

**ALBANIA—CAS COMPLETION REPORT REVIEW**

*The FY02 Country Assistance Strategy (CAS) for Albania focused on improving governance and strengthening institutions, promoting sustainable private sector growth, and fostering human development (paras. 1, 3, 4). The objectives were and are still relevant.*

*A CODE Subcommittee meeting discussed IEG-WB's country assistance evaluation for Albania in May 2005. Its members concurred with the main recommendations of the report and agreed with the rating of outcome as moderately satisfactory. Some members stated that the analytic conclusions could have been more specific in terms of lessons for other "blend" countries in transition from IDA to IBRD. Members noted that Albania might be a good case for applying blending mechanisms, assuring its access to IBRD funds, while preserving the level of concessionality given its still fragile borrowing capacity (para. 2).*

*IDA assistance helped to advance civil service reform but was less successful in improving governance (paras. 5, 6). It further helped to support Albania's rapid growth, improve the roads and electricity system, and strengthen its pension system. It also helped bring some changes in education and health, but the impact of the changes has yet to be realized (para. 7).*

*IEG-WB agrees with the main lessons of the CASCR, in particular the need to develop strategic frameworks, increase selectivity, and adopt an outcomes oriented approach. The findings are consistent with the CAE, which assessed Bank assistance as effective when the government adopted and donors supported sector strategies that laid out a reform agenda with clear and monitorable performance indicators (para. 11).*

**CAS Objectives**

1. The Albania CASCR evaluates the effectiveness of Bank assistance during FY02-05, which was based on the CAS of May 28, 2002. The overall goals of the assistance were to improve governance and strengthen institutions, to promote sustainable private sector growth, and to foster human development. While the IEG-WB country assistance evaluation (CAE) evaluated the Bank's assistance for the period FY98-FY04, its findings are applicable to the period of the assistance.

**IEG-WB's Evaluation of Bank Assistance**

2. A CODE Subcommittee meeting discussed IEG-WB's CAE for Albania in May 2005.<sup>1</sup> Its members concurred with the main recommendations of the report and agreed with the ratings of outcome as moderately satisfactory. Some members stated that the analytic conclusions could have been more specific in terms of lessons for other "blend" countries in transition from IDA to IBRD. Members noted that Albania might be a good case for applying blending mechanisms, assuring its access to IBRD funds, while preserving the level of concessionality given its still fragile borrowing capacity. Annex Table 10 summarizes IEG-WB recommendations and Management's response.

<sup>1</sup> Albania Country Assistance Evaluation, September 13, 2005, Report No. 33532, Attachment 2.

3. Bank strategy, which supported the National Strategy for Social and Economic Development (Albania's PRSP), focused on three pillars (improving governance and strengthening institutions, promoting sustainable private sector growth, and fostering human development), each of which was supported by sub-objectives (a total of 15). IDA approved 14 credits for a total of US\$250 million, focused mainly on infrastructure (electricity, roads, and water), financial sector, public sector governance and health. Program implementation was broadly in line with CAS proposals (see Tables 1 and 2).

4. IDA support had several salient features. First, the total amounts lent were quite high: with average annual per capita lending of \$19, Albania received one of the largest transfers among similar IDA countries. Second, Albania has been well above the IDA cut-off level on per capita income for some years now (Albania's is \$2,050, more than double the \$965 per capita income cut-off for IDA eligibility). Third, the lending has been characterized by a large number of small credits across a broad range of sub-sectors. Finally, high quality AAA provided support in some areas like electricity, laying out a reform agenda with clear and monitorable performance indicators.

5. Albania made gains in poverty alleviation, economic growth and price stability, roads, electricity, and the fiscal sustainability of the pension system. About 80 percent of the growth since 2000 has been driven by large gains in factor productivity, and a large flow of remittances (about 12-15 percent of GDP) from Albanians working abroad has contributed to smooth and sustain higher levels of consumption than it would have been possible otherwise. Albania also made progress in civil service reform and in urban water supply, when urgent rehabilitation measures of the system were carried out in four cities. The government established a legal framework for the civil service and implemented the civil service law, began integrating its planning and budgeting systems and adopted a medium term expenditure framework (MTEF) as its primary budget tool. In water the assistance could have had a larger impact if IDA and the government had paid more attention to delivering water to adjacent rural communities.

6. Some small progress has been made in reducing corruption and making the legal and judicial system more effective, but little has changed in improving the conditions for doing business. Indicators for government effectiveness and regulatory quality show some improvement between 2002 and 2004 but those for rule of law, political stability and control of corruption show little change and remain low relative to their 1996 level and to most other countries (See Annex Table 8). The procedures to start a business, hire and fire workers, enforce contracts and register property have not changed, but the rapid economic growth has reduced some of these costs—as percent of per capita income (see Annex Table 9).

7. Advances in education and health were minor. On education some steps were taken to restructure the Ministry and to improve education quality—free textbooks for basic education—but, as the CASCR indicates, progress has been minor and the condition of the education sector remains poor at the end of the CAS period. On health the government has committed to revise the institutional architecture for the sector, but the strategies, in various stages of implementation, have not yet significantly impacted health outcomes. In terms of actions taken, some health infrastructure and equipment were improved, but government expenditure on health in 2004, 2.5 percent of GDP, fell short of the 3.2 percent of GDP target set in the CAS. The situation in the sector has improved modestly.

8. Summarizing, where Bank assistance established specific targets for outcomes, such as energy, the results were better than where the objectives were vaguely articulated, such as governance. IEG-WB rates the outcome of the assistance *moderately satisfactory*.

### **Assessment of Completion Report**

9. The FY02 CAS was not a results-based CAS but the CASCR makes an effort to summarize results and link them to program objectives and intermediate progress indicators. The tables in the CASCR contain a great deal of information that covers most of the program. The CASCR does not, however, track all the indicators in the original CAS matrix (e.g., public expenditure for public works), and some targets and progress indicators in the CASCR differ from those in the CAS matrix (for example, the level of health and education expenditures).

10. IEG-WB assesses the outcome of IDA assistance to be *moderately satisfactory*. It agrees with the CASCR's assessment that governance and institution building was partially achieved, and the second objective of promoting private sector development was achieved. IEG-WB differs in the rating of progress in fostering human development, whose outcome it considers partially achieved. The government produced strategies and action plans for the health sector, increased health personnel and constructed or equipped about 115 health centers in poor areas, but as the CASCR notes, "the situation in the health sector has improved modestly." In education the government completed sector strategies, policy papers, and action plans, but as noted in the CASCR, progress has been "minor;" its overall condition remains quite poor; and... "[efforts] are in their nascent stage and yet to yield substantial results."

### **Findings**

11. IEG-WB agrees with the main findings of the CASCR, in particular the need to develop strategic frameworks, increase selectivity, adopt an outcomes oriented approach and have governance permeate all development interventions. The findings are coherent with those of the CAE, which showed that Bank assistance was effective when the government adopted and donors supported sector strategies that laid out a reform agenda with clear and monitorable performance indicators. The CASCR also finds that developing the analytic underpinning for a sector was important to achieving results, as in electricity; when the strategy lacked framework, like in governance, the results were limited. Program and project design should move to an outcome-oriented approach. To accomplish this, IDA should establish monitorable and realistic targets for outcomes and design interventions that focus on the quality of service delivery and cost recovery. To enhance impact, as noted in the CAE, Bank assistance should increase selectivity, with priority in infrastructure—including urban—health and education.



**Annex Table 1. Proposed and Actual Commitment for Albania FY02-05 (US\$ million)**

	<i>Proposed FY</i>	<i>Approved FY</i>	<i>Proposed Amount</i>	<i>Approved Amount</i>	<i>CAS Objectives*</i>
<b><u>Programmed Projects</u></b>					
Pilot Fishery Development	2002	2002	5.6	5.6	b
Road Maintenance	2002	2002	30.0	17.0	b
Road Maintenance - Supplement		2003		13.0	b
Financial Sector Adjustment Credit	2002	2002	15.0	15.0	b
Power Sector Rehab. & Restructuring	2002	2002	29.9	29.9	b
Poverty Reduction Support Credit I	2002	2002	20.0	20.0	a, b, c
Municipal Water/Wastewater	2003	2003	15.0	15.0	b
Environment Clean Up (Environment <sup>1/</sup> )	2003	<sup>2/</sup>	5.0		
Power Sector Gener. & Restruct. (Thermal Power I <sup>1/</sup> )	2003	2004	20.0	25.0	b
Poverty Reduction Support Credit II	2003	2004	10.0	18.0	a, b, c
Transport	2004	Pipeline <sup>3/</sup>	20.0		
Community Works II <sup>1/</sup>	2004	2003	10.0	15.0	b
Education III <sup>1/</sup>	2004	Pipeline <sup>3/</sup>	8.0		
Poverty Reduction Support Credit III	2004	2005	10.0	10.0	a, b, c
Health III <sup>1/</sup>	2005	Pipeline <sup>3/</sup>	10.0		
Integrated Coastal Zone Management and Clean Up (Rural Development/Water <sup>1/</sup> )	2005	2005	8.0	17.5	b
Water Resource Mgmt. (Agriculture/Irrigation III <sup>1/</sup> )	2005	2004	8.0	15.0	b
Natural Resources Development	2005	2005	7.0	7.0	b
<b>Subtotal</b>			<b>231.5</b>	<b>223.0</b>	
<b><u>Non-programmed Projects</u></b>					
Regional Energy ECSEE APL 2		2005		27.0	b
<b>Total (FY02-05)</b>			<b>231.5</b>	<b>250.0</b>	

Source: Albania CAS 2002, Albania CASCR 2005, and WB Business Warehouse as of August 24, 2005.

\* *CAS Objectives:* a) Improving governance and strengthening institutions. b) Promoting sustainable private sector growth. c) Fostering Human Development.

<sup>1/</sup> Projects would remain under a low-case scenario.

<sup>2/</sup> Included as a component in the Coastal Zone Management as Clean Up Project, which is in the pipeline.

<sup>3/</sup> Lending is still not approved for these projects.



**Annex Table 2. Albania - Analytical and Advisory Work, 2003- 2005**

	<i>Proposed FY</i>	<i>Delivered to Client FY</i>	<i>Output Type</i>	<i>Report No.</i>
<b><u>I- Programmed and Delivered</u></b>				
<b>CAE</b>				
Albania-Country Assistance Evaluation (English)		2004	Operations Evaluation Study	30921
<b>Reports</b>				
Labor Market Assessment	2005	2006	Report	
Public Expenditure Review	2005	2006	Report	
Albania-CEM-Competitiveness and Sources of Growth	2004	2004	Economic Report	29257
Albania-Poverty Assessment	2003	2003	Economic Report	26213
Social Safety Net Review	2003	2005	Report	
<b>Policy Notes</b>				
Albania-Decentralization in Transition (Fiscal Decentralization Study)	2003	2003	Policy Note	27885
Albania-Urban and Rural Water & Sanitation Reforms (National Water Strategy)	2003	2003	Policy Note	
<b>Publication</b>				
Roma & Egyptians in Albania: from social exclusion to social inclusion	2004	2004	Publication	32181
<b>Technical Assistance</b>				
PSD TA (Privatization TA)	2004	2005	TA/HTG	
Anticorruption TA	2003	2004		
PCF Early Childhood Development TA	2003	2005	TA/KSF	
<b><u>II- Programmed and not Delivered</u></b>				
Transport Study	2005	Slipped to FY08 <sup>1/</sup>		
Anticorruption TA	2005	Dropped		
Rural Human Capital Development	2004	Dropped		
Anticorruption TA	2004	No information UNICEF		
PCF Early Childhood Development TA	2004	Implementation		
Privatization TA	2003	No information		

<sup>1/</sup> It will be undertaken in the Urban Transport Study and Rural Infrastructure Study.

**Annex Table 2 – (continued)**

	<i>Delivered to Client FY</i>	<i>Output Type</i>	<i>Report No.</i>
<b>III- Non-programmed and Delivered</b>			
<b>Reports</b>			
Health	2006	Report	
CFAA - CPAR Update	2006	Report	
Poverty Assessment	2006	Report	
Poverty and Education: Who benefits from public spending?	2005	Sector Report	31983
FSAP Albania	2005	Report	
<b>Policy Notes</b>			
Private Sector Policy Note	2006	Policy Note	
Debt Sustainability Analysis	2005	Policy Note	
<b>Publication</b>			
Building market institutions in South eastern Europe: comparative prospects for investment and private sector development (English)		Publication	29301
<b>Working Papers</b>			
The tobacco epidemic in south east Europe : consequences and policy responses (English)	2004	Departmental WP	28864
Water resources management in South Eastern Europe (Vol. 1 of 2): Issues and directions (English)	2003	WP	28295
Water resources management in South Eastern Europe (Vol. 2 of 2): Country water notes and water fact sheets (English)	2003	WP	28295
Water resources management in South Eastern Europe (Russian)	2003	WP	28295
Water resources management in South Eastern Europe (Serbo-Croatian)	2003	WP	28295
Safety Nets in Transition Economies: a primer (English)	2003	WP	25985
<b>Poverty Reduction Strategy Paper</b>			
Albania-Second annual PRSP progress report and joint IDA-IMF staff assessment (English)	2004	PRSP	29285
Albania-joint staff assessment of the PRSP annual progress report (English)	2003	PRSP	26139
<b>Technical Assistance</b>			
PPIAF: Albania: PPP in Roads Sector	2006	TA/IDP	
Poverty Dialogue TA	2005	TA/MOS	
Agriculture Stat. Capacity Building TA	2005	TA/MOS	
AML/CFT FIU Study	2003	TA/KSF	
<b>Others</b>			
Fiscal Decentralization (IDF)	Ongoing		IDF

Source: Albania CAS 2002, Albania CASCR 2005, WB Client Connection and WB Business Warehouse as of August 24, 2005.



Annex Table 3. IEG-WB Project Ratings for Albania, FY98-05

Project ID	Approval FY	Exit FY	OED Outcome	OED Sustainability	OED ID Impact
EFSAC	1995	1998	MODERATELY SATISFACTORY	LIKELY	MODEST
POWER LOSS REDUCTION	1995	1998	UNSATISFACTORY	UNCERTAIN	MODEST
REHABILITATION	1998	1998	SATISFACTORY	LIKELY	SUBSTANTIAL
LABOR MRKT DEVT	1994	1999	SATISFACTORY	UNCERTAIN	MODEST
ASAL	1993	1999	MODERATELY SATISFACTORY	LIKELY	MODEST
TRANSPT/INFRA	1993	1999	SATISFACTORY	LIKELY	SUBSTANTIAL
SOCIAL SAFETY NET	1994	1999	SATISFACTORY	LIKELY	SUBSTANTIAL
TECH ASST	1993	1999	MODERATELY SATISFACTORY	UNCERTAIN	MODEST
URBAN WORKS & MICRO	1996	1999	SATISFACTORY	UNCERTAIN	SUBSTANTIAL
PUBLIC EXPENDITURE SUPPORT	1999	1999	SATISFACTORY	LIKELY	SUBSTANTIAL
HOUSING	1994	2000	MODERATELY SATISFACTORY	UNLIKELY	MODEST
SCHOOL REHAB	1994	2000	MODERATELY SATISFACTORY	LIKELY	MODEST
IRRIG REHAB	1995	2000	SATISFACTORY	LIKELY	SUBSTANTIAL
TAX ADMIN MOD	1995	2000	SATISFACTORY	LIKELY	SUBSTANTIAL
RURAL DEVELOPMENT	1995	2000	SATISFACTORY	LIKELY	HIGH
AGROPROC DEVT	1996	2000	UNSATISFACTORY	LIKELY	MODEST
HEALTH SERVS REHAB	1995	2001	SATISFACTORY	LIKELY	MODEST
DURRES WS REHAB	1994	2001	UNSATISFACTORY	HIGHLY UNLIKELY	NEGLIGIBLE
RURAL ROADS	1995	2001	SATISFACTORY	LIKELY	HIGH
SAC	1999	2001	SATISFACTORY	LIKELY	SUBSTANTIAL
POWER TRNSM & DIST	1996	2003	UNSATISFACTORY	LIKELY	MODEST
NATL ROADS	1996	2003	MODERATELY SATISFACTORY	LIKELY	MODEST
COMMUNITY WORKS	1999	2003	SATISFACTORY	LIKELY	SUBSTANTIAL
PRIV IND REC	1998	2003	MODERATELY SATISFACTORY	NON-EVALUABLE	MODEST
RCVRY PROG TA	1998	2003	SATISFACTORY	LIKELY	SUBSTANTIAL
PRSC	2002	2003	SATISFACTORY	LIKELY	SUBSTANTIAL
FORESTRY	1996	2004	SATISFACTORY	LIKELY	MODEST
WS URG REHAB	2000	2004	SATISFACTORY	LIKELY	MODEST
EMG ROAD REPAIR	2000	2004	SATISFACTORY	UNLIKELY	MODEST
LAND DEVT	1998	2005	SATISFACTORY	LIKELY	MODEST
HEALTH RECOVERY	1998	2005	MODERATELY UNSATISFACTORY	UNLIKELY	SUBSTANTIAL
FSAC	2002	2005	SATISFACTORY	HIGHLY LIKELY	HIGH
EDUC REF	2000	2005	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL

	Total Evaluated (No)	Outcome % Sat (No)	Inst Dev Impact % Subst (No)	Sustainability % Likely (No)
Albania	33	84.8	48.5	75.0
ECA	416	82.7	55.8	82.2
<b>Overall Result</b>	<b>2,061</b>	<b>75.3</b>	<b>47.2</b>	<b>68.3</b>

Source: WB Business Warehouse Table 4a.5 and 4a.6 as of August 31, 2005.



**Annex Table 4. Portfolios Status Indicators by Year, FY98 - 05 (US\$million)\***

<i>Country</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
<b>Albania</b>								
# Projects	23	21	21	20	25	21	20	14
# Projects at Risk	5	2	2	3	2	1	3	0
% At Risk	22	10	10	15	8	5	15	0
Net Commitment Amt	268	306	310	254	342	286	290	224
Commitment at Risk	64	41	41	60	34	12	35	0
% Commit. at Risk	24	13	13	24	10	4	12	0
<b>Armenia</b>								
# Projects	11	14	15	13	17	14	18	16
# Projects at Risk	1	0	1	1	1	0	2	0
% At Risk	9	0	7	8	6	0	11	0
Net Commitment Amt	195	302	358	268	307	261	296	251
Commitment at Risk	15	0	5	30	21	0	16	0
% Commit. at Risk	8	0	1	11	7	0	6	0
<b>Bosnia and Herzegovina</b>								
# Projects	16	18	13	18	19	20	20	16
# Projects at Risk	1	2	0	0	0	0	1	4
% At Risk	6	11	0	0	0	0	5	25
Net Commitment Amt	270	322	265	352	364	308	379	350
Commitment at Risk	8	25	0	0	0	0	20	119
% Commit. at Risk	3	8	0	0	0	0	5	34
<b>Bulgaria</b>								
# Projects	8	9	10	12	8	9	8	8
# Projects at Risk	4	1	0	0	0	2	1	1
% At Risk	50	11	0	0	0	22	13	13
Net Commitment Amt	355	472	437	441	246	291	377	377
Commitment at Risk	189	57	0	0	0	78	30	30
% Commit. at Risk	53	12	0	0	0	27	8	8
<b>Romania</b>								
# Projects	16	18	21	21	20	22	18	19
# Projects at Risk	4	3	2	2	4	2	2	0
% At Risk	25	17	10	10	20	9	11	0
Net Commitment Amt	1,662	1,732	1,482	1,108	1,083	1,314	1,242	1,396
Commitment at Risk	505	701	181	252	255	130	120	0
% Commit. at Risk	30	40	12	23	24	10	10	0

Source: WB Business Warehouse Table 3a.4 as of August 31, 2005.

\*Amounts rounded to the closest integer.



**Annex Table 5. IBRD/IDA Net Disbursements and Charges Summary Report for Albania (US \$ million)**

<i>FY</i>	<i>Disb Amt.</i>	<i>Repay Amt.</i>	<i>Net Disb.</i>	<i>Interest</i>	<i>Fees</i>	<i>Net Transfer</i>
1998	52.9	0.0	52.9	1.1	0.0	51.8
1999	66.9	0.0	66.9	1.5	0.0	65.4
2000	52.0	0.0	52.0	2.0	0.0	50.0
2001	65.7	0.0	65.7	2.3	0.0	63.4
2002	35.9	0.0	35.9	2.7	0.0	33.2
2003	75.6	0.8	74.8	3.3	0.0	71.5
2004	63.5	2.2	61.3	4.0	0.5	56.8
2005	66.4	3.5	62.9	4.7	0.6	57.5
<b>Total (FY98-05)</b>	<b>478.9</b>	<b>6.5</b>	<b>472.4</b>	<b>21.7</b>	<b>1.1</b>	<b>449.7</b>

Source: WB Loan Kiosk, Net Disbursements and Charges Report as of August 31, 2005.



Annex Table 6. Economic and Social Indicators, 1998-2005

Series Name	Albania										Europe and Central Asia	Armenia Average 1998-2003	Bosnia and Herzegovina	Bulgaria	Georgia
	1998	1999	2000	2001	2002	2003	2004	2005 1/	Albania	Albania					
<b>Growth and Inflation</b>															
GDP growth (annual %)	12.7	10.1	7.3	7.6	4.7	6.0	..	..	..	..	8.1	3.5	7.0	4.2	4.9
GNI per capita, Atlas method (current US\$)	880	980	1160	1340	1440	1740	..	..	..	..	1257	2153	1303	1653	668
GNI per capita, PPP (current international \$)	3110	3470	3790	4150	4390	4710	..	..	..	..	3937	6370	5610	6348	2100
GDP per capita growth (annual %)	13.2	10.1	6.9	7.0	4.1	5.4	..	..	..	..	7.8	3.6	4.7	5.2	5.5
Inflation, consumer prices (annual %)	20.6	0.4	0.1	3.1	7.8	0.5	..	..	..	..	5.4	..	..	7.8	7.4
<b>Composition of GDP (%)</b>															
Agriculture, value added	32.6	29.5	29.1	26.0	25.4	24.7	..	..	..	..	27.9	9.3	15.8	14.6	23.1
Industry, value added	16.0	16.8	19.0	19.1	19.2	19.2	..	..	..	..	18.2	32.3	31.7	30.0	23.3
Services, etc., value added	51.4	53.7	51.9	54.8	55.5	56.1	..	..	..	..	53.9	58.5	52.5	55.4	53.6
<b>External Accounts</b>															
Exports of goods and services (% of GDP)	10.8	15.8	19.1	19.7	18.9	19.1	..	..	..	..	17.2	37.5	26.3	51.6	24.0
Imports of goods and services (% of GDP)	34.4	32.0	41.2	42.1	42.9	42.2	..	..	..	..	39.1	37.2	60.4	57.4	40.3
Current account balance (% of GDP)	-2.4	-4.5	-4.2	-5.1	-8.4	-6.6	..	..	..	..	-5.2	..	-24.9	-5.3	-7.5
Total debt service (% of exports of goods and services)	2.6	2.3	2.0	2.3	3.4	2.6	..	..	..	..	2.5	19.4	9.8	17.5	12.5
Total debt service (% of GNI)	0.8	0.7	0.7	0.8	1.2	0.9	..	..	..	..	0.9	8.3	4.3	9.5	4.0
External debt (% of GNI)	22.3	20.1	27.9	24.8	22.5	23.6	..	..	..	..	23.5	52.3	43.4	82.0	51.1
Total reserves in months of imports	5.3	5.6	5.1	5.2	5.0	4.8	..	..	..	..	5.2	4.6	2.2	5.6	1.3
<b>Fiscal Accounts (% of GDP) 2/</b>															
1. Total Revenue and Grants	24.2	25.5	23.8	23.6	24.6	24.0	23.7	23.9	23.3	23.3	..	..	..	..	..
a. Total Revenue excluding grants	22.5	22.7	22.7	23.0	23.9	23.7	23.4	23.3	23.3	23.3	..	..	..	..	..
Tax revenue	17.5	17.6	19.6	19.7	20.5	20.9	21.3	21.3	21.3	21.3	..	..	..	..	..
Non-tax revenue	5.0	5.1	3.1	3.3	3.4	2.8	2.1	2.0	2.0	2.0	..	..	..	..	..
b. Grants	1.6	2.8	1.0	0.6	0.7	0.4	0.3	0.6	0.6	0.6	..	..	..	..	..
2. Total Expenditure	34.5	34.9	31.9	31.6	31.1	28.5	28.7	28.4	28.4	28.4	..	..	..	..	..
Current expenditure	28.7	27.1	25.3	24.2	24.6	24.1	23.6	22.5	22.5	22.5	..	..	..	..	..
Capital expenditure	5.8	7.8	6.6	7.3	6.7	4.5	4.9	5.7	5.7	5.7	..	..	..	..	..
3. = (1)-(2) Cash Balance (including grants)	-10.3	-9.4	-8.2	-7.9	-6.6	-4.4	-5	-4.5	-4.5	-4.5	..	..	..	..	..
4. = (1a)-(2) Cash Balance (excluding grants)	-12.0	-12.2	-9.2	-8.5	-7.2	-4.8	-5.3	-5.1	-5.1	-5.1	..	..	..	..	..
<b>Social Indicators</b>															
<b>Health</b>															
Life expectancy at birth, total (years)	..	74.0	..	..	74.0	74.3	..	..	..	..	74.1	68.3	73.6	71.7	73.4
Immunization, DPT (% of children ages 12-23 months)	96.0	97.0	97.0	97.0	96.0	97.0	..	..	..	..	97.0	92.0	87.0	94.5	81.2
Improved sanitation facilities (% of population with access)	..	..	..	..	89.0	..	..	..	..	..	89.0	82.0	93.0	100.0	83.0
Improved water source (% of population with access)	..	..	..	..	97.0	..	..	..	..	..	97.0	91.3	98.0	100.0	76.0
Mortality rate, infant (per 1,000 live births)	..	..	22.0	..	..	18.0	..	..	..	..	20.0	27.3	14.5	13.7	41.0
<b>Population</b>															
Population, total (million)	3.1	3.1	3.1	3.1	3.2	3.2	..	..	..	..	3.1	473.9	4.0	8.0	5.2
Population growth (annual %)	-0.5	0.0	0.4	0.6	0.6	0.6	..	..	..	..	0.3	-0.1	2.1	-1.0	-0.6
Urban population (% of total)	41.0	41.7	42.3	42.9	43.6	44.2	..	..	..	..	42.6	63.5	67.3	67.5	56.5
<b>Education (% gross)</b>															
School enrollment, primary	41.7	41.9	44.4	..	..	..	..	..	..	..	42.7	48.1	..	66.9	39.1
School enrollment, primary	108.2	108.2	106.6	..	..	..	..	..	..	..	107.7	101.1	..	101.6	94.3
School enrollment, secondary	75.8	75.8	78.4	..	..	..	..	..	..	..	76.7	88.9	..	91.7	75.7
1/ Projections															
2/ Data from IMF reports															

Source: WB SIMA as of August 31, 2005 for all indicators except fiscal; IMF Albania: Ex Post Assessment of Longer-Term Program Engagement (March 2005), table 3; and IMF Albania: Sixth Review Under the Extended Arrangement Under the Reduction and Growth Facility (August 2005), table 6b.





Annex Table 7. Albania - Millennium Development Goals

	1990	1994	1997	2000	2003
<b>Goal 1: Eradicate extreme poverty and hunger</b>					
Percentage share of income or consumption held by poorest 20%	..	..	..	..	9.1
Population below \$1 a day (%)	..	..	2.0	..	2.0
Population below minimum level of dietary energy consumption (%)	..	5.0	..	..	6.0
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	..	..	0.5	..	0.5
Poverty headcount, national (% of population)	..	..	..	..	25.4
Prevalence of underweight in children (under five years of age)	..	..	8.1	13.6	..
<b>Goal 2: Achieve universal primary education</b>					
Net primary enrollment ratio (% of relevant age group)	95.1	..	99.1	97.2	..
Primary completion rate, total (% of relevant age group)	..	97.0	105.0	104.0	101.0
Proportion of pupils starting grade 1 who reach grade 5	..	..	..	..	..
Youth literacy rate (% ages 15-24)	94.8	96.2	97.1	97.8	..
<b>Goal 3: Promote gender equality and empower women</b>					
Proportion of seats held by women in national parliament (%)	29.0	..	12.0	5.0	6.0
Ratio of girls to boys in primary and secondary education (%)	96.1	..	101.6	102.0	..
Ratio of young literate females to males (% ages 15-24)	94.4	95.8	96.6	97.3	..
Share of women employed in the nonagricultural sector (%)	39.6	39.9	40.0	41.4	40.2
<b>Goal 4: Reduce child mortality</b>					
Immunization, measles (% of children ages 12-23 months)	88.0	90.0	95.0	95.0	93.0
Infant mortality rate (per 1,000 live births)	37.0	29.0	..	22.0	18.0
Under 5 mortality rate (per 1,000)	45.0	34.0	..	25.0	21.0
<b>Goal 5: Improve maternal health</b>					
Births attended by skilled health staff (% of total)	..	..	..	99.1	94.0
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	55.0	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>					
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	..	75.0
Incidence of tuberculosis (per 100,000 people)	26.7	28.0	29.5	26.9	22.9
Number of children orphaned by HIV/AIDS	..	..	..	..	..
Prevalence of HIV, total (% of population aged 15-49)	..	..	..	..	..
Tuberculosis cases detected under DOTS (%)	..	..	..	23.2	29.5
<b>Goal 7: Ensure environmental sustainability</b>					
Access to an improved water source (% of population)	97.0	..	..	..	97.0
Access to improved sanitation (% of population)	..	..	..	..	89.0
Access to secure tenure (% of population)	..	..	..	..	..
CO2 emissions (metric tons per capita)	2.2	0.6	0.5	0.9	..
Forest area (% of total land area)	39.0	..	..	36.2	..
GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)	3.9	7.3	8.8	6.8	6.7
Nationally protected areas (% of total land area)	..	..	..	..	3.8
<b>Goal 8: Develop a global partnership for development</b>					
Aid per capita (current US\$)	3.4	50.9	53.2	102.5	108.0
Debt service (% of exports)	1	7	8	3	4
Fixed line and mobile phone subscribers (per 1,000 people)	12.6	13.2	28.9	59.0	441.0
Internet users (per 1,000 people)	..	0.1	0.5	1.1	9.8
Personal computers (per 1,000 people)	..	..	3.2	8.1	11.7
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	..	..
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	..	..
<b>Other</b>					
Fertility rate, total (births per woman)	3.0	2.7	2.5	2.1	2.2
GNI per capita, Atlas method (current US\$)	680.0	400.0	790.0	1160.0	1740.0
GNI, Atlas method (current US\$) (billions)	2.2	1.3	2.5	3.6	5.5
Gross capital formation (% of GDP)	29.3	17.9	16.9	24.8	25.4
Life expectancy at birth, total (years)	72.3	72.5	71.7	74.0	74.3
Literacy rate, adult total (% of people ages 15 and above)	77.0	80.4	82.5	84.7	..
Population, total (millions)	3.3	3.2	3.1	3.1	3.2
Trade (% of GDP)	38.1	50.3	47.2	60.3	61.3

Note: Figures in italics refer to periods other than those specified.

Source: World Development Indicators database, April 2005.



**Annex Table 8. Governance Indicators for Albania Percentile Rank (0-100)<sup>1/</sup>**

	1996	1998	2000	2002	2004
<b>Voice and Accountability</b>					
Albania	40.8	41.4	49.2	47.5	48.1
Eastern Europe & Baltics	54.6	56.3	62.4	64.5	66.9
<b>Political Stability</b>					
Albania	53	24.2	24.8	29.7	16.5
Eastern Europe & Baltics	58.3	57.5	54.8	60.8	53.3
<b>Government Effectiveness</b>					
Albania	45.3	27.3	22	37.3	40.9
Eastern Europe & Baltics	59	52.1	55.1	59.4	62.2
<b>Regulatory Quality</b>					
Albania	56.9	24.5	44.9	42.9	48.3
Eastern Europe & Baltics	55.9	57.7	59.3	63.4	64.4
<b>Rule of Law</b>					
Albania	42.2	16.2	24.6	17.9	25.1
Eastern Europe & Baltics	53.6	55	56.5	55.4	56.5
<b>Control of Corruption</b>					
Albania	60	9.8	32.8	23.5	29.1
Eastern Europe & Baltics	52.9	55.3	57	54.6	58.2

Source: World Bank Governance Indicators 1996-2004.

<sup>1/</sup> Percentile rank indicates the percentage of countries worldwide that rate below the selected country (subject to margin of error).



**Table 9. Albania and Comparator Countries-Cost of Doing Business 2003-2005**

(Selected indicators)

Country	Starting a Business						Hiring and Firing Workers	
	Procedures (number)		Time (days)		Cost (percent of income per capita)		Rigidity of employment index <sup>v/</sup>	
	2003	2005	2003	2005	2003	2005	2004	2005
Albania	11	11	41	41	56.9	31.1	48	48
Armenia	10	10	25	25	8.4	6.1	49	49
Bosnia and Herzegovina	12	12	59	54	46.3	40.9	38	42
Bulgaria	11	11	32	32	10.4	9.6	44	44
Croatia	12	12	49	49	16.9	13.4	57	57
Country	Enforcing a Contract			Registering Property				
	Procedures (number)		Time (days)	Procedures (number)		Time (days)	Cost (percent of property value)	
	2003	2005	2003	2004	2005	2004	2005	
Albania	39	39	390	7	7	3.8	3.6	
Armenia	24	24	227	4	4	0.6	0.5	
Bosnia and Herzegovina	39	36	630	7	7	6.1	6.0	
Bulgaria	34	34	440	9	9	2.4	2.3	
Croatia	22	22	415	5	5	5.0	5.0	

Source: Cost of Doing Business Rapid Response Unit, direct information

<sup>v/</sup> The index varies from 0 to 100. Higher values indicate more rigid regulation.

Note: Data is from January of each year.



Annex Table 10. Management Action Record

<i>IEG Recommendations Requiring a Response</i>	<i>Management Response</i>
<p>1. Country strategies and project design need to move to an outcome-oriented approach. To accomplish this, IDA should establish monitorable and realistic targets for outcomes and design interventions to meet these targets. Where possible interventions should focus on the quality of service delivery and cost recovery, like in electricity and water.</p>	<p>The new CAS under preparation will be results-based as suggested by OED [IEG] and the Board. While quality of service delivery, and in particular the governance of service delivery, will be a focus of new CAS operations, a narrow focus on cost recovery may not be warranted across the board given the high poverty levels and poor human development indicators in Albania.</p>
<p>2. Bank assistance should increase selectivity, with priority in infrastructure—including urban—health and education. Important issues such as governance and business climate will need to be undertaken in conjunction with and, for areas specifically covered by agreements (the <i>acquis</i>), perhaps under the leadership of the EU.</p>	<p>We agree on the need for greater selectivity, especially in the context of the maturing institutional and donor environment. The importance of the EU SAP for Albania is already well accepted by the Bank. The Government has also taken initial steps to ensure integration of the NSSD, SAP and MDGs under an Integrated Planning System (IPS). Increased collaboration with the EU is planned in the new CAS, however the need to mitigate risks of other donor support not eventuating as planned is a lesson learned from past engagement in Albania.</p>
<p>3. Management should review the justification for continued IDA eligibility, explore Albania's potential creditworthiness for IBRD lending, and ensure that the results of this analysis form the basis for proposals on lending levels and lending terms in the next country assistance strategy.</p>	<p>Agreed: this need was outlined in the 2002 CAS. Debt Sustainability Analysis has been completed, and discussions regarding future access to IBRD/IDA resources are ongoing in the context of preparing the new CAS.</p>