WORLD BANK FINANCING TO ALBANIA

March 2005, TIRANA
## ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>ADF</th>
<th>Albanian Development Fund</th>
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<tbody>
<tr>
<td>ADR</td>
<td>Alternative Dispute Resolution</td>
</tr>
<tr>
<td>APL</td>
<td>Adaptable Program Lending</td>
</tr>
<tr>
<td>BART</td>
<td>Loan Collection Agency</td>
</tr>
<tr>
<td>BF</td>
<td>Besa Foundation</td>
</tr>
<tr>
<td>BSAP</td>
<td>Biodiversity Strategy Action Plan</td>
</tr>
<tr>
<td>CAE</td>
<td>Country Assistance Evaluation</td>
</tr>
<tr>
<td>DSI</td>
<td>Directorate of Statistics and Information</td>
</tr>
<tr>
<td>DOPA</td>
<td>Department of Public Administration</td>
</tr>
<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<tr>
<td>ERE</td>
<td>Electricity Regulatory Authority</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>FMO</td>
<td>Fishery Management Organization</td>
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<td>FWUA</td>
<td>Federation of Water User Associations</td>
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<td>GDC</td>
<td>General Directorate of Customs</td>
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<td>GEF</td>
<td>Global Environmental Facility</td>
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<td>GRD</td>
<td>General Roads Directorate</td>
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<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IFC</td>
<td>International Financial Cooperation</td>
</tr>
<tr>
<td>LSMS</td>
<td>Living Standards and Measurement Survey</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
</tr>
<tr>
<td>MLGD</td>
<td>Ministry of Local Government and Decentralization</td>
</tr>
<tr>
<td>MOAF</td>
<td>Ministry of Agriculture and Food</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
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<td>MOJ</td>
<td>Ministry of Justice</td>
</tr>
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<td>MOLSA</td>
<td>Ministry of Labor and Social Affairs</td>
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<td>MPO</td>
<td>Ministry of Public Order</td>
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<td>NSSED</td>
<td>National Strategy for Social Economic Development</td>
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<td>PIU</td>
<td>Project Implementation Unit</td>
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<td>PMU</td>
<td>Project Management Unit</td>
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<td>PO</td>
<td>Private Operator</td>
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<td>PPA</td>
<td>Public Procurement Agency</td>
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<td>PPP</td>
<td>Public Private Partnership</td>
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<td>RFF</td>
<td>Rural Financing Fund</td>
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<td>RTGS</td>
<td>Real Time Gross Settlement System</td>
</tr>
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<td>SCA</td>
<td>Savings Credit Associations</td>
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<tr>
<td>SEED</td>
<td>Southeastern European Enterprise Development</td>
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<tr>
<td>SmGP</td>
<td>Small Grants Program</td>
</tr>
<tr>
<td>SOE</td>
<td>State-owned enterprises</td>
</tr>
<tr>
<td>SvB</td>
<td>Savings Bank</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
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<td>TRA</td>
<td>Telecommunications Regulatory Authority</td>
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<td>TSE</td>
<td>Tirana Stock Exchange</td>
</tr>
<tr>
<td>TSO</td>
<td>Transmission System Operator</td>
</tr>
<tr>
<td>WUA</td>
<td>Water Users Associations</td>
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INTRODUCTION

Albania is a lower middle income country with a gross national income per capita of US$1,740 in 2003. It is a largely agricultural economy. However, the share of agriculture in total GDP has declined in recent years. Services accounted for more than half of GDP in 2003, followed by agriculture and industry. Workers’ remittances make up an additional 14 percent of GDP.

The country has made significant progress since its transition from rigid communism to a market economy. It has achieved high growth, albeit from a low base, while containing inflation in almost every year since transition, despite bouts of domestic and regional instability. It has pursued far-reaching structural and economic reforms and has made advances in establishing democratic institutions.

Nonetheless, the country faces considerable challenges. While recorded per capita income has increased steadily, Albania remains one of the poorest countries in Europe. According to the 2002 Living Standards Measurement Survey, a quarter of Albania’s population lives in poverty and about 5 percent in extreme poverty—defined as the inability to meet basic food requirements. In addition, weak and deteriorating infrastructure and services throughout the country have left one-third of households without access to necessities such as basic education, water, sanitation, and heating. Weak governance, feeble institutions, and a tenuous rule of law are at the root of the country’s problems.

Albania’s impressive performance since transition began in 1991 but came to a halt during the large-scale civil disturbances of 1997. The well-publicized collapse of fraudulent pyramid schemes underscored the fragility of the country’s institutions.

After the crisis, the country restored and maintained macroeconomic stability and put structural reforms back on track. Despite the Kosovo conflict and the massive influx of refugees in early 1999, the Government remained committed to implementing structural reforms, aided by generous external assistance.

In January 2003, Albania started negotiations with the European Union (EU) for a Stabilization and Association Agreement. Negotiations have so far focused on political, institutional, and technical issues.

Recent economic performance. Albania’s initial reform program enabled strong private-sector activities, especially in agriculture. High levels of external financing and workers’ remittances also benefited the country. The economy has been growing since 1999 at an average annual rate of almost 7 percent, despite the shocks of transition and the 1997 civil disturbances. Average inflation has been kept very low, and in 2004 was estimated to be 2.9 percent.

Fiscal consolidation reduced the deficit from 12 percent of GDP in 1999 to about 5 percent in 2004. Nevertheless the fiscal deficit, financed primarily through domestic borrowing, remains high. Continuous remittances, external assistance, and foreign direct investment have been important factors in strengthening the country’s balance of payments position and in reducing the current account deficit to 7 percent in 2004. However, concerns remain about Albania’s fragile external position and fiscal sustainability, as well as its widespread poverty.

Although the agricultural sector still provides a livelihood for almost half of Albania’s population, the reallocation of resources toward the construction and services sectors in recent years has been critical for the country’s economic progress. The country has further growth potential in agro-business industry, transit trade, export of light manufacturing, and tourism.

Challenges ahead

• Maintaining stability and consensus regarding essential reforms. Albania remains vulnerable to domestic and regional instability which could undermine its democratic and economic reforms. Maintaining stability and consensus can help the country to implement far-reaching structural reforms and achieve growth that can widely benefit the population.

• Strengthening governance. Governance and institutional capacity remain weak, and law enforcement is inadequate. Strengthening governance and building institutions are essential for the country’s long-term development as well as for implementing the Government’s development agenda, spelt out in its National Strategy for Socio-Economic Development (NSSED).

• Addressing macroeconomic imbalances. In the face of declining access to concessional financing, Albania needs to move aggressively toward establishing creditworthiness, and in
eventually gaining access to international financial markets. To achieve this goal the country must tackle its macroeconomic imbalances, move quickly to complete the reform agenda—especially by improving the business environment—and improve debt management.

- **Upgrading infrastructure.** Sustained and rapid economic growth would require modern and efficient infrastructure and reliable energy supplies.

### The World Bank strategy

The World Bank’s assistance strategy for fiscal years 03–05 supports the country’s development agenda articulated in the NSSED. The NSSED, launched in November 2001 after a broad-based participatory process, aims to address the large development gap between Albania and other European countries. To this end, the Bank is supporting the Government of Albania in the following directions:

- Improving governance and strengthening institutions
- Promoting sustainable private sector growth
- Fostering human development

In late 2004 the World Bank has started preparations for its next Country Assistance Strategy. To increase the effectiveness of the World Bank’s assistance, the strategy will be developed based on consultations with the Government, civil society, the private sector and other important stakeholders in the country.

### International Development Association (IDA)

Since Albania became a member in 1991, the World Bank has supported Albania’s development across a broad range of sectors through IDA lending. IDA assists the poorest countries with a per capita income of less than US$ 885, providing interest-free loans, technical assistance and policy advice. In partnership with the European Union, World Bank has lead donor coordination efforts and helped to catalyze additional resources in support of Albania. International Development Association’s commitments to Albania total some US$ 768 million for 55 projects. The World Bank also provides technical assistance, analytical and policy advice. Out of this, US$ 611 million have been disbursed. 17 projects are presently under implementation.

The Bank’s assistance to Albania is focused in the medium-term on poverty reduction through investments in key sectors, support for improved governance and anticorruption, deepening key structural and sector reforms, and improved management of infrastructure. Specific operations are accelerating privatization, restructuring of public utilities, and community-based development. IDA continues to provide assistance for improved public expenditure management and to ensure that public resources are allocated towards alleviating poverty and sustainable development in the country.

### Impact on the ground

The foundations for better governance are in place. The World Bank and other donors are helping Albania implement public administration and legal and judicial reform. Following the adoption of a Civil Service Law in late 1999, the government set up a General Secretary in every ministry and the recruitment of new civil servants is done through transparent and competitive procedures. The Institute of Training of Public Administration trained more than 1,700 civil servants during the last two years. Moreover, for the fourth consecutive year, the Government has used a medium-term budget programme for its budget process. The magistrate school, established in 1997, has trained over 550 new judges and public prosecutors who are helping to improve the quality of district courts.

**Access to credit has improved the environment for small business.** Since 1992, the World Bank has helped design and implement innovative microfinance programs that have provided over 47,000 loans for all types of income-generating activities. In over 380 villages and 8 districts, elected village credit committees make and enforce loan decisions. About 150,000 persons have benefited so far. There are now almost 10,228 active loans. The Bank and other donors helped to transform the “village credit funds” into sustainable savings and credit associations. The government has transformed the urban microcredit program into Albania’s first local microcredit foundation. BESA foundation now has branches in 15 cities, with almost 5,400 active loans, increasing employment in urban communities.

**Infrastructure is improving in peri-urban areas.** A Bank-financed Urban Land Management Project
is using community participation to provide essential urban infrastructure—including roads, water supply, drainage, sewerage, electricity, street lights, and waste collection—to informal settlements on the outskirts of Tirana. About 3,000 families have benefited so far.

**Better irrigation systems have improved agriculture and empowered farmers.** Two successive projects financed by the Bank and other donors have used a demand-driven, community-based approach to rehabilitate and upgrade 335,000 hectares of Albania’s irrigation and drainage system. This represents two-thirds of Albania’s irrigated land. More than 100,000 families have benefited from these schemes to date. Under the projects, the Government is transferring the management of irrigation to farmer-managed water user associations.

**Local communities are partners in improving small-scale infrastructure.** The Bank and other donors have helped the Albanian Development Fund (ADF)—an autonomous government foundation—rehabilitate small-scale social and economic infrastructure throughout the country, including the most remote rural areas. Using a demand-driven approach, whereby infrastructure priorities are determined by local communities, the ADF has financed more than 1,100 sub-projects, of which about 900 have been completed. These sub-projects—which include roads, footbridges, water supply schemes, health centers, schools, and day-care centers—are benefiting some 2 million people, or about two-thirds of Albania’s population.

**Improvements in human development are bettering lives.** Although much remains to be done, the Bank has contributed in improving the quality of basic preventive and curative health services, by financing the construction/reconstruction and equipping of 115 centers in the poorest areas of the country. In addition, with the assistance of the Bank and other partners, the Government has established new hospital services in three main cities and has completed the general master plan for the future development of the single tertiary hospital in the capital and has supported the complete renovation of the equipments. Considerable support has been given to advance reforms in key policy areas, such as decentralization, health insurance, and transparency in sector expenditures.

Moreover, two projects in the education sector the Bank has helped construct/reconstruct 228 schools in priority areas nationwide where 80,000 children benefited from the new schools. With the Bank support the Government is modernizing the curricula to meet the future challenges as well as has introduced a free textbook policy for the basic education throughout the country and for the secondary education in the 80 poorest areas of the country.

The Bank and other donors are also helping the Government improve the pension and social protection systems. The Government has already passed a round of pension reforms to increase pension benefits and the sustainability of the pension system. The Bank is also helping the establishment of social services standards in line with EU standards, supporting the decentralization of administration to bring them closer to the beneficiaries. A Bank financed project is supporting community programs to more effectively deliver social services to vulnerable groups, including women and children at risk, the disabled, and substance abusers in four main cities.

**Better roads and improved access to basic services.** Five Bank-financed projects in the transport sector since 1994 have helped reduce poverty, increase employment, and promote growth throughout the country. These projects aimed at reducing transport operating costs to make Albania more competitive with other countries for the export of its products, improve access to markets, and basic services, especially in the northern part of the country, which is the poorest area. The Bank is improving Ministry of Transport and Telecommunications capability in starting and advancing reforms in transport sectors, in formulating transport strategy for Albania, and in improving the road conditions and traffic management and traffic safety conditions. With the Bank financing 1,700 km of the rural road network and 1,300 km of the national road network are rehabilitated, constructed and repaired.

**The International Finance Corporation (IFC)**

IFC, the private sector “window” of the World Bank, is also active in Albania in support of the private sector. Albania became a member of IFC in 1991. IFC established its field office in Tirana in December 1997 (at the World Bank premises). Since Albania became a member in 1991, IFC has committed $82 million of its own funds in the country and has arranged about $18 million in syndications. IFC investment has financed six projects in the financial, information, and manufacturing sectors.
To further promote Albania’s private sector development and the transition to a market economy, IFC’s main focus is to support the financial sector, small and medium-size enterprises, investments in infrastructure, privatization of telecommunications and power sector, and the development of sectors where Albania has comparative advantages.

IFC’s advisory work in Albania began with work in the oil and mining sectors and agribusiness in the mid-to late nineties and is on-going in other sectors. IFC continues to focus its efforts on improving the investment climate and on small and medium enterprises development. In this sector during the past year, the SEED program produced exciting advances for small businesses in the areas of banking, leasing, business advocacy and EU accession.

IFC can make a critical contribution to the development of the Albanian economy. IFC is stepping up its involvement in Albania to:

(i) Increase support of the financial sector;
(ii) Seek opportunities to finance private sector investments in infrastructure and undertake selective financing of critical infrastructure investments;
(iii) Provide financial and technical assistance to small and medium-sized enterprises in the post-privatization stage;
(iv) Rehabilitate the key industrial sectors such as oil and gas, mining and related industries, and construction materials;
(v) Support the development of different sectors where Albania has comparative advantages such as light manufacturing, fishing and tourism.

IFC’s total approvals to date are US$ 82 million in financing.

Southeast Europe Enterprise Development (SEED)

Launched in September 2000, SEED is now in business in the region, covering Albania, Bosnia and Herzegovina, Kosovo, FYROM and Serbia and Montenegro. SEED has a five-year mandate and about US$ 27 million in financing to date from IFC and nine other donors.

SEED is focused in three main areas:

1. Enterprise-Level Investment Services through targeting companies for sustained, market-based competition. SEED can provide Pre-investment services and Post-investment activities.
2. Capacity Building of Enterprises and Institutions Serving SMEs’ needs through partnering with local associations of business owners and building the capacity for these associations to expand and function more effectively and independent of donor support; training and technical assistance programs to local business service firms; training in financial, marketing and operation’s management.
3. Improvement of the Business Enabling Environment through support for legislative and tax reform benefiting SMEs; administrative and regulatory reform to help reduce the heavy bureaucratic burden on SMEs; organization and dissemination of relevant business information – especially information that would assist SMEs in identifying new markets, understand and comply with local laws and regulations, and learn about new products, production, methods, and technology; promote regular dialogue between local business representatives and government.

Multilateral Investment Guarantee Agency (MIGA)

Albania is also member of the Multilateral Investment Guarantee Agency (MIGA) which was created in 1988 as a member of the World Bank Group to promote foreign direct investment into emerging economies to improve people’s lives and reduce poverty. MIGA fulfills this mandate and contributes to development by offering political risk insurance (guarantees) to investors and lenders, and by helping developing countries attract and retain private investment.

So far, MIGA has issued its first two guarantees for projects in Albania. The first guarantee - US$ 1.6 million issued in February 2000 - covers an Italian investment in tourism project: a marina on Albania’s Adriatic coast. The second guarantee - US$ 7 million issued in June 2001 - covers the Commercial Bank of Greece for its investment in the Intercommercial Bank. MIGA’s total exposure for projects in Albania was US$ 8.6 million.

For details of World Bank projects in Albania, please visit: www.worldbank.org.al
1. IDA ACTIVITIES
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<td>No. of Projects approved</td>
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<td>5</td>
<td>7</td>
<td>5</td>
<td>0</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>55</td>
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<td>Amount of IDA credits (million US$)</td>
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<td>44.4</td>
<td>47.1</td>
<td>67.4</td>
<td>72.5</td>
<td>0</td>
<td>80.3</td>
<td>125.0</td>
<td>59.7</td>
<td>28.0</td>
<td>87.5</td>
<td>43.0</td>
<td>58.0</td>
<td>10.0</td>
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<td>Cumulative of IDA financing (million US$)</td>
<td>41.1</td>
<td>85.5</td>
<td>132.6</td>
<td>200.0</td>
<td>272.5</td>
<td>272.5</td>
<td>356.7</td>
<td>481.7</td>
<td>541.4</td>
<td>569.4</td>
<td>656.9</td>
<td>699.9</td>
<td>757.9</td>
<td>767.9</td>
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<td>IDA Disbursements</td>
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<tr>
<td>- by FY</td>
<td>0</td>
<td>10.8</td>
<td>38.8</td>
<td>39.6</td>
<td>34.5</td>
<td>23.3</td>
<td>52.9</td>
<td>66.9</td>
<td>52.0</td>
<td>65.7</td>
<td>35.9</td>
<td>74.8</td>
<td>61.3</td>
<td>54.1</td>
<td>607.7</td>
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<tr>
<td>- cumulative</td>
<td>0</td>
<td>10.8</td>
<td>49.6</td>
<td>89.2</td>
<td>123.7</td>
<td>147</td>
<td>199.9</td>
<td>266.8</td>
<td>318.8</td>
<td>384.5</td>
<td>420.4</td>
<td>495.2</td>
<td>556.5</td>
<td>610.6</td>
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<td>Cumulative undisbursed balance at the end of FY</td>
<td>41.1</td>
<td>74.7</td>
<td>83.0</td>
<td>110.8</td>
<td>148.8</td>
<td>125.5</td>
<td>156.8</td>
<td>214.9</td>
<td>222.6</td>
<td>184.9</td>
<td>236.5</td>
<td>204.7</td>
<td>201.4</td>
<td>157.3</td>
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Table of projects closed and totally disbursed

<table>
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<tr>
<th>PROJECT NAME</th>
<th>CREDIT AMOUNT (million US $)</th>
<th>APPROVAL DATE</th>
<th>CLOSING DATE</th>
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<tbody>
<tr>
<td>2. Rural Poverty Alleviation</td>
<td>2.4</td>
<td>23 February 1993</td>
<td>30 June 1995</td>
</tr>
<tr>
<td>3. Technical Assistance</td>
<td>4.0</td>
<td>13 May 1993</td>
<td>31 March 1999</td>
</tr>
<tr>
<td>4. Transport</td>
<td>18.0</td>
<td>20 May 1993</td>
<td>30 June 1999</td>
</tr>
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<td>5. Agriculture Structural Adjustment Credit (ASAC)</td>
<td>20.0</td>
<td>24 June 1993</td>
<td>31 December 1998</td>
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<tr>
<td>6. Housing</td>
<td>15.0</td>
<td>06 July 1993</td>
<td>31 December 1999</td>
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<tr>
<td>7. Social Safety Net Development</td>
<td>5.5</td>
<td>14 September 1993</td>
<td>31 August 1999</td>
</tr>
<tr>
<td>10. Tax Administration and Modernization</td>
<td>4.0</td>
<td>26 July 1994</td>
<td>30 June 2000</td>
</tr>
<tr>
<td>11. EFSC</td>
<td>15.0</td>
<td>02 August 1994</td>
<td>30 June 1998</td>
</tr>
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<td>12. Irrigation Rehabilitation</td>
<td>10.0</td>
<td>06 September 1994</td>
<td>30 June 2001</td>
</tr>
<tr>
<td>17. Urban Works and Microenterprise</td>
<td>4.0</td>
<td>01 August 1995</td>
<td>30 June 1999</td>
</tr>
<tr>
<td>22. Rehabilitation Credit</td>
<td>25.0</td>
<td>09 December 1997</td>
<td>31 December 1998</td>
</tr>
<tr>
<td>26. Structural Adjustment Credit</td>
<td>45.0</td>
<td>03 June 1999</td>
<td>31 December 2000</td>
</tr>
<tr>
<td>27. Community Works Supplement</td>
<td>5.0</td>
<td>22 June 1999</td>
<td>31 March 2003</td>
</tr>
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<td>28. Recovery Program TA</td>
<td>5.0</td>
<td>09 December 1999</td>
<td>31 October 2002</td>
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<td>29. Emergency Road Repair Project</td>
<td>13.7</td>
<td>07 December 1999</td>
<td>31 December 2003</td>
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<tr>
<td>31. Poverty Reduction Support Credit 2</td>
<td>18.0</td>
<td>10 July 2003</td>
<td>31 December 2004</td>
</tr>
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<td>32. Water Supply Urgent Rehabilitation Project</td>
<td>10.0</td>
<td>24 February 2000</td>
<td>1 March 2004</td>
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<td>33. Education Reform Project</td>
<td>12.0</td>
<td>11 May 2000</td>
<td>31 October 2004</td>
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<td>34. Forestry</td>
<td>8.0</td>
<td>16 April 1996</td>
<td>30 June 2004</td>
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<td>35. Durrres Port Project</td>
<td>17.0</td>
<td>12 May 1998</td>
<td>31 December 2004</td>
</tr>
<tr>
<td>36. Poverty Reduction Support Credit 3</td>
<td>10.0</td>
<td>7 December 2004</td>
<td>31 December 2005</td>
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<tr>
<td>37. Financial Sector Adjustment Credit</td>
<td>15.0</td>
<td>20 June 2002</td>
<td>31 December 2004</td>
</tr>
<tr>
<td>TOTAL</td>
<td>534.5</td>
<td></td>
<td></td>
</tr>
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</table>
Table of ongoing projects and disbursed amounts (as of February 20, 2005)

<table>
<thead>
<tr>
<th>PROJECTS</th>
<th>APPROVAL FISCAL YEAR</th>
<th>CREDIT AMOUNT (million US$)</th>
<th>DISBURSEMENT (million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Urban Land Management</td>
<td>98</td>
<td>10.0</td>
<td>10.4</td>
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<tr>
<td>2. Irrigation and Drainage II</td>
<td>99</td>
<td>24.0</td>
<td>23.2</td>
</tr>
<tr>
<td>3. Microcredit</td>
<td>99</td>
<td>12.0</td>
<td>11.1</td>
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<td>4. Public Administration Reforms</td>
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<tr>
<td>5. Legal and Judicial Reform</td>
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<td>9.0</td>
<td>6.2</td>
</tr>
<tr>
<td>6. Financial Institution Building TA</td>
<td>00</td>
<td>8.5</td>
<td>5.5</td>
</tr>
<tr>
<td>7. Trade and Transport Facil. in South Europe</td>
<td>01</td>
<td>8.1</td>
<td>8.2</td>
</tr>
<tr>
<td>8. Social Services Delivery Project</td>
<td>01</td>
<td>10.0</td>
<td>1.0</td>
</tr>
<tr>
<td>9. Agricultural Services Project</td>
<td>01</td>
<td>9.9</td>
<td>5.5</td>
</tr>
<tr>
<td>10. Fishery Development Project</td>
<td>02</td>
<td>8.6</td>
<td>3.1</td>
</tr>
<tr>
<td>11. Power Sect. Rehabilitation and Restructure Proj.</td>
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<td>29.9</td>
<td>7.6</td>
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<tr>
<td>12. Road Maintenance Project</td>
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<td>14.2</td>
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<tr>
<td>13. Road Maintenance Supplemental Project</td>
<td>02</td>
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<td>4.5</td>
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<tr>
<td>14. Municipal Water and Wastewater Project</td>
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<td>15. Community Works II</td>
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<td>16. Power Sec. Generation &amp; Restructuring Pr.</td>
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<td>17. Water Resource Management Project</td>
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<td>0.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>233.5</strong></td>
<td><strong>107.2</strong></td>
</tr>
</tbody>
</table>

**CREDIT CONDITIONS:**
Albania is a beneficiary of scarce IDA resources, receiving IDA credits which are extended for 20 years, 10 years grace period.

**NOTE:**
Since grants like Integrated Water and Ecosystem Management, Shkodra Lake integrated ecosystem Management, Conservation and Sustainable Management of Karavasta Lagoon, Butrint National Park Global Biodiversity and Heritage Conservation Project, and other Trust Funds are not IDA financed operations, they are not included in this table.
PROJECTS UNDER IMPLEMENTATION

Urban Land Management Project

Project Objectives
The primary objectives of the project are to provide essential urban infrastructure to unserviced or neglected areas in Greater Tirana and strengthen the institutions responsible for the delivery of urban services at the national and local levels. Investments in roads, water supply, drainage, sewerage, in electricity, street lighting and waste collection and technical assistance to local authorities.

Project Description
The project consists of two components: (i) the financing of primary and secondary infrastructure (including roads, water supply, sewerage and drainage, electricity, street lighting and solid waste collection), while tertiary infrastructure will be funded by beneficiary resources: and (ii) the financing of supporting services to strengthen the capacity for urban planning and land management, project preparation and implementation.

Project Achievements
Project’s Development Objective is rated satisfactory. Essential urban infrastructure to un-serviced or neglected areas in Greater Tirana and other regions of the country has been provided. The institutions responsible for the delivery of urban services at the national and local levels created such an experience that will speed up such deliveries in similar complex situations in the future. Physical investments were carried out in roads, water supply, drainage, sewerage, in electricity, street lighting and waste collection.

The first subprojects (Lapraka and Bathore Pilot Area) have already made visible impacts with active community participation. The main stakeholders (central and local governments, community residents, Local NGOs) have fully subscribed to the project’s objectives and implementation arrangements and all agreements stipulated by the project among the different stakeholders have been duly observed. The Project exceeded the objective through reaching around 9000 households in 25 sub-projects in 7 cities across the country in three phases, as compared to 4314 households estimated in the Mid-Term Review.

Phase I (Lapraka and Bathore Pilot): In Lapraka, installment of electricity networks in 11 subdivisions has been completed by December 2000. Despite the general shortage of electricity in Albania at this particular time, service quality of electricity has dramatically improved, and residents expressed satisfactions. After several months of joint efforts with the local authorities, procurement of civil works for power supply in adjacent 21 ha has been completed.

Phase II (Bathore 2, 3, 4 and Frutikultura): Civil works in Bathore 2 and Bathore 3 and Frutikultura for sewerage and water supply networks are completed. For the same civil works Bathore 4 is completed too. Even at this difficult area the beneficiaries collected the expected contribution.
Phase III: Two sub-projects of sewerage and water supply networks are completed in the Municipality of Tirana. In the municipalities of Kucova, Fieri, Kavaja, Vlora and Librazhd similar sub-project have been completed in this phase.

Japanese Social Development Fund (JSDF): was granted to the Project under the title “Strengthening Urban Communities in Informal Settlements and Developing an Urban Community Exchange Network.” These activities supported the Government and communities in taking further steps to strengthen communities through the promotion of youth and women’s participation in planning and monitoring, the development of small-scale social infrastructure through community initiatives, and the establishment of networks of informal settlements to share experience and information. The grant has been implemented in Kamza Municipality sites for the construction of a children’s green area and a kindergarten/community center. The civil works are completed and the facilities are functioning.

Strategic Plan for Infrastructure of Greater Tirana. The final draft of the Strategic Plan for Infrastructure of Greater Tirana was submitted for review to the Tirana Regional Council and National Urban Institute in April 2003. The Tirana Region will guide the process of submitting the report for approval in the National Territorial Adjustment Council after the approval in local level. □

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Irrigation And Drainage II Project

Project Objectives
The two main objectives of this project are (i) institutional improvement, through the establishment of a Federation of Water User Associations (FWUAs), the restructuring of State Owned Enterprises (SOEs) into Water Users Associations (WUAs) and the transfer of irrigation responsibility of SOEs to the new Federation, and (ii) improved cost recovery in the irrigation/drainage sector.

Project Description
The project has four components:

System rehabilitation: (i) rehabilitation and minor improvement of irrigation facilities, (ii) rehabilitation of flood control and drainage facilities, (iii) rehabilitation of reservoirs and headwork, and (iv) design and supervision;
Institutional support: (i) support for WUAs and FWUAs, (ii) support for water enterprises, and (iii) support for construction industries;
Technical studies: (i) improve irrigation and drainage design, (ii) improve environmental management, and (iii) environmental monitoring;
Implementation support: development of investment program, (ii) project administration and implementation support, and (iii) support to Project Management Unit.

Project Achievements
Overall the Project progress is satisfactory with the good progress recorded in project implementation of both physical and institutional aspects. The rehabilitation of the irrigation system for the first and second phase of civil works is almost finished. 279 civil works contracts were awarded until now at a total amount of US$ 33.5 million in 22 districts and the progress in these contracts is 97%. The project is almost finished 1.5 years ahead of the schedule. The project will go beyond its objectives; about 58,000 hectares of land will be under irrigation and 130,000 hectares will be drained. About 200 WUAs are established in the Second Project area and 24 FWUAs are established in the First and Second Projects area. The restructuring of the water enterprises into Drainage Boards is at an advanced stage. By March 31, 2005, all 17 irrigation and drainage enterprises will be decentralized and converted into drainage boards. The new drainage boards; comprising representatives of municipalities, WUAs/FWUAs, commune leaders and private business, will be responsible for identifying priority investments, preparing and implementing business plans, and monitoring impacts. They will also work in partnership with the central government on flood protection. Although most of the DB are functioning there is need to provide them with post-restructuring training to ensure that they respond properly to the implementation of the working program of each board.

Status
Under implementation

Borrower
Republic of Albania

Project Coordinator
Ministry of Agriculture

Project Cost
US$ 15 million

Credit Amount
US$ 24.0 million

Date of Signing
July 19, 1999

Effective
November 4, 1999

Closing Date
March 31, 2005

Disbursement
US$ 23.2 million
(as of February 20, 2005)

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Microcredit Project

Project Objectives
The project’s development objectives are:
(i) to generate self-employment and microenterprises in urban areas;
(ii) to increase farm and off-farm investment and saving services in rural areas;
and (iii) to progressively establish self-sustainable rural and urban microlending financial intermediaries.

Project Description
The project is a follow-up to the rural microcredit component of the Rural Development Project and the urban microcredit component of the Urban Works and Microenterprise Pilot Project. Regarding rural credit, the project supports the establishment of a private sustainable savings and credit association (SCA) network, based on the existing system of village credit funds. A quasi-governmental foundation, the Rural Finance Fund (RFF), which has taken over the functions of the former Albanian Development Fund (ADF) rural credit department is developing and financing the SCAs. Regarding urban credit, the project supports the development and expansion of Besa Foundation, a new private microfinance institution that has taken over the loan portfolio of the former ADF urban credit department.

Project Achievements
The RFF is continuing to meet its 2002-2005 business plan targets. The RFF has transferred responsibilities to the Union of Savings and Credit Associations (SCAs), an important milestone in the project and is currently working on strengthening governance issues, in part by providing training to the Board of the Union, in collaboration with Rabobank. The network of SCAs is currently serving 10,228 members from 380 villages through 89 SCAs with a portfolio of US$ 8.9 million. The number of active loans was 10,228. Towards the end of 2001, RFF introduced a saving component for SCAs on a very small pilot scale while the Bank of Albania was finalizing the new Law on Savings and Credit Associations and the accompanying licensing and prudential rules. The Union has reached operational sustainability as of the end of September 2004.
Besa Foundation is operationally and financially sustainable and so far has reached all performance indicators. It is currently serving 5,400 microentrepreneurs with an outstanding portfolio of US$ 16.3 million. The portfolio at risk is 2.6%. Recently the BESA Foundation started with two new products (US$ 170,000) attracting the NGO and youngsters. They are discussing with SOROS, the founder, to have a third product for business women (about US$ 250,000).

Due to the excellent achievements of RFF and BF, the project is highly satisfactory. Both institutions could recently get additional funds US$ 4 million from the Government (AGA Project); SCA Union was able to secure a € 1 million credit line from Credins, an Albanian financial institution and € 2 million from the Spanish Cooperation. Besa Foundation got € 2.5 million from the Spanish Cooperation. Thus having sufficient funds for short and medium term both institutions will
enlarge their activity and better help the country at the reduction of poverty and employment creation.

The technical assistance to the Bank of Albania to strengthen its capacity to supervise the SCA and their Union is coming to an end. An Accounting Manual has been drafted and is expected to be approved by the Board in early 2005. A new set of prudential rules of SCA and Union supervision has been drafted and will be cleared by the Bank at the end of the year.

Both Institutions have successfully collaborated with MAFE, SOROS Foundation, Swiss Cooperation, Credit Mutual CEI, and Rabobank.
Public administration reform project

Project Objectives
The Government of Albania has adopted a comprehensive policy reform program to strengthen Albania’s weak institutional and governance capacity. This policy reform program is being supported by a Structural Adjustment Credit, which became effective in mid-1999. The overall objective of the Public Administration Reform Project (PARP) is to provide required resources for technical assistance, training, and goods that are needed to implement the Government’s Institutional and Public Administration Reform agenda effectively.

Project Description
The project addresses the objectives underlined in the Government’s strategy by focusing on some of the most important elements that lay the foundations for a more efficient and transparent functioning of the state, based in the rule of law. The project addresses three main components, plus a small project management component: (i) public expenditure management; (ii) public sector human resource management; (iii) and policy formulation and coordination.

Project Achievements
Projects implementation remains satisfactory. The project implementation unit is regularly monitoring and reporting indicators of institutional performance in the project’s main areas. Some of the contracts have been successfully completed such as: (i) technical assistance to DoPA and human resource departments in the line ministries, on implementation of the Civil Service Law; (ii) technical assistance to the MoF to strengthen the macroeconomic and fiscal analysis capacities; (iii) technical assistance on establishing a modern treasury system, including preparation of the technical specifications for inclusion in the bidding package for computerization of the treasury system; (iv) technical assistance to the Public Procurement Agency; (v) treasury pilot phase—servers, VPN for MoF and Tirana Treasury District Office (TTDO) networking (hardware for the treasury modernization). Procurement of the following contracts is in progress: (i) technical assistance for starting up the personnel database in DoPA (ii) Treasury software parameterization and hardware generalization. While implementation of other technical assistance under the project are on going (i) technical assistance to help the Council of Ministers establish more contestable policy formulation procedures and practices; (ii) technical assistance to improve public functions of central institutions; (iii) technical assistance for improving Public Accounting; (iv) technical assistance to advice on implementation of a Treasury System for the MoF.. In addition, the project continues to finance training within each of the project components, and will shortly launch preparation of Terms of Reference and bidding documents for technical assistance to strengthen monitoring capacity of the Anti-Corruption Monitoring Unit (ACMU) in the Prime Minister Office.

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Legal And Judicial Reform Project

Project Objectives
The Project is contributing to ongoing efforts of the executive and judicial branches of government to strengthen the implementation of the Rule of Law in Albania. Important policy reforms in these respects were supported by the Structural Adjustment Credit program. However, to ensure their effective implementation, specific investments in technical assistance, training, equipment, goods and works have been needed. Hence, the Project provides support to selected legal and judicial institutions in Albania and builds on other interventions, by IDA and other donors.

Project Description
The Project addresses the objectives underlined in the above strategy by focusing on some of the most important elements that underpin the foundations for a more efficient and transparent functioning of the state, based on the rule of law. The project consists of five components: (i) legal education; (ii) strengthening of the justice system; (iii) alternative dispute resolution; (iv) dissemination of legal information; and (v) project management.

Project Achievements
The implementation of the Project's legal education component is completed. A survey of the quality of Faculty graduates has been completed and the corresponding report is being finalized. Software development is well underway in respect of electronic court and civil case management in various pilot courts and the pilot phase is completed. Two new software one for penal cases management and the second for penal records system are being developed. Corresponding trainings of courts administrative staff and bailiffs is on-going. The second phase of rolling out the court and case management software is on-going. Progress has also been made towards the creation of an electronic database for Supreme Court decisions. In addition, a court users' survey has been completed. The Magistrates' School, has prepared training materials, conducted training programs and is preparing additional materials and courses on bankruptcy and civil procedure for judges and prosecutors. An assessment for incorporation of the Magistrates' School on training of court administrators has already started. The technical assistance for analysis of the organization and functioning of the courts, the evaluation of judges and the regulatory role of the high council of justice is on-going. An independent Alternative Dispute Resolution (ADR) center is marketing its services within the Albanian business and legal community. A local area network at the State Publication Office and an electronic database of laws and regulations is now operational, progressing. The job of converting laws and regulations from paper to electronic form is on-going. A Legal Information Office for the public within the Ministry's own building is established and procurement of the technical assistance for implementation of communication strategy for the Ministry of Justice (MoJ) is on-going.
Financial Sector Institution Building Technical Assistance Project

Project Objectives
This project aims to strengthen the financial sector, focusing on the banking and insurance industries. Through the project, technical assistance has been offered to the government for furthering the implementation of key areas of its financial sector strategy including the completion of its bank privatization program, improving financial infrastructure, and privatization of the insurance sector. It also includes some support to improve the capital market legislative and institutional framework.

Project Description
The project includes the following five components: (i) Privatization of Savings Bank includes hiring of management advisors, privatization advisors, and a financial audit of the largest bank in the country; (ii) Strengthening of financial infrastructure to follow up on initial support under the Recovery Program Technical Assistance Project and to include further strengthening and modernization of various elements of the country’s financial infrastructure including the inter-bank payments system, standard accounting procedures, loan collection agency, and a credit information bureau; (iii) Insurance reform and privatization of INSIG (state-owned insurance company) includes improvement of management and operations of INSIG and improvement of the legal and regulatory framework; (iv) Capital markets development entails a preliminary review of, and recommended revision to, the legal, institutional, regulatory, and supervisory framework for the capital market; Project management and implementation which includes incremental and project management costs and project audits.

Project Achievements
The Project is proceeding well, and all major contracts have been awarded. The Savings Bank (SvB) was privatized on January 13, 2004. The buyer was Raiffeisen Bank, Austria, that offered US$ 126 million for 100% of the shares of Savings Bank. The final handover of the bank took place on April 15, 2004. The privatization adviser finalized his contract as of end-January 2004. Project-related support for the SvB privatization has been successfully completed.

The mandate of BART (the Loan Collection Agency) has changed with the transfer to this entity of the loan portfolios of the former National Commercial Bank (NCB) and of the Savings Bank. In April 2002, a new law was approved to deal with this increased mandate and a resident advisor has been in place for several months to help BART successfully carry out its expanded role. BART has made substantial progress in implementing the agreed business and strategic plan. This included structural and organizational changes, improved procedures and the introduction of a “Global Scheme” for divestiture of its assets. BART continues to implement the Global Scheme and good progress is being made in collection and divestiture activities. In this regard, as of June 2004, of the original portfolio, about Lek 1.2 billion of the principal amounts of loans had been totally paid off (in total about Lek 2.5 billion has been recovered in cash, covering principal and interest); Lek 5.8 billion (representing claims against now-defunct State enterprises) had been written-off; and loans...
totaling Lek 0.1 billion had been collected through the bailiff’s office. These amounts in total (Lek 7.1 billion) represent 35.8 percent of value of the transferred portfolio. In addition, over 8,000 cases have been submitted to the courts for resolution.

In regard to financial sector infrastructure, an automated accounting and treasury management system is now operating in the Bank of Albania and the procurement of a large value payment (RTGS) system has entered now in its implementation stage. On January 30, 2004 the BoA went successfully live with the Albanian RTGS system. Out of 15 banks, 12 were connected from the very first day and two other will be linked within next two months. Support is also being provided to help implementing the revised Accounting Law. The work for the establishment of a credit information bureau is now being pursued from the Bankers Association, under private financing.

For the insurance sector, the privatization of 39 percent of INSIG’s shares to IFC and EBRD has now been concluded. Efforts to find a strategic investor for the balance of INSIG are expected to start in 2005. On the insurance regulatory framework, the Bank has provided comments on the two new laws prepared by the ISC, Law on Insurance and Reinsurance Activity and the Law on the ISC. An advisor to ISA is now in place. Project funds are available for further TA, based on the priorities to be defined by the Insurance Supervisory commission in agreement with the Ministry of Finance. Advisers to the Tirana Stock Exchange (TSE) have delivered a strategy for the development and operations of the newly incorporated TSE.
Trade And Transport Facilitation In South Europe

Project Objective
The Project seeks two development objectives: (i) to reduce costs to trade and transport; and (ii) to reduce smuggling and corruption at border crossings.

Project Description
The project forms part of a Regional Program of Trade and Transport Facilitation in Southeast Europe, referred to in this document collectively as the Program and nationally as the TTFSE project, that would include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia and Romania. The program is the result of a collaborative effort between the Governments, the Bank/IDA, the EU and the US.

The project objectives are the following: (i) supporting customs reform; (ii) strengthening mechanisms of interaction and cooperation between private and public parties at regional, national and local levels; (iii) disseminating information and providing training to the private sector; (iv) financing infrastructure and equipment at selected border crossings; and (v) implementing, at pilot sites, an integrated set of new customs procedures, information technology, human resource management techniques, supporting infrastructure, and cooperation mechanisms for agencies at border crossings.

In addition, the reduction in duty evasion and corruption would allow for an increase of government revenues and enable a moderate reduction in effective tariff rates while not forfeiting revenues.

The project consists of the following components:

a. customs services procedures reform
b. support to integrated customs information system
c. improvement of some road sections and border crossing facilities
d. program and project implementation

Project Achievements
All project components have been completed except the telecommunication package, which is under execution. All project funds are committed and 91.3% are disbursed as of January 2005. Regarding the overall Customs performance, it should be recorded that the revenue collected by Customs has increased in 2004 compared to 2003, and it is well above the target as a result of Customs' good work on anti smuggling and customs crime deterrence. The revenue collected per staff has also reached the target. The Customs cost indicator has improved compared to previous years and at 1.6% of the revenue collected in 2004 is close to the target of 1.5%. The other macro indicators, part of the project, have not reached the target, yet. The performance indicators at the pilot sites have shown improvement, but still some of them are not reaching the targets. The General Directorate of Customs has adopted and is successfully implementing its Operational Plan for year 2004, which also includes a part on facilitating trade and passengers flow. The trade facilitation development component has advanced on both the conventional training and the regional website. On the other hand, all road works as well as the rehabilitation works at border crossings have been completed.

Status
Under implementation

Borrower
Republic of Albania

Project Coordinator
Ministry of Finance

Project Cost
US$ 12.3 million equivalent

Credit Amount
US$ 8.1 million equivalent

Co-financing
US$2.9 million Government of Albania, US$1.3 million USA

Date of Signing
September 22, 2000

Effective
March 2001

Closing Date
March 31, 2005

Implementing Agencies
Ministry of Finance,
General Directorate of Customs,
General Roads Directorate.

Disbursement
US$ 8.2 million
(as of February 20, 2005)

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Social Services Delivery Project

Project Objectives
The project development objective is to improve standards of living of poor and vulnerable population groups in Albania by: (i) increasing their access to well targeted and effective social care services; and (ii) assisting the Government to develop, monitor and evaluate more effective social policy; and (iii) improving capacity for planning, managing and delivering social care services with increased involvement of local governments, communities and civil society.

Project Description
The project has four components: 1) policy development and capacity building with three sub-components: (i) poverty monitoring and evaluation; (ii) social services policy development; (iii) pension policy modeling; 2) social services administration capacity building with two sub-components, i.e. (i) monitoring and administration of social services; and (ii) strengthening capacity for social work training; 3) community-based social services with two components, (i) fund for community-based social services; (ii) local government and social service provider capacity building; and 4) project management, information system and monitoring.

Project Achievements
During the last supervision of December 24, 2004; the project is upgraded to satisfactory based on the significant progress during last year. In sector policy front: (i) the Government has completed re-drafting of the national strategy on social care services, currently ready to be officially launched; (ii) the Law on Social Assistance and Services is supported by all parliamentarian groups, expected to be finally approved by the Parliament very shortly. In project implementation front: good progress is made in most part of the project. A number of activities are being implemented, recovering somehow from the previous delays; such as: (i) service standards development, (ii) clear articulation of roles and responsibilities for central government and other state institutions in national social care services, (iii) social training and (iv) strengthening of local government capacity for planning and management of community based social services.

More specifically, poverty monitoring and evaluation is the most advanced component in terms of implementation. The preparatory work for coming Living Standards and Measurement Survey (LSMS) is under finalization. The Poverty Monitoring Unit in the Ministry of Labor and Social Affairs (MOLSA) (PMU) is involved in producing certain reports based on the NSSED objectives. Work is progressing in establishing the new role of the State Social Services, which differs from the present one and is more of an Inspection& Monitoring agency. An important support in terms of technical assistance is given to the Institute of Social Insurance, for strengthening the development and implementation of pension policy. Work has already started for the preparation of the community care plans for the 8 other regions in the country. Considerable efforts have been made for strengthening the capacity in the local government level. A training needs
analyses is conducted, based on which the ministry is finalizing a general training plan, together with a clear training strategy. However, the implementation of the community-based social services has been significantly delayed. As result, no service delivery has started yet in the four pilot regions. Nevertheless, lately there is good progress even in this component. Both issues which caused this delay have been solved recently, through: (i) finalization of the transfer of ownership to local government for the buildings where social services will be delivered, and (ii) re-designing of the 20 selected proposals (out of 46), aiming at improving their quality. Currently, 17 sub-projects are ready to start implementation. Meanwhile, the capacity of the project coordination unit is improved, resulting in significant improvement in coordination and information exchange among different stakeholders of the project.

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Agricultural Services Project

Project Objectives
The project aims to create an environment conducive for rural income growth by addressing key constraints faced by Albania’s emerging small-holder farmers in agricultural production, trade, and the functioning of land markets. It pursues these objectives by: (i) improving access of smallholder farmers to quality seeds through an improved seed regulatory framework, an enhanced role of the private seed sector, and the strengthening of public seed related training and research; (ii) supporting the establishment of a functioning land market through improved land registration and pilot initiatives for land consolidation; (iii) improving participation of smallholder farmers in market activities through the development of selected market infrastructure and active demonstration and facilitation of market linkages; and (iv) improving access of smallholder farmers to adapted technologies and increasing opportunities for diversified production, processing and marketing through community based technology pilots.

Project Description
The project supports the following components: (1) Seed Development: The objective of this component is to provide and improve the access of quality seeds of major crops and vegetables to the farming community. In addition, the project will improve the seed regulatory framework and strengthen public institutions related to seed training and research. (2) Land Market Development: The objectives of this component are to improve and update the land registration system by computerizing the land registration process to establish a land market, improve land security and to facilitate a more efficient and sustainable use of agricultural land. In addition the project is supporting land consolidation in three pilot test sites, with the aim of developing and implementing cost effective, simple procedures for land markets. (3) Market Development: To support the promotion of local and export markets and marketing facilities, the project invests in a variety of measures considered essential for the establishment and promotion of functioning market channels, marketing facilities and export opportunities. The main objectives of this component are to: (i) facilitate the marketing of primary agricultural products in areas of Albania; (ii) improve the functioning and management of selected agricultural markets serving both the rural and the urban population; and (iii) strengthen the institutional capacity in the Ministry of Agriculture and Food and local municipalities to plan and oversee market activities successfully. (4) Community-based rural productivity and marketing improvement: The objectives of this component are (i) to accelerate the transfer of technology and improve business practices to rural communities, (ii) to build capacity of rural services providers, (iii) to assist associations and other community groups to take advantage of the economic opportunities, and (iv) to help MoAF establish more public private linkages for reaching farmers and agri-businesses.

Project Achievements
Substantial improvement has been made in the Seed Development component in 2004 due to a strong effort from the PMU and the agencies responsible for implementation. The laboratories and other facilities are now largely operational.
with equipment installed and functional. While they have not all progressed at the same speed, regional seed certification laboratories will soon have the required authority to carry out their functions in seed certification. Good progress has been made in the wild germplasm collection activity, as well as in the variety-testing program at the National Seed Institute and in the training courses for seed specialists and producers by the Agriculture University of Tirana. The five research institutes have developed business plans and are beginning to implement them. The Legal and Regulatory framework for seed production is moving forward, as is the production of high generation seed.

The land consolidation sub-component had achieved its targets by the end of 2003. The pilot assisted farmers in consolidating their holdings into more economically viable plots. While it provided a useful demonstration, consolidation seems to be happening without the project and this sub-component has now been closed. The Immovable Property Registration sub-component is progressing more slowly than expected. The rehabilitation of the Tirana office was completed at the end of December 2004 and improved service is now available in the new offices. It is hoped that the project will be able to begin automation of the transaction system in the near future. IDA remains committed to the development of land markets in Albania, recognizing that this is one of the keys to economic development.

Four fruit and vegetable wholesale markets are planned under the project. Overall, the progress of the Market Development component remains satisfactory. In Lushnjë, the first market to be completed, operations and market management continue to be very satisfactory. Civil works in Korce have been completed and the market has been operating since October 2004. Ground has been broken on the Shkoder market and civil works are expected to be completed before the end of 2005. Tendering for the civil works of the Vlore market is underway. The MAF, with the support of a number of donors, has established three working groups to prepare a comprehensive strategy and legal framework to wholesale fruit and vegetable market development.

The performance of the Competitive Grants Program (CGP) continues to be highly satisfactory. To date, five rounds have been completed with over 300 applications and 70 winners. The beneficiary contribution is almost double the required minimum contribution. For the sixth round, the CGP was expanded to include all districts of Albania. The grants are proceeding well, with only two needing to be closed prematurely. There has been a steady improvement both in the quality of applications and in performance, which may be attributed to the strong training and information program, simpler application procedures, better evaluation and selection procedures, more realistic milestones and disbursement schedules, and effective monitoring by the Secretariat.

Implementing Agencies
Project Management Unit, Ministry of Agriculture and Food, Ministry of Local Government, Selected Municipalities, Land Registration Offices, Soil Research Institute.
Fisheries Development Project

Project Objectives
The project aims to increase the economic and environmental sustainability of exploiting marine and lake fisheries resources by improving management of the sector. This will be achieved by introducing a system of community-based resource co-management, strengthening public institutions, improving the management of fishing ports, and making small improvements to facilities at Albania’s major fishing ports. The project also aims to support the development of income-earning aquaculture activities by re-establishing low-cost aquaculture in Albania’s existing fresh water reservoirs, and by exploring the country’s potential in the aquaculture of high-value marine species, such as shrimp.

Project Objectives
The project will be implemented in four major seaports—Durres, Vlora, Saranda, Shengjin—and in ports on Lake Ohrid and Lake Shkodra. The primary beneficiary group will be fishermen and their families. A number of the activities are planned under the project—rehabilitation of fishing ports, the rehabilitation of an Ohrid Trout hatchery, and experimental activities on aquaculture. The project would also support water user associations which are interested in carrying out low cost, low maintenance fresh water aquaculture using reservoirs. Moreover, the project would also support fishermen organize themselves into community-based fishery management organizations, which will participate in the management of natural resources in partnership with the Government. The project includes the following five components:

- **Support to the community-based co-management of fisheries.** This component includes two sub-components: (i) Rehabilitation of fishing ports. This subcomponent would provide minor rehabilitation and make small improvements to facilities at Albania’s major fishing ports in order to meet the basic international standards of navigation safety and hygiene and to support the fishery management organizations’ management of these facilities; and (ii) Technical assistance to fishery management organizations. It aims to establish and institutionally strengthen a national network of six of these fishery management organizations to improve their management of fisheries resources and fishing port facilities.
- **Aquaculture Development.** This component will support the Government’s efforts to re-develop the aquaculture sector in Albania. It aims to: (i) restore the original capacity of fresh water aquaculture through support to fishery management organizations at inland reservoirs; (ii) support the government’s program to restock Koran Fish in Lake Ohrid; and (iii) support the Government’s initiatives to explore the potential for aquaculture of new, high value species through demonstration programs.
- **Institutional Strengthening for the Public Sector.** This component aims to support the fisheries sector through the institutional strengthening of the public sector within the Ministry of Agriculture and Food through two sub-components: (i) provision of the technical assistance to the Department of Fisheries; and (ii) provision of the technical assistance to the Fisheries Research Institute.
- **Project management.** This component will aim to ensure an efficient and effective implementation of project activities.
- **Refinancing a Project Preparation Facility**

**Project achievements**
To date the project is at half of the implementation period and remains largely satisfactory. The project's development objectives are still valid and relevant. Noteworthy progress has been made in port rehabilitation, establishment of FMOs and restoring the country's capacity in the aquaculture of certain species (i.e. carp and Ohrid trout).

The rehabilitation of the fishing ports. To date, civil works have been implemented in the Ports of Vlora, Saranda, and Shengjin on the coast and in Zogaj and Shiroka on Lake Shkodra. The sites at Koplik on Lake Shkodra and Udenisht on Lake Ohrid, however, are still at the planning stage board. On the sites where construction has taken place work has progressed rapidly, according to schedule. The existing fisheries facilities inside the commercial Port of Durres were always considered as temporary facilities due to the ongoing expansion of commercial port activities. The planned rehabilitation of this temporary facility, consisting of a general cleanup, hygiene facilities, water and power supply have been completed and are already operational. During the course of the project, an alternative site for the relocation of the fisheries facilities was identified, surveyed (bathymetry and geo-technical investigation) and plans drawn up for physical modelling of the new port basin. A total of approximately US$350,000 has been set aside to complete the EIS studies, of which approximately US$156,000 has already been disbursed. These studies are scheduled for completion by April 2006 and are currently running on track.

Eleven community-based Fishery Management Organization (FMO) were established with a total membership of 710 fishermen; four of them are established in the marine fishery of Vlora, Durres, Shengjin and Saranda. Marine fishery FMO started working based on yearly programs and an action plans for their implementation. The inland water FMO are benefiting from carp restocking subcomponent of the Project. The FMO training program restarted in October 2004 and it is dealing mainly with capacity building of the Administrative Councils of each FMO. With the support of the TA, Fisheries Management Plans for the marine fishery and lakes Ohrid and Shkodra are currently being finalized and will be implemented by mid-2005. The carp-restocking program is now in its second year and has provided 2 million fingerlings of 4 carp species. These have been introduced into 70 reservoirs and natural lakes. The restocking benefits 80 fishermen who are organized in 3 FMOs and further some 2,000 farmers who are organized in 15 Water Users Associations (WUAs). The rehabilitation of the hatchery for Koran (Salmo letnica) has been finished and is now in full operation. The hatchery has been designed to raise 1.5 million fry to fingerling stage but
due to limited supply of eggs, only 1 million eggs have been incubated in 2004. Survival and growth rates have been good and of the 1 million incubated eggs, 700,000 fingerlings have been released into the lake during the autumn period. For 2005, the Lin hatchery plans to increase production to 1 million fingerlings.

Partnership with other donors. The Project is coordinating the activity with COOPI project in Shkodra Lake, financed by the Italian Government. The project is also coordinating with the WB-GEF financed project of Shkodra Lake between Montenegro and Albania (Integrated Ecosystem Management, US $ 5 Million). Discussion are going on between the MoAF and MoFA of Albania and the respective institutions in Montenegro and Macedonia regarding the bilateral treaties on both lakes. The coordination aims to avoid overlapping and reach synergy among all projects that deal with these lakes and the surrounding environment.

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Power Sector Rehabilitation And Restructuring

Project Objectives
The Development objective of the project is to achieve significant improvement in the operational effectiveness of the power sector through: (a) implementation of electricity loss reduction measures; (b) enforcement of billing, collection and disconnection policies; (c) introduction of electricity price rationalization measures; (d) priority investments to improve system supply and reliability; and (e) initiation of regulatory strengthening and sector restructuring measures to improve sector efficiency and establish the preconditions for competition and privatization.

Project Description
The project consists of the following components: (i) rehabilitation and strengthening of the transmission and distribution systems in the Durres, Elbasan and Kucova regions; (ii) provision of individual and collective meter boxes and accessories; and (iii) technical assistance for (a) power sector reform, (b) engineering and project implementation, (c) establishment of an environmental cell in KESH, (d) revaluation of KESH assets, (e) review of inventory control procedures, and (f) carrying out of consumer satisfaction surveys.

Project Achievements
Project implementation is progressing satisfactory. Most of the consultancy contracts: for the project components and monitoring of the installation of these components; assistance to KESH in the establishment of an environmental cell; revaluation of KESH’s assets and their allocation to the various units of KESH; review of KESH’s existing inventory control procedures; and consumer satisfaction surveys, have been completed and the consultants reports have been submitted to KESH. The contract for the supply of meters, meter boxes and accessories has been completed on May 2004. Installation of meters by KESH was completed in 2004. The bidding process for the rehabilitation and strengthening of the transmission and distribution systems in the regions of Durres, Elbasan and Kucova are underway.

Other relevant aspects are as follows:
- The overall implementation of the Action Plan, adopted by the Government in December 2000 and updated annually thereafter, is proceeding satisfactorily. The Action Plan has been revised to cover the period 2004 to 2006 and has been approved by the Government.
- The power sector reform law has been approved by Parliament. This provides for eliminating the power of the Government to set the ceiling price for electricity tariffs, rationalizing electricity tariffs, increasing the independence of the Electricity Regulatory Authority (ERE), and strengthening the ERE.
- A mechanism has been developed for mitigating the impact of the 2004 tariff increases on the socially vulnerable. The Government has approved a budgetary allocation for this purpose.
Road Maintenance Project

Project Objectives
The project development objective is to reduce transport costs on priority sections of the main road network, reduce accident rates, and provide better accessibility to rural areas and essential social services. The project seeks to improve the overall maintenance of Albania’s road network, including both the national and rural roads, both in the near term and on a continuing basis.

Project Description
The project consists of two components: (i) Maintenance of National and Rural Roads; and (ii) Traffic Safety, each comprising works, goods, and technical assistance sub-components. Measures to increase general road safety awareness and strengthen coordination of road safety programming would support the establishment of an appropriate environment for a multidimensional, sustainable Road Safety Program. The introduction of targeted enforcement strategies, combined with integrated road safety campaigns and remedial measures at accident black spots, would aim to reduce the number of traffic accidents and minimize the offsetting effects of improved road conditions and expected higher traffic speeds. It will have the following specific objectives:

a. Improvement of the physical condition of portions of the main road network.
b. Improvement of the physical condition of portions of the rural/urban road network.
c. Restructuring the organizations responsible for the maintenance of both the main and rural roads, and providing the institutional strengthening needed by these organizations to become effective in meeting their responsibilities.
d. Assisting the Government in establishing an adequate level of road user charges, and creating an appropriate mechanism for road maintenance financing.
e. Improvement of Safety in both National and Rural Roads network by improving of black spots and supporting of Traffic Police Department within the Ministry of Public Order.

Project Achievements
Both Ministries of Transport and Local Government have declared that the Government considers the Road Maintenance a high priority for the country. A provision has been previously made under ERRP for IDA to finance the consultant services for preparing RMP. The RMP is being implemented through a unit (PIU), under the General Roads Directorate-GRD (the IDA-financed Roads PIU, which coordinates closely with MLGD, regarding implementation of the rural roads component, with the Ministry of Public Order (MPO) on the Traffic Police component, and the Municipality of Tirana.

National Roads Component. The periodic maintenance works for all first year contracts are now completed, and all the first year contracts are now well into their second year. The first year routine maintenance contracts are now completed. The second year road maintenance program includes 13 periodic and routine maintenance contracts, 8 routine maintenance contracts and 3 winter maintenance contracts. The list for the national roads has taken full account of
the increase in the IDA Credit and maintenance of approximately 1,170 km of the national network should now be achieved.

**Rural Roads Component.** All the first year periodic and routine maintenance contracts are into their second year of maintenance and the periodic works are now completed for all these contracts. For the second year program, the PIU and MLGD have agreed on the list of rural roads to be maintained. Due to the constraints of the budget available for the Rural Road component, the MLGD notified the Bank that they would prefer to maintain less kilometers (the actual estimate is about 500 kilometers in total) with the available budget rather than trying to maintain 1,000 kilometers, by reducing the actual scope of the maintenance proposed by the consultant. This would require an amendment of the Development Credit Agreement.

**Municipality of Tirana Component.** All the Works Contracts, for the roads in Tirana are now fully completed. The total cost of these completed ‘urban’ component is US$ 1.83 million.

**Road Safety Component.** The road safety consultant (SweRoad), is on board since October 2003. The Consultant has made good progress with most of the activities specified in the scope of works. The Consultant, through cooperation with GRD, MLGD, DRS and the Police, has chosen three pilot ‘Road Safety Communities’: Bushat in the north, Libonik in the centre and Orikum in the south. The PIU and Road Safety Consultant are completing the process of procuring for traffic police: (i) specialist equipment to the Road Traffic Police; (ii) specialist medical equipment for police; (iii) software equipment; (iv) hardware equipment (v) roadside delineators for the General Roads Directorate.
Municipal Water And Wastewater Project

Project Objectives
The overall objective is to improve water supply and sanitation services in four participating cities and achieve financial viability in their water utilities, by introducing a new incentive-based multi-city management contract approach. The proposed investments will improve water quality and quantity conditions, as well as environmental conditions in the four mentioned cities.

Project Description
The proposed Project includes the following components: (1) Management Contract; (2) Investment Fund; and (3) Technical Assistance Component for project implementation and sector reform.

Project Achievements
The project targets are the same as the performance indicators in the Management Contract (MC) with the Private Operator (PO) for “good” performance. The private operator (PO) has taken over the management of the four companies in September 2003. So far, the PO has achieved or exceeded 17 out of the 20 project targets (five in each of the four cities) for the first year. This is overall a very satisfactory result and means the PO achieved in all four cities the project’s targets for water quality, collection rate and working ratio. The target for continuity of water supply was achieved in three cities, but not in Lezha (because of frequent power cuts). The target for coverage of the population with a minimum water supply of two hours per day was achieved in two cities, but not in Lezha and Saranda, because of the lower, than expected, percentage of the population, which has a registered connection. The PO team delivered about 13 programs and reports, which outline its in improving the management and the service delivery of the four utilities during the implementation of the MC; the PO has completed about 80% of the procurement program of the first annual investment program. In early 2005, the PO will be able to start important investments, such as the rehabilitation of the mains in Fier and Lezha, purchasing and installation of water meters for domestic and large customers, and implementation of the computerized accounting and billing systems; the PO will soon start the installation of the pressure monitoring equipment in the four cities that would allow to record and monitor properly the hours of water supply and the number of customers receiving a minimum of two hours of water supply; to enforce the payment of bills the PO has taken different steps such as stopping the water supply for a few hours to non-paying customers in Lezha, or sending notices out to every customer that has arrears of the current year and threatened disconnections in case of non-payment. With all these above mentioned measures taken, the PO is expected to improve service delivery and the financial performance of the utilities and to establish a reliable benchmarking and monitoring system in 2005.

Implementing Agencies
Ministry of Territory Adjustment and Tourism, General Directorate of Water Supply and Sewerage, PIU/CMU and the benefiting Municipalities.

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Community Works Project II

Project Objectives
The project’s development objective is to alleviate local bottlenecks hindering development (including infrastructure and services) through processes of participatory local development as result of: (a) improving access to quality social and economic infrastructure and social services through sustainable micro-projects; and (b) promoting institutional development at the local level.

Project Description
Project components are: 1) Community sub-projects which will cover both rural (120) and suburban areas (80); 2) Capacity building of ADF staff, local governments and communities and a participation pilot program 3) Project implementation support for a portion of ADF operation costs.

Project Achievements
The Second Community Works Project became effective in March 2004 and so far ADF has approved a total of 82 subprojects to be implemented during the First Work Plan. ADF is supported by local and international consultants to update the list of priorities throughout the country, through the participatory approach, that will include the citizens’ participation into both village and commune levels in sub-project identification, selection and pre-feasibility studies of infrastructure works.

Implementing Agencies
Albanian Development Fund (ADF) and the benefiting Municipalities.
Water Resources Management Project

Project Objectives
The ultimate objective of the project is to increase the contribution of water resources to sustainable economic growth through increase in agricultural production and reduction of flood risk. In addition, the project aims at achieving the interim (output) objectives to: (a) complete the sector reform and physical rehabilitation in irrigation, drainage, and flood protection sub-sector, and (b) contribute to the first step towards the development of water resource management.

Project Description
The project has four components:

1. **Irrigation System Rehabilitation**; the area returned to irrigation will go to 50,000 hectares. The project would rehabilitate deteriorated irrigation systems in response to requests from water users associations (WUAs) and their federations (FWUAs), following the established “demand-driven” principles and procedures (base cost US$ 34 million);

2. **Institutional Development for Irrigation, Drainage, and Flood Management**; the area to be improved for drainage and flood control will go to 30,000 hectares and 20 dams will be rehabilitated. The project will provide post restructuring support for the drainage boards, which have just taken over the management of major drainage and flood management works from the state-owned district irrigation and drainage water enterprises (WEs) (Base cost US $ 2 million)

3. **Institutional Support for Water Resource Management**. As a first step to address the country’s water resource management issue, this component envisages to support the Technical Secretariat (TS) of the National Water Committee (NWC) in order to rehabilitate the monitoring stations and restore a national inventory of water resources in terms of quality and quantity. (Base cost US $ 1 million)

4. **Project Implementation Support**, base cost US$ 3 million. Under this project, rehabilitation would be carried out in a program approach, namely, subprojects would be identified and selected according to the procedures set out in the project implementation plan (PIP).

Partnership
The project would be parallel-financed by the following donors: EU will finance a follow-up support for water resource management, including: development of national water resource management action plan, and support for monitoring; Kuwait Fund US $ 13 million and OPEC funds of US $ 5.7 million parallel financing will support the rehabilitation of irrigation, drainage, and flood management systems, following the first and second irrigation and drainage rehabilitation project. The agreement between both donors and the Government of Albania were approved by the Council of Ministers and were ratified by the Parliament at the end of 2004.

Implementing Agencies
- PMU in the MoAF, Water Secretariat in the MoTAT
- Beneficiaries MoAF, Department of Water Resources, Drainage Boards, the system of National Water Council
Power Sector Generation And Restructuring Project

Project Objectives
The development objective of the proposed project is to achieve significant improvement in power system outcomes (balance in the supply and demand of electricity, efficiency in its supply and use, financial viability of the power sector, and institutional effectiveness within the sector) through priority investments and other measures to: (i) increase thermal generation for meeting part of the domestic base load demand, thereby allowing more efficient utilization of hydropower for meeting domestic peak demand and for exchanges with base load energy from other power systems of the region, and (ii) enforcement of a strengthened policy regime.

Project Description
The project would consist of a combined-cycle power station fueled by distillate oil at a six-hectare greenfield site about six km north of Vlore adjacent to an offshore oil tanker terminal. The plant would be designed to allow conversion to natural gas if and when imported gas is brought to Albania. The plant size would be 80 MW - 120 MW depending on the bids and subject to the amount of total available financing, which would be specified in the bidding documents. The site is expected to permit the construction of additional thermal units in the future, if these are needed.

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PROJECTS UNDER PREPARATION

Integrated Coastal Zone Management And Clean Up Program

Project Objective
The overall objective of the proposed Adaptable Program Lending (APL) supported Integrated Coastal Zone Management and Clean-up Program (ICZMCPr) is to protect the Albanian coastal ecosystems, resources and cultural assets and promote their sustainable development and management. The Program objective will be achieved through (i) establishing an integrated coastal zone management (ICZM) policy framework; (ii) strengthening the broader regulatory and enforcement capacity at the central, regional and local levels; (iii) introducing alternative planning tools that promote active public participation in the integrated management and development of the coastal zone and its resources; (iv) implementing sub-projects aiming at sustainable coastal zone development; and (v) enhancing biodiversity conservation and sustainable ecosystem management with conservation of world heritage in the protected areas.

Project Description
The APL supported program will be implemented in two phases. The APL’s first phase consists of the proposed Integrated Coastal Zone Management and Clean-up Project (ICZMCP-APL1) and aims at setting an integrated coastal zone management approach to reduce coastal degradation through: (i) technical assistance to enhance existing policies and legal regulations, planning, and institutional capacity; (ii) targeted community investments to encourage community-based sustainable coastal zone development and management; and (iii) priority investments in critical regional infrastructure to support sustainable development and tourism.

The main components of APL’s first phase include:

Component 1: Integrated Coastal Zone Management Institutional Capacity Building. The objective of this component is to enhance the capacity of the Albanian authorities to manage the coastal resources of the Adriatic and Ionian Seas through the development of an operational policy and legal coastal zone management framework; strengthening enforcement and planning capacity at the central, regional and local levels; strengthening coastal water monitoring network; enhancing the knowledge base; and raising awareness of the coastal issues in Albania.

Component 2: Sustainable Coastal Development. The objective of this component is to assist coastal municipalities and local communities to help preserve, protect and enhance Albania’s coastal and cultural resources. It will further offer support for critical regional infrastructure to enable environmentally sustainable tourism development in the southern coastal zone (from the Vlora Bay to the Greek border.

Component 3: Porto Romano Hot Spot Clean-Up. The objective of this component is to contain soil and groundwater contamination in a former chemical plant on the outskirts of Durres, considered as one of the most seriously contaminated locations in the Balkans.
Component 4: Global biodiversity and world heritage conservation in Butrinti National Park

The project will foster and strengthen the appreciation and protection of coastal wetlands -- rich in globally significant biodiversity species and the archaeological remains of the UNESCO World Heritage Site. The unique combination of pristine nature and historical assets is an essential aspect of the local and national economy. The project will serve as a vehicle for developing and implementing of a long term site and habitat management strategy.

Component 5: Project Management, Coordination, Monitoring and Evaluation and Training. This component will provide support for project management, coordination, monitoring and evaluation. It will finance technical assistance, office equipment and furniture, training, and incremental operational costs. It would further support the design and implementation of a public awareness and communication strategy and a monitoring and evaluation system.

Implementing Agencies
Ministry of Urban Planning & Tourism, Ministry of Environment, Ministry of Economy, Ministry of Transport, Ministry of Culture, Youth & Sports

Beneficiaries
National and local agencies; coastal regions and communes.
Energy Community Of South East Europe
Apl2- Albania

Project Objective
Energy Community of South East Europe (ECSEE) is a regional program and support up to eight countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro, and Turkey) and Kosovo. The overall objective of this regional program is the development of a functioning regional electricity market in South East Europe and its integration into the internal electricity market of the European Union, through the implementation of priority investments supporting electricity market and power system operations in electricity generation, transmission and distribution and technical assistance for institutional/systems development and project preparation and implementation.

The objective of ECSEE APL is the development of a functioning regional electricity market in South East Europe and its integration into the internal electricity market of the European Union, through the implementation of priority investments supporting electricity market and power system operations in electricity generation, transmission and distribution and technical assistance for institutional/systems development and project preparation and implementation.

Project Description
The project (ECSEE APL2-Albania) would provide investment support and technical assistance for Albania. The objective of the investment is to extend the lifetime and improve the quality, reliability, safety and efficiency of the bulk power transmission system by replacing ageing existing facilities with new ones. The technical assistance would serve to facilitate project implementation, strengthen the Transmission System Operator (TSO), and improve both the tariff structure and the procurement procedures applicable to electricity imports. The project consists of:

- replacement of high-voltage equipment in the transmission substations at Burreli, Elbasan 1, Elbasan 2, Fier, Fierza, and Tirana 1, and replacement of control and protection equipment in the transmission substations at Burreli, Elbasan 2, Fier, Fierza, Komani and Vau Dejes; and
- technical assistance for:
  - procurement activities and supervision of project implementation;
  - strengthening the Transmission System Operator (TSO);
  - an electricity tariff study; and
  - improving procurement procedures for electricity imports.

Most of the equipment in the existing transmission substations is more than 30 years old and based on outdated technology, with the result that many needed spare parts are not available in world markets. The transformers and some other equipment are being replaced by KESH, EBRD and EIB. The proposed project covers the remaining equipment requirements in these transmission substations.

Implementing Agencies
KESH
Transport Project

Project Objectives
The project development objective is to improve traffic flow and reduce transport costs and accident rates on priority sections of the main road from the port Durres to Kukes and the Kosovo border at Morine as well as on selected road sections in Tirana.

Project Description
The main project component will be a section of the Durres-Kukes Morine Road to be selected after completion of a feasibility study prepared by a consulting team conspired of Technic/Mott MacDonald. At this stage, the proposed section is not yet known. Within Tirana most project investments will be directed at the Middle Ring Road. The Middle Ring, which is in very poor condition and congested, accordingly provides an important distributor function around the center of the city. Beyond this distributor function the Middle Ring serves large numbers of commercial establishments and provides access to five hospitals, the city railway station and several bus terminals.

Components
1. Durres Kukes Morine Road
   a. Rehabilitation of roads connecting Durres to Morine (US$ 31.3 million)
   b. Equipment for road survey (pavement management), office supplies and vehicles
   c. Technical support, training
2. Tirana Component
   a. Rehabilitation of 3.5 km of Middle Ring Road in the city of Tirana
   b. Pilot Traffic Management Program—including traffic signals, intersection improvements including pedestrian crossings, and road signing and pavement making.

Status
Under preparation

Borrower
Republic of Albania

Credit Amount
US$ 20 million

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Natural Resources Development Project

Project Objective
The project development objective is to establish or maintain sustainable, community-based natural resource management in about 210 communes in upland and mountainous erosion-prone lands, leading to enhanced productivity and incomes derived from sustainable resource management, reduced soil degradation, improved water management, conservation of biodiversity, and strengthened public sector management of these resources.

Project Description
Project objectives will be achieved through implementing two components:

1. Improved Management of Forest and Pastures. This component will strengthen the community-based approach to forest and pasture management developed for 138 communes under the Albania Forestry Project, as well as scale up coverage to include about 80 additional communes. This component will thereby establish resource rehabilitation and sustainable management of forests and pastures in most of the commune lands of upland areas of Albania that are experiencing resource degradation and erosion. This area includes approximately 490,000 ha of forest lands, and 186,000 ha of pastures in upland areas of all 12 regions in Albania, and a will reach a rural population of more than one million people. The component will continue the preparation of management plans as a condition for the transfer of user-rights to forest and pasture resources to communes, prepare the way for transfer of land ownership to communes, and implement a series of small-scale investments and capacity-building measures to improve the governance of forest and pasture resources.

2. Improved Watershed Management - Based on successful Bank experiences in other countries, the second component will pilot integrated management of natural resources in three of Albania’s seven watersheds, focusing on five regions located the northern areas of the country. The component will introduce an approach to planning and management of natural resources at the level of micro-catchments (MCs). This will include the integration of forest and pasture management with crop and livestock production, as well as soil and water conservation, in a mutually reinforcing manner. The Project will apply a participatory approach to assisting communities living in micro-catchments to plan and manage their resources. This component of the Project will also build the capacity of local community-based and decentralized government institutions to establish and maintain sustainable resource management throughout the upland and mountainous areas of the country.

Implementing Agencies
Ministry of Agriculture and Food

Beneficiaries
General Directorate of Forest and Pasture; selected regions and communes.

Next Stage
Estimated Board Approval – June, 2005

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1 The five regions include Dibra, Korce, Kukes, Lezha, Elbasan and Korce.
TRUST FUNDS ADMINISTERED BY THE BANK

Trust Fund For Statistical Capacity Building

Project Objectives
The main purpose of the Grant is to strengthen capacity in the Department of Statistics and Information (DSI) in the Ministry of Agriculture and Food (MOAF) in Albania in the area of data collection, processing, monitoring and evaluation.

Project Activities
The activities for which the Grant is given are as follows: (a) establishing an efficient network system of agricultural statistics in order to coordinate and monitor surveys, including upgrading of sampling, development of annual and seasonal surveys, provision of yield forecasts for major crops, conducting surveys of product utilization, reorganization of agricultural price date survey; (b) development of reporting services, including the evaluation of current agricultural statistical indicators, development of a more efficient and frequent reporting system, publication of statistical information; (c) training and technical assistance in the area of survey services; (d) provision of technical assistance in installing and relocating equipment and training MOAF personnel in data processing and in assessing data management and future needs of equipment at central, prefecture and district offices.

Project Achievements
The technical assistance given through the trust fund (TF) contributed to the strengthening of the national and regional agricultural statistical service. The qualitative and quantitative improvement introduced in the annual and seasonal survey services enhanced the reliability of the statistical indicators in the light of the quick changes of the agricultural and rural environment.

The DSI staff (at the center) are now capable to develop survey services without support from foreign consultants. The analytical work has started also in the regional offices of Fieri, Tirana, Shkodra and Berati. The project has strengthened the DSI staff capacities in providing quality information to decision makers in the MoAF, other ministries, regions, etc.

The Statistical Yearbook of Agriculture has been re-designed, the print run increased and its dissemination is much broader covering also international institutions, Albanian embassies and chambers of commerce, etc. The inclusion of the methodology and explanation for data and indicators increased the users understanding and raised confidence in the reliability on the figures. The DSI in the MoAF started a periodical biannual publication of the Annual Report that covers also indicators not present in the statistical yearbook. Furthermore, this publication includes statistical tables with explanations about the reforms and their impact on agriculture sector and branches.

The DSI has increased its cooperation with INSTAT, ASP project, GTZ and the Agriculture University Chair of Statistics. Further assistance has been given to the information and technology infrastructure of the DSI by provision of new computers, printers and copy machines for the staff in the center and local...
offices. The intensive and continuous training has enabled the DSI staff to use them efficiently.

The EM system established for the first time with the TF proceeds is one of the most efficient investments under the project. The DSI staff is saving time, energy and resources to do analytical work. The communication among all DSI offices has been enhanced and modernized.

The Website of the DSI is functional since February 2004 and the dissemination of statistical reports and tables has improved. The DSI is in the process of improving the Web page through customizing users access on the data, introducing detailed description of the department’s objectives and duties, updating the weekly price bulletin, introducing more materials in English, etc.

Implementing Agency: Dep. of Statistics and Information in the Ministry of Agriculture and Food

Beneficiary: Department of Statistics and Information under the MoAF (central and local bodies of statistics)
GEF - Integrated Water And Ecosystem Management Project

Project Objectives
The main objective of the project is to assist the Government of Albania in improving the management of uncontrolled wastewater discharging which in turn is threatening the global significant ecosystems along the coastline of Albania. The project will contribute to increase global environmental benefits by:
(i) reducing sewage pollution loads generated by the three urban settlements of coastal cities areas of Durres, Lezhe/Shengjin and Saranda and (ii) promoting and improving the management of protected areas.

Project Description
The proposed Project includes the following components: (a) Constructed treatment wetland establishment (Durres, Lezhe/Shengjin) or evaluation (Saranda); (b) Rehabilitation of sewerage system and connection to Constructed Treatment Wetlands (c) Management improvement of the Kune-Vaine Natural Reserve and Durres area (d) Replication, monitoring and Project management.

Project Achievements
A consultant has completed the Feasibility Study and project design. It is expected that the bidding documents for the three Constructed Treatment Wetlands (CTWs) will be launched by February 2005. The Public Consultation process is completed and the Environment Impact Assessment (EIA) will be disclosed soon.

Co-financing
The European Investment Bank (EIB) is co-financing the GEF project for the pre-treatment of the wastewater and connection with the network. The Luxemburg Development Fund will provide a Grant for supporting the EIB investments for design and supervision work. Both agreements with Eib and Luxembourg have been signed and ratified.

Implementing Agencies
Ministry of Territory Adjustment and Tourism, in cooperation with the Ministry of Environment, and benefiting Municipalities.
Status
Under preparation

Recipient
Republic of Albania
(jointly with Montenegro)

Project Coordinator
Ministry of Environment

Expected Project Cost
US$ 5 million

Expected GEF Grant
US$ 2 million

Amount for Albania

Project Objectives
The overall objective of the project will be to assist the Governments of Albania and Montenegro to implement the recently signed Memorandum of Understanding, committing both countries to conserve the natural resources of the Lake Shkoder in a coordinated and integrated manner, by establishing a bi-national Lake Management Commission and by improving the relevant national level regulatory and institutional capacity.

Project Description
The project will consist of four main components: (a) **Transboundary Lake Shkoder Management Framework** The objective of this component is to put in place a sound transboundary legal and institutional framework for the joint management of Lake Shkoder by the people of Montenegro and Albania. (b) **Promotion of Integrated Natural Resources Management and Biodiversity Conservation** This component would introduce small competitive grants that would finance demonstrations of improved natural resource management practices and biodiversity conservation investments, including grants for public awareness and information dissemination and exchange in this area. (c) **Public Awareness and Replication Strategy** This component would focus on building awareness and delivering education concerning protection of the lake and sustainable use of its resources. A broad local and nationwide public information campaigns will be undertaken in both countries to disseminate the benefits of proposed demonstration activities and achieve replicability of the same. (d) **Project Management** This component would provide support for hiring relevant staff to implement the project. It is envisaged that both countries will establish Project Management Units in the project area.

Next Stage
Estimated Board Approval – July, 2005

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Tirana City Regulatory Plan

Project Objectives
It is estimated that the total population in Greater Tirana (including suburban municipalities) has already reached 600,000, and is anticipated to further increase to 700,000 by 2010. Most of the available suburban land has been exploited, demand for city center sites has increased and there are many high-rise residential buildings with more than 15 stories. All these dwellings impose major pressures on the physical and social infrastructure (such as water supply, sewage, electricity, roads, schools, parking). Under the Netherlands Grant, the Municipality of Tirana will develop a Regulatory Plan, which will analyze the current land uses, demographic situations and the capacity of existing and planned infrastructure. Proactive regulations, rules and procedures will also be drafted at this time, which would guide and where necessary control, the activities of private developers.

Project Description
Phase I – Preparation of Mapping and Data Base The principle objective of Phase I is to update the maps and any available geographical data from the existing information base, and develop a GIS system to be used in implementing Phase II.

Phase II - The principle objectives of Phase II are to: (a) prepare a Zoning Code and a Regulatory Plan which set out clear guiding rules for urban development and provide for adequate transparency and accountability, and (b) make recommendations on implementation arrangements, and provide initial training for administration of the new Zoning Code and a Regulatory Plan.

International Evaluation Panel. With the funds provided under the project, an panel comprising international experts would be established to carry out the evaluation of the proposals and review periodical outputs of the consultants.

The final output will be submitted for review and approval to the National Council of Territorial Adjustment, which is the legal approving entity of the Government.

Project Achievements
The technical advisor for regulatory plan of Tirana has been hired and the selection of the consultant company for development of mapping and GIS for urban management is ongoing.
Communication For Cultural Heritage And Sustainable Development

Project Objectives
The program aims at fostering the economic development in the region through eco- and archeological tourism by building local capacity to support the conservation of the Butrint National Park and archeological site. In particular, the program aims at transforming the land use limitation of the Park into an opportunity to create resources through community based tourism products and services.

Project Description
The project supports the development of sustainable eco- and archaeological tourism in Butrint Park and in the south of Albania by developing work through three areas of intervention:

1. Training and capacity building. This component funds technical assistance to the Park staff and the communities surrounding the Park to develop community based tourism activities in order to create income-generating opportunities and demonstrate the value of protecting the natural and archaeological attractions of Butrint.

2. International outreach and sustainable tourism. This component promotes the international image related to the archeological site as a result of a comprehensive marketing and communications strategy, targeting specifically tourism media and international tour operators focused on adventure and eco-tourism

3. University cooperation. This component will foresee a series of activities to position the concept of sustainable community based tourism in Albania, based on the experiences in Butrint and in other parts of the world. The component seeks an active involvement of the academia in the debate about case studies its conservation and promotion.

More info: www.butrinti.org

Beneficiaries The Butrint National Park, the communities surrounding the Park.
GEF - Assessment Of Capacity Building Needs To Address The National Biodiversity Strategy

Project Objectives
The proposed GEF project aims to assist Albania in reviewing the progress on the implementation of the National Biodiversity Strategy and Action Plan (BSAP), in evaluating the further capacity needs and determining the mechanisms necessary to protect the national biodiversity in accordance with BSAP recommendations.

Project Description
The proposed project will address the capacity building needs of the Albanian Government through: (i) Assessing the status and needs for implementing measures for in-situ and ex-situ conservation and sustainable use of resources; (ii) Assessing the capacity and effectiveness of the approaches to evaluate, address and monitor the specific threats to biodiversity in forest, pasture, agricultural and marine ecosystems; (iii) Establishing a clearing house mechanism; (iv) Assessing the needs for establishing and operating of a biodiversity information database and monitoring system; (v) Preparation of the Second National Report of Albanian Government to the Convention on Biodiversity.

Implementing Agencies
Ministry of Environment, General Directorate of Forests and Pastures

Next Stage
Grant agreement to be signed by the Albanian Government within February 2005
Institutional Capacity Enhancement For A Reform Of Intergovernmental Fiscal Relations

Project Objectives
The purpose of the Grant is to enhance the institutional capacity of the “Group of Expert on Decentralization” (GED of the Ministry of Local Government and Decentralization), including to formulate the reform of the local government finance system.

Project Description
The following activities will be implemented under the project: (a) development of GED’s capacity to: (i) assess the notional responsibility costs and notional revenues of local self-governments; (ii) regulate conditions under which local self-governments may access borrowing responsibility; (iii) design a consistent transfer mechanism that factors in tax-sharing; and (iv) draft a law on a sustainable, transparent and predictable system of local government finance; (b) carrying out of study tour and dissemination of public information (including seminars, workshops, monitoring); and (c) provision of training for GED staff.

The ToRs for technical assistance to GED to assess the notional responsibility costs and notional revenues of local self-governments has been developed and bidding process is on-going.

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Privatization Strategy Program Technical Assistance

Project Objectives
The purposes of this Italian Grant is to support the Government of Albania in the context of its Strategic Privatization Program.

Project Description
The activities for which the Grant is given are as follows:

Provision of technical assistance to assist the Ministry of Economy to privatize the following companies:

(a) Albanian Refining and Marketing Organization (ARMO) and Albanian Petrol Company (Albpetrol):

During Phase 1 of the privatization process: Activities includes preparation of specific pricing strategies, service/network development, organizational evaluation, development of accounting system;

During Phase 2 of the privatization process: Activities includes marketing and promotion with potential investors;

During Phase 3 of the privatization process: Activities includes preparation of the tender documents and completing the sale of the company.

(b) Albanian Telecom Company (Albtelecom):

During Phase 3 of the privatization process: Activities includes:

(i) preparation of a management contract towards completion of the sale of the company;
(ii) update the due diligence and Information Memorandum; and improvements in Albtelecom's financial and economic position as well as managerial capability.

The Grant finances the consultancy services of a consortium of consultants, IMI, Bain Cuneo and Studio Legale Tonucci to the Ministry of Economy
Non-lending Services

In addition to providing finance for reducing poverty and fostering development of Albania through investment and other projects, the World Bank plays an important role in providing policy advice and technical assistance to the Government. This advice relies upon the Bank’s long-term experience in working on economies of countries in transition and in economies that have successfully carried out structural reforms in and outside the region.

The following analytical and policy studies are some of the works that the World Bank team has produced for Albania recently:

- **Beyond the crisis - a strategy for recovery and growth** - The 1997 crisis revealed the fundamental problems in Albania's economic governance capacities and the inability to enforce its own laws and regulations. This report addresses key issues needed to foster an effective and accountable government. (July 1997)


- **The Country Procurement Assessment Report (CPAR)** on Albania was prepared on the basis of the findings of a World Bank mission to Albania in January, 2000, the responses of many people in Government and the private sector to a survey on the conduct of public procurement in Albania, as well as an analysis of the laws and sub-legislative enactments governing public procurement at the time. The assessment was conducted jointly by the Bank and a counterpart team from the Public Procurement Agency (PPA). (January 2001).

- **Public Expenditure and Institutional Review.** In 2000, Albania introduced a Medium Term Expenditure Framework (MTEF) to bring a more strategic focus to expenditure planning. The World Bank assisted the Government in this effort and as part of this process carried out a Public Expenditure and Institutional Review (PEIR). The Review, prepared in two volumes, highlighted four main areas of public expenditure measures and institutional requirements that Albania needed to address in support of the MTEF process. This report presents an in-depth evaluation of the budgetary planning process in Albania and the institutional arrangements required for better management of public expenditures. (April 2001)
• **Qualitative Assessment of Poverty in 10 areas of Albania.** The main objectives of the assessment were: a) deepening the understanding of poverty in the country; b) supporting the preparation of GPRS; c) supporting the preparation of CAS and LSMS process and d) identifying emerging areas of concern that will require future attention. Among the main findings are: general causes of poverty and characteristics of the impoverished and other groups. The general conclusion is that for many households the lack of food, clothing and other basic necessities is still a primary preoccupation. Absolute poverty remains high in the study sites despite many years of positive economic growth and there is some evidence that conditions have worsened for those at the bottom of the socioeconomic ladder. The study was completed in June 2001.

• **Albania’s Rural Strategy** highlights the importance of the rural economy to both economic growth and poverty reduction. The study identifies seven pillars of a rural strategy: (i) improve the environment for private investment; (ii) develop the land market (iii) Strengthen rural services; (iv) encourage financial services in rural areas; (v) rehabilitate and improve management of rural infrastructure, including rural roads, irrigation and drainage, rural water supply, and rural energy; (vi) develop the non-farm economy; (vii) ensure sustainable resource management. The report is translated in Albanian. (March 2002)

• **Country Financial Accountability Assessment.** The report aims to assess whether the existing financial accountability framework, as designed and practiced, is sufficient to ensure proper use of Albania’s own resources and those provided by the Bank and other institutions. This is a diagnostic exercise covering the financial management systems of both public and private sectors. The report provide with some recommendations, which focus on capacity building in several key institutions. (May 2002)

• **Albania Poverty Assessment** provides valuable information on a variety of issues related to living conditions of the people in Albania, including details on income and non-income dimensions of poverty in the country, and will be a very useful resource for the further development of the National Strategy for Socio-Economic Development (NSSED). The study is translated in Albanian. (2003)

• **Albania Decentralization in Transition** study provides a stocktaking of the decentralization process in Albania; a discussion of the conditions for sustainable intergovernmental fiscal relations under a certain degree of local fiscal autonomy, and a draft roadmap on how to proceed in critical cross-cutting intergovernmental finance matters. The study is intended to support the development of a consistent decentralization strategy in Albania and provide inputs to the Bank’s operational interventions (including the Country Assistance Strategy, the Poverty Reduction Support Credit, and sector operations). This study is available in both languages, English and Albanian. (2004)
• *Roma and Egyptians in Albania: From Social Exclusion to Social Inclusion.* The study investigates the socioeconomic, cultural, institutional, and historical situation of Roma and Egyptian communities in Albania. Its objectives were to: 1) provide quantitative and qualitative data on Roma and Egyptians in Albania, which would assist the Albanian Government in drafting special programs for these communities; 2) provide insights into potential social exclusion processes that affect Roma and Egyptian communities, which will help the Government meet some of the EU recommendations on ethnic minorities; and 3) provide advice on the design of concrete actions that facilitate the inclusion of Roma and Egyptian communities into Albanian society. (2004)

• *Albania: Sustaining Growth beyond the Transition, Country Economic Memorandum (CEM)* The CEM, which primarily covers the period from the mid-90s to 2003, is one of the core diagnostic reports of the Bank and analyses country economic developments, prospects and the policy agenda. It notes that Albania's solid performance is driven by successful macroeconomic stabilization, a track record of structural reforms, increased total productivity growth, and a high level of remittances. Despite this progress, Albania's growth and competitiveness remain constrained by several key challenges. Most important is pervasive poverty, weak governance, and some structural bottlenecks in the infrastructure sectors. The report notes that for Albania to sustain high GDP growth and to improve living standards, the country must maintain macroeconomic stability and accelerate implementation of structural reforms. It should seek to boost foreign direct investment, increase the degree of trade integration, strengthen governance, and improve education and training systems. (December 2004)
Procurement Information

Most of the World Bank-financed projects in Albania are investment lending type. For this reason procurement is a critical element of project implementation and contributes in substantial measure to the success or failure of projects and programs. The responsibility for the implementation of the project and therefore for the award and administration of the contract, rests with the Borrower.

To that end, the Project Implementation Units are established for each project. The Bank for its part, is required by the Articles of Agreement to ensure that the proceeds of any loan are sued only for the purposes for which the loan was granted, with due attention to considerations for economy and efficiency. Bank has developed its procurement guidelines, which must be strictly followed by the Borrower. For more information on the guidelines and the Standard Bidding Documents (used by the Borrower) see: http://www.worldbank.org/html/opr/procure/

If after notification of the contract award, a bidder wishes to ascertain the grounds on which its bid was not selected, it should address its request to the Borrower. If the bidder is not satisfied with the explanation given and wishes to seek a meeting with the Bank, it may do so by addressing the Regional Procurement Adviser for the Borrowing Country, who will arrange a meeting at the appropriate level and with the relevant staff.

For additional information on World Bank procurement procedures and complaints you can contact:

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Small Grants Program

The World Bank Office in Tirana has been allocating grants to civil society organizations in the context of the Decentralized Small Grants Program (SmGP). The Small Grants Program was created to promote dialogue and dissemination of information on development, and to enhance partnerships with the civil society. The scope of the SmGP is empowerment of the marginalized and vulnerable groups engagements in order to have voice in development processes.

An External Advisory Board comprising representatives of Donor and international organizations focused on Civil Society and an Internal Grants Selection Committee composed of World Bank Tirana Office staff review and select the best proposals. Geographical distribution of the projects covers the entire country from Shkodra, Puka, Kukesi, Peshkopia, to Durresi, Tirana, Elbasan, Librazhd, Lushnja, Gjirokastra, Saranda, and Permeti. The following NGOs and projects are the winners of the last four fiscal years:

FY2004
1. Gruaja Rome e se ardhmes, Tirana, “Education for all”
2. Masmedia & Environment, Tirana, “Bi-weekly newsletter”
3. Gruaja ne Integrim, Shkoder, “More attention to Northern youth”
4. Perthyerje, Tirana, “Improvement of processes and mechanisms on complaints in prisons of Albania”.
5. Shoqata e jetimeve, Korca, “Integrating orphan children to community”.
6. Woman for global action, Tirana, “Empowering the marginalized groups in Bathore”
7. LEGA, Tirana, “Encouraging legal entrepreneurship in the post-trafficking areas of Saranda and Vlora”.
8. Mbrojtja e te drejtave te personave me aftesi te kufizuara (MEDPAK), Librazhd, “Raise awareness on handicaps rights”
10. Center for Development and Democratization of Institutions, Tirana, “Improving the conduct of police structures through awareness and public information about detainees rights”
11. Children of the World-Albania-Human Rights, Tirana, “Community mobilization to reduce marginalization, particularly of ethnic minorities”
12. PISHA association, Kastriot, Peshkopi, “Increasing women participation in decision making in village”
13. PARSH, Tirana, “Encouraging continues learning”

FY2003
1. AMIV, Gjirokastra, “Organizing a series of debates on the social problems of the third age with local government, civil society and elderly”
2. “Grate intelektuale”, Puka, “Empowering women in the rural areas of Puka”
district and making them more proactive in society"

3. “Rruga me pisha” foundation, Tirana, “Production of 24 episodes of a radio soap opera in the national public radio station on raising public awareness on women trafficking”


5. Youth Women Christian Association, “Tirana Leadership training for Roma women”

6. “Albanian Institute of Media”, Tirana, “Publication in Albanian of the “Right to tell” WBI publication, to be used for training of Albanian journalists in Albania, Kosovo and Macedonia”

7. “Integrim ne komunitet”, Tirana, “Increasing involvement of the vulnerable groups in decision-making in Koder-Kamza”

8. “Dyert e se ardhmes” Fier, “Fostering of Roma children’s right and promoting coexistence in harmony with non-roma children”

9. QKZH, Tirana, “Sensitizing the decision-making institutions about the difficulties of the household business in poor areas (Shkodra, Lezha and Elbasan) in order to generate conducive conditions for their activity”

10. ASET, Tirana, “Production of two TV newsreels for “Tunel” serial aiming at increasing the capacity of marginalized groups to influence public opinion and to negotiate with the central and local government to address their problems”

11. “European Children's Trust”, Shkodra, “Eliminating child labor and involve the society in preventing this phenomena”

12. International Social Services, Albania office, “Raising awareness of public opinion and Parliamentarians regarding bilateral and multilateral treaties and covenants on children rights”

**FY2002**

1. Useful to Puka Women Association, “Public awareness campaign and assistance for the families in blood-feud”, Puka

2. All Children are human Association, “Different but equal”, Shkodra

3. Regional Agriculture Advisory, “Center Women Farm School as a tool for the emancipation of women migrated from the remote areas of the country”

4. Christian Children Fund Association in cooperation with the network of parents community groups, “Open debate on Childhood”, Tirana, Peshkopi, Kukes

5. Youth and Children Association, “Involvement of marginalized groups in the municipality decision-making”, Permet


7. Useful to Albanian Women Association, “Social and Physiological support of the elderly through involvement of youth groups”, Tirana-Kombinat

8. Multidisciplinary Center for the Management of Child Maltreatment, Establishment of the mother's club “Let's help each other”, Tirana

9. Southern Albania Environment Association, “Promotion of Civic initiative in solving the economic and environmental issues in Fushe Bardha through
dialogue and lobbing”, Gjirokastra
10. Children’s World Association, “Promotion of cooperation and tolerance among teenagers from families with social and economic problems”, Tirana
11. Pjeter Bogdani Association, “Media raising the public authorities awareness about the mine fields communities”, Kukes
12. Institute for Public Opinion Poll, “Raising the awareness of the social opinion community and the donors about the needs of women and children in Albanian prisons”, Tirana

FY2001
2. FILD & SEDA Associations, “Community participation for the solution of the disagreements in the comune of Prrenjas and Librazhd
3. Albanian Center of Community Development, “Apartment complex Community Unification and Development in Lushnja”
4. Women Center, “Begin and improve your business”
5. Association of the Professional Journalists, “Joniane” “Protecting the relations of ethnic minorities by increasing the role of the electronic independent media in the sub prefecture of Saranda”
6. Credit-Savings Association of Kuqan, Elbasan, “Improvement of the village water supply”
7. Association of Genetic Users, Seed Producers, “Increasing farmers’ income through the production of a certified hybrid corn seed in Baldushk”
8. LEGA Union, “Media in GPRS implementation”

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2. IFC ACTIVITY
IFC in Albania

IFC’s strategy in Albania is to support private sector development and improve business environment. Its efforts focus on the need to increase the flow of foreign direct investments in the country and help introduce public private partnership concept (PPP) in infrastructure and social sectors. IFC is stepping up its involvement to:

(i) Increase support for the financial sector and strengthen the financial market;
(ii) Help restructure and seek opportunities for investments in key strategic sectors: transportation, energy, water supply and telecommunications;
(iii) Assist, strengthen related strategic markets by providing technical assistance to improve performance of regulatory bodies in telecommunications and energy;
(iv) Provide advisory services for Public Private Partnership in strategic and social sectors;
(v) Provide financial and technical assistance to small and medium-sized enterprises.

IFC portfolio in Albania is US$ 82 million.

Table of ongoing IFC projects (as of March 2005)

<table>
<thead>
<tr>
<th>PROJECTS</th>
<th>APPROVAL FISCAL YEAR</th>
<th>TOTAL PROJECT COST (million US$)</th>
<th>CREDIT AMOUNT (million US$)</th>
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<td>1. Eurotech</td>
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<td>May 2003</td>
<td>225.0</td>
<td>41.4</td>
</tr>
<tr>
<td>6. Fushe Kruja Cement Plant</td>
<td>June 2004</td>
<td>130.0</td>
<td>30.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>385.5</strong></td>
<td><strong>82.0</strong></td>
</tr>
</tbody>
</table>
PROJECTS UNDER IMPLEMENTATION

National Commercial Bank Privatization
IFC participated in privatization of National Commercial Bank of Albania (NCB) to support the recovery of Albania’s financial sector, which is needed to facilitate productivity, economic growth and domestic savings. Technical partner purchased 60% plus 2 of NCB’s shares while IFC and EBRD have purchased 20% minus one share each. Total project cost is $10 million, IFC’s share is $2.25 million. This is the first privatization in the banking sector in the country. Paid-in capital totaling US$10 million injected by the new shareholders resulted in a capital adequacy ratio of 33%. By the end of 2001, the restructuring program was completed.

Following the Turkish financial market crises, the Turkish Government Savings Deposit Insurance Fund (SDIF) has assumed the control of Kent bank’s shares in NCB. IFC is negotiating with potential strategic partners who have expressed interest to buy the NCB shares.

ProCredit Bank
Total project cost is US$5 million of which US$1.1 million for IFC’s own account. The project involves an IFC and EBRD equity investment of up to US$1 million (up to 20%) each, the rest shared between KFW and IPC, the technical partner. The project has significantly promoted micro-lending in Albania. The bank has achieved its main goal to expand its network in five regions in the country and is working on strengthening its position in the newly opened branches. Commerz Bank acquired 20% of the shares from KFW.

The bank strengthened its institutional capacity – by staff coaching, training, recruitment, delegation; developed market segments through core business lending – housing and consumer loans, careful expansion into SME segment; increase branch network density – gradual and flexible expansion to high potential areas. FEFAD loan portfolio has been growing steadily in SME portfolio and remains a leading bank in micro-lending in the country.

Privatization Of Insig
The project involves the privatization of INSIG, one of Albania’s leading insurer. This project will be achieved in two phases, partial-privatization and full privatization. The first phase is considered a transition period, in which Government of Albania made an initial divestment by selling a 40% stake to IFC and EBRD. In the second phase, with the assistance of the IFIs, GoA will complete the privatization of INSIG by divesting its remaining stake and relinquishing its controlling interest to the incoming technical partner. IFC participation in the partial-privatization of INSIG, will not only help improve the Company’s performance but also attract a reputable technical partner.

Eurotech
Total project cost is 3.5 million with US$1.2 for IFC’s own account. The sponsors have built a cement-bagging terminal near the port of Durres to supply the Tirana-Durres region. The company has increased the sales volume significantly and...
although relatively small operation, it has managed to capture 14% of the total cement market in Albania of 1.2 million tons of cement annual consumption.

**Vodafone Albania**
This project is a loan of up to EUR 85 million to Vodafone Albania, Sh.A with EUR 35 million each from IFC and EBRD and EUR 15 million syndication a total project cost of Euro 85 million. The project will develop further the second nationwide digital GSM cellular network in Albania, which is owned and operated by Vodafone Albania. The project should increase competition and lower costs in the sector, and provide approximately 95% of the population with the ability to access Vodafone Albania’s mobile telecommunications network by 2005. Vodafone Albania is expected to serve approximately 780,000 subscribers by 2012.

**Fushe Kruja Cement Plant**
This is a US$130 million project for the rehabilitation and expansion of Fushe Kruja Cement Factory in Fushe Kruje, Albania, to establish a new, modern production line with aggregate annual cement capacity of 1.3 million tons. IFC will invest US$30 million of its own account. This investment will significantly contribute to the development of the country’s manufacturing and construction industries. The project will reduce Albania’s dependence on imported cement, enhance the Albanian market for construction materials and facilitate rapid reconstruction and development of Albania’s infrastructure. IFC worked closely in partnership with EBRD, OPEC Fund for Reconstruction and Development and Alpha Bank.

**ADVISORY SERVICE**

**Infrastructure Advisory Services**
IFC is exploring potential involvement in assisting the regulatory entities of telecommunication and energy sectors to update the relevant legal framework, upgrade the existing capacity and assist the regulatory authorities in their day to day work to establish a sound relevant market and create conditions to attract private strategic investments. IFC is also exploring the possibility for assisting the government with advisory services to introduce PPP in social sectors.

**Technical Assistance For The Telecommunications Regulatory Authority (TRA) Of Albania**
The primary function of this assignment involves both a diagnostic and strengthening skills of TRA. It aims at ensuring that TRA has sufficient and relevant local capacity to fulfill effectively its role in the development of the sector taking account of the duties and tasks of TRA as defined in the laws and legal acts. The capacity building of TRA staff will have a positive impact on a liberalized competitive telecommunications market and encourage private sector investments in Albtelecom. TA for the Energy Regulatory Entity (ERE) of Albania. This TA is expected to upgrade the skills and organizational structure required of the ERE, and ensure that ERE fulfills its role in the development of the sector taking account of the duties and tasks of ERE as defined in the Policy Statement,
the legal acts and in the National Strategy of Energy. The capacity building of ERE will be a preamble for a stable liberalized competitive energy market and encourage private sector investments.

Advisory Service In Social Sector

IFC is working with the Ministry of Health to advise in establishing public private partnerships (PPPs) for expanding public access to high quality health services. The assignment is expected to produce rapid results in three key areas: (i) preparation of the Strategic Options Report for PPPs in Albania’s health sector, including plan for implementation of pilot PPP projects; (ii) completion of the Strategic Plan for rapidly strengthening the technical and operational capacity of the National Health Insurance Fund as a purchaser of health services for the people of Albania; (iii) design, preparation and implementation of the first pilot PPP project as identified in the Strategic Options Report.

Study Of The Administrative Barriers To Investment

At the request of the Government of Albania, the Foreign Investment Advisory Service (FIAS), a joint facility of the IFC and World Bank, launched in late 2002 a Study of the Administrative Barriers to Investment. This effort is the continuation of the FIAS diagnostic study of the investment climate in Albania (2000), in which bureaucratic bottlenecks, compounded by weak law enforcement and strong corruption, were highlighted as major impediments to the growth of private investment. The study is also an integrated part of the IFC/World Bank efforts to assist the Government in improving the business environment and public administration.

The Government of Albania took leadership of this effort and is discussing with FIAS and other donors best practices for implementation of the agreed Action Plan with specified targets and timetables, as well as developing a monitoring system to help assure implementation.

FIAS is currently working with the Ministry of Economy to conduct the second round business survey on the regulatory and administrative cost. This is part of our continued assistance to the Government in evaluating the impact of the implementation of the Action Plan which the Government of Albania developed following the FIAS Administrative Barriers Study in 2003.

In parallel to the business survey, FIAS is also assisting the MoE in conducting a series of template interviews with the various ministries and public agencies that are responsible for business regulations. The MoE intends to use the results of the survey and the template interviews to conduct a thorough “self-assessment” of the reform process. The purpose of the Government is to identify the progresses made and the gaps that still remain. The conclusions and recommendations emerging from the assessment will feed to the updated Action Plan, perhaps in early 2005.
3. SEED ACTIVITIES
Southeast Europe Enterprise Development
In January 2000, the Board of Directors approved the South Eastern Enterprise Development. SEED is established by the WBG and international donors to help support the development of the private sector in the Region, in a manner consistent with WBG, host-country government and donor strategies. The private sector, which is predominantly SMEs, will be the driving force for sustainable income and employment growth in the region. The WBG’s regional and global experience confirms that while more and different SME financing products and vehicles are important, just as important are constraints in the overall business environment, managerial and technical skills and access to knowledge and information.

SEED is managed by IFC. SEED will benefit from the extensive, on-the-ground, investment experience of IFC in the Balkans, as well as its considerable experience in managing and supporting SME initiatives and similar facilities in challenging environment around the world.

Additionally, SEED taps into considerable resources and expertise of the World Bank’s private Sector Development Department and the World Bank Institute. SEED’s aim to add unique value and not duplicate the work of others. In achieving this, SEED will work closely with key/implementers present in SEED’s markets.

SEED expanded its operations in Albania in September 2001 and is focused in the following sectors as agro-processing, construction, transportation, tourism, medicinal herbs and ICT.

SEED ACTIVITIES IN ALBANIA

List of Projects Completed

- Agribusiness Study on identification of sector needs
- Essential Oil Producer appraisal of future investments
- Intervention on a frozen fruit & vegetable processor for raising overdraft facility
- Polystyrene Projects - appraisal of investments
- Investment Services Consultancy Network
- Regional Projects on Tourism Development Initiative
- Manufacturing Project – evaluation of new plants construction
- Dairy Processor – evaluation of milk collection system and preparing of a milk collection manual
- Detailed analysis on a new multi functional construction
- Intervention on an ophthalmology clinic in Kosovo
- Market Research Study on glass blowing industry
- Development of investment idea on Textile project
- Raise financing for a Printing company
- Mercy Corp program – Mushroom Sector – analysis of 9 companies in Serbia & Montenegro
- Reiffeisen Bank – Guarantee Agreement for consultancy services

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Capacity Building

Trainings delivered for SMEs

- What will a lender want to know about my company?
- Euro Conversion Workshop
- How to prepare winning bids on large domestically or internationally funded construction projects
- EU Standards for fruits and vegetables processing, meat processing, dairy products, wine making
- How can my company increase the sales and profitability?
- Lending Officer/Analyst Training Program.
- Pro bono presentations in Albania and Kosovo
- Executive Management Developing Program I and II
- All you need to know about Financial Statements
- Strategic Planning and Change Management
- Marketing training
- Accounting for Non Accountants
- FIDIC’s Contracts for Construction
- Training for Savings Bank of Albania

Trainings delivered for BSPs

- Introduction to marketing
- Market research/market survey;
- Introduction to accounting (accounting for non-accountants);
- Financial statement analysis;
- Industry analysis;
- Business plan development;
- Inventory management;
- Operations Management;
- Writing and Communication Skills (Could be replicated for Local Consultants even in other districts)
- BA Management and Organization
- Environment Consultancy Network – Trainings
- Training on Marketing Skills for Consultants
- Developing Consulting as a Business
- Human Resources Management Training

Other CB activities

- Business Plan Competition
- Entrepreneurship- Faculty Development Program and ETP launching
- Youth Entrepreneurship Seminar in collaboration with OSCE (YES I, II and III)
- SEED/ISTUD/ETF Project: Strengthening Partnership among Training Institutions and Companies
Private Sector Development

- SME Country Map – concise review & analysis of BEE for SMEs
- Increasing the effectiveness of Business Advisory Council
- Survey on Fees and Taxes
- Business Associations Program
- SME Macro Study – economic review of economic performance
- Pledge Registry
- BDS demand survey

Information Technology

- Linkages: Software assessment in Albania
- SEEBiz.net Albania

Platforms

On Going Activities

NCB Platform

This platform idea was developed based on previous experiences that SEED has had with NCB and different clients brought by the bank. With the increase of the size of the loans offered lately by the bank there was a need for an outside analysis of these potential clients. Some of these clients were directed by NCB to SEED. Furthermore, with the increase of the competitive environment in Albania among banks we believe that there is an increasing need for specific training of the staff in order to improve further bank’s in-house capacities. The goal of this platform is improvement of capacities of the key holder and through the key holder direct intervention of consulting and training to many individual companies in order to improve their performance.

Results of the first project:

Five Sectorial Studies completed. Based on the construction study prepared by SEED. NCB has issued 9 new loans with a total of US$ 1.4 million.
Capacity Building for Financial Institutions - 4 training modules delivered
Consulting - direct consulting to SMEs that requested financing for new projects

New Project status: Based on the results achieved in the past year SEED will continue to assist NCB even for the current year in the above mentioned areas.
Financial Leasing Developing In Albania

In line with other initiatives, introduction of financial leasing activity in Albania is considered as a priority by the Government of Albania. The objective is to develop Financial Leasing Law for Albania, which will fit into existing legislative framework and offer all modern solutions in the leasing branch. Based on its mandate and expertise, SEED has been partnering GoA in designing and implementing a comprehensive intervention package consisting on following: (i) Identification of the opportunities for leasing activity in Albania; (ii) Development of Financial Leasing Law and complementary legislation; (iii) Training at all levels of stakeholders: administrators, providers and end-users of this service; (iv) Awareness campaign; and (v) Monitoring of the market development. As a result of this initiative a Financial Leasing Draft Law is prepared, approved by the Government and forwarded for adoption by the Parliament. In addition the first leasing company “Tirana Leasing” - a subsidiary of Tirana Bank, member of Piraeus Group - was established and is operational in the market. Interest was shown by other banks too, i.e. Reifessen Bank as well as from the private sector.

Alternative Dispute Resolution In Albania

The Government of Albania is giving highest priority to Legal and Judicial Reform in the ambit of harmonization of legislation and practices to the standard prevailing in the European Union. Alternative Dispute Resolution has greatly expanded over the last several years to include many areas in addition to the traditional commercial dispute. The Ministry of Justice has been implementing a program with financing from the World Bank resulting in developing new legislation on mediation and establishing the Albanian Commercial Mediation & Arbitration (MEDART) Center. Within this framework a number of activities were carried out by SEED in close cooperation with MEDART, focused on public awareness and market development as follows: (i) organizing a National Conference on Alternative Disputes Resolutions (ADR); (ii) working closely with Business Membership Organizations to build awareness on ADR, (iii) conducting a media campaign, (iv) tailored trainings for courts system; and (v) technical assistance to develop appropriate management models within the Center.

EU Technical Regulations And Standards

The Albanian SMEs face step challenges in meeting the growing number of EU import requirements. While the European Commission is also concerned about this issue, the vast majority of their resources are dedicated to helping government and non-government institutions, rather than directly focusing on SMEs. To this end, SEED is partnering Export Promotion Agency in helping exporters developing their competitiveness through meeting the requirements of EU Regulatory Framework by introducing internationally recognized standards such as ISO, HACCP, etc. The project is structured at three levels to address the most pressing aspects of these knowledge and capacity gap: (i) companies in selected priority sectors
(food and beverages, etc) are provided with specific relevance for them through seminars, workshops and road-shows; (ii) SMEs staff are trained to understand and implement selected IR standards for their respective fields; and (iii) the most promising companies – three of them – are receiving in-house assistance to take them to adoption of desired standards or certificates.

**Albanian Constructors Association**

Albanian Construction Association (ACA) is SEED Partner for BMO Program in Albania. The Platform is an integrated set of Projects in Capacity Building, BEE and Investment services that aims increasing the BMO role in better business environment in Albania that enable businesses growth, job creation and improved performance. ACA has been devoting substantial efforts to represent the interests of members and contribute to the improvement of overall business environment in Albania. During the two last years of partnering with SEED, ACA has demonstrated increased professionalism in advocacy by setting realistic priorities and articulation of advocacy issues. As result has been achieved concrete results such are the Memorandum of Understanding with Municipality of Tirana, the Memorandum of understanding with Tax Department, membership to 2 Decision Making Boards on National and Municipal level, Dialoging with Government Representatives from bottom level to top executives-including Ministers and Prime Minister. ACA has played active role in improving a number Laws and regulations that impact improvement of business environment for Construction firm operations such are amendment of Urban Law, Construction police, Procurement Law and Fiscal package. Reputation earned amongst members due to efforts to advocate for their interest and achievement of measurable results is of the strongest factors that have made ACA a powerful voice in public private dialog Albania. Since the first SEED intervention in FY’02 the membership base has been increased by 45%. Under BMO program SEED has offered 4 Consulting Services and 3 others are under implementation for FY’05 as well as 7 training delivered with participation of 120 Construction firms.

**Capacity Building Platform**

A set of interventions based on the needs identified aimed at increasing Capacity of business service providers as well as SMEs representatives and/or raising awareness about a particular product / topic of importance and interest to the entire private sector in Albania. Some of these interventions are follow up of previously activities relevant to Capacity Building and the rest are recently introduced. These initiatives aim at: 1) increasing pool of local consultants / trainers / business service providers along with enriching their knowledge and expertise and enhancing their skills to deliver high quality services related with implementation of SEED’s current and future projects; 2) introducing and raising awareness about new specific products / BDS services helpful to particular private sector sub-groups serving SEED’s main objective and facilitating so strengthening
of the private sector in Albania; 3) serving as foundation of capacity building for other platforms and facilitating the process of accomplishing SEED projects in the future. More specifically these CB interventions are described below:

- CB EU Accession Awareness: Needs assessment survey, database, study & trainings on Standards
- Public Institution Process / procedure assessment (OSS)
- Corporate Governance knowledge dissemination
- CB of BMO (Business Membership Organization) Technical Secretaries
- CB Interns : 2 trainings for interns and offering internships in companies for students
- WUS Business Case Challenge Competition
- Environment Consultancy network / training II
- Youth Entrepreneurship Seminars III

**Linkages Platform - Birra Malto Sh.a, Seament, Olim Sh.p.k.**

IFC is working through SEED under its Linkages strategic objective for improvement of Distribution networks and operations of Birra Malto, Olim, and Seament companies, this last one being an IFC investment. SEED has advised Birra Malto on completely overhauling its distribution system. The change will benefit at a large extent around 70 independent distributor companies of Birra Malto. SEED is currently training distributors of Birra Malto, Olim, and Seament on topics such as Marketing, Sales and Customer Services, and General Management.

**Factoring Market Development Albania**

IFC is working through SEED for the development of factoring market in Albania. SEED has performed a market assessment to review the current situation with regard to legislation, financial market, and business sector that relate with Factoring. Following the recommendations of the market assessment, SEED will provide assistance to the Ministry of Economy for drafting of a new factoring law. Meanwhile, SEED jointly with the Ministry of Economy is undertaking activities for presentation of factoring concept to business sector and financial intermediaries.