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FINANCING

TO ALBANIA

Tirana, November 2007
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Albania is a lower middle income country with an estimated gross national income per capita of US$ 2970 in 2006. Marked transformation in the structure of the economy took place in last decade and a half. The share of agriculture in total GDP has declined in recent years. Presently, services account for more than half of GDP, 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 2005 Living Standards Measurement Survey, a fifth of Albania’s population lives in poverty and about 3 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.

**Developments since transition.** 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. After three years of negotiations, in February 2006, the European Union and the Albanian government signed the Stabilization and Association Agreement, bringing Albania closer to the EU. The Interim Agreement entered into force in December 2006. Since January 2007, pre-accession financial assistance to Albania is provided under the new Instrument for Pre-Accession Assistance (IPA). In September 2007, the EU and Albania signed an agreement on visa facilitation.

**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 6 percent, despite the shocks of transition and the 1997 civil disturbances. Average inflation has been kept low, and it was 2.7 percent by the end of September 2007.

Fiscal consolidation reduced the deficit from 9.4 percent of GDP in 1999 to about 3.2 percent in 2006. Nevertheless the fiscal deficit, financed primarily through...
domestic borrowing, remains high. Worker’s remittances, external assistance, and foreign direct investment have been important factors in strengthening the country’s balance of payments position and in maintaining the current account deficit at about 7 percent in 2006. However, concerns remain about Albania’s fragile external position and fiscal sustainability, as well as its fragile position of 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

Albania is well poised to continue its strong economic performance and make significant steps towards its goal of full European integration. However, the government must make inroads against the governance problems that remain pervasive, and also attract investment and develop its human capital. A key challenge will also be to ensure that the benefits of continued economic prosperity grow equitably across Albanian society, with particular attention to the poorest. Some of the challenges ahead are:

- **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 structures and efficient and transparent public expenditure management are essential for the country’s long-term development as well as for implementing the Government’s development agenda.
- **Addressing macroeconomic imbalances.** In the face of declining access to concessional financing, Albania needs to move, 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 current World Bank Assistance Strategy (CAS) for Albania was approved on 10 January 2006. It is the fourth CAS the World Bank Group has produced for Albania and covers the period 2006-2009. The CAS outlines a program of support including financing on modified IDA (International Development Association) terms of up to US$ 86 million as well as IBRD (International Bank for Reconstruction
and Development) financing of up to US$ 110 million. The CAS program seeks to support Albania’s efforts in improving governance while increasing selectivity by focusing around two core pillars:

- **Promoting economic growth through support to private sector development;**
- **Improving public services delivery, particularly in the social sectors.**

A governance filter is introduced in all projects, programs, policy advice and dialogue and in every sector of the economy in which the Bank is involved.

The Strategy was developed based on consultations with the Government, Parliament, donors, 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$ 934 million for 64 projects. The World Bank also provides technical assistance, analytical and policy advice. Out of this, US$ 740 million have been disbursed. 16 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 helping in improving infrastructure and service delivery, accelerating privatization, restructuring of public utilities, and community-based development. The World Bank 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**

**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 1,608 sub-projects. These sub-projects—which include roads, footbridges, water supply schemes, health centers, schools, and day-care centers—are benefiting some 2.8 million people, or more than 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 for road users 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 also assisting the Ministry of Public Works, Transport and Telecommunications in advancing the necessary reform in the transport sector, in the road, port and railway sub-sector, 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 Bank is also more recently supporting the construction of the first section, between Milot and Rreshen, of the strategically important Durres – Morine corridor, the shortest route from the Adriatic to Corridor X.

**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 US$ 112 million of its own funds in the country and has arranged about US$ 18 million in syndications. IFC investment has financed six projects in the financial, information, and manufacturing sectors.

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. However, given the difficult business environment, close coordination with the Bank and building on the Bank’s efforts to address many of the constraints is even more important.

IFC’s development objectives in Albania during the current CAS (FY06-FY09) are to:

(i) facilitate privatization of strategic sectors through advisory services and promote private sector investments in infrastructure sectors through PPP - in close cooperation with IDA/IBRD;
(ii) facilitate financial intermediation through introduction of new financial products in the market;
(iii) promote competitiveness of the economy through support to local export-oriented companies to become more competitive in the regional market by offering advisory services for EU standards, recycling, supply chain linkages and intermediation and corporate governance;
(iv) improve investors’ confidence and help increase foreign investment flows;
(v) contribute to reducing petty corruption through facilitating outsourcing of services from public to private sector;
(vi) promote market liberalization through encouraging fair practices and effective competition and discouraging monopolistic behaviors.
IFC’s strategy targets a broad range of sectors such as financial markets, telecommunications, infrastructure, social sectors, tourism, and general manufacturing. IFC’s strategy includes technical assistance and advisory services component, aimed at improving the investment climate and promoting private sector development through assistance particularly in drafting legislation and advising on privatization in the above sectors.

In the past, close IDA-IFC cooperation has been instrumental in helping Albania move forward and achieve impressive results with financial sector privatization. Further collaboration and effective cooperation between IFC and IDA/Bank will be important for the WBG to play a catalytic role in key privatizations of strategic sectors and infrastructure development and in implementation of a regulatory framework enabling sound market competition.

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, IBRD ACTIVITIES
<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>CREDIT AMOUNT (million US US$)</th>
<th>APPROVAL DATE</th>
<th>CLOSING DATE</th>
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<td>17. Urban Works and Microenterprise</td>
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<td>11 May 2000</td>
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<td>34. Forestry</td>
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<td>16 April 1996</td>
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<td>35. Durrres Port Project</td>
<td>17.0</td>
<td>12 May 1998</td>
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<td><strong>TOTAL</strong></td>
<td><strong>676.1</strong></td>
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### TABLE OF ON-GOING PROJECTS AND DISBURSED AMOUNTS

*(As of November, 2007)*

<table>
<thead>
<tr>
<th>PROJECTS</th>
<th>APPROVAL FISCAL YEAR</th>
<th>CREDIT AMOUNT (million US$)</th>
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<tr>
<td>1. Agricultural Services Project</td>
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<td>2. Social Service Delivery Project</td>
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<td>3. Municipal Water and Wastewater Project</td>
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<td>4. Second Community Works Project</td>
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<td>9. ECSEE APL# 2 (ALBANIA)</td>
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**NOTE:**

Since grants like Integrated Water and Ecosystem Management, Shkodra Lake integrated ecosystem Management, Tirana City Regulatory Plan, and other Trust Funds are not IDA/IBRD financed operations, they are not included in this table.
ON-GOING PROJECTS

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
The project has achieved good results in the development of social policy as well as implementation of social service delivery to vulnerable groups. The package for secondary legislation is completed, with all required sub-laws approved by the Council of Ministers. Positive results are achieved also at capacity building front, both at central and local level. The State Social Services Institute (SSS) is gradually transformed to an Inspectorate for monitoring, management and delivery of social services. The work on Household Budget Survey is completed. Moreover, the work under the main project component: community-based social services, has progressed well. A total of 46 sub-projects are under implementation, offering services to a total number of 25,000 clients.

Following the priorities of the government strategy in social services area as well as the project implementation status, an agreement was reached with the MOLSA last year, on an informal project restructuring. This introduced two crucial activities: (i) support to the government strategy on decentralization/deinstitutionalization and transforming the residential care centers by improving the quality of care based on the new national standards and (ii) support re-designing of social assistance system in cash (NE) as part of the integrated social assistance system, as clearly outlined in the government strategy. Work is ongoing on both activities, with the expectation of achieving the planned results within the project life time.

Disbursement  US$4.7 million (as of November 2007)
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, Food and Consumers Protection 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 Ministry of Agriculture, Food and Consumers Protection establish more public private linkages for reaching farmers and agri-businesses.

Project Achievements
Substantial improvement has been made in the Seed Development component due to a strong effort from the PMU, Ministry of Agriculture and the agencies
responsible for implementation. All research institutes are now equipped and operational, with suitable field, seed processing and laboratory equipment, and with suitable storage facilities for plant breeding material. The regional seed laboratories are equipped and operational. Albania has been accepted as a member of the UPOV and in OECD seed schemes for the cereals and maize for a three-year consolidation period. The National Seed Institute (NSI) has a plan for the actions needed to fully comply with OECD requirements and achieve UPOV accreditation. The last phase of extensive training program for the NSI staff is completed but for a few activities. The final actions and training program is expected to be satisfactorily performed by the end of the project. The fieldwork of the germplasm collection is finished and the final report has been published and adapted to course book format for the agriculture university.

The land market development component is almost complete. The planned digitilization of deeds have been completed but the remainder of the computerization component has been cancelled as the upgrading of the Immovable Property Registration System (IPRS) will be more comprehensibly addressed under the Land Management project (LAMP) starting in 2007. The transparency training has been completed and only the installation of a ticketing system for the Durres office remains among the component activities. The Land Consolidation sub-component has achieved its targets. According to a recent study the consolidation of land has increased.

Four fruit and vegetable wholesale markets (WM) have been built under the project as planned. Despite some concerns with the management of the markets the performance is satisfactory and the markets show a positive net income. The PMU is planning to take measures to reduce risk of fraudulent behavior in connection with the market fee collection. In Korca and Shkodra the market companies has been operating satisfactorily and the municipality is already considering possibilities for expansion. The Vlora market is now fully functional and have a positive net income. The Ministry of Agriculture, Food and Consumers Protection (MoAFCP), have started to establish the Marketing Agency that will coordinate the markets and the public-private partnership companies that own them.

The performance of the Competitive Grants Program (CGP) continues to be highly satisfactory. To date, a total of 140 grants have been approved for a total of about US$ 1,95 million in ten rounds, including 5 grants in cooperation with MADA. The eleventh and last round is currently under implementation. Grants have been approved in 32 districts of the country and cover a wide range of technologies in livestock husbandry, greenhouse crops, vineyards, fruit and olive trees, medicinal herbs and improved marketing and processing. The beneficiary contribution, usually in kind, is beyond expectations and is estimated at around 50% of the total project cost. 70 grants have been fully completed and evaluated, including a cost analysis of the technology. 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. Technology transfer activities performed by the beneficiaries have reached as many as 13000 people, five times the expected.

**Implementing Agencies**
Project Management Unit, Ministry of Agriculture, Food and Consumers Protection, Selected Municipalities, Land Registration Offices, Soil Research Institute.

**Disbursement** US$ 9.8 million (as of November 2007)
Municipal Water And Waste Water 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 with the Private Operator for “good” performance. The private operator has taken over the management of the four companies in September 2003. The results of the forth contract year of the management contract show improvements in ten indicators or 50% of all indicators in the four cities. Service quality (such as the number of hours per day that customers receive water) has improved in Saranda and Fier, but not in Durres and Lezhe. Water supply quality has improved in Durres, Fier and Saranda. The financial performance of the utilities (such as the extent to which revenues recover costs) has made noticeable progress in all four cities from the first year of the contract, but has not yet reached the targets set in the fourth year.

One of the important achievements of the project is the implementation of the metering program. Meters installed in the four cities until October 2007 have achieved about 33% of the total customers and the objective under the project is to reach 57% by the end of the project. Meters installed in the four cities until December 2006 are: in Durres 1,990 meters, in Fier 5,573 meters, in Lezhe 2,458 meters, and in Sarande 3,200 meters. About 10,000 meters are planned to be installed during 2007 in all four cities. The impact of the meter installation and reading has been positive on the reduction of the water consumption from the domestic customers and also on their family budget.

The above mentioned improvements are due to investments that have expanded services and provided increased water supply into the network, and improvements to the management of the utilities. However, the project is at the last year of the Contract and greater attention needs to be given to the completion of the investments contracts and other programs including training programs.

Implementing Agencies
Ministry of Public Works, Transport and Telecommunications, General Directorate of Water Supply and Sewerage, PIU/CMU.

Beneficiaries
Municipalities of Lezha, Durres, Fier and Saranda

Disbursement US$ 11.6 million (as of November 2007)
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
82 infrastructure sub-projects have been completed in the first Work Plan. The Second Work Plan of sub-projects is under implementation, out of which 27 sub-projects in infrastructure are completed. 6 are community center sub-projects. ADF is also assisting 10 communes to undertake strategic Local Development Planning.

Implementing Agencies
Albanian Development Fund (ADF) and the benefiting Municipalities.

Disbursement US$ 13.6 million (as of November 2007)

Status
Under implementation

Borrower
Albania

Project Coordinator
Albanian Development Fund

Project Cost
US$ 20.0 million

Credit Amount
US$ 15.0 million
Co-financing
US$ 2.0 million
(Italian Government),
US$ 2 million
(Government of Albania)

Signing Date
July 24, 2003

Effective
March 4, 2004

Closing Date
September 20, 2008

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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 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; (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 in order to rehabilitate the monitoring stations and restore a national inventory of water resources in terms of quality and quantity; (4) Project Implementation Support. 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.

Project Achievements
Substantial progress has been achieved in implementing the project that is made of three components. Related to irrigation facilities, drainage infrastructure and dams, a total of 166 civil work contracts, funded by IDA, OPEC, and Kuwait Fund, have been awarded, at a total cost of US$10,523,600. Up to September 30, 2007, a total of about 400 km of canal lining was completed, and about 220 km of drainage canals were rehabilitated. The total investment in these rehabilitation works until September 2007 amounted to US$5,283,000 and the committed amount is US$5,240,000.

The quality of completed works during the last years improved and WUAs’ members are satisfied because they could irrigate effectively their land in the past summer that has been exceptionally dry. Planned flood control and drainage activities expected to be financed under the project have been completed but the rehabilitation costs under this subcomponent have been about 30 percent higher than originally envisaged and, as a result, only rehabilitation of 21,000 ha have been completed against the target of 30,000 ha.
14 CWC contracts were awarded for dam rehabilitation and another 8 mix contracts that include irrigation and dam rehabilitation were also awarded. An environmental engineer has now been hired in the Project PMU and any design is now systematically accompanied by an environmental review and an EMP is prepared that covers the phase of works but also addresses longer term operation of the system by farmers. WUAs are currently established on 95 percent of the irrigable command area in Albania, that is, some 4,23 WUAs covering a total service area of some 270,000 ha and periodic training courses are repeated regularly for all WUAs requiring such assistance.

16 Drainage Boards are functioning. The Irrigation Drainage law of 1999 has been amended to reflect the new reality of the country. The Draft Irrigation Drainage Law has recently been approved by the Council of Ministers and is sent for ratification by the Parliament.

The project established a dam Management Unit in the MoAFCP temporary under the PMU of the Project and a dam engineer was appointed. An international dam specialist has been hired to support the PMU in implementing the action plan that will cover the following elements: (a) prepare an inventory of all agricultural dams; (b) conduct preliminary risk assessment; (c) conduct a feasibility study for selected priority dams. The action plan will also address weaknesses related to agricultural dam safety and management in Albania. A Mid-Term Review of the WRMP has been carried out during September and it found out that the project implementation is satisfactory and in line with project development objectives.

**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.

**Implementing Agencies**
PMU in the MoAF, Water Secretariat in the MoPWTT

**Beneficiaries**
MoAF, Department of Water Resources, Drainage Boards, the system of National Water Council

**Disbursements** US$ 7.9 million (as of November 2007)
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 Vlora, adjacent to an offshore oil tanker terminal. The plant would be designed to allow conversion to natural gas, when imported gas is brought to Albania. The Engineering, Procurement, and Construction contract for the plant (with a capacity of 97 MW) has been signed in late February 2007 between KESH and the Italian company Maire. A complaint for the project has been filed with the WB’s Inspection Panel (IP), as well as the equivalent function of EBRD. The Bank’s IP has recommended further investigation on the project, which has been approved on a no objection basis by the Bank’s Executive Board. At the moment, the Engineering studies for the project are progressing as expected under the contract and civil works on-site are in progress. Under the technical assistance component of the project, KESH will for the first time prepare its financial statements using international standards.

Implementing Agencies
KESH

Beneficiary
KESH

Disbursement
US$ 0.9 million (as of November 2007)
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 closed 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 (Dibra, Kukes, Lezha, Elbasan and Korce). The component will introduce an approach to planning and management of natural resources at the level of micro-catchments. 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.

The Biocarbon Fund has expressed interest in purchasing emission reductions from Albania through a proposed project on Assisted Natural Regeneration of Degraded lands, which will be implemented as part of the Natural Resources Development Project.

Project Achievements
Out of 71 communes in 2006, 30 have finalized the preparation of forest and pasture management plans and some others are implementing measures to stop soil erosion and degradation. The work to update and formulate new plans has
started in 50 communes and it is expected that an additional 33 communes will start the process.

Out of 26 micro-catchment foreseen to be finished at this point, 11 plans have been completed and 8 are under implementation.

The progress on the carbon sequestration activity includes signed partnership agreements for 24 participating communes and hiring of 4 consultants to prepare mini projects for implementation. Implementation has started in 17 communes where fencing and supplementary planting undertaken.

The government has negotiated with the BioCarbon Fund of the World Bank the Emission Reduction Purchase Agreement (ERPA) and it was signed on June 30, 2007.

**Implementing Agencies**
Ministry of Environment, Forestry & Water Administration

**Beneficiaries**
Ministry of Environment, Forestry and Water administration; selected regions and communes.

**Disbursement** US$ 1.4 million (as of November 2007)
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 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.

Project Achievements
The Southern Coast Development Study, which provides the basis for the formulation of the SCD Plan has been completed. Participatory Dialogue with stakeholders from central, regional and local level was held on the Southern Coast Regulations and subsequently the formulation of the Plan. Based on this dialogue the draft regulations and draft Coastal Zone Development Plan will be drafted by early December and put forward for public consultations mid December 2007. The SCD Plan and Coastal Regulations are expected to be accepted by Government in January 2008. The Coastal Village Conservation and Development Program has been launched, partnership agreements with participating municipalities and communes have been signed, and priority infrastructure sub-projects has been identified. Feasibility studies and detailed designs for identified sub-projects are under preparation.

The environmental impact assessment study for Saranda Port has been finalized and the detailed design for the extension of Saranda Port is under procurement procedure. The detailed design for the cleanup of Porto Romano hotspot is under preparation. The destruction of hazardous materials stored at Bshitri Palles, funded by the Dutch government and executed in coordination with the Implementation team, has been successfully completed.

The investigation and design for the Bajkaj hygienic landfill has started.

Implementing Agencies

Beneficiaries National, regional and local agencies; local governmental units and communities.

Disbursement US$ 2.3 million (as of November 2007)
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.

Project Description
The project (ECSEE APL2-Albania) will 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.

Project Achievements
The project is part of the Energy Community of South Eastern Europe series of APL operations. The physical investments are at the Bid Evaluation stage; technical assistance is on-going to strengthen Albania’s transmission system operator.

Implementing Agencies KESH
Beneficiary KESH
Disbursement US$ 1.2 million (as of November 2007)
Albania Health Sector Modernization Project

Project Objectives
The development objectives of this project are (i) to improve both physical and financial access to and the actual use of high quality primary health care services, with an emphasis on those in poor and under-serviced areas as well as to diminish the unnecessary use of secondary and tertiary care facilities, (ii) to increase the effectiveness of the Ministry of Health and Health Insurance Institute (HII) in formulating and implementing reforms in provider payments and health system performance, and (iii) to improve governance and management in the hospital sector.

Project Description
The Project would include (1) **Strengthening Health Sector Stewardship, Financing and Purchasing** to help the HII develop its functions and capacity as sole purchaser of health services, and support capacity building in the MoH, the Institute of Public Health (IPH) and the HII to strengthen their stewardship roles in the health system; (2) **Improving Primary Health Care Service Delivery** to support institutional reforms and limited investments which would improve the quality of care among health care providers and in health facilities. The program would also facilitate enrollment of the population with the HII, enrollment with a primary care physician, and related public information campaigns; and (3) **Strengthening Hospital Governance and Management**, by providing initial steps to improve hospital operations and direction by focusing on accounting and internal control structures for hospitals, an improved regulatory framework, and piloting reforms of hospital management and governance structures in selected hospitals.

Project Achievements
Progress on the Health Modernization project continues to be good, with a number of technical assistance activities already started and several others in the final stages of contracting. The evaluation of a tender for computer equipment for primary health care centers (value of $900,000) is being finalized, and a tender for medical equipment for primary care centers (estimated value $3.7 million) has been launched and is expected to be contracted by the end of 2007. Work is moving ahead on the bidding documents for the redevelopment of the Health Insurance Institute information system, which will support the enrollment of patients with their chosen family physician, as well as better control of pharmaceutical expenditures and physician activities. It is expected that the tender for this activity will be launched by the end of the year as well. To date, about 39 percent of the total project amount has been contracted or is in progress, including 44 percent of the PHRD grant and 38 percent of the credit amount. While disbursements to date are relatively low, this should pick up as the remaining contracts are finalized and work is completed.

Implementing Agencies
Ministry of Health

Beneficiaries
General population – with an emphasis on those in rural and remote areas – through improved primary health care services and improved governance, management and fiscal sustainability of the health care system.

Disbursement
US$ 0.5 million (as of November 2007)
Albania Education Excellence and Equity Program

Project Objectives
The development objective of this project is improved quality of learning conditions of all students, and increased enrollment in general secondary education especially for the poor. The intermediate goals are that leadership, management and governance of the education system are improved, teachers use new methods of teaching and wider variety of learning aids in schools, the quality of school infrastructure and the efficiency of its use are improved, and the initial steps of higher education reform are taken.

Project Description
The project focuses on four priorities:

1. **Strengthening leadership, management and governance of the education system.** This priority area aims to strengthen the leadership and management capacities, and to enhance governance and accountability of the education system. This includes activities associated with the decentralization, strengthening the leadership, professional development of school principals, decision making and resource management at the school level, increasing the communities’ participation, introduction of performance-based management system, and full utilization of the Education Management Information System (EMIS) for decision making. Decentralized service delivery would be piloted in 2-3 regions before deciding on a rollout plan. This is expected to form an institutional foundation to address other priority areas.

2. **Improving conditions for teaching and learning.** This priority area focuses on the quality of teaching and learning conditions in a holistic manner. It would pay special attention to supporting teachers’ professional development. It would also address the issues of curriculum reform, including the development of a national curriculum framework, rationalization of subjects, integration and textbook development. To implement curriculum reform, teacher education policies and practices have to be closely aligned. The development of assessment and evaluation of education would continue through strengthening the capacity of the National Center for Evaluation and Assessment, development of a national plan for evaluation in education, and improving the transparency and integrity of the national examination system. This priority area enables teachers and students to use a wider range of appropriate educational tools and methods in teaching and learning process.

3. **Improving and rationalizing education infrastructure, especially in secondary education.** This priority area addresses more efficient investment and (re)allocation in physical infrastructure and human resources especially at the secondary education level. It would support the Ministry of Education and Science (MoES) in making investment decision based on school mapping, which takes into consideration the demographic development in Albania. Science laboratories and ICT facilities would be provided to general secondary schools in line with the new curriculum and teacher training to be supported in priority area two.

4. **Setting the stage for higher education reform.** This priority area focuses on the reform of the higher education. It supports the MoES and universities
to carry out a review of the system to identify and sequence reform activities, which include strengthening of university governance, increasing financial autonomy and accountability of universities, strengthening the quality assurance mechanism, and promoting university partnership arrangements. It also aims to expand the opportunities for students by mobilizing private financing and provision and making the use of public resources more efficient.

**Project Achievements**
The Education Excellence and Equity project was launched in October 2006. The MoES is implementing its Annual Reform Program for 2007. The key reform activities for this year are: development of clear guidelines on decentralization of functions in education sector, piloting of a school grant component, initialization of the Education Management Information System, launching of the teachers qualification reform, provision with computer labs for basic and secondary schools, improving school infrastructure, launching the master plan for Higher Education 2006-2015 provision of didactic laboratories for higher education institutes etc.

**Implementing Agency**
Ministry of Education and Science

**Beneficiaries**
Ministry of Education and Science, affiliated agencies, regions, municipalities, communes, students and teachers of educational institutions of primary, secondary and tertiary level

**Disbursement** US$ 1.4 million (as of November 2007)
Avian Influenza Control and Human Pandemic Preparedness and Response Project

Project Objectives
The short-term project objective is to strengthen the country’s capacity to prevent the spread of Avian influenza among poultry, to prevent the transmission of Avian influenza from birds to other animals and humans, and to prepare for a potential pandemic of an Avian influenza transmissible between humans. The medium-term objective is to strengthen the veterinary and human health systems capacity to prepare for, control and respond to Human Pandemic Avian Influenza (HPAI) infection and other zoonoses and infectious disease emergencies in both animals and humans.

Project Description
The project has several components:

1. **Public Awareness and Information Component.** The first subcomponent, Information and Communication Services will concentrate on developing and implementing a preparedness plan for effective communication of messages to inform the public about the threat of Avian influenza and how they can minimize the risk of transmission and spread of disease. The second subcomponent, Capacity-Building will provide training for personnel that can help prevent and contain Avian influenza outbreaks.

2. **Animal Health Component.** This will comprise three subcomponents: The first will enhance HPAI prevention and preparedness capability, by strengthening the national policy regulatory environment, and improving HPAI prevention and control planning. The second will focus on strengthening disease control capacities, and improving surveillance, diagnostic capacities, and applied research. The third subcomponent deals with strengthening HPAI control programs and outbreak containment programs, by targeting virus eradication at the source through culling.

3. **Human Health Component** This will comprise three subcomponents: The first will enhance coordination and program planning, by strengthening intra-sectoral command and sector coordination mechanisms; identifying crucial gaps in human health infrastructure, equipment, human and other resources. The second will strengthen the national public surveillance system by providing the National Influenza Laboratory with retraining, equipment and facilities to contribute to up-grading its bio-safety level and by strengthening the capacity of the IPH and regional epidemiological investigation and response teams. The third will strengthen health care response capacity, by expanding regular seasonal flu vaccinations, supporting the purchase of anti-viral drugs.

4. **Support to Avian Influenza Task Force** This component will support the Avian Influenza Task Force in implementation of the government’s Avian Influenza response strategy.

Project Achievements
On Public Awareness and Information component, the media campaign continues with key messages on personal hygiene and prevention of seasonal flu. Activities with farmers and their associations continue at all levels through direct contact and discussions, with airing of TV documentary in national and local TV channels,
distribution of leaflets etc. Under the Animal health component, the National Veterinary and Epidemiological Unit (NVEU) has been established and is integrating with the epidemiology resources and information systems developed under the EU Small Ruminant Project. Training of Epidemiologist and veterinary practitioners on AI is going on. The compensation fund has been established and USD 150,000 are in the sub-account of the AI Project special account. On the Human health component, the updating of Contingency plan has been given priority. The Standard Operating Procedures for different levels of the health system have been prepared based on general WHO guidelines. Two tabletop simulation exercises have been conducted so far, closely integrated with the animal health service. A number of procurement packages are currently being processed.

Implementing Agencies
Task Force in the Ministry of Agriculture, Food and Consumers Protection

Disbursement US$ 0.9 million (as of November 2007)
Business Environment Reform and Institutional Strengthening Project (BERIS)

Project Objectives
The overall objective of the BERIS is to assist the Government in: (i) facilitating business entry and operations; and (ii) strengthening the enterprise sector’s capability to increase exports towards the region and EU markets.

Project Description
The project consists of the following three components:

(i) Facilitating business entry and operations. This component aims at addressing the Government’s weak capacity to establish and implement business friendly and pro-competitive regulatory regimes. The overall objective of the component is to remove administrative and regulatory barriers to entry and operations. This objective will be achieved through the following sub-components:

(a) Improving quality of regulations affecting business entry and operations. This sub-component – which has been designed with FIAS support – will assist in strengthening the institutional framework and capacities necessary to improve in a systematic manner the quality of regulations affecting business activity. This will be done by: (a) building regulatory capacities and a regulatory management system in line-ministry and at the central level; (b) developing the capacity to improve the quality of new regulations, through the Regulatory Impact Assessment (RIA), public consultation and complementary methods; (c) upgrading the quality of existing regulations. Partially via targeted reviews of regulation in selected areas/industries, and partially via improving the access to business-related laws and regulations in Albania; and; (d) developing and implementing a monitoring and evaluation (M&E) system for regulatory reforms. Finally, the sub-component will support small business surveys and two ARCSs which will be used to assess outcomes of the sub-component.

(b) Strengthening the institutional capacity to draft business regulations enabling healthy market competition. This sub-component aims at addressing the lack of healthy market competition by strengthening Albania’s capacity to draft and implement business regulations without any major distortionary effect on market competition. This will be done by strengthening the capacity of the METE to assess impact of regulations on market competition.

(ii) Strengthening the enterprise sector’s capability to export to regional and EU markets: Strengthening the MSTQ system. This component aims at addressing the enterprise sector’s difficulties in competing in domestic and foreign markets related to poor national MSTQ infrastructure and services. The overall objective of this component is to strengthen the enterprise sector ability to export towards EU markets by strengthening the capacity of the national MSTQ system to deliver EU-compatible services. This will be achieved through: (a) assisting in drafting and implementing a comprehensive medium-term strategy, including reviewing the institutional and legislative framework, to bring each of the MSTQ institutions closer to EU requirements and to meet industry’s needs; (b) increasing business sector awareness of the challenges and opportunities of competing in the EU
markets; (c) strengthening the capacity of the General Directorate of Metrology and Calibration (GDMC), including modernizing the metrology infrastructure and, in particular, construction of a modern metrology laboratory, to perform basic measurements and calibrations services; (d) strengthening the capacity of the General Directorate of Standardization (DPS), including improving standards system through the translation and adoption of most frequently used EU standards; and (e) strengthening the capacity of the Directorate of Accreditation (DOA).

(iii) Project Coordination Support. This component aims at ensuring proper implementation and coordination of the project activities, including support for financial management, procurement, M&E requirements. It will also support organization of periodic business surveys, integrated public information campaigns for the MSTQ system, and building of a more effective public-private sector dialogue on reforms. The component will also assist in the dissemination of progress made by the Government in improving the business environment among the business community, policy makers and other relevant stakeholders.

Key project beneficiaries would be public sector institutions involved in drafting business sector-related and in the delivery of public services (MSTQ institutions, Department of Trade Policy, etc.) for businesses and regulations as well as domestic and foreign businesses. Consumer protection and business associations – although non-direct project beneficiaries – will continue to be involved during project implementation.

Project Achievement
Efforts have concentrated on the establishment of the institutional framework for regulatory reforms, and the adoption of the Action Plan for the Removal of Administrative Barriers. The Action Plan - which is reviewed on a regular basis – indicates responsibilities and deadlines for each reform action needed to remove administrative barriers. It is developed around the following pillars: (i) building regulatory capacities and developing a regulatory management system; (ii) improving quality of existing and new regulations; and (iii) setting up a monitoring and evaluation system for regulatory reforms.

On June 8 2007, a new business registration law entered in force. It introduces a simpler and faster business registration system without any court involvement. The National Registration Center begun operations in September 2007 and from now on will serve as a single “window” for all types of business entities to process business registration related matters, including tax registration at national and municipal levels, health and social security, labor inspectorate and the National Statistics Institute.

Significant progress has been made also in the area of business licensing. The Licensing Working Group –which consists of representatives of state institutions, business, civil society and universities - has reviewed 135 regulatory regimes

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for business licenses/permits, including authorizations and certificates, and prepared recommendations to cancel/simply procedures and requirements. The Task Force has already approved recommendations to eliminate/simplify regulatory regimes.

**Implementing Agencies**
Ministry of Economy, Trade and Energy

**Beneficiaries**
The Department of Trade Policy of the Ministry of Economy, Trade and Energy, the General Directorate for Metrology and Calibration, the General Directorate of Standardization and the Directorate of Accreditation.

**Disbursement** US$ 0.9 million (as of November 2007)
Land Administration And Management Project

Project Objectives
The overall goal of the long term land administration and management program is to facilitate the development of an efficient land and property markets through enhancing tenure security and improving land administration and management services. The specific objective of the project is to improve the efficiency and effectiveness of land administration and urban management through enhancing tenure security, improving urban planning, land management and development control, supporting property valuation and taxation, and financing investments in urban infrastructure and services.

Key indicators to measure project results include: i) Reducing the average time to register property transaction from 47 to 10 days; ii) Reducing the average time to issue building permit from 6 to 3 months; iii) Increasing the annual property tax collection participating municipalities by 10%, starting in the second year of the project; iv) increased level of confidence in security of property rights as measured by customer surveys.

Project Description
These objectives would be achieved through the following components: (1) Component A: Security of Tenure and Registration of Immovable Property Rights (US$19.42 million equivalent)The objective of component A is to improve service delivery, efficiency and transparency of IPRO and complete most of the first registration of immovable property rights. The component will cover the entire country but initially, will concentrate on urban and peri-urban areas. Component B: Urban Land Management (US$5.10 million equivalent) The objective of this component is to strengthen the capacity of municipalities in urban land management through the support to: (1) establishing a market-responsive, participatory urban planning and development control system via technical assistance to revisions in urban planning law and development of regulatory plans for participating cities; and (2) mobilizing municipal revenues and correcting property market distortions through property valuation and taxation. Component C: Municipal Infrastructure (US$ 31.48 million equivalent). The objective of this component is to enable proactive urban growth management and enhancing urban land market efficiency by prioritizing and implementing selected infrastructure investments and services, in accordance with strategic investment plans. The component will also support the implementation of the address system.

Project Achievements
The IDA credit and the IBRD loan became effective on July 23, 2007. The PHRD grant agreement and the SIDA grants both were co-signed by the government on July 20, 2007. A Project Launching Workshop, was carried out in mid September. Various activities of the project have initiated such as: i) a Memorandum of Understanding between the Project and the beneficiary Municipalities and other agencies, ii) drafting of the law on urban planning, iii) the selection of the GIS specialist, the urban planning advisor and the urban environmental specialist were completed and iv) team selection for the Component C is under way.
Implementing agencies
The Immovable Project Registration Office (IPRO), MPWTT, through the Department of Urban Planning, Ministry of Interior, through the Department of Local Government Finance, the participating municipalities.

Beneficiaries
Municipalities of Durres, Elbasan, Shkoder, Fier Vlore, Berat, Korce, Lushnje, Kamez and Gjirokaster and IPRS.

Disbursement US$ 1.9 million (as of November 2007)
First Development Policy Operation

Project Objectives
The operation is the first part of a programmatic series of three Development Policy Operations, designed to support some of the key aspects of the Government program. It focuses on inter-related objectives with significant synergies—improving the investment climate for private sector-led growth, and fostering fiscally sustainable and effective service delivery. A third objective, improving governance and strengthening accountability mechanisms, will be the main cross-cutting objective of the DPO.

Project Description
Improving the investment climate for private sector-led growth. The proposed DPOs will support some of the major actions to reduce constraints to growth by strengthening the regulatory environment for business, improving the oversight of the non-bank financial sector, and improving the functioning of land markets.

Improving fiscal sustainability and effectiveness of public service delivery. The focus here will be on the health, social insurance and water sectors. Actions will address health financing, the health sector regulatory framework, the pension policy and its implementation, and the policy and incentive framework in the water sector.

Improving government effectiveness. These would follow the governance principles enumerated in the CAS, including improving public financial management, furthering reforms in public administration, and advancing decentralization through support to strengthening of local finances. These apart, many other elements of the program above also support improved governance.

Project Achievement
Among the most important achievements of the DPO I are the enactment of the new concessions law, enactment of the new procurement law, the establishment of the integrated non banking financial regulator (FSA), improvement of the Public Expenditure Management, and preparation of the draft Organic Budget Law.

As a result of meeting all of the above conditions, $10 million is expected to be disbursed (as a budgetary support) by the end of 2007.

Implementing Agencies
Ministry of Finance and DSDC (coordinating bodies). All concerned line ministries will implement their own part of the DPO program.

Beneficiaries
Ministry of Finance and all other line ministries covered in the program.
Transport Project

Project Objectives
The Project Development Objective is to reduce user costs on the Milot-Rreshen section of the Durres – Milot - Morine Corridor and improve access for the hinterland population, to introduce innovation in road maintenance on a pilot basis, and to contribute to the development of the institutional framework and implementation of road safety activities throughout Albania.

Project Description
The Project would achieve this objective through the following components: (i) the construction of 26 km section of the Milot - Rreshen road, contributing to a reduction in journey time for road users and improvement of access to one of the poorest parts of Albania; (ii) the introduction of innovation in road maintenance on a pilot basis through testing the output and performance based road maintenance contracts in two pilot regions; (iii) institutional development and support to improving road safety in Albania

Project Achievements
37 percent of the works have been completed on the first construction contract (road section Milot – Skuraj Lot 1), and the contractor is slightly ahead of schedule on the works program and is returning to schedule on the bridge structures program. Works are due to start on the second construction contract (road section Skuraj – Rubik Lot 2) in the week starting November 12 2007. Procurement of the final construction contract (Road section Rubik – Rreshen Lot 3) is ongoing;

Implementing Agencies
Ministry of Public Works, Transport and Telecommunications/ General Roads Directorate

Beneficiaries General Roads Directorate

Disbursement US$ 4.1 million (as of November 2007)
PROJECTS UNDER PREPARATION

Second Development Policy Operation

Project Objectives
This presents the second in a series of three proposed Programmatic Development Policy Operations (DPOs) to Albania to support the Government’s structural reform program. The current loan is expected to be followed by a third DPO. Both the second and third DPOs would represent two thirds of the policy lending envisaged in the CAS covering FY06-09. The objective of the proposed DPOs is to sustain economic growth by improving the investment climate for private sector activity, and to foster fiscally sustainable and effective service delivery of public services. A third objective, improving governance and strengthening accountability mechanisms is the main cross-cutting goal of the DPO. These objectives mirror the objectives of the CAS, and are based on Albania’s National Strategy for Development and Integration (NSDI).

Project Description
The program aims to achieve inter-related objectives with significant synergies—improving the investment climate for private sector-led growth, and fostering fiscally sustainable and effective service delivery. Main pillars of the program are:

Pillar 1: Improving the investment climate for private sector-led growth
(i) Strengthen the regulatory environment for business; (ii) Improve the functioning of land markets; (iii) Improve oversight of non-bank financial sector.

Pillar 2: Improving fiscal sustainability and effectiveness of public service delivery
(i) Strengthen financial sustainability and effectiveness of social insurance; (ii) Improve fiscal sustainability of health financing; (iii) Improve fiscal sustainability of water services.

Pillar 3 (Cross cutting policies): Improving government effectiveness
(i) Increase efficiency and accountability of public spending; (ii) Increase efficiency and continue depoliticization of public administration; (iii) Strengthen local finance.

Implementing Agencies
Ministry of Finance and DSDC (coordinating bodies). All concerned line ministries will implement their own part of the DPO program.

Beneficiaries
Ministry of Finance and all other line ministries covered in the program.

Next stage
To be presented to the Board on March 2008
Secondary and Local Roads Project

Project Objectives
The proposed objective is to improve access to essential services and economic opportunities for the resident population in the hinterland of the improved roads, and to contribute to the strengthening of the institutional framework for planning, financing and management of secondary and local roads in Albania.

Project Description
The project proposes to achieve this objective through the (i) the improvement of priority sections of the secondary and local road network across Albania; (ii) the introduction of the contracting private sector maintenance contracts for the local road network; (iii) the strengthening of the organizations responsible for managing the local road network; and (iv) the consolidation of institutional responsibilities for management and planning in the sector for the secondary roads. Two main components are envisioned under the project:

(i) Rehabilitation and upgrade of priority sections of the secondary and local road network across Albania.
(ii) Technical assistance aimed at strengthening of the organizations responsible for managing the local road network and improving their capacity for planning, financing, management and maintenance of local roads.

Implementing Agencies
Implementation will be undertaken by the Albanian Development Fund, supported by the steering committee established under the Minister of Public Works, Transport and Telecommunications.

Beneficiaries
General Directorate of Forest and Pasture; selected communes.
Energy Community Of South East Europe
Apl5-Albania

Project Objectives
The Energy Community of South East Europe (ECSEE) Program is a regional adjustable program lending program that supports up to eight countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro, and Turkey) and Kosovo. The overall objective 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’s development objective is to provide the basis for sustainable electricity service through measures to strengthen the distribution network, reduce distribution losses, increase collected revenue, improve efficiency in supply, improve financial accounting and reporting, facilitate the future operation of the regional market and contribute to successful privatization of the power distribution company. The project consists of: (i) investments for:

- LV and MV distribution networks for growing areas on the outskirts of Tirana (estimated to benefit about 80,000 persons); and
- Advanced (smart) metering equipment and systems for big consumers of electricity connected at the MV level; and

(ii) technical assistance for:

- procurement activities and supervision of project implementation;
- drafting of relevant regulations and technical codes;
- (further assistance towards IFRS compliance); and
- FMS implementation - software and training.

Implementing Agencies  KESH

Beneficiaries  KESH

Next stage  Appraisal
Energy Community Of South East Europe
Apl6-Albania

Project Objectives
The Energy Community of South East Europe (ECSEE) Program is a regional adjustable program lending program that supports up to eight countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro, and Turkey) and Kosovo. The overall objective 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's development objectives are to (i) safeguard the existing hydroelectric power generation plants in Albania; and (ii) promote private sector investment in electricity generation. The project consists of investments to be determined in the ongoing feasibility study; and technical assistance to:
- assist the Government to prepare concessions for new power generation, either thermal or hydroelectric.

Implementing Agencies
Ministry of Economy, Trade and Energy, KESH

Beneficiaries
KESH

Next stage
Project Concept Note
TRUST FUNDS ADMINISTERED BY THE BANK

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
Implementation of the project is moderately satisfactory. Both components (a) and (c) have been significantly delayed, but are now on track. Component (a) has been significantly delayed, but are now on track. The major works contract for the three Constructed Treatment Wetlands has been signed and construction is underway. Works are scheduled to be completed in early 2009.

During the last 6 month some progress in the implementation of component C is visible. The preparation of the Management Plan is progressing in consultation with the Management Board. No progress is reported on illegal construction activities in the buffer zone and within the protected area. In general the political support to combat this threat to the entire Albanian coast is limited and the uncontrolled development proceeds rapidly, and in case of the Kanella Lake – Shengjin triangle, have even accelerated. The project has had some success in limiting illegal hunting.

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 Public Works, Transport and Telecommunications, in cooperation with the Ministry of Environment.

Beneficiaries Municipalities of Lezha, Durres and Saranda

Disbursement US$ 0.857 (as of October 31, 2007)
Tirana City Regulatory Plan

Project Objectives
Since the post-communist transition, the greater Tirana area has become the heartland for new industrial, commercial and service activities, and the peri-urban zones home to tens of thousands of migrants. 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. Tirana has faced major challenges such as inadequate provision of physical and social infrastructure, including electricity, water supply, sewage, solid waste, roads, parking, public transport and traffic management, schools, and health facilities. Under this Grant, the Municipality of Tirana will develop a Regulatory Plan, which will analyze the current demographic situations, land uses, and the capacity of existing and planned infrastructure. Proactive regulations and demand-responsive planning mechanisms will be developed, by which planners would allow market forces to shape urban growth, while at the same time strategically anticipating, incorporating, and guiding market players in the development process in the greater Tirana area.

Project Description
Phase I – Preparation of Mapping and Data Base
The main objectives of Phase I are to (a) update the maps and any available geographical data from the existing information base, and (b) develop a GIS system to be used in implementing Phase II.

Phase II - Preparation of Regulatory Plan.
The main 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 in the urban development process, and (b) make recommendations on implementation arrangements, and provide initial training for the administration on the new Zoning Code and Regulatory Plan.

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 urban regulatory plan of Tirana was hired and the development of mapping and GIS for urban management was completed. The selection of the company for the development of the Zoning Code and the Urban Regulatory Plan was finalized and the company Urbaplan from Switzerland continues working since end last year. A Memorandum of Understanding was signed between the Ministry of Public Works, Transport and Telecommunications and the Municipality of Tirana on April 17, 2007. The inception report by Urbaplan was approved by the Municipality on June 11, 2007. The interim report is in its final stage. The Municipality of Tirana has organized a workshop to make known to the public the work done so far and to all beneficiaries in the municipal units and the surrounding communes of Tirana.

Disbursement
US$ 690,837 (as of November 2007)
GEF - Shkodra Lake Integrated Ecosystem Management

Project Objectives
The overall objective of the project would be to assist the Governments of Albania and Montenegro in ensuring the sustainable use of the natural resources, enhancing the tourism potential of the lake, and supporting effective joint management of its watershed.

Project Description
The project would assist the Governments of Albania and Montenegro in:
(a) promoting integrated natural resources management and biodiversity conservation; (b) strengthening institutional capacity for joint lake management; and (c) pollution prevention; and (d) raising public awareness to disseminate the benefits of the proposed project activities and developing a replication strategy to promote project activities in other similar areas. The project would also promote cost-effective solutions to transboundary natural resources management and pollution problems, and provide a basis for sustainable development of the lake’s basin watershed.

The project preparation has completed by 30 October 2007. A preparation grant is implemented by the Ministry of Environment, Forestry & Water Administration, through a project unit established at the Prefecture of Shkodra. The main activities, including the finalization of an environmental and socio-economic assessment, and transboundary diagnostic analyses have been completed. The joint strategic action plan is endorsed by both Governments in Albania and Montenegro. Negotiations for this new project are planned for December 2007.

Implementing Agencies
Ministry of Environment, Forestry & Water Administration

Beneficiaries
Ministry of Environment, Forestry & Water Administration; local government units and communities.
Fiscal Decentralization IDF Grant

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

Project Description:
The activities for which the Grant is given are as follows: (a) development of GED capacities 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) carry out of a study tour and dissemination of public information (including seminars and workshops), (c) provision of training for GED staff, and (d) audit service to the Grant.

Implementing Agencies
The Ministry of Local government and Decentralization (as per the agreement) now the Ministry of Interior

Beneficiaries
Ministry of Interior

Status
Under implementation

Recipient
Albania

Project Coordinator
Ministry of Interior

Project Cost
US$ 270,000

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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 during the last years:

**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)

**Country assistance evaluation – Operations Evaluations Report** This Country Assistance Evaluation (CAE) covers a period from 1992 to 1997 of IDA (International Development Association) involvement with the Government of Albania, and its development efforts. The evaluation reviewed 22 projects, a substantial economic, and sector work (ESW) program, and an active policy dialogue, to present a synthesis of findings on a comprehensive and intense country assistance program. A new evaluation report is expected in mid-2005. (November 2000)

**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)

Who is benefiting from public expenditures in education

This study, a poverty and social impact analysis (PSIA), examines the extent the poor benefit from public spending on education in Albania. The study seeks to: (i) offer an overview of national trends in education outcomes; (ii) analyze trends and levels of public expenditure; (iii) assess how public spending is distributed; and (iv) provide recommendations to Government. The main findings are: enrollment rates have declined at all levels of education, except higher education; enrollment rates varied across regions and income levels; inadequate public spending on education contributed to declines in education quality, especially in poor, rural, and peri-urban areas; as public spending in education decreased, some schooling costs have been assumed by households, negatively affecting the enrollment of poor children; public spending on basic education tends to be pro-poor, while spending on secondary and tertiary education is less beneficial to the poor; and inflexibility and lack of transparency in the funding mechanisms contributes to inefficiencies and inequities in the use of resources among regions and districts. Public policies to maintain and improve access to education, especially basic education, are critical to Albania’s economic growth and poverty alleviation efforts and a number are enumerated by the report. (March 2005)
Country assistance evaluation – Operations Evaluations Report  This evaluation of the Bank’s assistance program for Albania covers the period FY98 to FY04. The overall development impact of IDA’s assistance is rated as moderately satisfactory. The Operations Evaluation Department (OED) ratings of projects completed during the period indicate that Albania ranks higher than the ECA region and the Bank in terms of satisfactory outcomes, but lower in terms of sustainability and institutional development impact. OED ratings also indicate that projects in Albania have lower satisfactory outcomes than in neighboring Bosnia-Herzegovina, Bulgaria, and Macedonia, but higher than in Romania. Albania made gains in economic growth and price stabilization, alleviation of poverty, fiscal sustainability of the pension system, and, in the electricity and roads sectors. Albania has also shown some gains in civil service reform and stands to gain much in the water sector. However, reform has barely reached health and education which are important for ensuring broad-based growth and poverty reduction. Nor has there been much improvement in governance or the investment climate. Where Bank assistance established specific targets for outcomes, such as in energy, results of the assistance have been better than in areas such as governance, where the Bank’s objectives were vaguely articulated. Lessons provide the following recommendations: 1) country strategies and project design need to move to an outcome-oriented approach; 2) Bank assistance should increase selectivity, with priority in infrastructure-including urban-health and education; 3) the Bank should fill existing gaps in Economic and Sector Work (ESW) on health, infrastructure, and urban development; and, 4) the International Development Association (IDA) should start working with the present administrative structures of government and its organizations. (2005)

Country Assistance Strategy (CAS)  This Strategy for Albania, covering the period FY06-FY09, outlines a program of support including financing on modified IDA terms of up to US$86 million as well as IBRD financing of up to US$110 million. The CAS program seeks to support Albania’s efforts in improving governance while increasing selectivity by focusing around two core pillars: (i) continued economic growth through support to private sector development; and (ii) improved public service delivery. Improving governance and strengthening accountability mechanisms will be the main crosscutting objective and thematic focus of the entire support program which includes investment projects, a series of programmatic Development Policy Loans (DPLs), and a focused program of analytical support. (January 2006)

Albania Health Sector Note  This report explores the situation of the Health Care System of Albania. It provides an historical overview of the heritage of the pre-transition health care features and of the negative impact that the civil unrest and of the Kosovo crisis had on this during ‘90s. The report examines the health outcome and challenges in the context of the new demographic and socio-economic changes and provides analysis of the use of resources in connection with the relevance of health care delivery and distribution among regions. The
report examines also the quality of the health care and the financing aspect of this system. The report conclude that the main challenge for Albania’s health sector is to consolidate the achievements in health outcomes to date, while establishing capacity to effectively address the growing incidence of non-communicable diseases and affording low income groups better protection from impoverishing health expenditures. (March 2006)

**Status of Land Reform and Real Property Markets in Albania**

In 1991, the Government of Albania initiated reform of land and immovable property relations by reviving principles of civil law, authorizing market transactions and initiating transfer of agricultural, housing and commercial properties into the ownership of citizens and juridical persons. The Government adopted other reforms intended to create modern systems of environmental protection, land use and management of state-owned lands. Despite this progress, the framework of legal principles and supporting juridical, administrative and institutional systems is not yet complete and the system does not yet operate as efficiently or transparently as required. This “stocktaking” report looks at the main elements of land and property reform, describing the current status of reform and factors that are obstacles to its completion. The report looks at still-open policy issues that must be resolved and considers aspects of environmental protection, land use control and management. The report concludes with recommendations for priority actions in the next stages of reform. (January 2006)

**Labor Market Assessment**

Employment is a pressing concern in Albania. Much of the expressed concern about the Labor market situation focuses on the effects of the increasing “informalization” of employment and the large migration flows. Both informalization and migration are consequences of the fundamental problem that employment is not growing overall and especially not in the formal sector. The labor force is still growing and could be an important source of future growth. But if Albania cannot improve its job creation record, this potential “demographic gift” could further aggravate the unemployment problem. This report summarizes the existing knowledge in these areas drawing on recent World Bank reports, but also provides a new analysis and recommendations focusing on the labor market and labor market policies. The report provides a quantitative and up-to-date analysis of the labor market, based on the Living Standards Measurement Surveys/Albania Panel Surveys carried out annually between 2002 and 2004. Through these surveys recent labor market outcomes can be described in detail, not only with cross-sectional “snapshots” but also with dynamic analysis that allows workers to be followed as they move in and out of the labor market and between different jobs. (May 2006)

**Report on the observance of standards and codes (ROSC): accounting and auditing**

This assessment is part of a joint initiative of the World Bank and the International Monetary Fund. It focuses on the strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate
financial reporting and involves a review of both mandatory requirements and actual practice. The main findings of the report include: (i) the legal framework on financial reporting in Albania is characterized by some lack of cohesiveness. (ii) There is very limited availability of published financial information in Albania. (iii) A new accounting law aims to address many of the shortcomings of the previous accounting and financial reporting requirements. (iv) The accounting standard-setter, the National Accounting Council (NAC) needs substantially more technical and financial resources in order to fulfill its mandate. (v) There is an overwhelming need for training across all areas of the economy with respect to accounting, auditing and financial reporting. (vi) The monitoring and enforcement mechanisms are ineffective to induce compliance with accounting and auditing standards. The recommendations of the report aim at collectively improve the financial reporting environment in Albania. (June 2006)

Trends in Poverty and Inequality in Albania Poverty has declined significantly, a result of the sustained recent growth. The absolute poverty headcount rate declined from 25 percent in 2002 to 19 percent in 2005, or 6.8 percentage points, lifting 221,000 people out of poverty Much of the growth has taken place in and around urban areas, drawing internal migration from the countryside. However, the distribution of benefits was uneven. Real per capita consumption growth in urban areas was twice as high as that in rural areas. As a result the gap in poverty rates between urban and rural areas widened in absolute and relative terms. The evidence shows that low productivity of small family farms partially explain the slowdown in poverty reduction in rural areas and without the large inflows of remittances, the living conditions would almost certainly be worse. (December 2006)

PEIR This report finds that Albania has a substantial opportunity to (a) improve the productivity of its public spending, providing both a complement to raise the productivity of private capital and as also an independent source of economic growth; and (b) to deepen the impact of this growth on poverty by improving the equity of public service delivery. Emerging concerns center on the need to sustain the momentum of growth and poverty reduction. The productivity gains from resource reallocation typical of the first phase of transition are slowing. Albania will need to create a better environment for private investment, further accelerate improvements in human capital, and stimulate new sources of productivity growth, including in the public sector. Public expenditure policy is at the heart of this challenge to sustain growth. This report finds that Albania’s level of spending at 29 percent of GDP is broadly appropriate but that resource mobilization is distorted and spending remains inefficient. The report stresses that improving the efficiency and equity of public spending in Albania will not be possible without accelerating the institutional reforms aimed at restoring discipline and credibility in expenditure management. These reforms include rationalizing the pay system for public servants and strengthening the civil service management reforms to improve public sector performance and equity. The Albania Public Expenditure and Institutional Review (PEIR) contributes to this debate by examining the role of
expenditure policy in enhancing future growth prospects while improving service delivery outcomes. Composed of two volumes, this report assesses outcomes from public expenditures in Albania over the past 5-10 years; discusses the current and future challenges facing the government in improving the efficiency of public spending and ensuring the sustainability of the fiscal stance; and proposes an agenda for a public expenditure strategy to address them, at both the aggregate and sector levels. (December 2006)

**Social Insurance Review** This review focuses largely on pensions. Two alternatives are elaborated: (i) The problems of the pension system can be addressed by reforming the pension system such that benefits will not decline sharply in the future, contribution rates will be lowered somewhat, disincentives to contribution will be removed, and rural workers will be treated identically to urban workers should they choose to continue contributing to the pension system. However, correcting these problems will not be sufficient to bring the majority of the labor force which is currently working in the informal sector into the formal sector. (ii) This alternative requires to eliminate the contributory system entirely. Under this system, rural and urban workers would be treated the same, everyone would be covered, and some level of poverty alleviation would be achieved for those unable to work due to age or infirmity. However, benefits would decline sharply, leaving the public pension system unable to provide people with a vehicle to smooth their consumption between working and non-working periods of their life. These are distinctly different visions of the future of the Albanian pension system. Neither is right or wrong; both have advantages and disadvantages and countries around the world have made different choices among these options. The paper lays out the implications of these choices, leaving it to Albanian policymakers to decide which of these paths best fits the future Albania. (December 2006)

**Albania Urban Sector Review** This study is prepared as a background analysis to inform the ongoing dialogue and operational program of the World Bank with the Government of Albania on issues of policy and strategy concerning urban development and local government. This report focuses on trends and issues that have come to the fore with rapid urbanization and with the recent decentralization of major responsibilities to local governments. (January 2007)
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:

Ms. Belita Korreshi
Procurement Assistant
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e-mail: bkorreshi@worldbank.org
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) amounting US$ 251,000 for the last seven years. 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 citizens’ engagements in order to have voice in development processes. The SmGP in Albania is focused on civic engagement, increased transparency and social accountability.

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 selects the best proposals. Geographical distribution of the projects covers the entire country from Shkodra, Puka, Vau i Dejes, Kukesi, Peshkopia, to Durresi, Tirana, Elbasan, Librazhd, Lushnjë, Vlora, Gjirokastër, Saranda, Permet, and Erseka. The following NGOs and projects are the winners of the last seven fiscal years:

FY2007 ($35,000)

1. Promotion of youth entrepreneurship projects and capacity building to face the transition from University to labor market, Students in Free Enterprise in Albania (SIFE Albania), Tirana.
2. Establishing a Youth Forum at Kucova Municipality to increase participation and access in regional decision-making, Shoqata e Bashkive, Kucovë.
3. Integrating young disabled persons, Qendra Këshillimore për Njerëzit me Aftësi të Kufizuara, Shkodër.
4. Engaging young people in monitoring of social services in Vau Dejës municipality, Shoqata Misionarët e të drejtave sociale, Vau i Dejës.
5. Encouraging greater youth participation and discussions about their daily concerns through a network of radio programs all over the country, Shoqata e Pavarur e Medias Lokale and Shoqata e Gazetarëve Profesionistë Jonianë, Saranda.
6. Involvement of the youngsters of Farka commune in the process of preparation, implementation and monitoring of the local government budget, “ARG” Centre, Tirana.
7. Youth Civic Engagement through direct, concrete Civic Actions, PASS, all over Albania.

FY2006 ($34,000)

1. Increased civic involvement in the management of the historical site of Gjirokastër in the context of UNESCO accession, Shoqata për Mbrojtjen e Mjedisit dhe Nxjtjen e Turizmit, Gjirokastër.
2. Debate on the fiscal education of the community in an endeavor to reduce fiscal evasion and corruption, **Forumi Shqiptar Social Ekonomik (ASET)**, Tirana.

3. Monitoring of policies and decisions that affect the interests of student groups. **Fondacioni “Lëvizja Mjaft”**, Tirana.

4. Improving the quality and speed of the delivery of services for the small business in order to facilitate unification of procedures and unification of payments, **Instituti i Studimeve për Qeverisjen e Mirë dhe Zhvillimin e Qendrueshëm**, Tirana.

5. Training of coordinators of students’ government for an efficiency and supportive youth parliament in the process of decision-making and the fight against corruption in schools. **Shoqata “Vizioni të reja”**, Kurbin, Laç and Lezha.

6. Organization of an anti-corruption caravan in 12 prefectures of the country for a replication of successful experiences in the fight against corruption, **Shoqata “FORIS”**, Tirana.

7. Monitoring the garbage collection in Tirana from 3 companies contracted by the Municipality of Tirana, **Qendra Mjedisore për Zhvillim, Edukim dhe Rrjetëzi (EDEN)**, Tirana.


9. Promoting women participation in the area of Spitalla, and Porto Romano in decision making that affects the community of the area, **Shoqata e Grave me Probleme Sociale**, Durrës.

**FY2005 ($34,000)**

1. Promote and organize public debates and hearing sessions on “Shkodra Lake: protected landscape or national park”, **Shoqata për Edukim Mjedisor**, Shkodër.

2. Setting up the national action plan on ageing in line with the International Plan of Action on Ageing”, **Albanian Society for all ages**, Tirana.

3. Involving civic groups in the process of preparation and monitoring budget at local level in Pogradec, Erseke, Leskovik and Devoll, **Qendra për Kërkim dhe Zhvillim**, Pogradec, Ersekë.

4. Supporting social integration of disabled people, **Shoqata Shpresë dhe Dashuri**, Tirana.


6. Improving communication between local government and citizens through the establishment of five citizen commissions to the Durrës municipality, **Shërbimi Social Ndërkombëtar Shqipëri**, Durrës.

7. Increasing public awareness on the youth needs in Bathore, **Shoqata për Integrim dhe Zhvillim**, Tirana.
8. Promoting sustainable civic engagement to develop local programs in Baldushk commune, Shoqata për Nxitjen e Biznesit dhe Reformave Publike, Tirana.

FY2004 ($48,000)

1. Fight illiteracy among Roma children and support their integration with other children, Gruaja Rome e se ardhmes, Tirana.
2. Supporting the publishing of a bi-weekly newspaper that shall disseminate information, raise awareness and integration on Environmental Protection, Masmedia dhe Mjedisi, Tirana.
3. Raising institutional and civic awareness towards orphan Northern youth, Gruaja ne Integrin, Shkodër.
4. Improvement of processes and mechanisms on complaints in prisons of Albania, Përthyerje, Tirana.
5. Raising awareness and supporting the integration of orphan children to community, Shoqata e fëmijëve dhe të rinjve jetimë, Korçë.
6. Empowering the marginalized groups in Bathore, Gruaja për veprim global, Tirana.
7. Encouraging legal entrepreneurship in the post-trafficking areas of Saranda and Vlora, Lidhja e Gazetarëve Ekonomikë të Shqipërisë (LEGA), Tirana.
8. Raise awareness on handicaps rights, Për mbrojtjen e të drejta e personave me afësi të kufizuara (MEDPAK), Librazhd.
10. Improving the conduct of police structures through awareness and public information about detainees rights, Qendra për Zhvillimin dhe Demokratizimin e Institucioneve, Tirana.
11. Community mobilization to reduce marginalization, particularly of ethnic minorities, Fëmijët e botës dhe të Shqipërisë – të Drejtat e Njeriut, Tirana.
12. Increasing women participation in decision making in village to improve governance, PISHA, Kastriot, Peshkopi.

FY2003 ($45,000)

1. Organizing a series of debates on the social problems of the third age with local government, civil society and elderly, AMIV, Gjirokastra.
2. Empowering women in the rural areas of Puka district and making them more proactive in society, “Grate intelektuale”, Puka.
4. Support for children and parents whose children run the risk of trafficking, Unioni rinor i te drejtave te njeriut, Durrës.
5. Leadership training for Roma women, Shoqata Kristiane e Grave Shqiptare, Tirana.

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

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

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

9. 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, Qendra për Kërkim dhe Zhvillim, Tirana.

10. 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, Forumi Shqiptar Social Ekonomik (ASET), Tirana.

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


FY2002 ($25.00)

1. Public awareness campaign and assistance for the families in blood-feud, Në dobë të Gruas Pukiane, Puka.

2. Different but equal, Të gjithë fëmijët kanë të njëjtën vlerë njerëzore, Shkodër.

3. Women Farm School as a tool for the emancipation of women migrated from the remote areas of the country, Qendra Rajonale e Këshillimit Bujqësor, Durrës.

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

5. Involvement of marginalized groups in the municipality decision-making, Shoqata “Rinia dhe Fëmijët”, Përmet.


7. Social and Physiological support of the elderly through involvement of youth groups, Në dobë të Gruas Shqiptare, Tirana-Kombinat.


10. Promotion of cooperation and tolerance among teenagers from families with social and economic problems, Fëmijët e Botës, Tirana.
11. Media raising the public authorities awareness about the mine fields communities, Shoqata “Pjetër Bogdani”, Kukës.
12. Raising the awareness of the social opinion community and the donors about the needs of women and children in Albanian prisons, Institute for Public Opinion Poll, Tirana.

FY2001 ($30,000)

2. Community participation for the solution of the disagreements in the commune of Prrenjas and Librazhd, FILD & SEDA Associations, Librazhd.
3. Apartment complex Community Unification and Development in Lushnja, Qendra Shqiptare për Zhvillimin e Komunitetit, Lushnja.
4. Begin and improve your business, Qendra e Gruas, Tirana.
5. Protecting the relations of ethnic minorities by increasing the role of the electronic independent media in the sub prefecture of Saranda, Shoqata e Gazetarëve Profesionistë Jonianë, Saranda.
7. Increasing farmers’ income through the production of a certified hybrid corn seed in Baldushk, Shoqata e Përdoruesve Gjenetikë të Prodhimit të farërave, Tirana.
8. Media in GPRS implementation, Unioni LEQA, Tirana.

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2. **IFC ACTIVITIES**
IFC Activities

IFC ACTIVITIES CONSISTS IN:

- Supporting infrastructure sector development through promoting private sector investments and Public Private Partnership, leveraging on our close cooperation with IDA/IBRD;
- Facilitating financial intermediation through introduction of new financial products in the market;
- Supporting investment in the sectors where Albania has a competitive advantage including tourism;
- Supporting domestic companies to become competitive in the local and regional market;
- Contributing to reducing petty corruption through facilitating outsourcing of services from public to private sector;
- Promoting market liberalization through encouraging fair practices and effective competition.
- Facilitating FDIs through debt and equity investment with strategic partners, particularly when a green field project is envisaged.

IFC in Albania has:

- Committed about US$125 million allocated to the financial sector (7%), general manufacturing (37%), infrastructure (33%), and oil and gas (23%);
- Participated in the privatization of National Commercial Bank, Pro-Credit Bank, and in the pre-privatization restructuring of insurance company INSIG;
- Invested in Seament, a cement industry company, the largest foreign direct investment in Albania’s manufacturing sector;
- Supported Vodafone Albania to develop its digital GSM cellular network;
- Implemented and processed a series of technical assistance projects access to information for SME’s, preparation of domestic companies for EU accession, administrative barriers to investors, leasing, factoring, housing finance, corporate governance, recycling and linkages, alternative dispute resolution, etc.
- Targeted for future investments a broad range of sectors such as financial markets, infrastructure, utilities, social sectors, tourism, agro-processing and general manufacturing.
<table>
<thead>
<tr>
<th>Board Approval Date</th>
<th>Project</th>
<th>Project Cost, US$ mln**</th>
<th>IFC Financing, mln**</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Konstruksione Metalike</td>
<td>6</td>
<td>2.5</td>
<td>The project of Euro 4.7 m (the first phase) is about construction a new facility to produce metallic structures to meet the growing demand for light and heavy metallic structures.</td>
</tr>
<tr>
<td>2005</td>
<td>Fushe Kruja Cement plant</td>
<td>130.0</td>
<td>30.0</td>
<td>This is a new modern production line in Fushe Kruja Cement Factory, with aggregate annual cement capacity of 1.3 million tons to reduce Albania’s dependence on imported cement, enhance the domestic market for construction materials and facilitate rapid reconstruction and development of Albania’s infrastructure.</td>
</tr>
<tr>
<td>2003</td>
<td>INSIG</td>
<td>6.2</td>
<td></td>
<td>IFC acquired 20% stake of INSIG, one of Albania’s leading insurers. During the second stage, with the assistance of the IFC and EBRD, the Government of Albania will complete the full privatization of INSIG by divesting its remaining stake and relinquishing its controlling interest to a reputable technical partner;</td>
</tr>
<tr>
<td>2003</td>
<td>Vodafone Albania</td>
<td>225.0</td>
<td>41.4</td>
<td>Loan to finance the second national mobile telephone operator to develop a nationwide cellular network.</td>
</tr>
<tr>
<td>2002</td>
<td>National Commercial Bank (NCB)</td>
<td>10.0</td>
<td>2.3</td>
<td>This project involves the rehabilitation and privatization of NCB in an effort to support the recovery of Albania’s financial sector, which is needed to facilitate productivity, economic growth, and domestic savings.</td>
</tr>
<tr>
<td>1999</td>
<td>PRO CREDIT Bank</td>
<td>5.0</td>
<td>1.1</td>
<td>The Bank stimulates the development of micro-enterprises by providing scarce medium- to long-term financing, It plays a role in mobilizing savings for productive use in a country where confidence in the banking sector remains low.</td>
</tr>
<tr>
<td>1998</td>
<td>Eurotech</td>
<td>3.5</td>
<td>1.2</td>
<td>The construction of a cement-bagging terminal near the port of Durres to supply the Tirana-Durres region.</td>
</tr>
</tbody>
</table>
IFC ADVISORY SERVICE

IFC’s Advisory Service and Technical Assistance focus on:

- Advisory Service to public sector entities in infrastructure to attract private sector participation (PSP) and investment in energy, transportation, ports, and water and sanitation sectors.
- Contributing in improving the business environment and removing administrative barriers to investors through Foreign Investment Advisory Service (FIAS) and facilitating access to justice and finance through Alternative Dispute Resolution Project
- Providing Technical Assistance to firms in the areas of: international standards, Corporate Governance, Recycling and Supply Chain Linkages.

Public Private Partnership In Infrastructure

IFC signed an Advisory Service Agreement for assistance to (i) revise the existing Law on Concession; (ii) help establish a functioning and effective Concession Unit; and (iii) identify, prepare and execute a pilot Public Private Partnership (“PPP”) transactions in the country’s vital infrastructure sectors. The new concession law has been finalized and approved, work is underway for the regulatory framework and structure of the concession unit and work has commenced to undertake a commissioning process in infrastructure. A successful pilot PPP will be sustained by financing from IFIs.

IFC signed a second Advisory Service Agreement for the structuring and implementation of Private Sector Participation in the Distribution Activities of KESH. IFC will assist the government of Albania to undertake the restructuring/unbundling of KESH, National Energy Utility, and for design and implementation of the privatization program of Albania Electricity Distribution. IFC will also assist GOA in coordinating various initiatives, programs of donors and/or investment schemes and instruments for financial support provided by other IFIs with respect to the proposed restructuring and privatization of the Albanian power sector. IFC will integrate its advisory assistance with the work currently being undertaken by the donor community. IFC will also build on the basis of the work undertaken by any of GOA’s previous advisor(s), consultant(s), and the World Bank-funded Energy Sector Study.

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Value Addition To Firms

Corporate Governance (CG) aims to improve the current state of corporate governance (CG) in companies in Albania, build the capacities of key stakeholders (board members, management, shareholders, financial institutions), and raise public awareness about the benefits of good corporate governance.

Corporate Governance project in Albania signed a Memorandum of Understanding (MoU) with the Albanian Forum on Corporate Governance, delivered workshops with the University and business associations. Two In-Company Interventions are underway. One aims to restructure the company’s organization with the final goal to help it attract new investors through listing. The other intervention is helping a bank increase its capital and improve its corporate governance standards.

International Standards and Technical Regulations (ISTR) aims at building awareness among companies about International standards and technical regulations and provide topical trainings and consulting services to companies and service providers which are relevant to industries in which they operate. The focus of the program includes: food processing and retail, construction/building materials, and general manufacturing (i.e. wood and furniture, white goods appliances, electronics etc).

ISTR is structured in three levels (i) public awareness campaign re international standards and conditions for export promotion; (ii) topical trainings for at least 90 export-oriented companies on specific standards; and (iii) in company interventions to address the individual needs of export-oriented companies by providing technical assistance during the implementation of standards/certificates.

ISTR has undertaken coordination with relevant donors, completed 13 short trainings on HACCP, CE Marking and ICT standards, an advanced training course on ISO22000 Auditor-Lead Auditor for local consultants and on CE Mark for 4 major EU directives, developed two informative brochures on HACCP and CE Mark and pre-assessed 6 companies for the implementations of international standards. Five companies (mainly in food processing and general manufacturing) are in the implementation-certification process for ISO9001/ HACCP, ISO22000, ISO9001:2000 standards and CE Marking.

Recycling Linkages Project (RL) is to promote SME development and improve life of the marginalized group of people in society, Roma particularly. This program targets individual collectors, SMEs (scrap yards) and large mills and more than 30,000 Roma who collect and supply scrap metal. The program will help bring efficiency and organization to the recycling industry and could also have significant impact on overall poverty alleviation among the Romas.

The core activities of the project are (i) assessment of metal & paper recycling value chain and design Technical Assistance accordingly; (ii) training,
consulting, access to finance to SMEs to improve their operations, profitability and productivity; (iii) training, consulting, access to finance to individual scrap collectors; (iv) assisting the implementation of environmental laws, (v) public awareness Campaign to raise the interest in the region for cleaner environment, conservation of energy and usage of secondary raw material.

Recycling Project has carried out the industry assessment to assess market potentials and identify pool of relevant companies and stakeholders, has signed Cooperation Agreements with 3 Roma NGOs to support individual collectors, 13 recycling companies, 1 Micro-financial Institution, 1 Donor project and 1 Recycling Association. So far the project has provided consultancy services to 7 recycling companies, organized 7 trainings for companies, 6 trainings for Roma collectors, 13 workshops for school children, 3 workshops for Governmental officials, delivered a gap analysis on current legislation regarding recycling, developed a brochure on EU guidelines for waste packaging, set up 1 BMO for recycling industry and and undertook a series of promotional events including 1 TV show, 2 press conferences, distribution of 2300 leaflets and posters, 12 educational materials for Roma as well as 58 media mentions to raise the public awareness about recycling and environmental issues.
Business Enabling Environment

Alternative Dispute Resolution program (ADR) aims to support establishment of an efficient mediation system in the countries in the Region to reduce the risks associated with inefficient and expensive court procedures. The program supports the development and harmonization of the legal framework, creation of a pool of world-class mediators, training of judges and raise awareness on mediation among businesses, legal community (lawyers, judges, law students) and general public.

The Program focuses on six activities: (i) provision of tailored trainings; (ii) undertaking of public awareness campaign; (iii) establishment the set up of Pilot Mediation Centers; (iv) strengthening of legal framework in line with UNCITRAL and EU standards; (v) organization of study visits - to the member-states of EU (Netherlands, Italy, Slovenia) and countries in the region (Bosnia and Herzegovina, Serbia, Macedonia); and (vi) ADR Conferences - as annual Mediation Events,

Alternative Dispute Resolution Project signed a MoU with Ministry of Justice, a MoU with the National Chamber of Advocates and a MoU with the Albanian Foundation for Conflict Resolution, with the main aim to amend the Law on Mediation, write recommendations for amending the Civil/Criminal Procedure Law, have cases mediated, train judges, lawyers and mediators, organize two study visits and raise awareness among the public.

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Access To Finance

Housing Finance Project (HF) - The objective of this project is to provide a systematic approach for the development of the housing finance sector in Albania, operating at two levels. At the level of the commercial banks, the objective is to improve the skills of the commercial banks in mortgage underwriting, origination and collateral criteria. This will be achieved by building the capacity of key stakeholders and introducing best practices for mortgage origination and servicing that will create conditions for a dynamic and affordable housing finance market in Albania, addressing the need to access finance to lower levels of income groups. At regulatory level, the objective is to provide the level of Government of Albania and the relevant institutions with recommendations for a more efficient oversight of the sector. We have signed a MoU with the Ministry of Public Works Transportation and Telecommunications to address the needs in the Regulatory Framework in Housing Finance sector.

The project is focused on three areas: (A) Adaptation of IFC’s “Mortgage Toolkit” by setting the standards for mortgage lending in the country, based on international best practices, and introducing to four commercial banks; (B) Capacity building of the two banks also receiving investment; and (C) Improving the legal and regulatory framework governing housing finance.

Currently the “Mortgage Toolkit” has been Adapted to the Albanian market and we are getting ready to roll it out to the banks. Also, the Advisory Service Agreement has been signed with BKT and we are moving forward in capacity building of the bank.