Board Meeting of July 30, 1998
Statement by Joaquim Carvalho

Albania: Country Assistance Strategy

We endorse the proposed Country Assistance Strategy for the Republic of Albania and commend staff for the high quality of the document. In particular, we are pleased with the level of consultation that has gone into the formulation of the CAS and its consistency with the Government’s Medium-Term Economic Agenda. The proposed CAS also draws on the lessons learned from the previous CAS, the 1997 crisis and the OED’s recent Country Assistance Review. We are pleased that the majority of the recommendations in the CAR are reflected in the CAS, especially the need to increase ESW activities, more so with respect to forging a consensus on the proposed economic reforms and on IDA’s role in the country’s development process. We also appreciate the candor of the document in spelling out the areas of differences between the Albanian Government and the Bank.

This CAS comes at a time when the Government of Albania is seriously embarking on an ambitious recovery program to bring life back to normalcy, after the devastating unrest that took place in 1997. Prior to the outbreak of the 1997 disturbances, the country made great strides in transforming the country into a market oriented economy. Remarkable progress was recorded in several areas, including price and trade liberalization, tax reform, external debt management and agriculture. It is gratifying to note that notwithstanding the civil disturbance, these gains have been sustained. We also note the timely response of Albania’s development partners in assisting the country to minimize the resultant fallout of the crisis.

We share the view that the State has an important role to play by providing services, such as law and order, health, education and social protection. We therefore welcome the focus given to the strengthening of governance and institutional capacity building in this CAS. Improvement in the quality and delivery of public services will restore confidence in the government. Besides the Government’s anti-corruption initiative, we note that a number of IDA’s future operations also support governance and institutional capacity building. EDI is also active in addressing this important issue, especially in broadening the understanding of policy issues as well as in canvassing consensus for the reforms. We welcome the importance attached to the development of a strong State and effective public institutions. In this respect, we agree with the view that this is a
long-term process and should be looked at from the perspective of ensuring sustainability of the reform programs.

We also share the staff’s view on the need to involve the NGOs, the private sector, and civil society in the design, preparation and implementation of development programs. We however believe that the role of these partners should be complementary and not a substitute to the role of the State. It appears that the prominent role given to NGOs in Albania is also affecting the people’s loyalty to the State. We expect the Bank, to play an active role in helping the country to strengthen participatory work as well as strengthening partnership with other players.

With regard to human resource development and poverty reduction, we are pleased with the government’s plan to ensure more access for the poor to basic education, health facilities and social services.

Furthermore, we welcome the actions being taken to address the remaining weakness in the financial sector. We also expect IDA to continue to deepen its dialogue with the authorities on the outstanding issues.

On the private sector, the government has gone a long way with the privatization program. We are encouraged by the steps taken so far in the privatization of small and medium scale enterprises and in deregulating the economy. This has been a driving force for fostering the role of the private sector. In this connection, we expect to see a greater involvement of the IFC in underpinning the efforts being made by the authorities in this area. We are, however, concerned that no mention is made of MIGA’s role in the strategy. We expect MIIGA to play a proactive role in attracting foreign capital investment to the country. We would appreciate staff comments on the low level of IFC activities and on the absence of the role of MIGA.

It is gratifying to note that the portfolio currently under implementation has started to pick up after the crisis. On the lending program for the FY99-01, we support both lending and non-lending services proposed in the document. In addition, we have no difficulties with the proposed scenarios and the associated triggers and hope that IDA will exercise flexibility in the implementation of the reform programs. We note staff’s assessment of the risks that are likely to be encountered in attaining the CAS objectives and hope that special attention will be given to the mitigation of these risks. In this connection, we are particularly concerned about the worsening security situation and the refugees’ flow into Albania. IDA’s close collaboration with the Post-Conflict Unit in the Bank to monitor the situation is comforting to us.
We are pleased with the presence of a large number of development partners in Albania and the division of labor among them. While we appreciate IDA’s self-assessment of its comparative advantage, we however expect to see the government in the driver’s seat, particularly in the area of aid coordination.

Finally, we would like to wish the government of Albania success in the implementation of this CAS, which we hope will propel the development process.