to identify the damage, losses, and recovery needs arising from the earthquake. The tripartite partners provided financial and technical support to conduct the assessment in addition to the resources the government made available.

Most of the damages are recorded in the Housing sector (78.5%), followed by the Productive sector (8.4%) and the Education (7.5%) sector. Regarding the losses, the Productive sector accounts for the highest share (56.4%), followed by Housing (24.1%) and Civil Protection (CP) & Disaster Risk Reduction (DRR) with 9.4%.

Relevant to the ownership of the effects, overall 76.5% are private and 23.5% public. The Housing and Productive sectors constitute mainly private infrastructures, whereas the other remaining sectors are mostly publicly owned. The same pattern also applies for the losses.

Regarding the productive sector, it involves the following sub-sector: business and employment, tourism, cultural heritage and agriculture. In the Business and Employment sub-sector, 714 businesses (8% of total businesses) were damaged and, as a consequence, their activities were also affected. A total of 438 employees from 56 formal manufacturing businesses temporarily lost their jobs, as did 79 employees from 124 formal businesses in the trade industry. The estimated income loss is 1.93 million EUR (0.24 billion ALL). In the Tourism sub-sector, there was damage to 18 public and private accommodations in Durres, and to 42 food and beverage facilities primarily in Durres as well. Of all losses to tourism, 97% is due to the anticipated decline in foreign visitors from 2020 to 2022. In the Cultural Heritage sub-sector, two national museums and three local museums were classified as insecure and are still closed to the public, while an additional 23 monuments and sites were classified as high risk and another 30 monuments as medium risk. Damages in the Agriculture sub-sector were minor and relate to agricultural inputs and equipment. There was also damage to embankments and water drainage stations in Durres and Lezha, as well as to the Institute for Food Safety and Veterinary building.

According to INSTAT (2018), there are 9,416 official businesses registered in the eleven affected municipalities, of which 1,039 are in manufacturing and 8,377 in trade.13 Micro and small enterprises comprise the largest share of businesses, representing almost two-thirds in the Manufacturing sector. The largest number of active businesses has two to four employees.

Other international experiences have proven that, this kind of natural catastrophic events have more negative impact on micro and small enterprises that are generally representing the family livelihood.

The difficult situation of micro and small businesses, affected by the earthquake, got worst due to the lockdown generated by the measures adapted by the government in response to the pandemic of COVID – 19. In this context, the majority of economic activities have been forced to respect a period of closure and those with the opportunity of being opened, were negatively impacted by the general economic crisis with a consequent consumption reduction.

The United Nations Development Programme (UNDP) in Albania supported the Albanian Government and population in their recovery efforts in the main affected areas.

UNDP Albania has a dedicated cluster focusing its work on Economic Growth and Employment. Among other support area, this cluster plays a crucial role in supporting the MFE and its local institutions, in the reform process of its employment and skills development sector through the Swiss funded Skills Development for Employment Programme (2019 – 2022). One key element dimension of UNDP’s work in this sector is the support to the National Employment and Skills Agency to design tailored Active Labour Market Programmes (ALMPs). ALMPs designed and revised with UNDP’s assistance aim at enhancing employability chances and integrating in the labour market different categories of jobseekers by paying particular attention to addressing social vulnerabilities.

Among the different accomplished activities, it is important to mention the implementation of the “In Motion Programme” which has benefited 15 micro business located in Durres. This pilot project has the main objective of supporting micro and small businesses to stabilize the economic conditions of small businesses, helping them to recover their business infrastructure and re-establish their economic activities in the market and, following the *build back better approach*, to improve their productive capacity and market insertion in order to be more competitive in the market.

Based on an international methodology, successfully applied in other geographical areas as Mexico, Ecuador and Haiti affected by natural disasters, the “In Motion methodology” gives the opportunity of improving internal and external aspects of the business with the aim of being more resilient to potential shocks in the future.

The pilot project has involved 15 damaged businesses (the 50% is integrated by women entrepreneurs) belonging to different sectors as: aesthetic, food and beverage, household appliance repair, etc. The initiative is still ongoing, and it is giving good results in terms of quality and order, accounting, customer service and digital marketing (this element was added as necessary adjustments due to the post COVID-19 pandemic).

**OBJECTIVES AND RESULTS**

The general objective of the project is to support the efforts of the national and local governments in the process of recovery after the November 2020 earthquake and the COVID -19 pandemic, effectively supporting the affected communities and minimizing future risks in the following municipalities: Shijak, Durres, Kruja, Tirana, Kamza, Kavaja, Kurbin, and Lezha.

On one hand, the project aims to strengthen the capacities of the national and local authorities for planning, managing and monitoring the recovery process through policy and strategic support and, at the same time, to be better prepared for future risks and events.

On the other hand, it intends to restore productive capacities and human resources, as well as livelihoods, represented in particular by micro and small businesses for resilient economic recovery in affected communities, applying a value chain approach.

Project pays special attention to promoting gender equality and empowering women as a key strategy for *build back better*.

The project foresees 2 main outputs, which will be reached through the implementation of the following activities:

**Output 1: Appropriate tools and methodologies are available for Albanian national government, public institutions or local governments to face in a better and more resilient way crisis situations due to natural events and pandemics.**

**Activity 1.1:** In coordination with the national and local partners, developing quick tool to assess the economic situation, with a value chain approach and a focus on micro and small businesses.

**Activity 1.2:** Reviewing the fiscal policy to support micro and small businesses to recover and restart their activities without falling in the informality and identifying the sources to finance the additional expenditures.

**Activity 1.3:** Developing a platform to facilitate the communication with the citizens including the most vulnerable people to inform and to generate consensus among decision makers about policy response to contain the crisis.

**Output 2:** **XXXX businesses have improved their productive capacity and have strengthened their competitiveness in the market, with the implementation of the “In Motion” methodology.**

**Activity 2.1:** Methodological adaptation based on the project context and the lessons learned developed during the pilot initiative.

**Activity 2.2:** Collecting information through existing studies and bilateral meetings with business owners to assess the reality of the micro businesses established in the area involved in the project (businesses survey per geographical area or per productive sector.

**Activity 2.3:** Certification and accreditation of national consultants on “In Motion methodology” to support micro and small businesses.

**Activity 2.4:** Following the “In Motion” methodology, on-site technical assistance to XXXX businesses given by certified national consultants and focused on: business models, quality and service, basic administration, accounting and finance, sales and marketing.

**Activity 2.5:** To increase the commercial relationships, in particular to promote the digital marketing and sales, taking into account the situation generated by COVID – 19, supporting the use of technology, improving the commercial image and the acquisition of productive assets through seed funds.