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Report Number: 72899-AL

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

AND

INTERNATIONAL FINANCE CORPORATION

COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR

ALBANIA

FOR THE PERIOD FY11-FY14

April 18, 2013

South East Europe Country Unit
Europe and Central Asia Region

International Finance Corporation
Europe and Central Asia

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<u>CURRENCY EQUIVALENTS</u> (Exchange Rate Effective November 1, 2012)	<u>GOVERNMENT FISCAL YEAR</u> January 1 to December 31
Currency Unit = Albanian Lek (LEK) US\$1 = LEK112	<u>WEIGHTS AND MEASURES</u> Metric System

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
APL	Adaptable Program Loan
BoA	Bank of Albania
CAD	Current Account Deficit
CEDB	Council of Europe Development Bank
CPS	Country Partnership Strategy
CPS PR	Country Partnership Strategy Progress Report
DeMPA	Debt Management Performance Assessment
DHS	Demographic and Health Survey
DP	Democratic Party
DPL	Development Policy Loan
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Europe and Central Asia Region
ECSEE	Energy Community of South East Europe
EIB	European Investment Bank
EITI	Extractive Industry Transparency Initiative
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GPF	Governance Partnership Facility
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDF	Institutional Development Fund
IFC	International Finance Corporation
IPS	Integrated Planning System
KfW	German Reconstruction Credit Institute

IFI	International Financial Institutions
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession
JSDF	Japan Social Development Fund
LAMP	Land Administration and Management Project
LFS	Labor Force Survey
LITS	Life in Transition Surveys
NPL	Non-Performing Loans
OECD	Organization for Economic Cooperation and Development
PEFA	Public Expenditure Financial Accountability
PER	Public Expenditure Review
PHC	Public Health Center
PPP	Public Private Partnership
REPARIS	Road to Europe Program for Accounting Reform and
ROSC	Report on the Observance of Standards and Codes
SEE	South East Europe
SECO	Swiss State Secretariat for Economic Affairs
SIDA	Swedish International Development Corporation Agency
SLRP	Secondary and Local Roads Project
SPIL	Social Protection Investment Loan
TA	Technical Assistance
TF	Trust Fund
UN	United Nations
UNDP	United Nation Development Program
UN MDGs	United Nations Millennium Development Goals
VAT	Value Added Tax
WBG	World Bank Group
WBI	World Bank Institute

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Table of Contents

I.	Introduction.....	1
II.	Country Context.....	1
III.	Key Development Challenges for the Remainder of the CPS Period.....	5
IV.	Progress towards achieving CPS objectives and outcomes	7
V.	Modifications to the CPS and the way forward	10
VI.	Risks.....	14

Tables:

Table 1: Key Economic Indicators, 2005-2015	2
Table 2: Lending, FY11-14 (in US\$ million)	12
Table 3: Actual and Planned Country Specific AAA, FY11-14	13
Table 4: Actual and Planned Regional AAA, FY11-14.....	14

Boxes:

Box 1: Governance and Public Sector Management.....	10
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Annexes:

Annex 1: Results Matrix for the Country Partnership Strategy	16
Annex 2: Gender Issues in Albania.....	23
Annex 3: The World Bank Group and Other External Donors.....	27
Annex 4: List of Active and Planned Trust Funds in Albania	29
Annex 5: Standard CPS Annexes.....	31

I. Introduction

1. ***This Progress Report assesses the implementation of the FY11-FY14 joint Bank-IFC Country Partnership Strategy (CPS) for Albania and sets out planned activities for FY13 and 14.*** The CPS identifies three strategic objectives for World Bank Group (WBG) support: (i) supporting a recovery in economic growth by improving competitiveness through fiscal consolidation, better public sector management, an improved business climate, deeper access to credit and reduction of infrastructure bottlenecks; (ii) sustaining and broadening social gains through enhanced social protection and more effective social services; and (iii) reducing vulnerability to climate change through improved water resource and disaster management.

2. ***The objectives and pillars of the CPS remain unchanged since its preparation in FY11, but the prolonged volatility in Eurozone economies since 2008 points to the need for increased emphasis on reducing economic vulnerabilities and supporting economic growth.*** In this context, the Bank allocated an additional US\$275 million to help Albania respond to the Eurozone crisis through increased support for the financial sector, structural reforms and social protection – allowing for a total program under this CPS of up to US\$575 million. To date, the Government has made progress towards realizing CPS milestones and outcomes in a number of areas, although fiscal consolidation has remained an elusive goal. High levels of public debt and a sensitive dialogue on fiscal consolidation have thus far limited the absorption of CPS financing through development policy operations. Going forward, the dialogue will continue toward a satisfactory fiscal framework, and the Bank will diversify planned lending instruments to better support growth and reduce economic vulnerability. Most investment projects have met or are meeting their development objectives. Challenges have remained, however, in supporting improved financial performance and reliable supply in the energy sector. A strong knowledge program supported by IBRD and IFC has been an important part of the partnership strategy, in addressing the economic crisis as well as supporting sector level reform programs. IFC's program complemented IBRD's efforts in private sector development. During FY11-13 (as of March 25), IFC significantly increased its program in the country, investing in six projects totaling about US\$125 million. Details of progress to date and updated performance indicators are reflected in the Results Matrix (see Annex 1).

II. Country Context

3. ***Relations between Albania's two main political parties remain tense, but there has been cooperation on the EU accession reform agenda leading to an EC recommendation that the country be granted EU candidate status if progress continues.*** Following the close elections of 2009, the ruling Democratic Party (DP) formed what has proven to be a relatively stable governing coalition with a smaller party, the Socialist Movement for Integration. The coalition has been able to move forward with its agenda in most cases. However, legislation requiring a three-fifths majority has been more difficult to pass by the DP and its main opposition, the Socialist Party (SP). Since November 2011, the two parties have come together to deliver on substantial reforms identified by the EC in its 2010 Opinion as pre-requisites for EU candidate status. Most recently, the parties came together to pass laws on electoral reform, administrative courts and elimination of the exemption from prosecution for high officials. In light of these developments, the October 2012 EC Progress Report has recommended that Albania be granted candidate status by the EU Council subject to completion of key measures in the areas of judicial and public administration reform and revision of the parliamentary rules of procedure.

4. *With a large majority of the population supporting EU membership, EU accession remains a key driver of reform in public policy.* In this regard, particular focus will be placed on: conducting elections in line with European and international standards; strengthening the independence and accountability of judicial institutions; combating corruption and organized crime; reinforcing protection of human rights and antidiscrimination; and implementation of property rights. The successful conduct of Parliamentary elections in 2013 will be a crucial test of commitment to the new electoral reform and is a pre-condition for opening EU membership negotiations.

5. *Since the 2008-09 global financial crisis, growth has remained subdued.* After the pre-crisis decade of a 6 percent average growth rate, growth fell to 3.3 percent in 2009. The crisis led to lower remittances and exports, which in turn contributed to lower growth and fiscal revenues. GDP grew by 3.5 percent in 2010 and 3 percent in 2011, supported mainly by services and industry.

6. *Albania's growth outlook has weakened substantially due mainly to the continued deterioration of the external environment.* Like all countries in Southeast Europe, Albania has been hit hard by the prolonged crisis in the eurozone. Given its close links to the Greek and Italian economies via exports and through remittance and financial flows, the sovereign debt crisis affecting these key economic partners has dampened the growth outlook for Albania. Growth in 2012 has been estimated at 0.8 percent. With the Eurozone crisis lingering, growth in Albania is projected to remain modest averaging just 2 percent between 2012 and 2015 (Table 1).

Table 1: Key Economic Indicators, 2005-2015

	Actual					Est. Proj. Proj. Proj. Proj.					
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real GDP growth (%)	5.5	5.0	6.0	7.7	3.3	3.5	3.0	0.8	1.6	2.0	3.0
Retail prices (end-period, %)	2.0	2.5	3.5	2.7	2.7	2.9	1.7	3.0	3.0	3.0	3.0
	(in percent of GDP unless otherwise noted)										
Fiscal sector											
Revenues and grants	24.5	25.3	25.5	26.7	26.0	26.5	25.3	25.0	25.2	25.3	25.3
Tax revenue	22.0	23.0	23.4	24.3	23.6	23.5	23.2	23.1	23.3	23.4	23.4
Expenditures	28.1	28.6	29.2	32.3	33.1	29.7	28.7	28.5	28.6	28.4	28.4
Overall balance (including grants)	-3.6	-3.2	-3.7	-5.5	-7.0	-3.1	-3.4	-3.5	-3.4	-3.1	-3.1
Primary balance (including grants)	-0.5	-0.4	-1.1	-2.7	-3.9	0.3	-0.3	-0.5	0.4	0.8	0.7
Public Debt	56.9	55.9	53.7	55.5	59.4	58.5	59.4	60.8	61.7	61.9	61.4
External sector											
Current account balance (incl. official transf.)	-6.7	-7.3	-11.2	-14.9	-15.4	-11.8	-12.3	-10.5	-9.7	-7.9	-6.0
Trade balance (goods and services)	-24.0	-24.3	-27.2	-26.7	-25.0	-21.3	-22.6	-18.5	-19.1	-17.6	-16.0
International Reserves (in months of imports)	4.0	4.7	4.3	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Remittances	12.6	13.2	12.5	10.2	10.4	9.8	9.3	8.7	8.9	9.1	9.3
FDI	3.3	3.6	6.0	7.0	7.8	9.3	7.6	7.4	6.2	6.3	6.3

Source: World Bank staff, IMF and authorities' estimates

7. ***While an expansionary fiscal policy helped mitigate the negative effects of the global crisis in 2009, fiscal space is now exhausted and public debt is projected to exceed 60 percent of GDP in 2012 and 2013.*** The fiscal stimulus, which started in 2008, consisted of elevated public investments (mainly on roads) and increases in public salaries and pensions. The resultant rise in fiscal deficits, combined with a 10 percent depreciation of the Lek, brought public debt levels close to 60 percent of GDP, the legal limit set in 2008. In 2010, with fiscal space tight and revenue growth slowing, the Government cut expenditures by 9.5 percent at mid-year, reducing the fiscal deficit to 3.1 percent of GDP (from 7 percent in 2009). Another mid-term fiscal adjustment (1.4 percent of GDP) was made in 2011 to keep public debt within 60 percent. For 2012, though revenues were again lower than projected, the Government did not make a mid-year fiscal adjustment in anticipation of receipt of privatization revenues. However, a looming energy shortage (see para. 19) and delays with completing privatization transactions made an increase in the fiscal deficit to 3.5 percent of GDP in 2012 unavoidable, pushing the debt level to 60.8 percent. In addition, there are sizable outstanding bills and accumulated arrears for public works and full VAT reimbursements (approx. €200m per IMF estimates). In December 2012, the parliament approved the removal of the 60 percent ceiling from the organic budget law, without proposing any other limit or goal. Albania's 2013 budget targets a general government fiscal deficit of 3.4 percent and foresees a further increase in public debt.

8. ***Clearing arrears to private companies, together with establishing an effective mechanism for commitment control, is a key priority.*** The ambitious agenda of public investments put forward in 2007 was based on anticipation of much higher fiscal revenues than actually happened after the global financial crisis in 2008. Many public works continued at the same pace as initially planned despite considerable cuts in the annual budget funding for these works because of growing fiscal constraints. These works were often carried out through commercial bank lending. While the unpaid claims could not be identified in the treasury due to the lack of a multiannual commitment system, the delays in arrears clearance showed up in the increasing level of Non-performing Loans (NPLs, see para. 11). Swift clearance of arrears is important for the credibility of public finances, as well as for supporting the private sector at a difficult time, reducing pressures on the commercial banks, and improving the quality of bank lending. Recently, government has accelerated the work on setting up the mechanisms that would prevent recurrence of arrears in the future and publicly committed to clearing existing arrears in the first half of 2013. Fulfilling this commitment will be a good step forward.

9. ***Lowering public debt over the medium-term remains critical to macroeconomic stability and growth.*** Albania's public debt is among the highest in Eastern Europe. A high and growing public debt means increased rollover risks and elevated interest costs. Interest expenditures are much higher than in other SEE countries, crowding out more productive spending and representing a major source of vulnerability for the budget. While the deficit has been mainly used for the development of infrastructure, which has historically suffered from the lack of investment, financing the deficit is becoming unsustainable. Increased public borrowing would also damage growth prospects by crowding out the private sector. Additional fiscal consolidation measures embedded in structural reforms are needed to send a credible signal to the markets. Priority actions being discussed with the Bank include: (i) strengthening tax administration and exploring new revenue sources; (ii) reforming power sector rules and tariffs to make the sector more self-sustaining; and (iii) reforming the pension scheme to stem the pension fiscal deficit. The use of future privatization revenues, to complete clearance of arrears

and reduce debt will be of paramount importance. Albania would also benefit from entering into a new program with the IMF, after the precautionary program was terminated in 2009.

10. ***External imbalances improved in 2012, but remain high.*** After reaching 15 percent of GDP in 2009, the Current Account Deficit (CAD) dropped to below 12 percent of GDP in 2010, owing to an increase in exports, particularly of minerals and electricity. The resumption of large public investments in 2011 resulted in a spike in imports of machinery and equipment, contributing to a small deterioration in the trade deficit which was fully financed through foreign loans. In 2012 CAD dropped to 10.5% of GDP as a result of narrowing trade deficit. The trade deficit is expected to decline further in the medium-term (to 8 percent by 2014) due to the moderation of large public investments, which should result in lower imports. The CAD will be financed by foreign direct investment (banking sector inflows).

11. ***The financial sector has remained largely stable vis-à-vis the on-going Eurozone crisis but faces escalating risks derived from the prolonged unfavorable external environment and the continued deterioration of banks' loan quality.*** Albania's banking sector, with assets equaling about 85 percent of GDP (2011), comprises 16 banks. Five banks collectively hold about three-quarters of total banking system assets. Four of these banks are Austrian, Greek or Italian owned. As of September 2012, the overall banking sector capitalization was 15.9 percent and deposits exceeded pre-crisis levels (having recovered steadily from a sharp drop in 2008). The banking system is relatively well-provisioned, as the ratio of provisions to total loans has increased four-fold since 2007. However, this increase in provisions has impacted banks' financial performance, which is evidenced by declining returns. Furthermore, there has been a sharp rise in non-performing loans (NPLs), from 6.7 percent in 2008 to 22.7 percent at end-September 2012, by now the highest level in the region. This reflects both the general economic slowdown and the difficulties faced by banks in the execution of their collateral. These weaknesses are exacerbated by the obstacles some bank borrowers are facing in obtaining VAT reimbursements and/or payments for goods and services provided to the Government. The tide of rising NPLs has undermined banks' earnings, capitalization and their ability to extend new loans.

12. ***The Bank of Albania (BoA) has been proactive in adopting prudential measures to safeguard financial stability but continued efforts are needed.*** Important steps already taken include requiring banks to seek additional capital, putting in place higher liquidity ratios, stepping up financial sector monitoring, and finalizing the transformation of bank branches into subsidiaries. The banking sector has increased its capitalization by over US\$200 million in the last two years. A November 2011 amendment to the Law on Banks strengthened the BoA's capacity to deal with distressed banks by providing it with the power to establish a bridge bank. The Ministry of Finance, Financial Supervisory Authority and BoA also established the Financial Sector Action Group in early 2012 to strengthen macro-prudential supervision across the financial sector, to enable quick action in the event of a threat to financial stability. While these actions have helped to maintain financial stability, ongoing Eurozone uncertainty necessitate continued vigilance and further actions to reduce remaining financial sector vulnerabilities, stem the tide of increasing NPLs, and encourage banks to resume lending once private sector demand re-emerges.

13. ***The recent sluggish economic performance has likely been insufficient to reduce poverty.*** Although Albania experienced rapid poverty reduction up to 2008, the effects of slower growth appear to be placing a large part of the population under increasing strain. While there

has been no official household survey to measure *poverty* since 2008, available sources such as the Life in Transition Surveys (LITSs) conducted in 2006 and 2010 indicate that poverty has stagnated or possibly worsened. This is also supported by Labor Force Survey data on *employment*, which shows that 27 percent of Albanian households have at least one member who had lost a job versus an ECA average of 18 percent. Furthermore, available data on unemployment indicate a slight increase from 12.5 percent in 2008 to 13.3 percent in 2011. While the situation of Albanian women has improved over the past decade (particularly with regard to social services access), *gender* gaps are pronounced in terms of economic opportunity. The share of women entering the labor force has increased gradually since the transition but a large gap in labor force participation is still apparent – with a 56 percent activity rate for women compared to 77 percent for men. Albania also has a comparatively large wage gap, with women earning only around 65 percent of men’s earnings. See Annex 2 for further information on gender.

14. *Overall, Albania still faces a number of challenges with respect to the availability and accuracy of statistics in terms of both macroeconomic monitoring and social welfare measurement.* Annual national accounts data (on expenditure basis) have not been published since 2007, while quarterly GDP statistics are available only with significant lags. The International Monetary Fund (IMF) is providing TA to develop capacity to complete national account statistics. As noted above, a comprehensive household survey dataset has not been published since 2008, complicating the measurement of trends in poverty and household welfare. The Life in Transition Survey (LITS) program, supported by the Bank, should help to partially address this gap, but more efforts will be needed – including further analysis of available data to understand the impact of the slowdown on the most vulnerable groups (e.g., Roma, children and the elderly). The Bank is increasingly coordinating its assistance in this area with EU-funded support to raise Albania’s capacity to undertake censuses, data processing and analysis, and dissemination.

III. Key Development Challenges for the Remainder of the CPS Period

15. *In broad terms, the main challenges facing Albania remain unchanged since the CPS was prepared but there are some shifts in specific priorities given external and internal developments.* These shifts in priorities are described below to provide context for the changes in the CPS program described in Sections IV and V below.

Improving Competitiveness

16. *While Albania has made notable achievements in some areas affecting competitiveness, recent external developments and/or policy inaction have complicated progress in others.* One area in which concrete progress is observable concerns the legal and regulatory framework *for business*, which has been substantially overhauled and modernized. Since 2011, the Government has also stepped up efforts to strengthen *property rights*, though deficiencies persist in some key related areas such as construction licensing.

17. *Albania continues its efforts to obtain EU candidate status. In particular, recent positive steps in terms of governance include the passage of key legislation linked to the EU accession agenda and the recommendation of EU candidate status, subject to clear conditions.* The past two years also saw some important results with regard to public sector management,

including more transparent public procurement and improvements in tax administration. Going forward, efforts to strengthen public administration, public financial management and the rule of law must continue. Priority should also be given to the ongoing efforts to fully implement new financial management and procurement procedures within the central government and municipalities. Finally, efforts to introduce EU and international accounting standards for the private sector will also need to be strengthened.

18. ***Albania's competitiveness is adversely affected by the fiscal and financial sector issues discussed in the preceding section.*** As mentioned in para 9, the high government demand for credit (to roll-over the large public debt) tends to crowd out the private sector and keep interest rates at levels above those seen elsewhere in SEE. In turn, weaknesses in fiscal and public financial management – particularly the non-payment of government contractors and timely VAT reimbursements – have exacerbated both the rise of NPLs and private sector hardship during the economic slowdown.

19. ***Overcoming infrastructure bottlenecks remains critical to Albania's competitiveness.*** The WBG in 2008 supported Albania in a major reform of its power sector. Key elements of this reform included unbundling of generation, transmission and distribution, and privatization of the distribution arm (76 percent of shares) to a strategic investor. After initial improvements to the distribution network, the situation in the sector deteriorated in 2012, leading to the removal by the regulator of the operating license for the private distributor in early 2013 and appointment of an interim administrator. Furthermore, Albania and Southeast Europe more broadly suffered a severe drought through most of 2011-12. This, combined with the dispute with the distribution company, brought the sector to the verge of crisis, threatening social welfare and economic growth, undermining investment, and adding pressure on public finances. While favorable hydrology since December 2012 has helped avert the worst-case scenario for power supply, all main power sector entities remain exposed to severe financial stress, weather volatility and uncontrolled energy losses, and the country still faces a constant risk of imminent power shedding and potential outages. Regarding the dispute between the Government and the majority shareholder of the distribution company, the two sides are heading towards arbitration, but are also beginning to engage in informal mediation towards an amicable solution. The World Bank Group has a long-term commitment to develop Albania's power sector as a key to unlocking growth.

20. ***Addressing this situation in a permanent way will involve, inter-alia:*** (i) rapid reduction of power losses, which have increased since 2008; (ii) investments in the grid and in generation to increase reliability and diversify; (iii) mobilization of funds to inject liquidity and restore creditworthiness of the public generation company; (iv) restoration, and enforcement, of commercial contractual practices in the power market and with suppliers; and (v) consistent Government commitment to implementation of market rules to encourage investment. Another priority with regard to infrastructure is to strengthen the maintenance, quality and safety of the ***road network*** through institutional reforms to strengthen the nascent roads authority and develop sustainable road management and financing systems.

Sustaining Social Gains

21. ***In light of the potential impact of the economic slowdown on poor households, it is imperative to ensure that social services and the social protection system alleviate declines in***

welfare. Despite comparable expenditure patterns, Albania's health and education outcomes continue to lag behind EU 10 country averages. The key challenge is to improve the efficiency and quality of services, while continuing to close remaining coverage gaps in rural locations and for ethnic minorities, such as the Roma. In health, it is critical to strengthen the management of health care institutions and payments systems to improve the quality and efficiency as well as to address regional imbalances in the access and quality of service provision. Such efforts need to be complemented by investments in water and sanitation and waste management to improve not only population health but also the business environment. In education, it is important to strengthen school accountability and incentives, reform curricula and improve teacher training. To foster growth, it is also critical to invest in higher education and skills. Finally, it is of utmost importance to enhance the effectiveness and efficiency of Albania's social safety net to avoid the impoverishing effects of the economic slowdown, including improving the targeting, benefit design and coherence of the various programs.

Strengthening Water Resource Management and Adapting to Climate Change

22. *Albania's high dependence on its water resources, particularly for hydropower and irrigation, and the increased incidence of both floods and droughts due to climate change make it imperative to address water management in a comprehensive and integrated way.*

Albania is among the countries in Europe that are most exposed to climate change -- particularly with respect to damage due to floods and overall water resource management. Climate variability has magnified serious weaknesses in the management of Albania's water resources, which is characterized by fragmentation and duplication and inadequate stakeholder involvement. High priority needs to be accorded to addressing these weaknesses *inter alia* through strengthening river basin authorities, developing realistic river basin management plans, rehabilitating dams and ensuring dam safety while at the same time modernizing irrigation systems in collaboration with local governments. These efforts should be complemented by improving watershed and forest management at community level.

IV. Progress towards achieving CPS objectives and outcomes

23. *The Bank program is delivering important development results in many areas although efforts to achieve fiscal consolidation and reduce public debt have encountered difficulties in the face of political pressures and the prolonged Eurozone crisis.* While many activities are still underway, some important results have been achieved to date across all three CPS pillars.

- In **Pillar I – Competitiveness:** With regard to the business climate, key achievements include establishment of an EU-compliant National Metrology Laboratory, adoption of an EU-compliant regulatory framework for inspections, and associated training of 175 government officials. The inspection legislation has seen major changes with the aim of making the inspection regime more transparent, efficient and corruption-free. A new central inspectorate was established and the number of inspectorates has been reduced from 36 to less than 15. The number of days needed to register a business has been further reduced from 5 to 4 days. Support to land administration and management, including computerization and capacity building of major property registration offices, has helped reduce the time to register a property transaction (now being undertaken within 10 days in Tirana) and improve the quality of services, according to customer surveys. In public sector management, key outcomes included implementation of an automated treasury system, tax e-filing, and e-procurement, supported by the Integrated Planning

System (IPS) and the Governance Partnership Facility (GPF) multi-donor trust funds. The IPS project has been instrumental to improve analytical capacities for running effectively the medium-term expenditure framework, and strengthening planning and budgeting processes (see Box 1). Debt management processes have seen major improvements. Of more than 50 countries assessed by the World Bank under the Debt Management Performance Assessment (DeMPA) program so far, Albania stands out as one of the few which has sound debt management practices in the largest number of areas as defined by the DeMPA methodology. Albania joined the Extractive Industry Transparency Initiative (EITI), produced two assessment reports and has asked the International EITI Secretariat to conclude the evaluation exercise, which could result in Albania being declared EITI compliant during the Global EITI Conference in May 2013. Following Bank's recommendation to link education with labor market needs, progress has been made on the adoption of the Bologna process for modular education that is compatible across Europe, the expansion of the numbers of students in higher education, and the introduction of short-cycle, sub-degree programs in regional universities. In addition to curriculum reforms, there has been progress on setting up an accreditation system for universities, and university ranking procedures. The regional REPARIS program promoted the introduction of EU requirements and standards in corporate sector accounting, helping over 170 local companies. IFC's engagement helped to improve corporate governance, and environmental and social standards at the firm level. Through introduction and implementation of international standards, IFC helped to increase their sales and exports. Further, an IFC alternative dispute resolution program contributed to resolving commercial disputes, avoiding lengthy and expensive court cases and releasing funds for investments. IFC also invested US\$6.7 million additional equity in a state-of-art cement production facility, which, in total, increased local availability of cement at more competitive prices and provided 400 new jobs. Another area in which outcomes have largely been met concerns transport bottlenecks. As planned, 110 km of secondary and local road networks were rehabilitated or constructed, 81 communities are now connected by road to services and markets, and an asset management system for secondary and local roads is in place.

- In **Pillar II** -- **Broadening and sustaining Albania's social gains** -- some key achievements include universal retraining of primary health care providers, unification of primary and secondary health care purchasing, and adoption of performance based contracts in the funding of public hospitals, as well as adoption of the legislation on mandatory health insurance. With respect to education, secondary school curricula have been fully revised and enrollment has risen to over 75 percent (versus a target of 70 percent), triple shifting of classrooms has been eliminated and double shifting reduced from 36 percent to 16 percent in basic education and 6 percent in secondary education. Independent assessment of student achievement is another important innovation. In social protection, significant legal reforms were implemented to improve targeting of the main programs.

- In **Pillar III** -- **Improving water, environment and climate risk management** -- one notable result has been improved management of forest, pasture and water resources in about 250 communes, as evidenced by a 28 percent increase in income generated by forest and agricultural lands, and a significant reduction of soil erosion. Albania also became one of the first countries to sequester carbon on eroded lands, realizing an emissions reduction payment of nearly US\$200,000 (with an additional payment being processed, following confirmation of verification of 178,600 tons of Emission Reductions undertaken in September 2012), mainly for the local communities. Further results have been achieved with respect to remediation of one of the most contaminated coastal sites in Albania at Porto Romano. In addition, disaster risk

management has been strengthened through equipping first responders and piloting a regional affordable catastrophe risk insurance program. IFC helped foster the private sector role in renewable energy through supporting a new Renewable Energy Law. Also, IFC financed US\$11.8 million credit line to support a local bank in Albania. The proceeds from the loan will be utilized to finance energy efficiency and renewable energy projects through eligible sub-loans to Albanian companies.

24. ***The World Bank supported portfolio currently consists of nine operations totaling US\$243.5 million of which 31.2 percent has been disbursed.*** Eleven operations closed during FYs10-12, all but one of which were rated satisfactory or moderately satisfactory with respect to achievement of their development objectives. The outcome of one project, the Power Sector Generation project, was rated moderately unsatisfactory in the ICR due to problems with the cooling system at the Vlore Power Plant which appeared after project closure. The Bank has helped to assess the causes of this late-breaking problem, and plans to include support for upgrading the cooling system within the program going forward (see para. 29). In line with the operational objective defined in the CPS, closure of these operations led to a significant consolidation of the portfolio from 18 projects at the end of FY09 to 9 projects by end FY12.

25. ***Of the eight projects in the current portfolio, four projects*** - the Education Excellence and Equity project, the Land Administration and Management project (LAMP), the Integrated Coastal Zone Management and Clean-Up project, and Dam Safety Project - are rated moderately unsatisfactory for implementation progress. For the LAMP, development objective was also rated moderately unsatisfactory because implementation delays have put at risk the completion of some key activities. The Government and the Bank have jointly worked on addressing the implementation issues, and these projects have recently shown improved progress and are expected to be upgraded in the next months. . During FYs11-12, the disbursement ratios (22 and 24 percent respectively) were in line with ECA averages). As of March 2013, IFC's investment portfolio consists of nine projects totaling US\$159 million, of which US\$135.6 million is outstanding.

26. ***Trust Funds managed or implemented by the WBG total US\$19.1 million and are fully aligned with Bank activities in support of the CPS pillars (Annex 4).*** Half of the TF portfolio - about US\$9.2 million - is in support of Pillar 3 of the CPS, focusing on water and natural resources management. Nine grants totaling about US\$8.7 million are in support of Pillar 1 activities, largely covering the financial sector, infrastructure and land administration. The governance agenda in particular received substantial support during the CPS period through: (i) a GPF grant for US\$1.5 million aimed at strengthening governance, accountability and public sector management in a number of areas; and (ii) a US\$6 million multi-donor trust fund for an IPS operation. Both trust funds closed at the end of FY12. A follow up IPS-2 operation has been prepared, also financed by a multi-donor trust fund, for an initial amount of about US\$4 million dollars, with a further contribution expected in FY14 (Box 1). Additionally, it is expected that Albania will receive a grant from the new Russia-financed ECA Capacity Development Trust Fund to prepare a Roads Safety and Maintenance project for delivery at the beginning of the new CPS period, most likely in July 2014. Finally, for Pillar 2, the CPS program includes US\$1.2 million for a community-based youth program financed by a grant from the Japan Social Development Fund, and the EU is considering support to the work on strengthening social assistance through IPA13.

27. *The Bank Group is using its analytical expertise to engage with the Government, the private sector and other partners through both formal reports and just-in-time assistance.* The FY11 Country Economic Memorandum focused on priorities for returning to higher economic growth rates and helped inform the ongoing national debate on the economy. The Bank also provided analytic and advisory support on debt management (through DeMPA) and carried out an assessment of Public Expenditure and Financial Accountability (PEFA) at the request of the Ministry of Finance. A major AAA on strengthening governance and anti-corruption efforts was influential in shaping both Government programs and Bank projects. In addition, the Bank partnered with UNDP to undertake a joint project on Economic Governance, Regulatory Reform and Pro-Poor Development. The Bank also provided Aarhus Convention Compliance TA to improve access to information, public consultations and justice with respect to the environment. A country specific FY12-14 Corporate Financial Reporting Reform TA project builds on past REPARIS regional efforts to strengthen corporate sector accounting and financial management practices in line with EU requirements. In parallel, IFC has been helping to develop a better corporate governance culture through work with the key regulatory and market institutions and establishing the Corporate Governance Institute of Albania. IFC's sub-national program helped assess implementation of streamlining procedures at sub-national level.

Box 1: Governance and Public Sector Management

Governance and public sector management remain important challenges as Albania strives for rapid and broad-based socio-economic development and convergence with the EU. Given the centrality of improved governance to Albania's progress towards EU accession, the EC through its annual Progress Report and accompanying technical and financial assistance has been taking the lead on a wide range of political and governance criteria. Albania has made notable progress in several priority areas including electoral reform, anti-corruption actions (such as lifting immunity for high officials, see para 3), judicial reforms, and strengthening public sector management in areas such as donor coordination, adoption of a single treasury account and on-going improvements in personnel administration. With the EC in the lead on governance activities, the WBG and other external partners are playing supportive roles in areas of their respective expertise. Specifically, the Bank, with EU and bilateral donor financing, has been involved in strengthening the policy planning and budgeting framework to ensure that core policy and financial processes function in an integrated manner. *Inter alia*, the Integrated Planning Systems (IPS) 1 project, which closed in 2012, helped develop an orderly process for budget preparation, development of a results-based monitoring system, implementation of an automated single treasury system and capacity development in central and line ministries. An IPS 2 project, also funded by donors, is currently being prepared to ensure full implementation of reforms introduced under IPS 1. The project will also strengthen: input cost analysis in public budgets; the quality of M&E in line ministries; capacity for decentralized management in conformity with EU practices; and, more dynamic macro-fiscal forecasting, including promoting transparency and improved outreach to all stakeholders. .

V. Modifications to the CPS and the way forward

28. *The CPS program has been adjusted in some important respects to better help Albania to manage the risks arising from economic vulnerabilities.* As originally designed, the CPS envisaged total IBRD commitments of US\$275 million for FY11-14, which was increased to US\$300 million at the end of FY11 to help with catastrophic flooding and safety of major dams. It retained some flexibility with respect to the pipeline of operations (especially for FY13 and 14) in view of ongoing Eurozone volatility and the need to calibrate new lending to the pace of consolidation of the existing portfolio. In light of the continued deterioration in the external

environment, growing fiscal constraints, and power sector problems, the Government and Bank recently agreed to increase the CPS' emphasis on reducing economic, financial sector and energy sector vulnerabilities. In FY12, the Bank allocated an additional US\$275 million to help Albania respond to the Eurozone crisis, for a total CPS envelope of US\$575 million. Incomplete fiscal consolidation has slowed the pace for absorbing the CPS financing envelope, and efforts in the second half of the CPS period will focus on structural reforms to create the fiscal space needed for growth-enhancing investments and targeted support for the economically vulnerable.

29. *The CPS program for FY13 and 14 will include projects under all three Pillars* as described in the following paragraphs (Table 2):

- **Pillar 1 - Competitiveness:** To reverse the deteriorating situation in the energy sector (para. 19), the Government has requested technical and financial support for: i) undertaking, on a priority basis, a study for optimizing the use of hydro reservoirs along the Drin river cascade and advising on the tendering process for cooling pipe upgrading works at the Vlore TPP; and ii) to restoring financial viability and service provision in the sector over the medium-term. While the first part of the request is being addressed by the on-going program of TA and implementation support, a new Energy Sector Reform and Recovery Project (US\$150 million) will be delivered in FY14 to help restore financial viability of the sector through: (a) financial restructuring of the key public energy companies; (b) enforcing application of commercial practices among energy utilities and consumers, including payment discipline, and (c) targeted investments to increase efficiency in the power utilities. The Bank and IFC will provide coordinated technical assistance and advice. Building on its FY11-12 investments in re-development of an onshore oilfield in southern Albania, IFC will continue to be involved in infrastructure through three projects: (i) a first PPP transaction for the operation and maintenance of the main highway connecting Albania's coast with Kosovo; (ii) privatization of a series of hydropower plants; and (iii) a PPP transaction for integrated solid waste management in the Municipality of Tirana. Support to public sector management and governance will continue through a multi-donor funded IPS2 project, which has been developed in place of the IBRD financed operation proposed under the original CPS. Given heightened external and internal risks to the financial sector, a new DPL to strengthen financial sector resilience (US\$150m) would be considered for delivery, as soon as the government demonstrates a clear commitment to a credible program for sustainably tackling fiscal issues, tentatively in FY14. Provided such commitment, a new series of budget support operations (US\$50-75m per loan) focused on fiscal consolidation and competitiveness would follow the financial sector DPL. Preparation of the roads project, which was planned in the original CPS program, will begin in FY13, but, provided that all the above operations materialize, the project will be delivered early under the next CPS to make room under this CPS for the energy and DPL operations. Should the DPL operations be further postponed, the road project will be brought forward for FY14 delivery.

- **Pillar 2 – Social Sector:** The bulk of IBRD lending under this CPS during FYs 11 and 12 has focused on Pillar 2. The Social Sector Reform DPL (US\$25m) was approved in FY11 and was followed by a results-based investment project for Social Assistance Modernization (US\$50m). The latter project was doubled in size to help Albania address increased household vulnerability associated with the economic slowdown. A follow-on project is planned in health for FY14 (US\$42m). If both financial and fiscal DPLs go forward in FY14, the health project

will be postponed for the next CPS period. An education project will be prepared for the next CPS, following completion of the ongoing Education Excellence and Equity project.

- **Pillar 3 – Water and Climate Change:** The Water Resources and Irrigation Project, originally planned for FY12, was approved in the second quarter of FY13, and the Water Sector Investment Project will be delivered later in FY13. Processing of these projects was delayed due to the challenges in preparing projects involving central and local governments as well as community organizations. To support the use of clean energy, IFC invested US\$8.6 million equity in a holding company in Albania, which in turn will invest in small hydro projects during FYs13-14.

Table 2: Lending, FY11-14 (in US\$ million)

FY11	
Social Sector Reform DPL (US\$25m)	25
Total FY11(Actual)	25
FY12	
Additional Financing for APL5 Dam Safety	21.6
Social Assistance Modernization Project	50
Total FY12(Actual)	71.6
FY13	
Water Resources and Irrigation (Actual)	40
Water Sector Investment Sector	86
Total FY13	126
FY14	
Energy Sector Reform and Recovery Project	150
Financial Sector DPL*	150
Health Project	42
Environment Services	10
Total FY14	352
Total FY11-14	574.6

*The DPL will go forward if the macro outlook improves. In this case, the fiscal DPL, planned for FY15, may also be delivered in FY14.

30. **The Bank Group’s knowledge work will continue to play a prominent role in support to Albania.** The Bank’s AAA program will continue to be demand driven, providing economic and social analyses, as well as best practice examples and experience from other countries to aid the authorities in developing policy choices for future reforms. At the request of the Ministry of Finance, the main support the main focus on AAA in this period will be on supporting fiscal and financial management. FY13 TA to help the government update its Public Finance management (PFM) Strategy (FY13) and a FY14 formal report on Public Expenditure and Finance Review

will help define means of consolidating and increasing efficiency of spending. In addition, TA activities for pension reform (FY14) and the energy sector (FY13-14) will focus on increasing performance and financial sustainability. NPL TA (FY13-14), undertaken with the Bank of Albania, aims to help reverse an increasing trend in NPLs. In the environment sector, the Bank will undertake an innovative research activity to value specific environmental services and develop strategies for payment to communities for the services. Findings will feed directly into design of the proposed Environmental Services Project (FY14). IFC will continue to use its advisory services to support Albania to further improve the investment climate in line with the country's overall EU accession aspirations.

Table 3: Actual and Planned Country Specific AAA, FY11-14

Supporting the recovery in Albania's economic growth/competitiveness		Broadening and sustaining Albania's social gains		Water resource management and adapting to climate change	
Actual (FY11-12)					
Country Economic Memorandum	FY11	Economic Governance,	FY12		
Better Governance Policy Notes	FY11	Regulatory Reform			
Debt Management Assessment	FY12				
Public Economic and Financial Accountability	FY13				
Planned (FY13-14)					
PFM Strategy TA	FY13	Youth Empowerment (JSDF)	FY14	Comprehensive flood	FY13
Extractive Industry Transparency Initiative	FY14	Pro-Poor Development	FY14	management (GFDRR)	
NPL TA	FY14	Pension Reform TA	FY14	Aarhus Convention Compliance	FY13
Public Finance Review	FY14				
Energy Sector TA	FY14				
Policy Notes on key reforms	FY14				
IPS2	FY15				

31. *Albania will also benefit from regional AAA work on Regular Economic Reports, Jobs, Safety Nets, Health Financing, Capacity Building for Monitoring and Evaluation, and the Regional Energy and Climate Change Strategies, as well as the multi-year efforts on Poverty Analysis and Gender Monitoring.* IFC will also make use of regional programs to support Albania. The ongoing Balkans Renewable Energy Program will support private sector efforts to develop and operate feasible energy plants. It will continue to emphasize streamlining of regulations at the sub-national level and support investment generation and policy advocacy capability at the national level investment generation and policy advocacy capability at the national level.

32. *The Bank will work closely with the EU as well as other donors in the delivery of both lending and AAA activities building on the successful collaboration over the past two years.* Going forward, the Bank will partner closely with the EU, particularly in the social assistance and public sector management areas. In both these areas, the EU expects to provide IPA13 financing which will expand and complement ongoing Bank-supported programs. The Bank and EU also expect to work closely in the areas of property rights and environment in the coming years. Monthly joint operational meetings have been introduced in order to ensure adequate coordination. Cooperation will also continue with other multi-lateral partners especially EBRD, EIB and the UN system. The Bank program also benefits from strong collaboration with a

number of bilateral partners including Austria, Japan, Germany (KfW), Sweden and Switzerland. See Annex 3 for additional information on donor and IFI activities. IFC's extensive advisory service programs are supported primarily by EU, Austria and Switzerland.

Table 4: Actual and Planned Regional AAA, FY11-14

Supporting the recovery in Albania's economic growth/competitiveness		Broadening and sustaining Albania's social gains		Water resource management and adapting to climate change	
Regular Economic Reports	FY12-15	Program. Gender Monitoring	FY12-15	Adaptation to Climate Change in Agriculture	FY11
TA Science Research and Development and Innovation (EC TF)	FY12-14	Programmatic Poverty Monitoring	FY12-15	PROFOR Innovative Financing for Sustainable Forest Management in Southwest Balkans	FY14
Monitoring & Evaluation (EC TF)	FY12-15	Smart Safety Nets	FY13	Climate Change Strengthening	FY14
Programmatic Financial Sector Development	FY12-15	Health Finance	FY14		
Gas Ring Study (WBIF)	FY12-15	Employment and Jobs	FY14		
Transport Study (WBIF)	FY12-15				
Public Financial Management (EC TF)	FY13				
Energy Strategy	FY14				
Trade Logistics IFC	FY14				
Renewable Energy Advisory IFC	FY12-15				
Corporate Governance IFC	FY12-15				
Investment Climate IFC	FY12-15				

33. *The adjustments to the CPS program under this Progress Report are reflected in the revised results matrix attached as Annex 1.* Most of the indicators have remained unchanged because they derive from the ongoing portfolio which has been implementing satisfactorily during this CPS period. However, some modifications have been introduced to reflect: (i) introduction of the new financial sector operation and related technical assistance; (ii) the delay in moving forward with the original DPL program; (iii) delays in processing of the Water Resources and Irrigation Project and the Water Sector Investment Project; and (iv) the postponement of the roads project to the next CPS.

VI. Risks

34. *The CPS faces three main risks: (i) fiscal management and high debt levels; (ii) energy sector issues; and, (iii) political polarization.*

- ***Fiscal management and high debt levels:*** The main risk for the CPS objectives and program is fiscal management and associated mounting pressures on the public finances. The problems Government is experiencing in effecting fiscal adjustments have already increased the debt level beyond the 60 percent benchmark. In addition, there remain sizeable arrears with respect to VAT reimbursements and payments to contractors for services provided to the state. A prolongation of the Eurozone crisis would further depress growth prospects in the medium term, making it difficult for the country to maintain macroeconomic stability, banking sector resilience and growth without swiftly initiating structural reforms. Lack of fiscal consolidation and exhausted fiscal space has also delayed the implementation of the existing portfolio and the planned CPS program. The Bank would support a reform strategy through continued policy dialogue, a AAA program, and DPL operations.

- **Energy sector:** The situation in the energy sector, which has dramatically deteriorated over the past year, presents a major fiscal, financial and supply security risk. The WBG is helping to mitigate the sector's fragility and vulnerability through: (i) encouraging the government to find an amicable solution to the dispute with the majority shareholder of the distribution company through negotiations; (ii) FY13-14 TA to assist with hydropower management and preparing a long-term sector recovery plan; (iii) a subsequent Energy Reform and Recovery Project in FY14 to strengthen performance and viability of sector participants in the medium-term; (iv) a power sector reform pillar in the fiscal DPL series, which are expected to start in FY14 or early FY15; and (v) Bank's technical assistance coordinated with IFC support to bring in competitive private sector.
- **Political context:** Although the ruling party and the opposition have recently increased cooperation (para 3) there is a risk that the extreme polarization of 2009-2011 could reemerge in the run up to and after the June 2013 general elections. This risk is partially mitigated by the common objective of both parties to achieve EU accession and the position of the EU that successful conduct of the elections will be key to opening membership negotiations.

Annex 1: Results Matrix for the Country Partnership Strategy

OUTCOMES THE WBG PROGRAM IS EXPECTED TO INFLUENCE	MILESTONES	PROGRESS TO DATE	WBG INSTRUMENT
Strategic Objective 1: Accelerating the recovery in Albania's economic growth through improved competitiveness			
<i>(i) Sound macroeconomic management and improved public expenditure management</i>			
ISSUES AND OBSTACLES and COUNTRY DEVT GOALS			
Albania needs to strengthen the credibility and contestability of fiscal policy and the budget process, including by introducing more ex post monitoring and analysis of expenditures and development outcomes, and improving the quality of national statistics. Meanwhile continued progress on fiduciary reforms is essential to improve the governance of public expenditures.			
<p>Improved credibility and contestability of fiscal policy, strengthened financial stability, national economic statistics, reporting on development outcomes and governance of public spending</p>	<p>Automated treasury system fully implemented across and used by all central government ministries and agencies for payments, receipts, commitments and asset management.*</p> <p>Detailed and consolidated government in-year budget execution reports published monthly on-line by 2012.</p> <p>All Bank-finance projects budgeted fully in the MTBP, using Treasury System for financial management, and reported on in government financial reports.*</p> <p>Fully functional EU-compliant procurement complaints review mechanism in place.</p> <p>e-procurement system certified for use by some donor-financed projects, including World Bank.*</p> <p>A back-stop facility with the MoF for the Deposit Insurance Authority established.</p> <p>Foreign bank branches, which retains capital in country, are converted into subsidiaries.</p> <p>* milestones for Governance Filter v2.0</p>	<p>By 2011 the milestones were fully achieved.</p> <p>Achieved. However reporting needs improvement in order to be timely and more user-friendly.</p> <p>In progress. The automated Treasury System has been enhanced and is expected to be decentralized. The Bank is using the system in a number of projects. The Bank financed projects are partially considered in the MTBP and Annual Budget preparation and revision process.</p> <p>In progress. Procurement complaints review mechanism is in place but not yet fully compliant with EU. A new institution (PPC) is responsible for the complaints review mechanism, instead of Public Procurement Agency (PPA). Both agencies are not decentralized and report to the Prime Minister.</p> <p>Achieved. E-procurement was used in the Local and Secondary Roads project.</p> <p>Completed: MoU between MoF, DIA and BOA signed.</p> <p>Completed.</p> <p>Completed: The Financial Stability Action Group (FSAG) was established to regularly monitor and identify threats to financial stability. The FSAG is led by the Minister of Finance, and issues a press release</p>	<p>Completed: Integrated Planning System (IPS) MDTF</p> <p>Planned: IPS2 MDTF FY13</p> <p>Planned: Fiscal DPL FY14</p> <p><i>Quarterly Econ Reviews</i></p> <p><i>SEE biannual regional reports</i></p> <p>Completed: <i>Governance Partnership Facility program - Fiduciary Review</i></p> <p>Completed: <i>PEFA (FY12)</i></p> <p>Completed: <i>ROSC on Fiscal Transparency (FY12)</i></p> <p>Ongoing: <i>ROSC on Data Quality Assessment Framework (FY13)</i></p> <p>Ongoing: <i>PFM Strategy (FY13)</i></p> <p>Planned: Public Finance and Expenditure Review (FY14)</p> <p>Planned: Financial Sector DPL FY14</p> <p>Ongoing: <i>NPL TA(FY14)</i></p>

OUTCOMES THE WBG PROGRAM IS EXPECTED TO INFLUENCE	MILESTONES	PROGRESS TO DATE	WBG INSTRUMENT
		<p>with each of its meetings.</p> <p>Completed: The remaining foreign-owned bank branches were converted to wholly-owned subsidiaries, ensuring domestic capital is available if called upon at times of need.</p>	
<i>(ii) Improving business regulations and reducing compliance costs for the private sector</i>			
<p>The cost of doing business in Albania remains high in part due to administrative corruption and a high “time tax”, Albania’s investment climate is undermined by inadequate property administration and weaknesses in urban land administration.</p> <p>Albania is slowly introducing EU and international standards for the private sector, but there is a need to reinforce the implementation and strengthen private sectors ability to comply with these requirements.</p>			
<p>Increased satisfaction with quality of regulations (base: 3.3 in 2005; target: 2.5 in 2012; 1=very satisfied; 6=very dissatisfied).</p> <p>Reduction in time for registering immovable property transactions. (status: 30 days in 2009, target: 10 days in 2012).</p>	<p>Regulatory framework for business inspections revised and adopted.</p> <p>Increase in government officials trained in techniques for regulatory review (status: 3 in 2008; target: 175 in 2011).</p> <p>Development of land and property rights regime.</p> <p>Complete computerization of Tirana Immoveable Property Registration Office.</p>	<p>Achieved in 2012.</p> <p>Achieved. 175 government officials were trained in regulatory review techniques by 2012.</p> <p>Achieved. Average time to register property in 2012 was 9.8 days.</p> <p>Achieved. The IT system is operational in Tirana and is being rolled out to municipal offices.</p>	<p>Completed: Business Environment Reform and Inst Strengthening Project</p> <p>Ongoing: FY07Land Administration and Management Project</p> <p>Completed: <i>Governance Partnership Facility program – Property rights and Expropriations Assessments</i></p> <p><i>IFC Trade Logistics Program</i></p> <p><i>IFC Tax Simplification Project</i></p> <p><i>IFC Sub-national Competitiveness Program</i></p>
<p>Improving private sector compliance with selected EU and international requirements particularly with respect to: (i) accounting and auditing standards; (ii) compliance with EU standards for exports; and (iii) issuance of environmental permits.</p>	<p>By-laws and regulations developed for an audit oversight system in line with EU directives.</p> <p>National Accounting Council regularly publishes updated International Financial Reporting Standards.</p> <p>EU-compliant National Metrology Laboratory fully operational.</p>	<p>In progress. To be completed by end 2013.</p> <p>In progress. The NAC has taken leadership in strengthening its capacity. Results will be visible in early 2013.</p> <p>Achieved. An EU-compliant National Metrology Laboratory is staffed with equipment to be fully operational from January 2013.</p>	<p>Completed: Business Environment Reform & Inst Strengthening Project</p> <p>Completed: <i>Aarhus Convention Compliance TA (IDF)</i></p> <p>Ongoing: <i>REPARIS Corporate Finance Reporting Enhancement</i></p> <p><i>Extractive Industry Transparency Initiative TA (MTDF)</i></p>

OUTCOMES THE WBG PROGRAM IS EXPECTED TO INFLUENCE	MILESTONES	PROGRESS TO DATE	WBG INSTRUMENT
	<p>Public, on-line database on environmental permit applications in place by Dec 2012.</p> <p>Increase in number of individuals and organizations trained in AaC principles (status: 0 in 2010; target: 250 in 2012)</p>	<p>Achieved.</p> <p>Achieved. At least 250 individuals/organizations were trained in AaC principles by 2012.</p>	<p><i>IFC International Standards & Technical Regulations Program</i></p>
<p>(iii) Improved and more financially sustainable, infrastructure services in roads, energy, and irrigation</p>			
<p>Albania's energy sector continues to face technical and financial challenges, in part owing to an unfinished reform agenda. Recent reforms including unbundling of the system, privatization of the retail supply and investments in strengthening generation and transmission capacities need to be brought to fruition before the impacts can be felt.</p> <p>Albania's competitiveness is impaired by inadequate road infrastructure. Over 75% of the local network is in poor condition. There has been a significant increase in road investments requiring commensurate increases in provisions and the efficiency of road maintenance. Efforts to improve road management institutions are underway and need to be consolidate.</p> <p>Increased agricultural productivity by improving irrigation system.</p> <p>Albania has high potential for agriculture, but faces significant rainfall variability, and irrigation and water management practices are fragmented and inefficient.</p>			
<p>Improved domestic energy supply (800 gigawatt of additional power supply per year), transmissions system operation, safety and operational efficiency of hydropower dams.</p> <p>Improved cost recovery within the electricity distribution system.</p> <p>Promote energy efficiency and use of cleaner energy (progress will be measured by the number of projects signed: base: 0 in 2010; target: 5 in</p>	<p>Complete construction and initiate commercial operations of Vlore Thermal Power Plant.</p> <p>Rehabilitation of three substations completed.</p> <p>Complete restructuring of Transmission System Operator and business plan including new tariffs approved.</p> <p>Remedial measures of high and medium priority targeting spillways and other dam infrastructure completed.</p> <p>Timely tariff adjustments approved for Distribution System Operator and Retail Public Supplier in conformity with the agreed Regulatory Statement. Financial Recovery program in the Sector, to allow KESH to clear its arrears to suppliers</p> <p>Cooperation Agreements signed with five banks to implement the Residential Energy Efficiency program.</p> <p>Revised step-in rights law encourages banks to finance Small Hydro Power Plants (SHPPs).</p>	<p>In progress. Construction of Vlora Thermal Power Plant completed, but the plant is still not operational due to a failure of the cooling system.</p> <p>Achieved.</p> <p>In progress. Result are expected to be visible and measured in 2014</p> <p>In progress. Spillway rehabilitation and electromechanical rehabilitation of Koman hydropower plant is underway</p> <p>In progress. The tariffs were adjusted three times during the 2010-2012 regulatory period, tariff levels will have to be adjusted in January, 2014.</p> <p>Achieved. Cooperation agreements were signed and implementation of the program is underway.</p> <p>In progress. Draft Laws and related bylaws have been prepared and are awaiting parliamentary approval.</p>	<p>Completed: Power Sector Gen & Restructuring Project</p> <p>Planned: AF for Dam Safety FY13</p> <p>Completed: ECSEE Energy APL2 Transmission Project</p> <p>Ongoing: FY08 ECSEE APL5 Dam Safety Project</p> <p>Completed: FY10 Partial Risk Guarantee for Privatization of Distribution System Operator</p> <p>IFC Renewable Energy Program for Small Hydro Power Plants</p> <p>IFC Residential Energy Efficiency Micro Loans</p> <p>IFC direct investments & specialized financial products in clean and renewable energy</p> <p>IFC credit line to finance energy efficiency and renewable energy</p>

OUTCOMES THE WBG PROGRAM IS EXPECTED TO INFLUENCE	MILESTONES	PROGRESS TO DATE	WBG INSTRUMENT
2013).			<p>projects</p> <p>Completed: <i>Economic Governance of Utilities - UNDP Fee-based service</i></p>
Improved road conditions and sustainability of road investments.	<p>108 km in local and secondary roads reconstructed/rehabilitated (by Bank project).</p> <p>Improved road access to services and markets (status: 0 in 2010; target: 26 communities in 2012).</p> <p>Increase in share of regional and local roads in better conditions (status: 0 km in 2009; target: 108 in 2012).</p> <p>Creation of an asset management systems for secondary local roads and Albania National Road Authority.</p> <p>Percentage of the national road network covered by performance based maintenance contract (status 0 in 2009; target 10% in 2014).</p>	<p>Achieved. 110 km in local and secondary roads have been reconstructed / rehabilitated to date.</p> <p>Achieved. 81 communities with improved road access to services and markets.</p> <p>Achieved. 108 km of regional and local roads rehabilitated.</p> <p>Achieved. The Asset Management Database and Systems have been established, the former under the Bank-funded SLRP, and the latter by EU.</p> <p>Achieved. 10% of Albania National Roads Network was under performance based maintenance contract by 2012.</p>	<p>Completed: Transport Project</p> <p>Ongoing: FY08 Secondary & Local Roads Project</p> <p><i>IFC's advisory for PPPs in Road Operation and Maintenance</i></p>
Strategic Objective 2: Broadening and sustaining Albania's social gains			
<i>(i) Broader access to education, particularly secondary and higher education, and improved quality at levels</i>			
Albania needs to broaden its sources of productivity and employment growth through more effective investments in human capital – secondary enrollment is low in part due to poor quality and learning outcomes, and tertiary education needs to be more market-responsive.			
Improved access to and quality of secondary education.	<p>Complete reform of curricula for all three grades of secondary school.</p> <p>Increase in secondary enrollment (status: 60% in 2009; target: 100% at end-2014).</p> <p>Increase in teachers participating in continuous professional development (status: 25% in 2009; target: 70% at end-2010).</p> <p>Triple shifts eliminated; double shifts reduced from 36% in basic and secondary schools.</p>	<p>Achieved. Revised curricula used in all three grades of secondary school.</p> <p>In progress. In 2011, secondary enrolment was at 76,1%.</p> <p>In progress. To date about 45% of teachers have participated in professional development activities.</p> <p>Achieved. Triple shifting has been fully eliminated, while double shifting has reduced from 36% overall to 16% in basic schools and only 6% in secondary schools.</p>	<p>Ongoing: FY06 Education, Excellence, and Equity Project</p>

OUTCOMES THE WBG PROGRAM IS EXPECTED TO INFLUENCE	MILESTONES	PROGRESS TO DATE	WBG INSTRUMENT
Higher education institutions reformed to strengthen financing and overall quality through establishment of a comprehensive assurance system.	<p>Construction of 12 new schools; extension of 8 existing schools; and rehabilitation of 10 schools completed by end-2013.</p> <p>Performance based financing in place for all (11) public universities by 2014.</p> <p>100 university labs provided with modern didactic equipment.</p> <p>A quality assurance system has been established for higher education institutions.</p>	<p>In progress. 4 new schools have been built, 6 schools have been rehabilitated, and 3 schools have been extended, resulting in 112 new classrooms and 20 new science laboratories.</p> <p>In progress. Financing reform framework is drafted and is under consultation with relevant stakeholders.</p> <p>Achieved. More than 100 labs have been provided with modern didactic equipment.</p> <p>Achieved. A quality assurance system for higher education institutions has been fully set up and institutional accreditation is underway.</p>	
<i>(ii) Improved access to quality primary health care and more efficient of public spending on health care</i>			
<p>Access to quality primary health care services is inadequate in Albania, particularly among the poor.</p> <p>Health care financing and governance is fragmented, and an inefficient distribution of facilities impairs effective delivery of care.</p>			
<p>Improved access to quality primary health care.</p> <p>Improve the efficiency of public spending on health care, as evidenced by: Decrease in the share of public sector spending on hospital care.</p>	<p>Universal re-training of PHC providers completed.</p> <p>Basic Benefits Package for PHC established and implemented.</p> <p>Unification of primary and secondary health care purchasing under the Health Insurance Institute.</p> <p>Increase in the population enrolled in health insurance (status: <10% in 2009; target: 70% in 2014)</p> <p>All public hospitals financed under performance-based contracts to achieve efficiency in spending and reduce share of hospital spending in total health spending. (status: 58%; target: 48%).</p>	<p>Achieved. Nearly all PHC provider have received re-training.</p> <p>In progress. Legal framework is in place and bylaws are under preparation. Law will require provision of the basic benefits package to 100% Ndhme Ekonomike recipients.</p> <p>Achieved.</p> <p>Achieved. Almost 90% of population was enrolled in health insurance by October 2012.</p> <p>Achieved. Spending on hospital care amounted to US\$130m for 2012, amounting to 44.8% of the total public sector health spending in 2012.</p>	<p>Completed: Health System Modernization Project</p> <p>Completed: FY11 Social Services DPL</p> <p>Ongoing: FY12 Social Assistance Modernization Project</p>
<i>(iii) Improved targeting and effectiveness of Albania's social protection systems</i>			
<p>Poverty impact of Ndhme Ekonomike is low, in part due to the need for better targeting. Meanwhile, the administration of social benefits is inefficient, and spending on non-contributory disability</p>			

OUTCOMES THE WBG PROGRAM IS EXPECTED TO INFLUENCE	MILESTONES	PROGRESS TO DATE	WBG INSTRUMENT
program is disproportionate. Pension system has significant long term fiscal deficits and low coverage.			
<p>Improved efficiency of social assistance expenditure and benefit administration to increase the percentage of the poor receiving means-based social assistance and to improve the equity and effectiveness of the Ndihma Ekonomike program.</p> <p>Improving the solvency of the pension system (measured by gradual decline of 1% per year in dependency rate - total number of beneficiaries divided by total number of contributors; base line in 2013 is 83%) and improve participation (base line (2010): 30% of the working age population (ages 15-64); target: 1-2% increase in the CPS period)</p>	<p>Assessment procedures and eligibility criteria revised for disability benefits (including disability pensions).</p> <p>Electronic central registry of beneficiaries introduced and fully operational.</p> <p>The coverage of the poor by the Ndihma Ekonomike program is estimated to increase (status: 22% in 2008; target 40% in 2014).</p> <p>Improved financial management systems and fraud and error controls for NE fully operational.</p> <p>Parametric reform of the pension system, to improve participation and the long term fiscal deficit, under implementation Pension reform strategy adopted.</p>	<p>In progress. The Gov. is working on strengthening the eligibility criteria and processes for the disability assistance program to ensure that the disability benefits reach the disabled.</p> <p>In progress. The DPL supported the legislation to initiate the process to create a unified registry of beneficiaries of social assistance programs.</p> <p>In progress.</p> <p>In progress.</p> <p>In progress.</p>	<p>Ongoing: FY01 Social Service Delivery Project</p> <p>Completed: FY11 Social Services DPL</p> <p>Ongoing: FY12 Social Assistance Modernization Project</p> <p><i>Programmatic Poverty Analysis Economic Governance of Utilities - UNDP Fee-based service</i></p> <p>Ongoing: Pension Reform TA (FY13)</p>
Strategic Objective 3: Reducing Albania's vulnerabilities to climate change			
<i>(i) Improved the conservation, management and efficient use of Albania's water resources</i>			
<p>Forests and water catchments in mountainous regions face increasing pressures from erosion, illegal logging, and development, but local capacity to manage resources is limited. Improved coastal infrastructure and services to conserve tourism potential and ensure development in a sustainable manner Lack of critical environmental infrastructure and services in the Southern Coast risk damaging coastal resources and jeopardizing tourism development.</p> <p>Improved water resource management toward more efficient and sustainable use of Albania's water resources.</p> <p>Albania will likely face significant impacts from climate change on the availability and pattern of its water resources which it needs for energy, municipal water and irrigation, meanwhile water resources management practices are fragmented and inefficient.</p> <p>Albania is well endowed with water resources but faces serious shortfalls of supply in critical economic areas.</p>			
Reduce upstream risks of erosion by improving management of Albania's wetlands, forest and pasture	Continued implementation of community-based micro-catchment management plans in 30 communes and community-based forest and pastures management plans in	In 251 communes the following has been achieved: (a) 8 % increase in income earned from forest activities in communal forest and pasture lands	Completed: Natural Resources Development Program Project - IDA + GEF

OUTCOMES THE WBG PROGRAM IS EXPECTED TO INFLUENCE	MILESTONES	PROGRESS TO DATE	WBG INSTRUMENT
resources and water catchments to: (i) increase in income earned from forest activities in communal forest and pasture lands ; (ii) to reduce erosion.	<p>239 communes.</p> <p>400,000 tons of erosion reduced 2014.</p> <p>Restructured forestry extension services.</p> <p>Increased carbon sequestration from sustainable forestry activities (status: est 45,000 tons CO2 sequestered in 2009; target: 181,000 tons in 2014).</p>	<p>(baseline in 2005 was 0%); (b) 28 %increase in income earned from forest and agriculture activities in 30 micro-catchments(baseline in 2005 was 0%);;</p> <p>In progress. Approximately a 220,000 ton reduction in erosion.</p> <p>Achieved. Forestry extension service established. And training provided to 20 key extension staff.</p> <p>In progress. As of January 2012 an estimated amount of CO2 sequestered was 143,000 tons. The first installment of emission reduction payments of US\$200,000 for project beneficiaries has been transferred by BioCarbon Fund.</p>	<p>Ongoing: Natural Regeneration Bio Carbon project (TF)</p> <p>Ongoing: Improved Natural Resources Management project SIDA TF</p>
Improved critical public environmental infrastructure and municipal services as evidenced by: (i) tons of household waste safely disposed in accordance with EU standards in South Coast (status: 0 tons, target: at least 5000 tons of household waste); (ii) tons of treated sewage in coastal cities (status : 0 in 2010; target: 48,000 in 2012).	<p>Completed remediation of one of the most contaminated coastal sites at Porto Romano.</p> <p>Operational landfill near Saranda and transfer center in Himara.</p> <p>Completed extensions to the sewage network and wastewater outlet in Saranda.</p> <p>Adoption of new management plan for Butrint National Park and wetlands in line with Ramsar Convention.</p>	<p>Achieved. The remediation of the contaminated site of Porto Romano was completed in May 30, 2011.</p> <p>In progress. The construction of the regional landfill was postponed because of late community acceptance and is expected to be completed in early 2014.</p> <p>In progress. Expected to be completed in early 2014.</p> <p>Achieved. The management plan for Butrinti National Park was approved by the Ministerial Decree in September 2011.</p>	<p>Completed: Butrinti conservation project (medium-size GEF grant)</p> <p>Ongoing: FY05 Integrated Coastal Zone Mngt & Clean-Up Project</p>
Improvements in the framework for management of water resources.	<p>Capacity building programs provided to the National Water Council, water user associations, and drainage boards.</p> <p>Joint Albania/ Montenegro Lake Shkodra management cross border institution fully operational.</p>	<p>In progress. A Position Paper on Integrated Water Resource management (IWRM) and a functional analysis of the water sector were prepared and endorsed by the MEFWA.</p> <p>Achieved. Albania and Montenegro have committed that they will bear the costs of operation of the Joint Secretary and Lake Commission after project closure by end 2012.</p>	<p>Completed: FY08 Lake Shkodra Integrated Ecosystem Mgmt GEF</p> <p>Ongoing: Water Resources and Irrigation project FY13</p> <p>Ongoing: Disaster Risk Mitigation & Adaptation Project</p> <p>Completed: <i>GFDRR Flood Management Study for Drin- Buna basin</i></p>

Annex 2: Gender Issues in Albania

Diagnostic

The situation of women in Albania has been improving overall during the past decade. In addition, the country has made notable progress in raising awareness around the core principles of non-discrimination and reforming the legal framework to reflect this priority. Nonetheless, evidence from a recently completed Gender Profile shows that gender concerns persist in several areas, particularly in: (i) education, particularly access for some population groups; (ii) access to economic opportunities with, for example, evidence of a gender gap in labor force participation and wages; and (iii) agency, including issues of domestic violence and women's representation in high level positions and politics. Across all areas, efforts need to be made for more timely collection and dissemination of data to allow for better monitoring of gender-related outcomes.

Gender gaps in **literacy and education** are, on average, low; however, disparities appear for some population groups and for higher education. **Literacy** is very high across all parts of the Albanian population, and universal among young people for both genders. Poor rural girls are less likely to be enrolled in primary school than any other group, though their enrollment rate is still over 83 percent. However, both boys and girls, non-poor and poor, see a dramatic drop in enrollment after primary school. Less than a third of poor Albanian girls are enrolled in secondary school, and even fewer in rural areas. Poor boys, however, fare even worse: 23 percent of poor boys are enrolled in secondary school (17 percent in rural areas). In the general population, the female secondary school enrollment rate outstrips the male rate by more than four percentage points. For all groups—poor and non-poor, male and female—secondary school enrollment is higher in urban areas, though still just above half of the population. The group with the highest enrollment rate is non-poor urban girls, at 65.7 percent. Girls appear to be at a learning advantage over boys. The latest PISA findings show that girls outperform boys not only in reading, but also in math and science, which are often seen as more “male” subjects.

University education has expanded dramatically in recent years, especially among females. Urban women have the largest absolute gains while rural women have made tremendous relative gains. Focusing on the urban population between 20-24 years, there is a 20 percentage point gender gap in higher education attainment in favor of girls. In this time, the share of urban women who have completed college has doubled to more than half of their population. The share of rural women has gone up by a factor of ten, though overall their tertiary completion rates remain far behind their urban sisters. Men's university education has also increased tremendously. Despite the government's push to make university education available to all Albanians who want it, there are concerns that quality is not keeping pace with the rapid expansion.

Gender inequalities in **health** are not particularly pronounced. Nearly all Albanian women receive pre-natal care and deliver their babies in a professional health facility, though Albania still has the highest maternal mortality rate in the Western Balkans countries at 31 per 100,000 births (ECA average is at 34). Adolescent fertility rates are lower than the regional ECA and OECD averages, at 17 births per 1,000. In addition, the male mortality rate is significantly lower than its neighboring countries and the ECA and OECD averages. This is reflected in one of the highest male life expectancies in the region (74 years), significantly higher than the regional average of 66 years. Life expectancy for women is also high at 80 years (75 for ECA). New health challenges are however emerging for Albania, with the adult population facing a “double burden” of developing and developed world diseases (e.g., infectious diseases such as HIV, as well as problems of obesity and diabetes).

Maternal mortality stands out as a big outlier in Albania (21 per 100,000 live births) as opposed to other countries in the region. The share of births attended by health personnel and antenatal care are at the

ECA average, according to DHS still there are differences especially in rural and remote areas where antenatal care starts later and it is not as frequent as needed, and there is inadequate emergency response and rapid referral.

Another dimension in which Albania appears to stand out against the rest of the region is fertility. Adolescent fertility rates (14.25) are lower than ECA and the rest of the Western Balkans. But while education levels are rising among young women, the adolescent fertility rate is also slowly rising, with one quarter of a percentage point higher than in 2002.

Some of the main gender inequalities in Albania are in **labor markets**. Even though a greater share of women entered the labor force since transition, there is still a large gender gap in labor force participation, with a 56 percent activity rate for women, compared to 77 for men (2009). Among women of working age who are inactive, more than one in three report that this is due to domestic work. The share of inactive women who are housewives has decreased since 2005 while the share of women students has increased. For unemployment, the overall gender disparity is small. Albania has a large wage gap (raw) compared to other countries in the region, with women earning around \$0.65 for every \$1 men earn. Although women work slightly fewer hours per week than men, many also continue to bear the full burden of household duties.

While the female share in the total labor force is comparable to the regional one, with the female participation rate at about 56 percent. Women constitute 43 percent of the economical active population. Female employment is more concentrated in agriculture than in other countries perhaps due to the importance of this sector in the economy. The limited coverage of preschool services (only 40 percent of children attend kindergarten) and of other gender friendly services to explain the low levels of labor market participation.

Women not only are less likely to be engaged in market activities, they also are less likely to be in the sectors which before the crisis experienced vigorous employment growth, such as construction. Data show that during the decade to 2006 female trend stagnated, while male employment increased. Firm level surveys confirm this picture, with only 37 percent of women as full time workers, and with only 9 percent of full time non-production workers being women. While this is in line with the regional performance, only 11 percent of firms in 2007 had women participating in their ownership, against an ECA average more than 3 times as high.

Registration of immovable property in Albania is done by the male spouse, or head of household in the case of the farming family, who register the property in their own name. Also, the registration for legalization of illegal/informal constructions of matrimonial homes is done at the name of the household. These practices can lead to discrimination against women in access to these properties. For example, there have been problems in the area of applications for credits and alienation of property, when these are done by one of the spouses in both spouses' names, but without even letting the other spouse know or seeking their consent.

Important gender gaps remain in **agency and domestic violence** continues to be a serious issue. Women's roles in public life remain circumscribed by traditional gender norms which limit their decision-making power in local and national politics, though important breakthroughs at the national level took place recently. The share of women parliamentarians and ministers, however, remains relatively low (16 and 7 percent respectively). Women's representation in high positions in firms is also low; only 11 percent of firms have females in their ownership structures and 20 percent of firms have females in top management positions. At the household, evidence suggests that most women have some voice within their household on how their own earnings are spent. On the other hand, violence against women continues to be a serious

issue. One out of every three women has been physically abused and 13 percent are survivors of sexual abuse. 51 percent and 39 percent of women have suffered emotional and psychological abuse, respectively. In addition, there are still challenges to overcome in women's property rights, where there are still issues in land titling that put women at a disadvantage.

Albania's Family Code generally provides a favorable level of protection to Albanian women. However, challenges remain especially in the private sphere for women to have a productive life. According to a survey run by the Statistical Office (UNICEF-INSTAT 2009) 31 percent of women experienced physical violence, and 13 percent sexual violence in their marriage or relationship, with psychological and emotional abuse even more widespread. In the period 2003-2009 tangible improvements have occurred in the Albanian legislation and the measures taken concerning the prevention and reduction of domestic violence. Among the most important measures were the Law "On Measures against Violence in Family Relations" and the accompanying measures for its implementation and, the adoption of two new laws, "On Gender Equality in Society" and "On Protection from Discrimination". However, indication are that enforcement of the law remains weak.

Important measures have been taken to facilitate the reporting of violence and to create new specialized structures for the protection of women from domestic violence such at the Police Directorate in the Ministry of the Interior, and the Ministry of Labor. In the courts there are judges who specialize in family law and the examination of petitions for protection orders. However, Ministry of Justice must ensure offering of free legal assistance for the victims as provided by the law. Further training and monitoring of the activity of bailiff's offices with regard to the enforcement of protection orders is needed.

Women's roles in public life remain circumscribed by traditional gender norms which limit their decision-making power in local and national politics, though important changes took place in 2009. In the run-up to the 2009 parliamentary elections, Albania adopted a quota calling for 30 percent of all candidates on party lists to be women. While the target for representation in political positions has not been reached, the legislation nevertheless had an impressive impact, helping to sweep 23 women into the 140-MP Parliament, bringing the share of seats held by women to nearly 16 percent, up from 7 MPs in the previous election cycle. Also, more women voted in the last elections and participated in electoral commissions than in previous years (UN MDGs report). At the local level, women's representation has been very low. Less than three percent of those nominated for mayor in 2007 were women. Of the 33 women nominated, only nine won. At the national level, there is currently only one woman in the Cabinet of Ministers, though women now make up 22 percent of the deputy ministers. In the lower-level governmental jobs, women are much better represented, making up almost 57 percent specialists in the public administration of line ministries, and 32 percent of directors (UN MDGs report).

Gender in the Bank Program

The Albania portfolio includes examples of successful gender mainstreaming in several operations, but continued efforts to strengthen the inclusion of gender considerations in both ongoing and new projects are needed. During FYs 13 -14, the "Gender in the Western Balkans" AAA initiative will support gender mainstreaming into the Albania portfolio with a specific focus on increasing monitoring and evaluation of gender-aware interventions. Some examples of gender mainstreaming are:

- The Land Administration and Management Project (LAMP), which addresses gender-biases in land ownership – from legal frameworks to registration practices. Specific project actions to reduce gender inequalities in land rights include: (a) public awareness/information campaigns; (b) gender-sensitivity training of central and municipal office workers; and (c) encouragement of joint titling during registration.
- The Secondary and Local Roads project created spaces for women's participation at the community level. Women are represented in communal authorities and have been part of project consultations such as

safety improvements, and design improvements -- translating into better physical access to health, education and administrative centers for rural women.

- The Health System Modernization project supported maternal health by increasing access to antenatal services and setting quantitative targets to measure progress. It improved early detection of breast cancer through introducing screening at the primary care level and provision of mammography equipment at four hospitals.
- The Social Assistance Modernization Project, which focuses on improving the targeting and efficiency of Albania's main social assistance programs, should also contribute to narrowing gender gaps in living standards given that women are slightly overrepresented among the poor.
- In some cases, gender-informed work is taking place outside the lending portfolio. A particularly noteworthy example is the JSDF grant for Youth Empowerment which is enhancing young people's access to opportunities in education and employment, with a major focus on young women. Lessons from this type of intervention can inform future programs and lending operations.

Four investment projects included in the FY13-14 program are expected to focus on gender. Preparation of the two water projects (WRIP and WSIP) is already well advanced and both included early consultations with gender specialists to ensure sensitivity to gender concerns. For example, the WRIP will pay special attention to the needs of the over 5,00 women farmers living in the project area through targeted social mobilization activities. All relevant indicators will be disaggregated by gender with special attention paid to participation of women in public consultation processes and in water user organizations. The two FY14 investment projects (environment services and health services respectively) are still at a very early stage of development but will involve careful attention to gender concerns in the projects' design and ensure that women participate in, and benefit fully, from the projects' components.

Annex 3: The World Bank Group and Other External Donors

The WBG continues to be among the biggest donors in Albania with an average of US\$36 million per year in terms of disbursements. Moreover the Bank Group has continued to play the role of a catalyst in helping the Government coordinate donor assistance and mobilize financing for key sector programs, with considerable success. The current portfolio of 8 projects totals US\$218.5 million in IDA credits and IBRD loans and is co-financed with other partners for an amount of US\$112.1 million – implying a ratio of US\$0.5 in co-financing for each dollar of Bank financing.

Notably, in the transport sector, the Secondary and Local Roads Project (IDA US\$20m) has benefitted from the partnership of several international and European financing institutions, mobilizing parallel financing of around US\$430 million. The Education Excellence and Equity project, designed as a sector-wide operation, is supporting a broad based sectoral reform with parallel financing from EIB and CEDB. The regional Energy Community of South East Europe project and the Dam Safety project are co-financed by SECO, EBRD and KfW. In public sector management, the Bank successfully managed a First Multi-Donor Trust Fund of US\$6 million which included financial contributions from seven donors. IFC has also been successful in mobilizing support from a wide range of development partners for its advisory services and technical assistance. With Government's support in promoting donor coordination, the World Bank program in Albania is enhanced by several co-financing trust funds – both stand alone grants and grants linked directly to projects. Some examples include, the second multi-donor TF for the Integrated Planning System (IPS-2), currently planned to be financed by multiple donors at a level of about US\$4 million; a Multi-Donor Trust Fund of US\$ 1.8 million under the REPARIS program to improve financial reporting; the Japan Social Development Fund (JSDF) grant of US\$1.1 million for youth empowerment; an IDF grant of US\$370,000 to implement the Aarhus Convention agreements; a grant of US\$ 1.1 million from the GFDRR for flood risk mitigation; a Swedish TF for Improved Natural Resource Management of about US\$ 2.8 million, and a US\$ 740,000 fee-based-service from UNDP on public utility governance in water and electricity.

In line with the objectives set forth at the beginning of the CPS, the Bank and IFC have intensified the dialogue and collaboration with the EU in support of Albania's European integration process and in mobilizing co-financing for the forthcoming operations. As a result, EU is committed to co-finance the TA component under the Social Assistance Modernization Project at the amount of Euro 1,5 million. The Bank and EC also expect to work closely in the areas of property rights and environment in the coming years. Cooperation will also continue with other multi-lateral partners especially EBRD, EIB and the UN system. Joint operational meetings on monthly basis have already been initiated. The Bank program also benefits from substantial support from a number of other bilateral partners including Austria, Japan, Germany (KfW), Sweden and Switzerland. Close cooperation with these partners will continue through Government-led platforms as well as on a bilateral basis.

Partner	Sector/Thematic Areas																
	Approx. Annual Disbursements (EuroM)	Private Sector/Economy	Financial Sector	Energy	Infrastructure/Transport	Trade	Agriculture/Rural Dev/Regional Dev	Health	Education	Environment	Water & Sanitation	Social Protection/Housing	Property Rights	Public Sector	Judicial & Legal Reform	Capacity/Inst. Building (incl. M&E)	Security & Stability
European Commission	1.5																
World Bank	42	3.5		8.3	8			3.7	7.9	2.7		2.1		5.9			
United States	1.4																
CEB	15				5			6.8	2.4			1					
Germany	61																
EBRD	32			6.3	26												
EIB	x			x	x			x		x							
Spain	x																
United Nations	5.9						3.6			0.5		0.8					
Italy	56	2.3		20	12		0.8	5.4	2.8	2.3	9						
OFID	4.3																
Sweden	6.5						1.6			1.3				1.4			1.1
Switzerland	9.5		1.1	1.5	2.6		1.1	0.3				0.3		0.3		1.4	
IDB	x				x		x				x						
Netherlands	0.4									0.1					0.3		
Norway	5																
Greece	4																
Austria	3																
Japan	0.6											0.6					
France	1																
OSCE	0											x	x	x	x		

Annex 4: List of Active and Planned Trust Funds in Albania

PILLARS	Trust Fund Name	Net Grant Amount (in US\$000)	Funds Disb. to Date	Grant Sign Date	Grant Closing Date	Donor Name	Exec. By
Pillar 1: Accelerating the recovery in Albania's economic growth through improved competitiveness	Albania # 10051 Liberalizing MTPL Insurance Market	327.70	187.32	6/29/2011	4/30/2013	MULTIPLE DONORS	Bank
	Albania #10177 Strengthening Deposit Insurance and Resolution Framework	119.03	80.42	1/30/2012	4/30/2013	MULTIPLE DONORS	Bank
	Co-financing for Land Administration and Management Project	269.56	195.84	5/31/2007	6/30/2013	SIDA	Bank
	Co-financing for Land Administration and Management	2,503.40	2,012.64	7/17/2007	6/30/2013	SIDA	Recipient
	Co-financing Land Administration Management Project	2,882.16	0.0	12/18/2012	6/13/2013	SIDA	Recipient
	LAMP phase II contribution	320.24	187.58	12/01/2009	6/30/2013	SIDA	Bank
	Residential Energy Efficiency Project – Albania	350.00	104.00	10/26/2009	2/28/2014	MULTIPLE DONORS	Bank
	Albania: Residential Energy Efficiency Project	300.00	134.56	11/11/2009	6/30/2013	Austria - Federal Ministry of Finance	Bank
	REPARIS - ALBANIA - Corporate Financial Reporting Enhancement Project (CFREP)	1,669.06	490.56	3/28/2011	10/30/2013	MULTIPLE DONORS	Recipient
Pillar 2: Broadening and sustaining Albania's social gains	Youth Empowerment through Community Development in Albania	1,155.70	561.52	11/6/2009	11/6/2013	Japan - Ministry of Finance	Recipient
	Youth Empowerment through Community Development in Albania (Bank-executed)	20.00	13.74	11/6/2009	11/6/2013	Japan - Ministry of Finance	Bank
Pillar 3: Improved the conversation, management and efficient use of Albania's water resources	Albania Improved Natural Resources Management Project	2,716.03	200.	5/31/2012	12/31/2013	Swedish International Development Cooperation Agency (SIDA)	Recipient
	Co-financing Integrated Coastal Zone Management and Clean-up Project	2,617.09	6.02	5/17/2006	10/31/2014	Austria - Federal Ministry of Finance	Recipient
	Albania Improved Natural Resources Management Project supervision	200	65.40	12/19/2011	12/31/2013	SIDA	Bank

Co-financing Integrated Coastal Zone Management and Clean-up project	2,230.0	1,298.25	8/6/2005	6/30/2014	Japan Ministry of Finance	Recipient
Albania Assisted Natural Regeneration Project	1,013.58	203.64	6/29/2007	12/31/2018	MULTIPLE DONORS	Recipient
Albania: (BETF) Strengthening of Flood Risk Management (GFDRR: Track II TA Core)	400.00	109.40	2/16/2011	12/31/2013	MULTIPLE DONORS	Bank
TOTAL :	19,093					
Planned Trust Funds (in US\$000)						
IPS2	5,200					
Water Resource and Irrigation	5,000					
Social Assistance	4,000					
Environment Services	10,000					

Annex 5: Standard CPS Annexes

ANNEX 5.1: ALBANIA AT-A-GLANCE

Key Development Indicators	Albania	Europe & Central Asia	Upper middle income																																																																																																																																																																																																																									
		Asia																																																																																																																																																																																																																										
(2010)																																																																																																																																																																																																																												
Population, mid-year (millions)	3.2	405	2,452	<p>Age distribution, 2010</p> <p>Male Female</p> <p>75-79 60-64 45-49 30-34 15-19 0-4</p> <p>10 5 0 5 10</p> <p>percent of total population</p>																																																																																																																																																																																																																								
Surface area (thousand sq. km)	29	23,614	59,328																																																																																																																																																																																																																									
Population growth (%)	0.4	0.4	0.7																																																																																																																																																																																																																									
Urban population (% of total population)	48	64	57																																																																																																																																																																																																																									
GNI (Atlas method, US\$ billions)	12.7	2,947	14,429	<p>Under-5 mortality rate (per 1,000)</p> <p>60 50 40 30 20 10 0</p> <p>1990 1995 2000 2010</p> <p>Albania Europe & Central Asia</p>																																																																																																																																																																																																																								
GNI per capita (Atlas method, US\$)	3,960	7,272	5,884																																																																																																																																																																																																																									
GNI per capita (PPP, international \$)	8,520	13,396	9,970																																																																																																																																																																																																																									
GDP growth (%)	3.5	5.7	7.8																																																																																																																																																																																																																									
GDP per capita growth (%)	3.1	5.3	7.1	<p>Growth of GDP and GDP per capita (%)</p> <p>20 10 0 -10 -20 -30 -40</p> <p>95 05</p> <p>GDP GDP per capita</p>																																																																																																																																																																																																																								
(most recent estimate, 2004–2010)																																																																																																																																																																																																																												
Poverty headcount ratio at \$1.25 a day (PPP, %)	<2	0	..																																																																																																																																																																																																																									
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Life expectancy at birth (years)	77	71	73	<table border="1"> <thead> <tr> <th></th> <th>1980</th> <th>1990</th> <th>2000</th> <th>2010</th> <th>1980–90</th> <th>1990–2000</th> <th>2000–10</th> </tr> </thead> <tbody> <tr> <td><i>(US\$ millions)</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net ODA and official aid</td> <td>..</td> <td>11</td> <td>318</td> <td>338</td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>Top 3 donors (in 2010):</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>European Union Institutions</td> <td>..</td> <td>0</td> <td>87</td> <td>75</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Italy</td> <td>..</td> <td>5</td> <td>18</td> <td>55</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Greece</td> <td>..</td> <td>..</td> <td>12</td> <td>52</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Aid (% of GNI)</td> <td>..</td> <td>0.5</td> <td>8.4</td> <td>2.9</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Aid per capita (US\$)</td> <td>..</td> <td>3</td> <td>103</td> <td>105</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Long-Term Economic Trends</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Consumer prices (annual % change)</td> <td>..</td> <td>..</td> <td>4.2</td> <td>3.4</td> <td></td> <td></td> <td></td> </tr> <tr> <td>GDP implicit deflator (annual % change)</td> <td>-2.2</td> <td>-0.5</td> <td>4.3</td> <td>3.5</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Exchange rate (annual average, local per US\$)</td> <td>..</td> <td>8.0</td> <td>144.0</td> <td>103.9</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Terms of trade index (2000 = 100)</td> <td>..</td> <td>..</td> <td>100</td> <td>143</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Population, mid-year (millions)</td> <td>2.7</td> <td>3.3</td> <td>3.1</td> <td>3.2</td> <td>2.1</td> <td>-0.7</td> <td>0.4</td> </tr> <tr> <td>GDP (US\$ millions)</td> <td>..</td> <td>2,102</td> <td>3,687</td> <td>11,786</td> <td>1.5</td> <td>3.8</td> <td>5.4</td> </tr> <tr> <td></td> <td></td> <td colspan="3"><i>(% of GDP)</i></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Agriculture</td> <td>33.6</td> <td>35.9</td> <td>29.1</td> <td>20.2</td> <td>1.9</td> <td>4.3</td> <td>1.4</td> </tr> <tr> <td>Industry</td> <td>45.0</td> <td>48.2</td> <td>19.0</td> <td>19.3</td> <td>2.1</td> <td>-0.5</td> <td>4.7</td> </tr> <tr> <td> Manufacturing</td> <td>..</td> <td>..</td> <td>11.4</td> <td>19.3</td> <td>..</td> <td>..</td> <td>..</td> </tr> <tr> <td>Services</td> <td>21.4</td> <td>15.9</td> <td>51.9</td> <td>60.5</td> <td>-0.4</td> <td>6.9</td> <td>8.1</td> </tr> <tr> <td>Household final consumption expenditure</td> <td>56.1</td> <td>60.5</td> <td>84.8</td> <td>88.0</td> <td>..</td> <td>1.2</td> <td>9.1</td> </tr> <tr> <td>General gov't final consumption expenditure</td> <td>9.0</td> <td>18.5</td> <td>8.9</td> <td>8.1</td> <td>..</td> <td>14.5</td> <td>6.3</td> </tr> <tr> <td>Gross capital formation</td> <td>34.5</td> <td>29.3</td> <td>24.7</td> <td>25.9</td> <td>-0.3</td> <td>25.8</td> <td>5.1</td> </tr> <tr> <td>Exports of goods and services</td> <td>23.1</td> <td>14.9</td> <td>19.1</td> <td>29.8</td> <td>..</td> <td>18.9</td> <td>9.2</td> </tr> <tr> <td>Imports of goods and services</td> <td>22.7</td> <td>23.2</td> <td>37.5</td> <td>51.8</td> <td>..</td> <td>15.7</td> <td>11.8</td> </tr> <tr> <td>Gross savings</td> <td>..</td> <td>..</td> <td>21.1</td> <td>14.9</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		1980	1990	2000	2010	1980–90	1990–2000	2000–10	<i>(US\$ millions)</i>								Net ODA and official aid	..	11	318	338				<i>Top 3 donors (in 2010):</i>								European Union Institutions	..	0	87	75				Italy	..	5	18	55				Greece	12	52				Aid (% of GNI)	..	0.5	8.4	2.9				Aid per capita (US\$)	..	3	103	105				Long-Term Economic Trends								Consumer prices (annual % change)	4.2	3.4				GDP implicit deflator (annual % change)	-2.2	-0.5	4.3	3.5				Exchange rate (annual average, local per US\$)	..	8.0	144.0	103.9				Terms of trade index (2000 = 100)	100	143				Population, mid-year (millions)	2.7	3.3	3.1	3.2	2.1	-0.7	0.4	GDP (US\$ millions)	..	2,102	3,687	11,786	1.5	3.8	5.4			<i>(% of GDP)</i>						Agriculture	33.6	35.9	29.1	20.2	1.9	4.3	1.4	Industry	45.0	48.2	19.0	19.3	2.1	-0.5	4.7	Manufacturing	11.4	19.3	Services	21.4	15.9	51.9	60.5	-0.4	6.9	8.1	Household final consumption expenditure	56.1	60.5	84.8	88.0	..	1.2	9.1	General gov't final consumption expenditure	9.0	18.5	8.9	8.1	..	14.5	6.3	Gross capital formation	34.5	29.3	24.7	25.9	-0.3	25.8	5.1	Exports of goods and services	23.1	14.9	19.1	29.8	..	18.9	9.2	Imports of goods and services	22.7	23.2	37.5	51.8	..	15.7	11.8	Gross savings	21.1	14.9			
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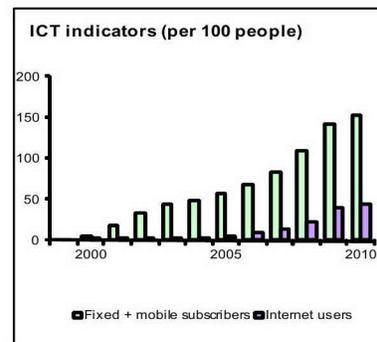
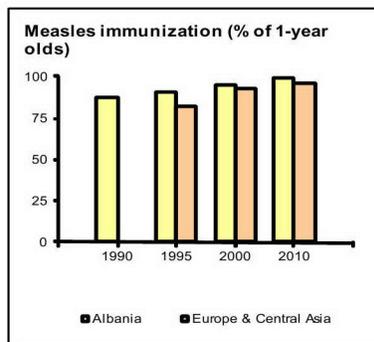
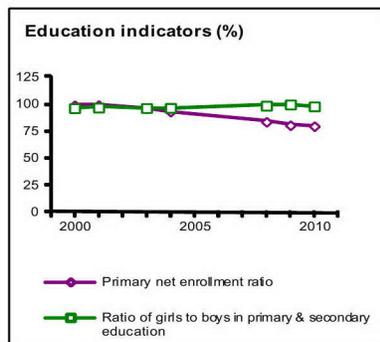
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

Albania

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Albania			
	1990	1995	2000	2010
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	<2	<2	<2
Poverty headcount ratio at national poverty line (% of population)	..	..	25.4	12.4
Share of income or consumption to the poorest quintile (%)	..	8.7	9.1	8.1
Prevalence of malnutrition (% of children under 5)	..	..	17.0	6.3
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	99	80
Primary completion rate (% of relevant age group)	..	93	102	86
Secondary school enrollment (gross, %)	89	71	72	89
Youth literacy rate (% of people ages 15-24)	..	..	99	99
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	95	97	97	98
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	29	..
Proportion of seats held by women in national parliament (%)	29	12	5	16
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	41	35	29	18
Infant mortality rate (per 1,000 live births)	36	31	25	16
Measles immunization (proportion of one-year olds immunized, %)	88	91	95	99
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	48	44	41	31
Births attended by skilled health staff (% of total)	93	89	99	99
Contraceptive prevalence (% of women ages 15-49)	..	..	58	69
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	24	24	23	14
Tuberculosis case detection rate (% , all forms)	81	84	87	97
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	97	98	98	95
Access to improved sanitation facilities (% of population)	76	78	84	94
Forest area (% of total land area)	28.8	..	28.1	28.3
Terrestrial protected areas (% of land area)	3.4	3.5	7.1	9.8
CO2 emissions (metric tons per capita)	2.3	0.7	1.0	1.3
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	4.8	8.5	8.3	13.8
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	1.2	1.3	5.0	10.4
Mobile phone subscribers (per 100 people)	0.0	0.0	1.0	141.9
Internet users (per 100 people)	0.0	0.0	0.1	45.0
Computer users (per 100 people)	..	..	..	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

4/2/12

ANNEX B2: IBRD/IDA PROGRAM SUMMARY

(as of March 31, 2013)

Proposed IBRD/IDA Base-Case Lending Program ^a

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards b (H/M/L)</i>	<i>Implementation b Risks (H/M/L)</i>
2013	Water Resources and Irrigation	40.0		
	Water Sector Investment Project	86.0	H H	L L
2014	Health Project	42.0	H	L
	Environmental Services	10.0	H	L
	Financial Sector DPL*	150	H	H
	Energy Sector Reform and Recovery Project	150	H	H

*the DPL will go forward only if the macro outlook improves

ANNEX 5.3: IFC INVESTMENT OPERATIONS PROGRAM

(as of March 31, 2013)

	<i>Smillion</i>			
	FY10	FY11	FY12	FY13
Original Commitment Activity - IFC	2.3	0.4	112.7	11.8
Original Commitment Activity - partners	-	13	-	-
Original Commitment Activity - IFC (by sector)				
Oil, Gas and Mining	-	-	25.0	-
Nonmetallic Mineral Product Manufacturing	-	-	6.7	-
Finance & Insurance	2.3	0.4	-	5.9
Electric Power/Energy Efficiency	-	-	81.0	5.9
Total	2.3	0.4	112.7	11.8
Original Commitment Activity - IFC (by product)				
Guarantee	2.3	0.4	-	-
Loan-LN	-	-	97.4	11.8
Straight Equity (incl. Fund)	-	-	15.4	-
Total	2.3	0.4	112.7	11.8

ANNEX 5.4: SUMMARY OF NON LENDING SERVICES
(as of March 31, 2013)

<i>Product</i>	<i>Completion FY</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions			
Country Economic Memorandum	FY11	G, B, PD, D	KG, PD, PS
GAC Governance Policy Notes (4)	FY11	G, B, PD, D	KG, PD, PS
Debt Management Assessment	FY12	G, B, D	KG, PS
Public Economic and Financial Accountability	FY12	G, B, D	KG, PS
Underway			
Extractive Industry Transparency Initiative	FY13	G, B, D	KG, PS
Public Expenditure and Finance Review	FY13	G, B, PD, D	KG, PD, PS
PFM Strategy	FY13-14	G, B, D	KG, PS
Energy Sector TA	FY13-14	G, B, D	KG, PS
Economic Governance, Regulatory Reform and Pro-Poor Development	FY12	G, B, D	KG, PS
Pension Reform TA	FY13	G, B, D	KG, PS
Aarhus Convention Compliance	FY13	G, B, D	KG, PS
PROFOR Innovative Financing for Sustainable Forest Management in Southwest Balkans	FY13	G, B, D	KG, PS
Monit. & Evaluation (EC TF)*	FY12-13	G, B, D	KG, PS
TA Scienc., R&D/Innov. (EC TF)*	FY12-14	G, B, D	KG, PS
Program. Financial Sector Dev*	FY12-15	G, B, D	KG, PS
Programmatic Gender Monit.*	FY12-15	G, B, D	KG, PS
Programmatic Poverty Monit.*	FY12-15	G, B, D	KG, PS
Smart Safety Nets*	FY13	G, B, D	KG, PS
Gas Ring Study (WBIF)*	FY13-14	G, B, D	KG, PS
Transport Study (WBIF)*	FY13-14	G, B, D	KG, PS
Public Fin Mgt/PEFA (EC TF)*	FY13-15	G, B, D	KG, PS
Trade Logistics IFC*	FY12-15	G, B, D	KG, PS
Renewable Energy Advisory IFC*	FY12-15	G, B, D	KG, PS
Corporate Governance IFC*	FY12-17	G, B, D	KG, PS
Investment Climate IFC*	FY13-15	G, B, D	KG, PS
Planned			
Health Finance*	FY14	G, B, D	KG, PS
Employment and Jobs*	FY14	G, B, D	KG, PS
Energy Strategy*	FY14	G, B, D	KG, PS
Climate Change*	FY14	G, B, D	KG, PS

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

* Regional Western Balkans Non-Lending (AAA)

ANNEX 5.5: ALBANIA SOCIAL INDICATORS

	Latest single year			Same region/income group	
	1980-85	1990-95	2004-10	Europe & Central Asia	Upper-middle-income
POPULATION					
Total population, mid-year (millions)	3.0	3.1	3.2	405.2	2,452.1
Growth rate (% annual average for period)	2.0	-0.9	0.4	0.3	0.7
Urban population (% of population)	35.1	38.9	48.0	64.1	57.4
Total fertility rate (births per woman)	3.8	2.6	1.5	1.8	1.8
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	12.4		
Urban headcount index	..	..	10.1		
Rural headcount index	..	..	14.6		
INCOME					
GNI per capita (US\$)	..	670	3,960	7,272	5,886
Consumer price index (2005=100)	..	47	115	143	127
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	34.5		
Lowest quintile (% of income or consumption)	..	..	8.1		
Highest quintile (% of income or consumption)	..	..	43.0		
SOCIAL INDICATORS					
Public expenditure					
Health (% of GDP)	..	1.6	2.8	3.9	3.2
Education (% of GDP)	4.9	..	..	4.4	4.8
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	..	80	92	94
Male	..	..	80	92	93
Female	..	..	80	91	95
Access to an improved water source					
<i>(% of population)</i>					
Total	..	98	95	96	93
Urban	..	100	96	99	98
Rural	..	96	94	91	86
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	96	91	99	96	96
DPT	96	97	99	95	96
Child malnutrition (% under 5 years)	..	..	6	2	3
Life expectancy at birth					
<i>(years)</i>					
Total	71	72	77	71	73
Male	69	69	74	66	71
Female	74	75	80	75	75
Mortality					
Infant (per 1,000 live births)	41	31	16	19	17
Under 5 (per 1,000)	48	35	18	23	20
Adult (15-59)					
Male (per 1,000 population)	..	..	95	273	161
Female (per 1,000 population)	..	..	46	116	100
Maternal (modeled, per 100,000 live births)	..	44	31	34	60
Births attended by skilled health staff (%)	..	89	99	98	98

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

World Development Indicators database, World Bank - 17 April 2012.

ANNEX 5.6: KEY ECONOMIC INDICATORS

Indicator	Actual		Estimate			Projected				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	
National accounts (as % of GDP)										
Gross domestic product ^a	100	100	100	100	100	100	100	100	100	100
Agriculture	21	20	19	19	18	18	18	18	18	17
Industry	19	19	18	16	16	16	16	16	16	15
Services	60	61	63	65	66	66	66	66	67	67
Total Consumption	96	94	96	96	97	95	97	95	95	91
Gross domestic fixed investment	30	32	29	26	25	25	20	21	21	24
Government investment	6	9	8	6	5	5	5	4	4	4
Private investment	24	24	21	20	21	20	16	16	16	20
Exports (GNFS) ^b	29	30	28	32	34	34	35	35	35	36
Imports (GNFS)	55	56	54	54	56	54	52	51	51	51
Gross domestic savings	4	6	4	4	3	5	3	5	5	9
Gross national savings ^c	20	18	13	13	12	12	11	14	14	18
<i>Memorandum items</i>										
Gross domestic product (US\$ million at current prices)	10703	12985	12129	11842	12946	13415	14163	14736	14736	15710
GNI per capita (US\$, Atlas method)	3320	3820	3960	3990	3970	4040	4290	4430	4430	4650
Real annual growth rates (% , calculated from 96 prices)										
Gross domestic product at market prices	5.9	7.7	3.3	3.5	3.0	1.6	2.5	3.0	3.0	3.5
Gross Domestic Income	14.7	13.8	-4.3	5.7	5.9	0.6	2.5	2.6	2.6	3.8
Real annual per capita growth rates (% , calculated from 96 prices)										
Gross domestic product at market prices	4.7	7.1	2.7	2.9	2.4	1.0	1.9	2.4	2.4	2.9
Total consumption	14.3	11.3	-3.0	2.8	6.4	-1.2	3.3	-0.3	-0.3	0.1
Private consumption	14.8	10.6	-2.3	3.7	6.4	-1.2	4.0	-0.6	-0.6	-0.7
Balance of Payments (US\$ millions)										
Exports (GNFS) ^b	3080	3832	3446	3840	4376	4572	4890	5215	5215	5664
Merchandise FOB	1407	1973	1445	1637	1878	1739	1677	1572	1572	1533
Imports (GNFS) ^b	5883	7287	6490	6380	7250	7269	7340	7496	7496	8070
Merchandise FOB	3859	4803	4224	4180	4829	4750	4660	4683	4683	5040
Resource balance	-2803	-3455	-3044	-2540	-2874	-2697	-2450	-2281	-2281	-2406
Net current transfers	1463	1393	1266	1172	1208	1108	1200	1297	1297	1401
Current account balance	-1039	-1895	-1887	-1467	-1732	-1656	-1279	-1001	-1001	-977
Net private foreign direct investment	653	866	940	1086	750	800	850	900	900	950
Long-term loans (net)	-78	311	492	-15	467	336	97	-21	-21	-45
Official	115	225	198	67	52	53	-32	-78	-78	-95
Private	-193	85	293	-82	415	283	128	57	57	50
Other capital (net, incl. errors & omissions)	121	399	741	430	222	491	303	70	70	-117
Change in reserves ^d	342	320	-285	-35	293	29	29	52	52	188
<i>Memorandum items</i>										
Resource balance (% of GDP)	-26.2	-26.6	-25.1	-21.4	-22.2	-20.1	-17.3	-15.5	-15.5	-15.3
Real annual growth rates (YR96 prices)										
Merchandise exports (FOB)	8.0	5.3	1.5	4.9	3.9	2.4	2.6	2.6	2.6	2.7
Primary	..	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	34.1	22.7	-12.9	-1.4	14.8	-2.4	-1.9	-0.4	-0.4	6.0

ANNEX 5.6: KEY ECONOMIC INDICATORS (continued)

Indicator	Estimate					Projected				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Public finance (as % of GDP at market prices)^e										
Current revenues	25.5	26.4	26.0	26.0	24.7	24.5	24.8	24.8	24.8	
Current expenditures	23.6	23.7	25.0	23.9	24.0	24.2	23.8	23.8	24.0	
Current account surplus (+) or deficit (-)	1.9	2.7	0.9	2.1	0.7	0.3	1.1	1.0	0.9	
Capital expenditure	5.9	8.6	8.4	5.5	4.6	4.6	4.5	4.4	4.3	
Foreign financing	1.1	3.5	3.8	2.8	2.3	3.5	2.5	2.1	1.8	
Monetary indicators										
M2/GDP	78.3	75.0	75.7	79.5	81.5	82.6	83.3	84.0	84.7	
Growth of M2 (%)	13.7	7.7	6.8	12.5	8.8	6.1	6.5	7.0	7.5	
Private sector credit growth / total credit growth (%)	82.9	90.5	93.9	95.9	100.6	86.7	87.7	88.1	87.1	
Price indices (YR96 =100)										
Merchandise export price index	205.4	273.4	197.3	213.0	235.1	212.7	199.9	182.7	173.4	
Merchandise import price index	110.2	111.8	112.9	113.3	114.0	114.9	115.0	116.0	117.7	
Merchandise terms of trade index	186.3	244.6	174.8	188.0	206.3	185.1	173.9	157.6	147.3	
Real exchange rate (US\$/LCU) ^f	92.3	82.7	92.2	98.6	93.7	92.6	167.3	308.0	556.2	
Real interest rates										
Consumer price index (% change)	-4.4	-1.6	10.4	3.0	0.4	3.8	3.2	3.4	2.4	
GDP deflator (% change)	2.0	4.4	2.4	3.5	3.0	3.0	3.0	3.0	3.0	

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

ANNEX 5.7: KEY EXPOSURE INDICATORS

Indicator	Estimated					Projected				
	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Total debt outstanding and disbursed (TDO) (US\$m) ^a	2343	2495	2788	2840	3122	3126	3094	3094	3195	
Net disbursements (US\$m) ^a	10	159	296	52	283	3	-35	0	101	
Total debt service (TDS) (US\$m) ^a	128	123	128	157	162	186	189	191	201	
Debt and debt service indicators (%)										
TDO/XGS ^b	48.0	46.0	60.2	57.4	56.1	54.6	50.0	46.7	44.3	
TDO/GDP	21.9	19.2	23.0	24.0	24.1	23.3	21.8	21.0	20.3	
TDS/XGS	2.6	2.3	2.8	3.2	2.9	3.2	3.0	2.9	2.8	
Concessional/TDO	61.8	64.6	61.5	62.7	58.4	59.1	58.5	56.7	52.7	
IBRD exposure indicators (%)										
IBRD DS/public DS	0.2	0.8	3.6	4.9	5.9	8.3	11.6	13.9	14.5	
Preferred creditor DS/public DS (%) ^c	58.9	66.2	75.1	74.3	74.7	66.0	69.8	70.1	65.1	
IBRD DS/XGS	0.0	0.0	0.1	0.1	0.2	0.3	0.3	0.4	0.4	
IBRD TDO (US\$m) ^d	6	17	88	94	126	191	233	249	258	
Of which present value of guarantees (US\$m)										
Share of IBRD portfolio (%)	0	0	0	0	0	0	0	0	0	
IDA TDO (US\$m) ^d	750	809	833	848	856	855	843	821	793	
IFC (US\$m)										
Loans	38.8	42.7	65.7	78.2	95.6	144.5	197.4			
Equity and quasi-equity /c	8.2	7.7	17.7	29.7	29.7	35.2	35.2			
MIGA										
MIGA guarantees (US\$m)										

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

ANNEX 5.8 (IFC): COMMITTED AND DISBURSED OUTSTANDING INVESTMENT PORTFOLIO

(As of January 1, 2013)

(In USD Millions)

Commitment Fiscal Year	Institution Short Name	Committed					Outstanding				
		Loan	Equity	Quasi Equity*	Total	Part	Loan	Equity	Quasi Equity*	Total	Part
2012	<u>Antea Cement</u>	-	24.4	21.9	46.4	-	-	23.2	21.9	45.1	-
2009/ 2012	<u>Bankers</u>	55.0	12.1	-	67.1	-	53.0	12.1	-	65.1	-
2008	<u>Best Constr.</u>	6.4	-	-	6.4	-	3.8	-	-	3.8	-
2013	<u>Credins Bank</u>	11.8	-	-	11.8	-	-	-	-	0	-
2005	<u>Fushe Kruje</u>	16.0	-	-	16.0	-	16.0	-	-	16.0	-
2007	<u>Konstruksione</u>	2.6	-	-	2.6	-	2.6	-	-	2.6	-
2012/ 2013	<u>enso Albania</u>	-	7.7	-	7.7	-	-	3.0	-	3.0	-
Total Portfolio		91.5	44.2	21.9	158.0	-	75.4	38.3	21.9	135.6	-

* Quasi Equity includes both loan and equity types

ANNEX 5.8 (IBRD/IDA): COMMITTED AND DISBURSED OUTSTANDING INVESTMENT PORTFOLIO

CAS Annex B8 - Albania

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 4/1/2013

Closed Projects 63

IBRD/IDA *

Total Disbursed (Active)	73.93
of which has been repaid	1.82
Total Disbursed (Closed)	453.03
of which has been repaid	79.18
Total Disbursed (Active + Closed)	526.96
of which has been repaid	81.00
Total Undisbursed (Active)	167.53
Total Undisbursed (Closed)	1.78
Total Undisbursed (Active + Closed)	169.31

Active Projects

Project ID	Project Name	<u>Last PSR</u>			Fiscal Year	<u>Original Amount in US\$ Millions</u>		
		Supervision Rating				IBRD	IDA	GRANT
		<u>Development</u> <u>Objectives</u>	<u>Implementation</u> <u>Progress</u>					
P086807	COASTAL ZONE MGMT (P	MS	MU	✔	2005		17.5	
P110845	DISASTER RISK MITIGATI	MS	MS	✔	2008	3	6.16	
P110481	ECSEE APL 5 DAM SAFE	MS	MS	✔	2008	21.6	35.3	
P078933	EDUC EXCEL & EQUITY	MS	MU	✔	2006		15	
P096263	LAND ADMIN & MGMT PR	MU	MU	✔	2007	19.96	15	
P107833	SECONDARY AND LOCAL	S	S	✔	2008		20	
P122233	Social Assistance Moderni	MS	MS	✔	2012	50		
P121186	WATER RESOURCES AN	#	#	✔	2013	40		
Overall Result						134.56	108.96	



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