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### Interview with the World Bank Country Manager, Kseniya Lvovsky

Mrs. Kseniya Lvovsky arrived in Albania in September 2010 to start her new assignment as Country Manager for the World Bank Office in Albania, following 17 years of working at the World Bank's Headquarters in Washington DC, USA. Her previous assignment at the World Bank was the climate change program manager responsible for the first corporate strategy on development in a changing climate. She brings extensive development experience in Eastern Europe, Central Asia, South and East Asia, and in managing global programs. Areas of expertise include economic policy, infrastructure development, water supply and sanitation, environmental health, and climate change. Kseniya is lead author or co-author of several World Bank reports and other publications.

#### **What is included in the new Country Partnership Strategy 2011-2014? What are the main sectors that will be supported by the World Bank? What has been and is the comparative advantage of its assistance?**

The current World Bank Group Country Partnership Strategy (CPS) for 2011-2014, adopted in July 2010, was developed in consultation with a wide range of Government and other stakeholders, including the civil society. It supports Albania's National Strategy for Development and Integration by focusing on three strategic objectives: (i) accelerating Albania's return to high growth rates in

a post-crisis Europe; (ii) broadening and sustaining Albania's social gains; and (iii) managing water resources taking account of the need to reduce vulnerability to climate change.

Since Albania became a member of the World Bank in 1992, the Bank, mainly through its highly concessional IDA funding, supported a broad range of sectors, including social protection, health care, education, infrastructure, energy, agriculture, banking sector, public administration and financial management, and business environment. Important features of the current CPS are targeting IBRD-only (non-concessional) financing to fewer, high impact areas; a joint approach with the International Financial Corporation (IFC), the private sector arm of the World Bank Group; strengthening collaboration with other development and integration partners; and continued support governance improvements. The key priority areas for the CPS are governance, competitiveness, skills, social safety nets, and management of water, environment and natural resources to support strong, sustainable and equitable growth. The financing envelope totals to around US\$300 million of IBRD lending, increased from the original US\$275 million in response to massive floods in the end of 2010 while IFC financing for the private sector is expected to increase to US\$120-\$150 million.

A major value of our assistance is in combining financing on attractive terms with global development knowledge and convening power. The World Bank uses its unique breadth of experience and expertise with the multitude of development challenges and circumstances to help strengthen country's institutions

and test new models and solutions that these institutions will be able to take forward and sustain on their own. Now that Albania, as a middle-income country, graduated from IDA and can only access IBRD financing for public investment, our knowledge and convening roles have become even more important, and are integral part of the CPS.

**Since you arrived in September 2010, what are in your view some of the most critical issues or important achievements? What are the specific priorities of the country and how does the World Bank help address them?**

Even though I started my assignment in the aftermath of the global financial crisis that inevitably slowed down impressive growth of the previous decade, I have been fortunate to witness several major achievements. Importantly, Albania managed to contain the impact on the global crisis on its economy. It is one of the few countries in Europe that has admirably kept a positive growth rate. The government successfully issued the country's first Eurobond in October 2010, wisely using it to pay-off more expensive debt, and achieved a substantial reduction in the 2010 fiscal deficit, compared to 2009, while enabling stronger growth. Performance of the banking sector and management of inflation have been sound. Emergency response to November-December 2010 floods was exemplary. Adding to the list, the impact of global volatility in food prices that hit badly some other development countries has so far been relatively mild in Albania. And, commendably, government continued to give priority to improving the life of the neediest, including raising their ability withstand possible future price shocks, by passing two important laws on social assistance and health insurance for the poor.

Looking forward, a modern, competitive, prosperous Albania is within reach. Yet, weak recovery in Europe, with particularly serious economic problems in Albania's neighbors and main trading partners, is a cause of concern. An unprecedented recent development in the US over its debt ceiling that has returned high volatility to global financial markets is another testimony to the new post-crisis reality we all live in. Albania's ability to sail through the difficult post-crisis years better than most other European countries was partly thanks to fis-

cal cushion created before the crisis. This cushion is no longer there. One challenge ahead is to ensure a declining debt path without reserving to abrupt mid-term adjustments that may affect key public services. This calls for a fuller recognition of increased external risks in budget management and macro-economic forecasting.

A mid-term challenge is to complete structural reforms and increase productivity within key sectors while supporting the creation of jobs. For sustaining growth and moving towards the EU living standards, it will be also important to give more attention to managing land, water and environmental quality, strengthen the rule of law, make the regulations clearer and make sure they are applied and enforced.



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The World Bank is assisting the country with financing, expertise and technical assistance. The current portfolio consists of 11 active projects with the main focus on energy, transport, social sectors and environment. Earlier this year, the Bank approved the development policy loan (DPL) of \$25 million in support of policy reforms in social protection and health financing. It will be followed by the social assistance investment operation that is under preparation and will support implementation of the policy reforms. Other projects under preparation are the Water Sector Investment Project,

the Water Resources and Irrigation Project, and the programmatic DPL on governance and competitiveness. The CPS also envisages projects in environmental management, and higher education and skills.

Over the past year, the World Bank has undertaken analytical work on property rights, governance trends, water, education, social protection, financial sector, and climate change adaptation in energy and agriculture. A full day workshop on improving governance in Albania is scheduled for early September to share the outcomes of several World Bank analyses and initiatives related to promoting good governance.

**The World Bank has successfully negotiated and approved recently a Development Policy Loan. What are the policies that it will be supporting? What other DPL operations are you planning?**

This new operation of US\$ 25 million, the above mentioned Social Sector reform DPL, supports improved targeting, efficiency and transparency of social assistance programs, particularly the Ndihma Ekonomike Program, to better reach and serve the poor, as well as improve their access to health services. Its approval was preceded by a number of policy actions taken by the Government of Albania and passed by the Parliament in February and March this year. Examples of actions include: better linking household eligibility for Ndihma Ekonomike benefits to poverty assessment criteria; introducing a bonus for keeping children from NE families in compulsory education, mandating the creation of an automated national registry for applicants and beneficiaries of social assistance programs; extending coverage of health insurance to NE program beneficiaries with the established package of benefits; and strengthening processes for financing of hospitals. The social assistance investment operation that we are preparing will support the improvements to Ndihma Ekonomike's administration.

We are also working with the government on a programmatic series of development policy operations to strengthen security of property rights, improve governance and increase competitiveness, with a view to facilitating growth and the EU integration process. If everything goes as planned, it will involve three loans of about US\$ 25 million each in 2012, 2013 and 2014.

**The World Bank has published in 2010 the Country Economic Memorandum - A new Growth Agenda. What does it include?**

The Country Economic Memorandum reviews Albania's economic performance identifies the constraints to growth and provides the analysis to help design policies that would overcome the constraints. It focuses on the growth challenges that Albania faces as a newly arrived upper middle income country in the post- global crisis external environment, marked by major shifts in global economic power. The report examines the potential vulnerabilities and proposes measures for maintaining macro-financial stability of the economy. It places education and skills at the center of the new growth agenda for Albania. The report also proposes measures needed to complete the creation of the backbone infrastructure, such energy and ICT, and improve the investment climate. Many recommendations the report are being reflected in the above-mentioned programmatic DPL on governance and competitiveness that will spread over the next three years.

**The World Bank has been the head of the Donor Technical Secretariat during the last 6 months. How do you see the development of donor co-ordination in Albania and the WB role?**

Overall, the donor coordination mechanism in Albania is well-established and achieving good results. Many of the projects that we financially support - for example, in transport, energy, education and environment - are co-financed by other international development banks and/or bi-lateral donors. The Integrated Planning System (IPS), financed by the multi-donor trust-fund, is another example of strong donor collaboration. The World Bank works closely with the UN agencies on several issues, particularly poverty and gender. The importance that government gives to donor coordination is demonstrated by Albania being one of handful pilots of "UN Delivering as One". The future, in my view, is in further aligning donor assistance with government-led priorities and programs. It is a core role of governments, not donors, to coordinate and make the best use of donor resources - technical and financial, in the spirit of the Paris declaration on aid effectiveness. I am delighted that by the end of World Bank's rotational chairmanship of the DTS, the decision was

made that the government, represented by the DSDC, will become a permanent DTS co-chair. We are committed to supporting the DSDC in this role as a DTS member. Similarly, we at the World Bank - as well as many other development and integration partners of Albania - would like to see stronger leadership and ownership of the Sectoral Working Groups by the respective line ministries. These WGs should evolve to support the goals and programs of those ministries, not donor-driven priorities, and it is encouraging to see this process having started. Finally, the world has changed, and there are new important donors on the global stage, notably South Korea, China, Brazil, Russia. For example, South Korea extended support with e-governance training to Albania via the World Bank. Going forward, it would be useful to incorporate the new players in the donor coordination structure in Albania.

Being yourself a woman, how do you perceive the gender equality in Albania?

I found a large number of talented, extraordinary women in Albania - in government, parliament, civil society and private sector. Many of them are well recognized, having high posts and prestige, while some are still shadowed. Good steps have been taken to provide the next generations of women with greater opportunity, with girls performing better than boys in most school tests. At the same time, in some parts of the country and in some segments of the society, one cannot avoid the feeling that much more needs to be done. We recently interviewed one female recipient of Ndihma Ekonomike who was abandoned by her husband with a devastating impact on her life and the opportunities for their two

daughters. While visiting some rural areas, I had difficulties meeting and talking to female villagers - a stark contrast to, say, India, a much poorer country, where rural women have organized themselves, with dedicated government support, in Self-Help Groups and are eager to speak of their projects, achievements and future plans. At the top level of government, having one female minister is good but also an ample opportunity to do better. Let me be clear: Albania is moving in the right direction of adopting gender-sensitive laws and opening more opportunities to new generations in a gender-equal manner. It always takes time to change social norms, attitudes and behaviors. By the way, Gender and Development is the topic of this year World Development Report, the flagship annual publication of the World Bank, and I look forward to its dissemination and discussion with the Albania audience.

Thank you for the opportunity to share information about the World Bank and some of my views. We look forward to continuing our collaboration with all of you.

**Thank you Mrs. Lvovsky and we wish you good luck and success in your mission**

### Annual Meeting of the European Fund for Southeast Europe

On 6 to 8 June 2011, more than 300 participants from around 30 countries attended the Annual Meeting of the European Fund for Southeast Europe



Photo: Annual Meeting of European Fund for Southeast Europe (EFSE) held on 6 to 8 June 2011