

**OPERATIONS EVALUATION DEPARTMENT
WORLD BANK**

**OED Review of the
Poverty Reduction Strategy (PRS) Process**

Albania Case Study

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This case study was prepared by the independent evaluation unit of the World Bank, as background to an evaluation report available at www.worldbank.org/oed/prsp. The other country case studies conducted in support of this evaluation are also available on-line at the above address.

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Abbreviations and Acronyms

BWI	Bretton Woods Institutions (World Bank and IMF)
CARDS	Community Assistance to Reconstruction, Development and Stabilization
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CODE	Committee on Development Effectiveness
CSO	Civil Society Organization
CSP	Country Strategy Paper
DFID	Department for International Development (UK)
EBRD	European Bank of Reconstruction and Development
ECA	Europe and Central Asia
ESW	Economic and Sector Work
EU	European Union
FIAS	Foreign Investment Advisory Service
FDI	Foreign Direct Investment
FSAC	Financial Sector Adjustment Credit
GDP	Gross Domestic Product
GPRS	Growth and Poverty Reduction Strategy
GTZ	German Technical Cooperation
HIPC	Heavily Indebted Poor Countries
ICS	Institute of Contemporary Studies
IDA	International Development Association
IEO	Independent Evaluation Office (IMF)
IMF	International Monetary Fund
INSTAT	Institute of Statistics
IPDET	International Program for Development Evaluation Training
JSA PR	Joint Staff Assessment of PRSP Progress Report
JSA	Joint Staff Assessment
LCS	Living Conditions Survey
LSMS	Living Standards Measurement Survey
MDGs	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
NGO	Non-Governmental Organization
NSSD	National Strategy for Social and Economic Development
OED	Operations Evaluation Department
OSCE	Organization for Security and Co-operation in Europe
PIU	Project Implementation Unit
PNoWB	Parliamentary Network on the World Bank
PRGF	Poverty Reduction and Growth Facility (IMF)
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSIA	Poverty and Social Impact Assessment

SAA	Stabilization and Association Agreement
SAP	Stabilization and Association Process
SOE	State Owned Enterprise
SWAP	Sector Wide Approach
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development

FOREWORD

OED has completed an evaluation of the PRS initiative and the Bank's support to this initiative. The synthesis report was submitted to the Committee on Development Effectiveness of the World Bank's Board in June 2004 and discussed by CODE in July 2004.¹ As the PRSP is by nature a country-level process, eight country case studies² have been undertaken in support of the synthesis report to provide in-depth country-level experience with the initiative and the Bank's support. Albania was selected as a country case study to provide: coverage of PRSP experience in Europe and Central Asia (the Albania PRSP and PRSC were the first in the region), formulation and implementation during periods of political uncertainty, and coverage of a non-HIPC case.

This country case study provides an assessment of the PRSP process in Albania as of mid-2003, and covers both PRSP formulation and implementation. The PRSP was completed by the Government of Albania in November 2001 but its implementation was delayed due to changes in government until June 2002. An OED mission visited the country in March of 2003, providing the bulk of the evaluative material for the assessments in this report. The report also covers elements of the first PRS Progress Report which was completed in June 2003. A draft of this evaluation was sent to the Albanian authorities on February 10, 2004 for comment.

¹ The synthesis report is available on the internet at <http://www.worldbank.org/oed/prsp> .

² Country case studies are drawn from the 23 countries with full PRSPs as of the beginning of 2003. The selection criteria includes: maturity of the PRSP process, geographic balance, coverage of non-HIPC countries, and country initial conditions. The study thus cover a variety of country situations and varying stages of implementation. Country selection also depends on coverage provided by case studies already conducted in related OED work such as the recently completed HIPC and CDF evaluations. The eight case study countries are Albania, Cambodia, Ethiopia, Mauritania, Mozambique, Nicaragua, Tajikistan, and Tanzania.

EXECUTIVE SUMMARY

1. In the mission's view the PRSP has added value to Albania's development planning and management. Over time this is likely to translate into better outcomes for growth and poverty reduction.
2. **The PRSP was a highly relevant intervention for Albania.** After the setback of the 1997 crisis precipitated by the collapse of the pyramid schemes there was a vacuum of strategic process and direction in the Albanian Government. The PRSP helped to provide a new focus for the Government's planning system. Eight months were lost between the drafting of the document in 2001 and its eventual submission to the World Bank and IMF Boards in June 2002, due to the unsettled political situation in the country. But this provided time to shore up the weak analytic base. The process was reinvigorated in late 2002 by the decision of the Government to formally adopt the PRSP as a national strategy and to put in place monitoring and evaluation systems within most ministries.
3. **With respect to process three aspects of the PRSP have been satisfactory.** The Government wisely turned to a group of local consultants to handle the **preparation** of the PRSP document, given the limited capacity within the Government to focus on medium-term issues. The consultants worked closely with Government officials to ensure that this was a document which would be owned by the respective ministries. The **consultations** were well planned and reached a wide spectrum of civil society representatives. Discussions were open and reported in the media. The Government has put a great deal of emphasis on **monitoring and evaluation** of the PRSP; it required individual ministries to put this capacity in place, and funded a central coordinating unit for this purpose. While these achievements are considerable, there is still much to be done in 'mainstreaming' the PRSP, by putting in place the structures, processes, regulations and trained staff which can ensure the continuation of the PRSP as the Government's core strategic instrument.
4. **The area of partnership and donor alignment has been a weak aspect of the PRS Process.** This is a difficult area in Albania. The country has received very large amounts of aid relative to its size and is of geo-political importance to a number of key donors. It is also an aspirant for EU membership and remains the poorest country in Central Europe. Donors have not been willing to align their agendas with the PRSP and the Government, mirroring these tensions, has been unable to come to a clear approach on the structure and form of its aid coordination activities.
5. **The quality of the strategy needs substantial strengthening.** The PRSP is particularly weak on the cross-cutting themes which need to be at the center of Albania's planning in the years ahead:
 - **Private Sector Development:** Albania's growth will depend on the development of small and medium enterprises. This in turn will require improvements in the legal and tax systems and more effective control of crime and corruption.

- **Improved basic service delivery through decentralization:** The Government has a decentralization program, but it is being implemented at a different pace and in a different way by each ministry and there is no clear roadmap which would help to put in place the local capacity needed.
- **Urban Infrastructure:** There can be few European countries with as poor a stock of urban infrastructure as Albania. In most places roads are potholed and electricity and water available for only hours a day. Simple amenities like traffic lights, street lighting, public parks, etc. are few and far between and streets and sidewalks are often strewn with garbage. The problems with infrastructure are a legacy of the pre-transition under investment in maintenance by government and have been exacerbated by the high levels of migration into the cities of the coastal plain which are now ringed by peri-urban squatters and have makeshift infrastructure.

6. **The PRSP is making significant contributions to better alignment of the strategy with the budget and to capacity enhancement.** The PRSP has taken root as a key part of the overall budget process, linked to the annual budget through the MTEF. This said, the process is at an early stage and it would be hard to argue that there is effective alignment between the PRSP and MTEF at this point. The PRSP has made a useful contribution to capacity enhancement in areas such as statistical development, monitoring and evaluation, and through supporting the public debate on development issues.

7. **The PRSP has resulted in a greater focus on poverty reduction.** The Government has consistently increased the share of pro-poor expenditures in the budget. Most of these increases went to pay higher salaries for workers in health and education, but this is significant in a context where very low salaries made it difficult to retain qualified individuals and to motivate them to undertake the training and other efforts needed to improve their performance. The expenditure on maintenance of schools and hospitals has also risen, but it has been unevenly distributed.

8. **The World Bank's contribution to the PRS Process has been appropriate and effective in the three areas of preparation, consultation and monitoring and evaluation.** Although the Bank played an unduly dominant role in formulating the I-PRSP, it learned from the experience and confined itself to comments on the PRSP itself. The Bank applied what one official called 'steady pressure' to ensure that preparation remained on track and that the PRSP remained in view during the year of political instability. The Bank supported the consultation process inter alia through a dedicated international staff member in the Tirana office, and through its dialogue was able to develop a better understanding of the benefits of an effective consultation process. The Bank also devoted substantial resources to training and support for monitoring and evaluation.

9. **The Bank's overall lending program did not support the development of a more strategic focus for the PRSP.** The Bank's lending program in Albania is distributed over a large number of development sectors. The Bank resisted focusing too narrowly on the specific pro-poor sectors, given the huge needs for infrastructure and the shortage of alternative sources of donor support. But at the same time, the Bank program lacked the strategic underpinning which could have made the benefit of the whole program exceed the sum of projects' individual benefits. Bank staff felt that as long as the PRSC was tackling core strategy issues, the content of the rest of the program was less relevant. As a consequence potential synergies may have been neglected. For example, even where individual projects tackle decentralization issues they do not add up to a coherent and consistent approach which could have supported similar developments in the Government's program.

10. **The Bank was not able to promote a more coherent approach to donor coordination in Albania.** The Bank was very active and effective in persuading the EU that the PRSP was well aligned with the EU accession program. But except for a few bilateral donors (most notably DFID, the Netherlands and Switzerland), the donor community viewed the PRSP as a Bank driven initiative. The Bank might have done more to use its own program to support donor alignment through promoting sector wide approaches and increased budget support. It could also have moved away from the approach – widely copied by other donors – of numerous small projects administered through Project Implementation Units. It is difficult to argue that these efforts would have succeeded, however, given divergent donor interests. A more significant step would have been Government leadership in resolving the conflict over responsibilities for aid coordination of the Ministries of Finance and Economy.

11. **Improved coordination between the Bank and IMF is an important benefit of the PRSP in Albania.** Most observers agree that the recent past has seen a more consistent approach between the two institutions with regard to the balance between expenditures on poverty reduction and the overall budget deficit, and also on the balance between the need for increased tax revenues and the need to retain adequate incentives for private sector activities.

A. INTRODUCTION

1. This report analyzes the experience of Albania with the Poverty Reduction Strategy Paper (PRSP) process.³ The focus of the report is on evaluating the performance of the World Bank in supporting the PRSP initiative, not on appraising the authorities' policies. The main emphasis of the report is on the formulation and implementation of the PRSP until March 2003, but it does cover elements of the PRSP Progress Report which was completed following the evaluation team's mission to Albania.

2. The analyses presented here are based on a variety of sources, most notably: (i) published and unpublished World Bank documents relevant to the Albanian PRS Process; (ii) material produced by stakeholders at various stages of the process; (iii) interviews with key IMF and World Bank staff members with relevant experience in Albania; (iv) interviews with a broad spectrum of local stakeholders in the context of an OED team visit to Albania⁴ and (v) a survey of 97 stakeholders representing Government, civil society and international partners.⁵

3. The report is structured as follows: Section B describes the country context including, political and economic background, the poverty profile, and key constraints for development. Section C addresses the PRS Process in its entirety and includes an assessment of the relevance of the PRSP for Albania and its consistency with the underlying principles of the initiative. Section D assesses the World Bank's support to the process. Finally, Section E summarizes the main points of the assessment and attempts to draw lessons of more general applicability.

³ A new framework for poverty reduction was proposed by the staffs of the World Bank and IMF, and endorsed in 1999 by the Interim and Development Committees. The framework's key objective is to assist countries in developing and implementing more effective strategies to fight poverty, embodied in Poverty Reduction Strategy Papers (PRSPs). These strategies are to be prepared by governments and used to prioritize the use of public and external resources for poverty reduction impact. Adoption of the PRSP framework signaled an intended shift by the Bretton Woods Institutions (BWIs) in the ownership of development strategies and the policies needed to achieve poverty reduction. A second objective of the new framework is for PRSPs to become the principle instrument for managing a country's relations with the donor community. (See Chapter 1 of the synthesis report).

⁴ The mission team comprised Basil Kavalsky (OED consultant), Zamir Islamshah (OED staff) and Ylli Cabiri (OED consultant). The team visited Albania from March 12 to March 26, 2003 and met with stakeholders in Tirana, Dürres, Elbasan, Lezhe, and Shkodra. A full list of stakeholders consulted for the case study is in Annex 7.

⁵ A summary of survey results can be found in Annex 8.

B. COUNTRY BACKGROUND

I. Political and Economic Context

4. In 1990 Albania emerged from the long post-war hibernation of the era of Enver Hoxha and his successor. A rapid transition led to four very successful years of growth actively supported by the donor community including the World Bank and IMF. Between 1993 and 1996 growth exceeded 9% per annum and agricultural output and new service activities expanded rapidly outweighing the decline in production and employment in the uneconomic heavy industries which were a legacy of the earlier period.

5. The first phase of transition came to an abrupt end in 1997 with the collapse of the pyramid investment schemes. A large proportion of the population had money in these schemes and the collapse led to rioting and a breakdown of public order, setting back the achievements of the previous five years. GDP fell by 7% and inflation reached 42% in 1997. The period from late 1997-9 was characterized by the effort to put the pieces back in place and restore stability.

6. At the same time, fundamental changes were taking place which needed to be factored into the thinking and planning for Albania's future. Domestic uncertainty and disillusionment had led to an explosion of emigration of young Albanian males to Greece, Italy and other countries. Remittances from these emigrants as well as earnings from criminal activities channeled through South-Eastern Europe were beginning to flow into the country, and associated with these, state capture was on the increase.

7. The events of 1997 had led to a great deal of concern in the international community about the stability of Albania in a region of Europe where stability was proving to be the exception rather than the rule. Between June and November 1997, four International Conferences were organized to agree on a Recovery Program. In October 1997 a joint document of the World Bank, EC, EBRD and the Albanian Government was conceived as a basic strategic document for the Albanian Government and for donor interventions.⁶ There was no reference in the document to 'poverty'.

8. At the end of 1998 an EU report identified the prerequisites for Albanian participation in the Stabilization and Association Process (SAP) and provided a perspective for opening negotiations with Albania on an Agreement.⁷ Again the strategy did not refer to 'poverty'. Albania was also part of the Stability Pact initiative with the Balkans which provided for a large development program, but made no mention of poverty issues.

⁶ Commission of the European Communities, et al (1997).

⁷ Commission of the European Communities (1999).

II. Poverty

9. Reliable data on poverty in Albania has only recently begun to be collected, making long-term trends difficult to assess. In fact, poverty was officially recognized to exist in Albania only in 1991.⁸ According to the 1998 Living Conditions Survey (LCS), 33% of Albanians are poor, and 15% live in extreme poverty. Using the cost of basic needs methodology used by the 2002 Living Standards Measurement Survey (LSMS), 25% of Albanians fall below the poverty line. There is little extreme poverty in Albania, as defined by the food poverty line, with only 5% of the population without basic food requirements. High unemployment and underemployment are considered principal causes of poverty.⁹

10. Poverty in Albania is a multifaceted phenomenon. While higher in rural areas, the incidence of poverty in urban areas has risen substantially in recent years. During the 1990s, internal migration led to a dramatic increase in the population and poverty in peri-urban areas. The capital city of Tirana expanded by more than 40% over the decade, from 370,000 people to 520,000. The municipality of Kamza outside of Tirana increased in size from 6,000 in the early 1990s to currently over 70,000. Basic infrastructure and public services have not kept pace with these demographic changes. In the densely populated peri-urban areas, public order and access to healthcare have emerged as areas of the greatest concern.¹⁰

11. After income and employment the poor condition of basic infrastructure is considered to be a further contributor to the low standard of living. Albania is rich in both power and water resources. Much of its power generation comes from national hydropower and the annual average water availability is the highest in Central and Eastern Europe. Investment and maintenance in the country's infrastructure was neglected, however, during the period of central planning, and conditions further deteriorated during 1997 given the impact of the financial crisis. As a result, supplies of safe water and reliable power are inadequate throughout the country. Only 14% of Albanian households receive electricity continuously - long interruptions in the supply are common - and 35% of Albanians say lack of water is their most urgent problem.¹¹ Roads, sewerage, and telecommunications are in a similar state of disrepair and there has been a prolonged lack of investment in Albania's cities. Poor infrastructure is a major deterrent for both domestic and foreign investment in the country.

12. Allocations for pro-poor expenditures have increased in recent years. The four categories included by the government in pro-poor expenditures are health, education, agriculture, and local government. Between 1998 and 2002 expenditures in these categories rose from 37% to 42% of total Government expenditures. The increase amounted to 14% per annum against a growth of total expenditures of 9.8% per annum. A large part of this increase is, however, attributable to higher salaries and there are

⁸ Republic of Albania (2001), p. xiii.

⁹ De Soto, et al (2002), p. 107.

¹⁰ De Soto, et al (2002), p. 107.

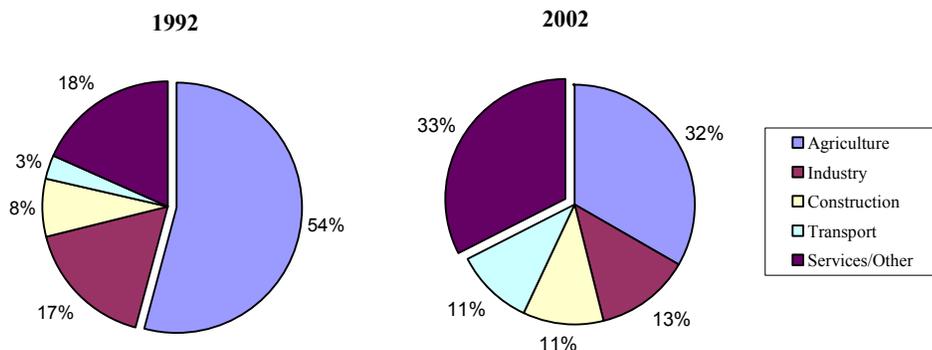
¹¹ World Bank (2002b), p.2.

concerns that in some areas expenditures on maintenance and non-salary expenditures may have even declined over the period. Raising the salaries of teachers and health care workers was, however, defined by the Government as a critical step in improving motivation and quality in these areas. Albania's share of spending for health (2.2% of GDP) and education (3.2% of GDP) are, however, below the averages for lower middle income countries of 3.0% and 4.8% of GDP respectively.¹²

III. Economic Performance

13. Albania's macroeconomic performance exceeded that of the other transition countries until the collapse of the pyramid schemes in 1996 and the one-year recession that ensued. Between 1993 and 1997, growth averaged over 9 percent per year, and inflation was reduced from 200 percent in 1992 to 6 percent in 1995. This compared with a negative average growth rate for all the transition countries combined over the same period. Albania received considerable amounts of foreign assistance during the first five years of transition, mostly through official grants. Foreign reserves improved from the levels in 1991 reaching 3.5 months of imports equivalent and external debt management was strengthened following an exercise to improve debt monitoring.¹³

Chart 1: The changing structure of the economy (% GDP)¹⁴



14. The 1997 crisis led to a 7% drop in GDP, but growth revived and has remained strong since (see Annex 2a). Recent growth has been largely based on strong private sector activity including a boom in construction services partly linked to urbanization in the country.¹⁵ The maintenance of macroeconomic stability, with low inflation and a fairly stable exchange rate, has been an important contributor to the post-1997 recovery. The structure of the Albanian economy has fundamentally changed over the past decade with Agriculture no longer representing the major source of GDP (see Chart 1). Growth is, however, highly dependent on high levels of external assistance and remittances from

¹² The source for the average spending on health and education is Republic of Albania (2002), p. 36 and Bank data (see Annex 6).

¹³ Between 1992 and 1996 Albania received US\$1.53 billion in total aid, of which 68 percent was through official grants (see World Bank (2002)).

¹⁴ Source: Republic of Albania (2003), Section C, p. 3 and Republic of Albania (2002), p. 16.

¹⁵ In 1992 Albania had among the lowest rates of urbanization in the transition countries (see World Bank (2002), p. 12).

abroad, the latter of which are conservatively estimated at between 10-12% of GDP.¹⁶ Albania has a narrow export base and a steadily worsening trade balance (see Annex 2a).

15. Despite some progress in financial sector reform, enterprise privatization and public administration reform, the investment climate remains poor and concerns over governance are a major obstacle to foreign investment. The development of small and medium enterprises in Albania has been in large part in the informal sector, institutions, including the courts and police are weak, and state capture appears to be on the rise. Until 1999 the government found it difficult to attract strategic investors for some of the large SOEs and between 1992 and 1999 Albania's FDI was the lowest in the region.¹⁷ In 2000, a Foreign Investment Advisory Service (FIAS) study concluded that corruption and weaknesses in infrastructure were among the main barriers to foreign investment in the country.

IV. Key Development Issues and Constraints

16. **Corruption** affects almost every dimension of development in Albania.¹⁸ At a Youth Parliament in Tirana organized by UNICEF an 18 year old said, *'Corruption is the only path to success in this country. I want to grow up in a society of hard work and honest effort.'* Positive steps have been undertaken by the Government, for example to reduce patronage in central Government appointments, but corruption is endemic in Albania and long-term commitment is needed to resolve the problem. The tax system still offers scope for arbitrary interpretation and outright evasion and the mission heard of one obviously successful company - the local franchise of an internationally known consumer product - which has declared losses for five years in a row despite bankruptcy laws which require closure after three years of losses. The informal sector is very large and this substantially reduces government resources. The insistence of the EU on the Government effectively addressing this issue as a pre-condition for discussing accession is a welcome step that may increase commitment to efforts in this area.

17. **The environment for private sector development** impairs growth. In a survey jointly undertaken by the Bank and EBRD in 25 transition economies, Albania ranked among the lowest in terms of the perceived quality of the business climate. The survey highlighted the security of property rights and weaknesses in the legal framework as areas of greatest concern. In fact, 90 percent of the enterprises surveyed perceived there to be serious weaknesses in legal enforcement (the most negative result in all the survey countries).¹⁹ The private sector representatives with whom the mission met echoed this view saying that they considered the legal process in Albania to be worthless - *'You do people a favor by taking them to court'*.

¹⁶ World Bank (2002a), p. 3.

¹⁷ World Bank (2002a), p. 3.

¹⁸ Albania ranked 92 out of 133 countries (tied with Tanzania and Pakistan) in the 2003 Transparency International Corruption Perception Index.

¹⁹ World Bank (2002), p. 61.

18. **The poor quality of infrastructure** represents a major constraint to Albania's development. Transport infrastructure is a particular constraint with the main roads between cities not well adapted to the needs of future traffic patterns which are likely to run through Serbia and Montenegro to the EU, and south to Greece. The rapid pace of urbanization and particularly the movement from the countryside and secondary cities to the capital, Tirana, has produced a large peri-urban population which is poorly served with water, sanitation, electricity, schools, clinics and urban transport. While much has been done to upgrade the central areas of Tirana in recent years (Box. 1.), the problems of the peri-urban areas remain to be tackled.

Box 1: The Greening (and other colors) of Tirana

The Mayor of Tirana, Edi Rama, is a former Minister of Culture who spent some time as an artist in Paris. During his few years as Mayor he has achieved a remarkable transformation of the city's appearance through working with the private sector. Mayor Rama has succeeded in getting illegal constructions demolished and opening spaces for parks and some of the attractive vistas of the city which is ringed by steep hills. He has had many local and municipal buildings painted in bright colors and this has contributed to a Mediterranean feeling in a previously run-down and austere environment. He believes that these improvements are critical to getting people to have pride in their city and see it as part of their own heritage. *"The Communists made 'volunteering' and 'community' dirty words in Albania – it was necessary to let people see the difference they could make to their environment."* Mayor Rama is critical of what he sees as the excessive focus of donors on Albania's rural areas. *"They have built schools in villages where there are now only two old ladies and a donkey"*. He argues that urbanization will continue and the focus of funding should be on the urban and peri-urban areas which are still desperately in need of new infrastructure.

V. Planning Processes in Albania

19. The PRS Process filled a void in terms of public policy planning in Albania. The PRSP was the first comprehensive development strategy undertaken by the Government through broad consultations and in collaboration with partners. The Government had mixed reactions to the PRSP when it was first proposed. It was recognized that this was now a requirement for continued access to IDA credits and the IMF Poverty Reduction Grant Facility (PRGF) and that it therefore had little option in moving ahead with it, and some viewed it as a bureaucratic imposition from the international donor community. The Bank took the position with the Government that while this was indeed a requirement it was also an opportunity. Although the PRSP was still an untried instrument, the Bank country team felt that the post-pyramid scheme crisis had created an environment in which Albania both needed and had the will to use the instrument effectively and that Albania should be encouraged to become an 'early adopter'. This view was shared by senior Government officials who felt that the time had come for Albania to begin taking responsibility for preparing its own strategy. In the words of a senior Government official, "we welcomed the PRSP as a process which empowered the Government to prepare its own strategy rather than simply 'signing off' on strategies prepared by various

donors. It also signaled a transition from humanitarian aid and stabilization to development”.

20. The perceived dominance of poverty reduction in the PRSP was an issue of concern. The Government felt that given Albania’s European aspirations, the use of the term ‘poverty’ would project an image of a country many years away from potential accession. But there was also a genuine conviction that ‘if poverty was the disease, growth was the cure’. The Government’s concern was not a matter of any problem with the objective - the Government was fully committed to poverty reduction - but with the strategy. The view was that growth needed to have at least equal status in the strategy with specific poverty reducing interventions and that this message needed to be given clearly to both the domestic and international public. In late 2000 it was re-christened the Growth and Poverty Reduction Strategy (GPRS), though the Albanian version used the title National Strategy for Social and Economic Development (NSSED).

21. The PRSP also provided an opportunity for donors to create more focused and coordinated programs of support for Albania. Prior to the PRSP there were more than a hundred donor-supported projects under implementation in Albania. The donor community in general were, however, skeptical of the PRS Process, which they considered Bank and Fund-driven. There were some exceptions, most notably DFID and the Netherlands both of which threw their weight fully behind the PRSP and provided invaluable funding and technical expertise.

22. The introduction of the PRSP coincided with the launch of the EU’s SAP process in May 1999 which introduced the prospect of long term membership to the region and support to countries through the Community Assistance to Reconstruction, Development and Stabilization (CARDS) program.²⁰ In 1999 an EC feasibility study determined that Albania was not ready to begin negotiating an SAA and a high level steering group was established to move Albania closer to this initial goal. In 2001 an EC report recommended the start of negotiations for Albania’s SAA and these eventually began in January 2003. The EU’s assistance program for Albania is set out in a Country Strategy Paper (CSP) for 2002-06. This focuses on areas of comparative advantage for the EU, including institution building, governance, and improving the investment climate. The goal of EU accession and the priorities and processes devised by the EU to reach that objective introduced a high-value competitor for the Government’s attention and the impact of the EU program on the PRS Process will be discussed further below.

²⁰ The countries covered by the SAP were: Albania, Bosnia and Herzegovina, Croatia, the Federal Republic of Yugoslavia, and the former Yugoslav Republic of Macedonia.

C. THE PRS PROCESS

23. The Government began the preparatory process for an I-PRSP in 1999. The document was a necessary first step, but there was virtually no consultation and it was not the basis for a strategy which could mobilize public and donor support. The initial draft of the I-PRSP was prepared by the Government and the Bank played a substantial role in redrafting it. The final I-PRSP was issued in May 2000. Albania's full PRSP the NSSD was completed in November 2001 (the first in the transition countries) and submitted to the BWI Boards in June 2002.²¹

I. Preparation

24. The Ministry of Finance's macro division was responsible for coordination of the PRSP. The institutional structure established to coordinate the PRS Process consists of several cross-linked groups under the leadership of a *PRSP Steering Committee* chaired by the Prime Minister. The *Interministerial Working Group* chaired by the Minister of Finance was responsible for the operational activity in preparation of the strategy. The group consists of all deputy ministers and one department director from each of the key ministries.²² *Technical Sector Groups* and a *National Civil Society Advisory Group* were established to support the Steering Committee in thematic areas and to coordinate and incorporate civil society participation. Lastly, a *Technical Secretariat* was established in the Ministry of Finance responsible for final preparation of the strategy.

Box 2. Key Stages in the PRS Process	
	2000
June	I-PRSP presented to the BWI Boards
	2001
January	Steering Committee for the GPRS established Minister of Finance appointed National Coordinator for the GPRS
	2002
August	NSSD serves as main document for preparation of new Government's program
November	National Conference on NSSD marks first anniversary
September	PM order establishes M&E units in line ministries. NSSD Secretariat upgraded to Directorate level
	2003
May	First Annual Progress Report approved by Council of Ministers.

This focal unit was later elevated by the Prime Minister to a *Directorate* with equal standing to other Directorates such as the Budget and the Treasury.

25. The obvious limitations of the I-PRSP exercise emphasized the need for a different approach to the full PRSP. It was evident that both the central and line ministries lacked the capacity to draft the document and to carry through the process of consultation. The Bank made it clear that a more substantial role for its staff in the

²¹ Delay in Board submission due to successive changes in Albanian Government.

²² The Interministerial Working Group consisted of the Ministries of Finance, Health, Education, Labor and Social Affairs, Agriculture, Economic Cooperation and Trade, Local Government and Decentralization, Transport, and Public Works and Tourism.

drafting process would not be consistent with the visible Government ownership which was being sought. With the financial assistance of DFID, the Government hired three local consulting firms, including most prominently the Institute of Contemporary Studies (ICS), a local non-profit organization, to support the drafting of the PRSP.

26. The ICS included a number of former Government officials who had done work for the Bank in the past and understood the kind of presentation and language which would be required for documents such as the PRSP. This was not a matter of ‘farming out’ the work as the consultants worked closely with counterparts in the Government and with NGOs to ensure that the document was indeed a Government and national strategy. Their role was to ensure that the topics covered, the formats, and actual drafting measured up to the guidelines provided by the Bank.

27. Initially, there was a limited analytic base available for the PRSP. The most important weaknesses at the outset were the absence of serious data and analysis of poverty issues. The statistical agency (INSTAT) could collect data but had no capacity to analyze it. UNDP had carried out a series of Human Development Reports through local consultants and academics, and these had contributed to an understanding of poverty but there was still a major gap in analyzing the status and dynamics of income poverty and how it was likely to be affected by policy changes and expenditure allocations.

28. The decade of the 1990s was a period of enormous demographic change through both emigration and internal migration. The departure of young Albanian males to foreign countries and the movement of population from the rural areas to the peri-urban areas of some of the larger cities was a very significant phenomenon with direct impacts on the structure of poverty. A number of key pieces of analytic work needed to be undertaken during preparation of the PRSP in order to update the data on poverty. The census of 2001 was an important first step in the process, allowing the institution of a LSMS. In addition, the Bank undertook a poverty profile, a qualitative review of poverty and a poverty assessment. By mid-2002 the statistical underpinnings for strategy work had been put in place.

29. In November 2001, a strategy covering the period 2002-4 was launched and submitted to the Bank Board in February 2002. Ten days before the Board review date the Prime Minister resigned and the Bank and Fund elected to withdraw the document from consideration until the situation had clarified. The fight within the ruling party for the position of Prime Minister continued, however, and there were four governments in power between November 2001 and June 2002. The document was eventually submitted to the Board in June 2002. The dispute over who would be Prime Minister was finally resolved at the end of July 2002 after which time the ministries were able to focus again on the document.

30. Eight months of potential implementation had been lost. This said, a number of Albanian officials noted that the PRSP provided a very useful ‘fixed point’ for the technical staff of the ministries who had to work with a revolving door of ministers during the period. In addition the intervening time enabled the analytic and statistical

base of the strategy to be substantially strengthened. In order to address the delay in implementation, the Prime Minister issued two key executive orders. The first required each ministry to undertake monitoring and evaluation; the second formally established the Ministry of Finance as the coordinating unit and strengthened the Secretariat, elevating it to a Directorate. Although the Ministry of Finance had played a coordinating role previously, it was only able to do so in its capacity as the ministry responsible for coordinating the PRGF and World Bank adjustment support for Albania, and it had not been given the additional staffing it needed to play a broader role in aid coordination.

II. The PRSP Progress Report

31. In late 2002, the Government began to prepare the Progress Report on the PRSP which was presented to the Bank and Fund Boards in June 2003²³. The same consultants were recruited by the Government to support this effort, but this time around the initial drafts were prepared by the ministries themselves with the consultants commenting on them and redrafting where necessary. About 80 people in Government were involved in the preparation of the report. Although billed as a Progress Report, the exercise in fact turned into a full-scale up-date of the PRSP. It makes use of some of the preliminary data prepared by the monitoring and evaluation units, including self-assessments from the line ministries, but also substantially revises the objectives in line with the evolving economic situation. It also attempts to integrate the EU's SAP and the Millennium Development Goals. This said, such an intensive effort is unlikely to be replicable year after year, and the Government needs to design a lighter process which relies to a greater extent on standard reports.

III. Relevance

32. The PRSP was a highly relevant intervention for Albania. The timing of the PRSP was opportune, coming at a point where the Government could begin to think about a coherent development strategy. By late 1999 the Government was finally beginning to look ahead and there was a need for planning and strategizing. At the same time, the instability of successive Governments due to conflicts within the ruling socialist party, made it difficult for senior officials to look beyond the short-term. While the Albanians may not have liked the PRSP's name, there was a strong commitment to poverty reduction both through growth and specific pro-poor expenditures. The relation with the EU accession process was a complicating factor but there was no fundamental inconsistency and it was a matter that could be handled by careful management by Government, Bank and EU. While the Government did not have the capacity to draft a polished PRSP, it had capable senior officials who were able to contribute effectively to the process and learn from the experience. Finally, during a period of political instability the PRSP was able to provide some continuity in the strategic focus of different governments. The perceived relevance of the PRSP both as a model for poverty reduction and as applied in practice was reinforced in the survey of stakeholders undertaken by

²³ The mission received an advance draft of the Progress Report and comments made on the basis of the draft were later verified in the final Progress Report.

OED.²⁴ The majority of respondents also agreed that the PRSP improved on past modalities of assistance to Albania.

IV. Application of Principles

Country-led with broad based participation.

33. **Ownership.** There has clearly been a positive progression in the degree of Government ownership over the life of the PRS Process - a little over three years. Initially, there was very little ownership of the PRSP outside of the Minister of Finance and the Secretariat coordinating the process. Ownership among the line ministries varied and depended on the existence of a ‘champion’ of the process at a sufficiently senior level in the concerned Ministry. The Deputy Minister of Agriculture was an early supporter of using the PRSP as a framework for a sectoral strategy, while in the Health and Education ministries there was limited interest. There are reports of the Ministry of Finance pleading with Ministers to read the sections prepared by their own staffs. The PRSP document itself is by no means the kind of document the BWIs would have prepared – not worse, but different. As such it provides a genuine reflection of the way in which the Albanian authors (both within and outside the Government) saw the economy.

34. The interregnum from mid-2001 to mid-2002 did little to build ownership, but the new Government which took office in August decided to utilize the PRSP as the basis of the Government’s own program (see Box 3.). In the words of a Senior Official: *‘The Prime Minister saw the value of a clean and clear strategy as well as monitoring and evaluation to give an insight into progress.’* As noted earlier, the preparation of the first Annual Progress Report demonstrated the Government’s renewed commitment to the process and the strengthening of the PRSP Secretariat. Without exception, observers both inside and outside Government point to the improved capacity of the technical personnel to understand the strategy process, make effective use of data, present alternative scenarios, define policies, programs and medium-term budgets associated with policy objectives, and the increasing seriousness with which this is being taken at both the ministerial and inter-ministerial level.

Box 3. Political Uncertainty and the PRSP

The Albania case clearly underlines the challenge of ensuring ownership in the context of frequently changing governments. The case also highlights the potential value of the PRSP in maintaining a strategic focus in such situations. A key related point is the need to calibrate the PRS process with the domestic electoral cycle and reduce the frequency of the full PRSP to four years in Albania rather than three.

35. The process is far from optimal. All sector ministries are not yet engaged to the degree needed, inter-sectoral coordination remains weak and, as discussed later, a range of steps still need to be taken to mainstream the process, but, given the starting point, the improvements in the process must be considered a major achievement. There is a sense in

²⁴ 53% of respondents agreed that the concept of a PRSP was a good model for addressing poverty reduction in Albania – the most positive response in the Albania survey. See Survey Results in Annex 8.

the Government that the PRSP is here to stay. One piece of evidence of this is that the Government has gone beyond ‘the instructions’ for preparing PRSPs by incorporating a majority of the ministries in the PRSP and not just those with a direct poverty impact. Even the Ministry of Defense has been required to set up a monitoring and evaluation unit, for example.

36. As far as broader public ownership of the PRSP is concerned, beyond the Government and civil service, the picture is still a mixed one. The launch of the PRSP was widely publicized but coverage of the process dropped until the publication of the Progress Report. The mission met for example with a group of school principals in Shkodra most of whom did not know about the PRSP, while those who did, did not regard it as relevant to their work. This highlights a disconnect between ownership by central Government and ownership in the Regions a problem which persists under the current Progress Report.²⁵

37. **Public participation** had not been a major part of the Albanian political landscape prior to the PRSP. The Government had little idea of how to access CSOs and organize their involvement in the PRSP. At the start of the PRS Process the Carter Center had begun working with CSOs in Albania towards the creation of a *National Development Strategy*, similar to that created by the Center in Guyana. At the Government’s request the Center opted to discontinue what would have amounted to a parallel national strategy process in favor of a role as facilitator of the PRSP consultative process. The Center’s role was to ensure an effective mix of participants from all parts of civil society and while participation was open to whoever was interested, specific NGOs were asked to participate. A large stakeholder workshop was held in late 2000 as an entry point for CSOs in the process and the government presented the I-PRSP and sector strategies to participants. The process continued with three round tables on the first draft of the PRSP, one each for local government, the private sector and civil society. Consultations were continued for each of the three drafts. The Carter Center prepared a formal list of 30 points raised by civil society which were presented to the Government and there was an effort by Government to reflect them in general terms in the document, if not yet in the specific programs. It proved useful to have the Carter Center facilitate the process in its initial stage and the process was perceived by participants to be more credible as a result.

38. Consultations with **the private sector** were the least satisfactory among all stakeholders. The Government used the FIAS report on the concerns of the private sector as a basis for consultations. Private businesspeople and their representative organizations came to the sessions with an agenda and were interested in discussion of issues which affected their own enterprise, usually concerning particular aspects of the tax system. While these were certainly legitimate issues, they were difficult to deal with in the context of the PRS which was geared to broad strategic directions. As a consequence, private sector representatives expressed their dissatisfaction with the process and stopped participating after one or two meetings.

²⁵ This point was also raised in World Bank and IMF (2003).

39. The **regional consultations** with local governments and local civil society were an important part of the process. In most cases, consultations were facilitated by regional representatives of national NGOs, though the Carter Center took responsibility for organizing comments and reporting on them to the Government in Tirana. The regional consultations were extremely useful in pointing up the weaknesses of local programs and their implementation. They led to calls for the development of regional strategies and in some cases these are already under preparation.

40. The Government did not consult with **parliament** during the preparation of the PRSP. It made little effort to involve parliament in the initial stages and parliament was out of session during the critical period of PRSP consultations. A number of steps have since been taken by the Government and donors to strengthen the role of parliament. These include long-term donor projects to improve the capacity of MPs to participate in the process. In preparing the Progress Report discussions were held with the Parliamentary Committee for Economics and Finance. The Government has recognized that parliamentary involvement is necessary given that many of the policies will require legislative changes.

41. The level of **public awareness** and the **role of the media** in support of the PRS Process have both declined since the PRSP was launched. The preparatory stages of the PRSP were, by all accounts, well covered in the media. The Carter Center publicized consultations at the national and regional levels, including reporting on specific recommendations made by stakeholders, while UNICEF provided funds and technical assistance to the government to formulate a public information strategy. Coverage of the process has, however, dropped sharply since the well-publicized launch in November 2001. Awareness of preparation of the Progress Report was negligible during the mission. Regionalization of the strategy is seen as one step to increase the relevance of the strategy for a wider audience.

42. The role of the media in publicizing the process has also been constrained by a **decrease in transparency**. The media refer to a “re-centralization of information” on the part of the government, mostly related to an executive order which restricts comments to the press to Ministers alone. Their limited availability mitigates against an independent role for the media in monitoring progress of government initiatives.

43. It is difficult to assess the degree to which the views expressed in the course of consultations were listened to and the extent to which these were integrated into the document. The views of civil society on this are mixed. Many of the participants came to the negotiations with agendas which had little to do with the PRSP, and inevitably there was little attention to these. By and large, the most positive assessments have tended to come from the core civil society NGOs which have been involved on a fairly continuous basis and have come to be used as sounding boards by the ministries. It is clear that the Government supports the consultation process and understands its value and that in the absence of the PRSP there would be a greater attempt to bring civil society into the decision-making process than in the past.

44. Consultations for the Progress Report were completed in only three months, a short timeframe which, according to the Joint Staff Assessment (JSA) of the Progress Report, “reduced their quality and credibility”.²⁶ Nevertheless, a number of encouraging steps were taken in preparing the Progress Report; the Government asked line ministries to consult directly with sectoral NGOs improving the likelihood of regular interaction; radio call-in shows were used to discuss aspects of the strategy; and a system of regional focal points has been established which will coordinate consultations at the local level and strengthen regional consultations.

Comprehensive and long term

45. The PRSP focuses on the priority sectors of health, education, and infrastructure. Improved governance and growth through private sector development are the two main pillars of the strategy and social support and macroeconomic stability are the conditions for its implementation. European integration is stated as Albania's long-term objective and the immediate economic goal is to achieve GDP growth of 7% per annum between 2002-04. The main targets of the strategy are presented in Annex 1.

46. The lack of prioritization of the PRSP is a major weakness in the approach. To some extent the lack of priority reflects the multi-dimensional nature of the poverty issue and the need to work on a wide range of fronts in order to achieve progress. But within sectors the programs tend to be a laundry list and the lack of prioritization in part reflects a lack of clarity about the core objectives to be achieved and measured. In the Health sector a number of clear targets are set, however, these are ambitious and cover a wide range of areas. The targets include, achieving 100% coverage of the territory with health centers, vaccination of 100% of children under two, and transforming five major hospitals into regional hospitals, all within two years. There was strong consensus among respondents in the OED survey that the targets and plans in the PRSP are not realistic.²⁷

47. Three areas of program design should be mentioned as representing significant weaknesses in the strategy. These multi-sectoral areas have not had the same focus as the regular line ministry programs, yet they dominate them in importance for Albania's future. The first is **private sector development**. Albania's future growth and successful poverty reduction over time will depend on the development of small and medium enterprises. PSD is in many respects the core of the strategy, but it is not well handled in the PRSP. The PRSP comes across very much as a plan for Albania's public sector. The strategy does not do an effective job of bringing together the programs in governance, judicial reform, trade policy, financial sector development, tax administration, infrastructure provision and privatization of basic services, which will be needed for effective PSD. These issues are fully detailed in the FIAS report and, as emphasized by the Minister of Economy, *‘the FIAS report must be converted from a study to a work program.’*

²⁶ World Bank and IMF (2003).

²⁷ See Survey Annex 8.

48. A second key area where the PRSP is deficient is in addressing **decentralization**. The Government is carrying out decentralization, but in a piecemeal way with different approaches being taken in different ministries and a lack of clarity about the overall approach. Local governments have not been adequately consulted, briefed and trained to implement it. There is a genuine issue of how quickly to proceed, but in some areas more progress could have been achieved. Ministries are seeking to keep control over revenue collections and expenditures. For example every Mayor consulted by the mission complained that while small business revenues have been transferred to the local level, for the next two years they will still be collected by the Central Government tax offices in the municipalities, which lack the motivation to collect the taxes that the local government offices would have. The PRSP could have been used more effectively to provide a roadmap for all elements of the decentralization program, which would indicate to the ministries, local governments and communities, the way in which this will proceed and enable the capacity to be put in place at the local level to implement it effectively.

49. A third area is **urban infrastructure**. While rural development has been the subject of some focus in Albania, the same is not true of urban infrastructure for the peri-urban areas of the major cities. As a consequence of the pressure of poverty in rural Albania, the peri-urban areas are teeming with immigrants from the North and North-East regions. They have makeshift arrangements for housing, electricity, water, schools, roads, etc. Urbanization in Albania will increase further and there needs to be a focus on the development of these areas in which the quality of life is unacceptable for many inhabitants.

50. The need for a realistic overall financial resource dimension of the strategy which then moves to **costing** the strategy **and aligning the budget** with the financial requirements, is an area where there are serious weaknesses. The strategy does not present an integrated view of the fiscal policy linkages between budgetary resources, donor coordination, fiscal sustainability and the business climate. Revenue and foreign financing projections have tended to be overoptimistic, resulting in scrambling to reduce expenditures towards the end of the budget year. This said there is some reason to think that the PRSP process has led to small improvements. The Medium Term Expenditure Framework (MTEF), set up explicitly to underpin the PRSP, provided an analytic tool for developing a better linkage between the strategy and the budget. The follow up which the Bank provided through the PRSCs has been another important element of this alignment. The ministries were asked to align the PRSP with their submissions for the MTEF and the timing of the two has been well calibrated to enable them to do so. PRSP submissions are made in March, the MTEF in June and the annual budget in October. The MTEF now covers 85% of the Annual Budget. An important step in future will be to include more explicit discussion in the Budget document of how it relates to the PRSP.

Partnership

51. Partnership among the donor community and the alignment of donor-assisted programs with the PRSP has undoubtedly been the most difficult area of the entire process. In the survey conducted by OED, donor coordination received the most negative

of all ratings with the majority of respondents finding the level of donor coordination to be inadequate.²⁸

52. Donor coordination in Albania is complex because of the large number of donors. Many European countries are active in assisting Albania including some such as Italy (the largest bilateral donor) and Greece with relatively small bilateral aid programs overall. In 1997 there were twenty two major donors supporting 309 operations in Albania.²⁹ In addition, the EU's SAP introduced a framework of policies towards which Albania was expected to work over time. While none of these is inconsistent with the PRSP, they are focused mainly on democracy and governance and to a very limited extent on poverty reduction. In some respects, of course, this makes coordination easier to achieve on the basis of complementary activities, but in practice the EU agenda competes for the scarce time of key officials.

53. Initially the lead in donor coordination in Albania was taken by the EU which provided technical assistance to the Government in the area of aid coordination. After the events of 1997 the monitoring

of the progress of reforms was taken over by the "Friends of Albania" a group comprised of representatives from 45 donors and agencies. The group meets under the aegis of the Organization for Security and Co-operation in Europe (OSCE) which has responsibility for monitoring the Balkan Stability Pact. The OSCE, however, is a political instrument which convenes meetings to discuss donor programs, without working with the various Government structures in charge of aid coordination. It does not have growth and poverty reduction as its primary focus and as such it was not well placed to coordinate economic and social assistance. Meanwhile, the capacity of the Government to play an effective role in donor coordination remains poor (Box 4.)

Box 4. Weak Government role in aid coordination

Responsibility for aid coordination within the Government of Albania is unclear. There is a traditional overlap and dispute between the Ministries of Economy and Finance in this area, which intensified after 1997. At present the Ministry of Economy is attempting to strengthen its capacity in the areas of aid programming and coordination with EU technical assistance and an Aid Management project financed by UNDP. The EU integration structure in the Council of Ministers, headed by a Minister of State, has established similar functions to coordinate donor support for the SAP, again with EU technical assistance. The Ministry of Finance has responsibility for coordinating and monitoring donor programs under the MTEF and PRSP. Partly as a consequence of these overlapping responsibilities, an effective Government role in donor coordination is almost non-existent in Albania.

54. A number of donors perceive the PRSP as a Bank-driven process and are unwilling to align their own approach and programs with the PRSP. This perception emerged in spite of a number of meetings held during the PRSP process to discuss donor participation. The problems of donor coordination in Albania pre-date the PRSP. There have been different views among donors on the relative roles and responsibilities of the

²⁸ 46% of respondents rated the current level of donor coordination to be inadequate. See Survey Annex 8.

²⁹ World Bank (1998), p.15.

Ministries of Finance and Economy and this has complicated even basic exercises such as compiling a database on past and current aid commitments. Another complicating element in using the PRSP process to foster better donor coordination in Albania was the publication of the MDGs when the PRS Process was a year old. The MDGs are of course about poverty reduction, but they cover a specified list of topics some of which are highly relevant to Albania but others that Albania has already achieved or is very close to achieving. From the Bank's perspective the PRSP provides a coordinating framework in which the Government can decide which of the long-term goals it will focus on during the three year time-frame. UNDP, given its mandate for monitoring progress on the MDGs, has tended to view the PRSP as a potential input into the achievement of the MDGs rather than as a free-standing poverty reduction strategy. Considerable tension was also reported between UNDP and the Bank regarding the approach for monitoring in Albania.

55. To a large extent, the sustainability of the PRSP will depend on the donor community. If they align their programs to support it, then the central and local governments, and communities, will see the advantages of developing their own programs under the PRSP umbrella. At present the situation is very mixed in this regard. While some donors are indeed aligning their programs closely in support of the PRSP for others it is simply business as usual. Increasingly donors are paying lip service to the need to coordinate with the PRSP and commenting on its value as a coordinating strategy, but as yet the money is not following these commitments. Without significant movement in this regard in the next few years the PRSP will go the way of earlier strategies. In the words of one foreign expert in Tirana: *"NSSED is there, it is not just a fad. It would be a disaster for the donors to walk away from it now"*.

Results Oriented

56. One of the main strengths of the PRS Process in Albania has been the realization by Government of the importance of M&E and the progress made in establishing the structures and indicators to monitor the NSSED. In September 2002 the Prime Minister issued a decree calling for monitoring units to be established in each line ministry and for the establishment of indicators to be used in policy formulation. Under the new Prime Minister a new unit was established under the Secretary General of the Council of Ministers responsible for conducting policy analysis and M&E.

57. The improvements in the analytic base are a first step to better prioritization. The development of indicators and their measurement is critical and contributes to a definition of programs which is much more focused. The Prime Minister: *'We need to bring the metrics into conformity with the national strategy'*. There is still an issue of the number of indicators, but overall the sector programs are now much more transparent and there is a basis for discussion about what the priorities should be. This also provides a much better basis for consultations with civil society. In the education sector, for example the comments focused on two broad areas: the need to improve the quality of tuition, and to better maintain and upgrade the infrastructure. The selection of monitorable and measurable indicators is all the more important given the weakness of the statistical data

in Albania, and the difficulty of using the overall statistical system to measure progress.

58. The NSSED Progress Report describes further progress in setting up the monitoring infrastructure. M&E units and plans for monitoring have been established in 12 line ministries. In addition, the role of the NSSED Directorate in monitoring progress in the NSSED has been clarified.

V. Institutional Development and Capacity Enhancement

59. The Government has begun to put in place the structures and procedures which can effectively institutionalize the PRSP through the Progress Report, the MTEF, and the Budget. The Ministries now have the policy and monitoring units which are needed to carry out this work. There is still much to be done in bringing these units up to the required level, but the structures are in place and in most cases the staff has been recruited.

60. One aspect which should help considerably in institutionalizing the PRSP is the increasing weight which is being given to the MTEF. The MTEF is another process which is increasing in realism and perceived value from year to year. The support of DFID has helped to keep this on track and the alignment between the strategy and the MTEF and between the MTEF and the Budget is gradually improving. There is still a tendency to start each year's MTEF afresh instead of focusing on the new programs to be introduced in the outer year, but this in part reflects the volatility of Albania's program. It also reflects the changes which donors introduce and the lack of up-front programming information on donor activities. Integrating the donor support more closely with the MTEF and the Government's budget cycle is another aspect of donor coordination which needs increased focus.

61. Despite these achievements there is still a long way to go in establishing structures and strengthening those which have been established in the Ministry of Finance and the line Ministries in support of the PRSP.

- There is a need to standardize the PRS Process: to propose and implement methodologies for programming, public participation, monitoring, reporting, evaluation, and to prepare and adopt the related regulatory framework.
- Sectoral Action Plans and Local Development Plans need to be prepared and aligned with the specific sector strategies of the PRSP.
- The Government needs to take the lead in donor coordination, resolving the questions of structures and responsibilities and consolidating the PRSP as the main instrument of coordination,
- Priority measures of the PRSP need to be monitored and the capacity of civil society to participate in a parallel monitoring system needs to be developed.
- A PRSP public information strategy should be devised to ensure the transparency of PRSP financing, implementation and results.

62. The Government of Albania has the skills to carry through most of this ambitious agenda. Albania's **senior civil service** is a competent group that has learned to adapt quickly given the high Government and staff turn-over.

63. Transforming these skills into capacity is the challenge. Lack of capacity is cited as a central concern of the PRSP and is echoed by all levels of Government, CSOs and donors. Capacity requires both skills and motivation and it is in this latter area that the focus is needed. A significant part of the problem has been the rapid turnover of staff in Government jobs. This was largely due to the low salaries paid to Government officials. Private sector jobs were relatively attractive and the possibility of emigration represented an alternative for many. The Government has taken a significant step by raising salaries over the past two years, such as in Health and Education. Senior government officials are now getting remuneration at levels which are not dissimilar from the private sector.

64. A second factor in rapid turn-over has been the patronage system in the Government. With the frequency of Government changes in Albania, this has meant that a number of able civil servants have been displaced and their place taken by political appointees. These people were sometimes poorly qualified for the job they were given. An important achievement was the success in getting agreement to reduce the number of positions subject to political appointment, and opening up the remainder to competitive selection. There are still issues of implementation of the rules which need to be addressed however.

65. The weakest area of capacity remains the **local governments**. This is both a matter of skills and motivation. Except in Tirana, salaries have lagged the Central government and training opportunities have been much more limited. While one minister mentioned that each of his staff had been to at least 10 training programs, at the local level the training effort is not yet adequate. In addition, local governments need to develop strategic programs which are linked to, and consistent with, the PRSP framework. A few municipalities and communities have begun work on local strategies, but these are separate exercises which are unrelated to the PRSP. The development of local strategies with inputs from civil society is an important step in building the sense of community involvement in the process and buy-in for the national strategy.

66. NGO representatives in the regions complained about the poor quality of local government staff and the over-staffing of many offices. A hospital director pointed out that instead of having 20 people dealing with the heating needs in the public utility, he could outsource these to a private company with 5 workers. Privatization of basic services can and should be an important part of the strategy for dealing with the capacity issue at the local level. There are promising models being developed in managing the water sector in Tirana and Elbasan through concession agreements.

67. There has been support for development of the capacity of the **NGOs** by a number of donors. The need now is for civil society to play a role in helping to get better governance and in fighting corruption. For this purpose, civil society needs to form watchdog groups to get into the details of government programs, including procurement.

A recent Bank mission discovered, for example, that Albania was overpaying for textbooks by 42% and even then procuring lower quality products than the surrounding countries. Oversight by teachers' unions or other representative bodies could make a major contribution to improving the operations in these areas, but to do this training will be required and structures which permit this role will need to be established.

VI. Net Benefits of the PRS Process thus far

68. The calculation of net benefits is a function of the change in benefits and costs which resulted from the PRS Process. In almost all areas identified by the PRSP there were active programs under way which continued to be implemented perhaps with some modifications as a consequence of the PRSP intervention. The key areas where the PRSP resulted in tangible costs are as follows:

- **The Consultation process.** There was very little consultation prior to the PRSP. The Carter Center utilized \$1 million in funds from the Dutch Government to support the consultation process in Albania and there were some resources also provided by other donors. The net cost to the Government was low – some officials spent time attending these sessions and reading the analyses which the Carter Center prepared on the comments from civil society.
- **Strategy Preparation.** The strategy preparation was a relatively new process for Albania and considerable resources had to be allocated from the Government. This, however, was a good deal less than would have been required if the strategy had been prepared by the Government without the PRSP model to draw on. The consultants who helped prepare the PRSP document, were financed by DFID at a cost of about \$100,000. The review of the strategy by senior Government officials should probably be regarded as a benefit rather than a cost.
- **Monitoring and Evaluation.** The setting up of monitoring and evaluation units in the central and line ministries as a consequence of the recent executive order is also an additional cost incurred as part of the PRSP. The benefits of this process go well beyond the PRSP however and this had been funded through a UNDP support program to the Government in the mid-1990s. The monitoring unit in the Ministry of Finance is probably the one clearly identifiable additional budgetary cost as a consequence of the PRSP. This is a small unit however, and the budget is less than \$30,000 a year.

69. While the costs have been minimal it is important also not to over-state the benefits which have derived from the PRSP.

- **The Consultation Process.** The benefits of consultation are likely to be long-term in nature. It is difficult to say that the PRSP is a better or more responsive document as a consequence of consultation. Public awareness of both the PRSP and the consultation process is fairly limited. The benefits include the better understanding on the part of key Government officials of the potential value of consultation and by the politicians of the potential political returns to consulting;

the experience in how to manage the consultation process; and providing a more constructive role and focus to Albania's relatively new NGO movement.

- **Strategy Preparation.** Here the benefits are significant. The PRSP seems to have brought home to the Albanian Government that it both needed to and could prepare a medium-term strategy. The PRSP has helped to put in place the databases, the monitoring and evaluation framework, the MTEF and analytical underpinnings of the strategy development process and has helped to create a core of people within and outside Government who understand what a strategy entails and can provide inputs into it.
- **Strategy Implementation.** The impact of the PRSP on the ground is likely to be less important for the next year or two. Most of the programs were started well before the PRSP and there was little strategic realignment which took place as a consequence of it. The PRSP is a broad ranging document, consistent with most allocation patterns and donor projects. It had little impact on the content of donor programs even including the World Bank and has not yet had an impact on the implementation process.
- **Monitoring and Evaluation.** The impact has been positive here. The PRSP undoubtedly crystallized the Government's decision to move ahead seriously with monitoring activities in all ministries. This is a development which could have a very useful impact on program implementation.

70. Overall this adds up to a favorable cost-benefit ratio from the Albanian perspective. Awareness of the potential benefits of the PRSP is undoubtedly motivating the increased ownership of the process. This is most apparent in the high level of commitment to the PRSP Progress Report.

D. WORLD BANK SUPPORT

I. The World Bank in Albania

71. Albania joined the World Bank in 1991. Between 1992 and 1996 the Bank and donors focused on humanitarian and balance of payments assistance and rebuilding the collapsed infrastructure in the country.³⁰ Following the 1997 crisis, the Bank increasingly focused on governance. In June 2002 the Bank approved a Country Assistance Strategy (CAS) to support implementation of the NSSED by focusing on governance, private sector growth and human development. Albania's per capita income has exceeded the threshold for IDA, but the country still depends heavily on concessional assistance, and given the structural fragility of the economy, will

Box 5. Key Stages in Bank Assistance	
2000	
June	Bank endorses I-PRSP
2001	
Nov	NSSED launched
2002	
May	Bank approves PRSC I
June	Bank endorses PRSP
June	Bank approves new CAS
2003	
May	Govt. approves Progress Report
July	Bank endorses Progress Report

³⁰ World Bank (1998), p. 11.

continue to access IDA resources. The current CAS notes that Albania could start limited IBRD borrowing in a high case, but that this is more likely to happen from FY06 onwards. The next CAS will address the potential path for graduation from IDA.

II. World Bank Support for PRSP Formulation

72. The Bank has made a substantial commitment to the Albania PRSP over the past three years. Much of the managerial focus on Albania was absorbed by the PRSP. The Bank's role in the process was of course greatest during the early stages of the process when there was little understanding of the PRSP. The Bank worked closely with a core group in the Ministry of Finance and through its contacts in the Sector Ministries to build understanding and commitment to the PRS Process. There was a great deal of involvement of the Country Team in the process and almost the entire team was mobilized to support the review and preparation processes. The Bank and IMF provided a 12 page set of comments on the draft PRSP document, incorporating inputs from all members of the Country Team. Most of this was done in tandem with other sectoral programs in Albania.

73. The Bank's involvement in the preparation of the PRSP was well judged and took into account the experience of the I-PRSP. The Bank moved back when the full PRSP preparation began, to allow the Government to take charge. At crucial stages in the process, the Bank kept the Government focused on the PRSP. This was achieved first through the preparatory work on the PRSC and the Bank's support for the development of monitoring and evaluation capacity, and second through a consistent dialogue at the technical level. A series of missions were undertaken in order to take stock of progress during the formulation of the PRSP and to discuss the alignment of the PRSC with the PRSP. In the words of one senior official: "The steady pressure from the Bank was important in reviving the PRSP in late 2002".

74. **Staffing.** The Bank Country Team and Country Office were adequately staffed to provide support to the PRS Process. The Country Officer in Washington was the Task Team Leader for Bank efforts in support of the PRSP, allocating a majority of their time for this task. In addition, an international consultant was recruited to follow the PRS Process from the Tirana office, in addition to time spent by a Bank staff based in Tirana.

75. **Analytic Work.** Bank support for the formulation of the PRSP emphasized the need to improve data collection and monitoring. The Bank worked with the Ministry of Labor and Social Affairs and INSTAT to prepare a poverty profile as input to the PRSP. This was based largely on a 1998 Living Conditions Survey and a 2000 Multiple Indicators Cluster Survey. The Bank also supported a Qualitative Poverty Assessment in ten areas during formulation of the PRSP. The existent poverty data in Albania was weak and the Bank emphasized the need to update and improve on the collection of poverty data beyond preparation of the PRSP. The PRSP emphasizes the Government's commitment to an ongoing improvement in poverty monitoring. The first LSMS was produced after finalization of the PRSP and used in the Progress Report.

76. The Bank also provided support for the sectoral/thematic dimensions of the PRSP. The Bank supported the formulation of a Rural Strategy as input to the PRSP. This was conducted in consultation with the relevant rural civil society and technical working groups. A Poverty and the Environment Workshop was organized in April 2001 to discuss the linkages between environment, growth and poverty. The FIAS report on barriers to investment was used by the Government as the basis for its consultations with the private sector on the PRSP.

77. **Bank Support for Consultations.** The Bank played an effective and appropriate role in support of the consultations in Albania. This was a particular mandate of the country office and a staff member was dedicated to supporting the consultation process. The Bank recognized the value of an arms length relationship for both it and the Government in the initial phase of the consultation process and realized the role which the Carter Center could play as an independent facilitator. The Bank was instrumental in persuading the Carter Center to refocus its efforts away from the creation of a parallel national strategy and towards supporting the PRSP as an independent facilitator.

78. The Bank's involvement in the public awareness side of the PRSP has had more mixed results. Although there was an explicit PRSP media campaign which was independent from the Bank, it does not seem to have been very effective in creating public awareness of the PRSP. By default much of the public attention to the PRSP came from public coverage of the statements of visiting missions and senior Bank and Fund officials. This has reinforced an image with the Albanian public, of the PRSP as a Bank/Fund sponsored process. It will be very important going forward to further lower the Bank's public profile on the PRSP and to stress at every opportunity that this is meaningful only as a Government-owned process.

79. The importance of early **consultation with the Parliament**, was, however, neglected, and the Bank could perhaps have kept a closer watch on the effectiveness of the Government in enhancing consultation in this area. In November 2002 the Parliamentary Network on the World Bank (PNoWB) organized a visit of MPs to Albania in order to review progress with the PRSP and specifically the participation of Parliamentarians in the process. The mission found that Parliament remained the weakest represented stakeholder, both as a result of failure to integrate MPs into the process, and inherent weaknesses in capacity of the MPs to participate.

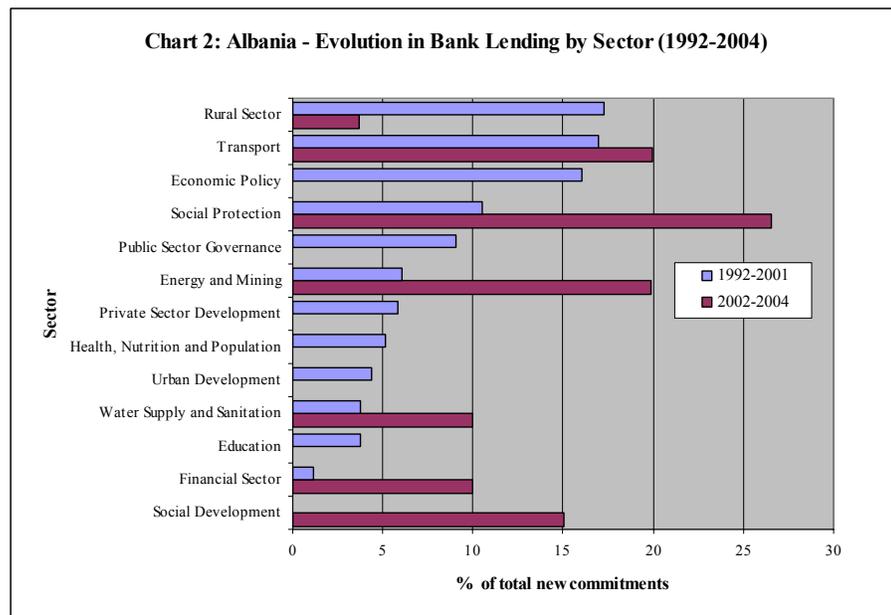
80. The Bank, along with other donors, has taken steps to increase the role of Parliament since the NSSD was issued. In May 2002, a WBI-sponsored workshop with parliamentary leaders outlined the potential role of Parliament in monitoring progress. Following these discussions, and given its comparative advantage in the field, the OSCE launched a capacity building and modernization project to provide long-term assistance to strengthening the role of the Albanian parliament in the PRS Process. Albanian MPs will now become members of the Ministerial Monitoring Committee and Technical Committee on cross sector monitoring.

81. The Bank has continued to use cross-country learning events and tools to support the PRS process in Albania. In November 2002, during preparation of the Progress Report, a Balkan Poverty Forum was organized by the World Bank, IMF, UNDP, and USAID. The event provided countries and donors with an opportunity to exchange their experiences on the process. Four *Development Debates* were held in preparation for the forum, involving a wide range of stakeholders and a policy note was prepared on each specific theme. In June 2003 a Basic Poverty Measurement and Diagnostics workshop for Balkan countries was held as part of WBI's Attacking Poverty Program. This constitutes the first stage of a three part medium-term strategy to strengthen national capacity in poverty measurement, monitoring, and in poverty impact evaluation. The Albanian representatives to the Poverty Forum, however, reportedly found it of only modest benefit and felt underrepresented in the regional forum. There was little awareness of the PRSP Sourcebook during the mission. Albanian officials are making substantial use of the World Bank website and may be accessing learning resources through this means.

III. Bank Alignment with the PRSP

82. The Albania program is unusually diversified, even by Bank standards. Projects range through almost every area of economic activity. The list of active projects includes; power, forestry, roads, private industry, ports, health, urban land management, community works, irrigation and drainage, micro credit, water supply, public administration reform, judicial reform, education, social services, financial institutions, agricultural services and fisheries (see Annex 4.). In addition there is an active program of environmental activities supported through GEF finance. This continues a long-standing Bank strategic design in Albania of carrying out numerous small investment projects with the objective of building capacity in many different areas. Between FY92 and 2001, 88% of approvals and 76% of commitments were investment loans. Following the PRSP, the Bank invested \$20 million out of a total program of about \$80

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million in PRSC I and in July 2003 the Bank approved \$18 million for PRSC II. This is a much lower proportion of budget support than in most other countries where PRSCs have been provided.

83. In terms of commitments, the Bank’s portfolio has become more selective over the past three years. Chart 2. illustrates a shift in lending away from the rural sector and into social protection, along with sustained and increased lending for infrastructure.

84. The argument for a multi-project strategy rather than shifting more resources to budget support has been the need for intensive engagement at the sectoral level and the difficulty of leveraging the line ministries through budget support activities. Sector Wide Approaches (SWAPs) provide an option for more direct involvement at the sector level, while maintaining overall budget support, but the Bank has not opted to go this route. Part of the issue has been the poor governance record and the concern about corruption in the Government procurement process and use of resources.

85. The proliferation of projects has led to a proliferation of PIUs in the line Ministries. As suggested earlier, this is an important cost of Albania’s many, uncoordinated donors, and it is a cost to which the Bank appears to have contributed. While the spread of projects over many different sectors allows for co-financing in areas of interest to particular donors, the large number of donor projects on the ground each utilizing its own rules for procurement, disbursement, auditing, and reporting, imposes heavy transaction costs on the Government.

Box 6. Core Diagnostic Economic and Sector Work[^]

Type	Most Recent Completion Date	Next Planned Completion Date
Poverty Assessment*	FY97	FY03
Country Economic Memorandum	FY99	FY04
Public Expenditure Review	FY01	FY05
Country Procurement Assessment Report	FY01	FY06
Country Financial Accountability Assessment	FY02	FY07

* The Government, with the support of the Bank, prepared poverty updates in FY00 and F Y01.

[^] Reproduced from CAS 2002 p.28

86. **Bank ESW.** The relatively generous funding of the Albania program has contributed to a generally adequate level of ESW with the various core diagnostic work being substantially on track as shown in Box 6 above.³¹ In addition other development partners also had significant programs of analytic work. Despite this, there seem to be some gaps in key strategic areas and even some of the traditional sectors which could perhaps have been filled more quickly if less of the budget was pre-empted by project work. A full list of the Bank’s non-lending activities can be found in Annex 5.

³¹ The Bank, in collaboration with the IMF, have completed or planned PSIAs in the following areas: energy tariffs, fiscal consolidation (FY03), pension reform, education spending, transport, and water sector privatization (FY04).

87. **CAS and PRSC Program.** The Bank’s CAS notes that it is aligned with the Government program. The Government program, however, lacks prioritization and can be argued as being broadly consistent with whatever the Bank or donors put forward. As a consequence while the CAS presents the strategy as being aligned, the CAS is also candid about the fact that the Bank strategy did not change as a result of the PRSP. At present most of the strategic weight of the program is carried by the PRSC which has done a good job of focusing on some of the key weaknesses. The CAS notes that the PRSP has promoted a useful evolution of processes towards greater reliance on partnership, increased focus on outcomes, etc.

88. Albania’s PRSC was the first operation of its kind in the ECA Region. In fact, Albania is the first country where the PRSP, the CAS and the PRSC all went to the Bank Board together. PRSC I was approved in May 2002 as the first in a series of three single tranche programmatic operations planned. The PRSC program has four areas of focus: promoting growth and private sector development; strengthening capacity to monitor and evaluate the policy agenda; improving service delivery and social safety net effectiveness; and improving core public sector functions and institutional arrangements. The specific PRSC triggers are clearly linked to PRSP objectives³² and include; pension reform, PRSP monitoring plan, provision of adequate funding for the statistical agency, adequate expenditures in health and education, and completion of a Country Financial Accountability Assessment. A \$15 million Financial Sector Adjustment Credit (FSAC) was sent to the Board at the same time as the PRSC in June 2002. According to a Bank staff member the FSAC was considered so critical to the reform program that it was not included in the PRSC, which was described as “difficult to put together and a major processing endeavor”.

89. PRSC II attempts to build on the progress made under the PRSC I, while addressing shifts in priorities under the PRSP Progress Report. As noted earlier, there has not been an extensive discussion of the Bank (and donors) moving more in the direction of budget support in Albania.

90. The need to build a more strategic approach around core areas such as private sector development, better basic service delivery, and urban infrastructure, is the key to a Bank program which delivers more than the sum of its considerable parts. The Bank’s sectoral programs need to carry their weight if the Bank is to provide effective signals to the Albanian Government about the need to develop a coherent strategic approach.

91. **Bank Support for Donor Coordination.** As already indicated the Bank has not been successful in supporting more effective donor coordination in Albania. The Bank convened sector working groups and these seem to have functioned well initially, but have now fallen into disuse. As pointed out earlier, the instrument of donor coordination through the “Friends of Albania”, convened by the OSCE is poorly suited to the complex economic issues facing Albania and has understandably not been seen by most donors as the preferred way to operate. The EU has its particular agenda relating to the SAP and the

³² World bank (2002b), Table 4 p. 40.

UNDP is focused on the MDGs which are arguably not comprehensive enough to form the basis for strategic coordination. The PRS Process is the obvious vehicle for donors to work with, but there has been a great deal of resistance to this because of the perception of Bank leadership which seems to set off much louder alarm bells in Albania than in many other countries.

92. It is unclear why the donors should react in this way. The Bank's conduct in the PRS Process seems well judged and it is hard to see a qualitative difference between the way the Bank's representatives whether the Country Director and Country Officer from Washington or the Country Manager in Tirana, or the various country missions, have conducted themselves which would account for the nature of the donor reactions. More probably it lies in the distinctive nature of the Albanian situation as a very poor country, in a strategic location, with European aspirations. This has made it of much greater interest to the donor community than say Moldova which is similar in size and has even deeper poverty levels.

93. Bank management made consistent efforts to promote more effective aid coordination in Albania. The Bank has sought to work collaboratively with DFID and other bilateral donors in supporting the PRSP. Both the Country Directors who were responsible for Albania during the period held close consultations with the EU and had considerable success in allaying concerns that the Bank was sponsoring a competing model. The Regional Vice-President was active in consulting both with the EU and with UNDP on the most effective way to coordinate the Bank's programs with their work. Given the EU's selective approach in Albania, support for small scale infrastructure represents only 16% of its annual allocation and the increased relative emphasis placed by the CAS on infrastructure was welcomed by the EU. The Bank is also seeking to coordinate with the IMF and EU in terms of conditionality. In June 2002, the EC and Bank held a workshop in Brussels to help clarify the linkages between the SAA and the PRSP.

94. The Bank was in a particularly delicate situation with regard to coordination with Government. Both Bank and Fund assistance are coordinated by the Ministry of Finance yet, the aid coordination portfolio in Albania rested with the Ministry of Economy which had received substantial technical assistance over the years to build up its capacity in this area from UNDP and GTZ. With hindsight the most practical approach would have been to propose aid coordination out of the office of the Prime Minister. If this was felt to be too direct an intervention the Bank could have done more to build a consensus in Government on the most appropriate approach and to try to garner donor support for that approach.

95. In Albania, donor programs appear to be prepared and implemented in large part as if the concerned donor were the only actor on the national stage (see Box 7). As a consequence of this overlap in donor work a very sizeable donor effort in Albania is not yielding the potential returns. In spite of the fact, for example, that the EU has substantial funding available for work on governance and improved public sector management, the Bank is funding Public Service Reform and Judicial Reform projects. Obviously these are

sectors in which the Bank needs to have a presence and to maintain a dialogue, but this can and is being handled through the PRSC. Much of the Bank's financing in these areas is likely to go for technical assistance which is in ample supply. The 2002 CAS represents a sensible shift in the balance of Bank financing to expand support for Albania's under-invested infrastructure through loans for power, water supply and roads. These are currently areas in which other donors provide little or no financing.

96. There is widespread recognition that one of the important benefits of the PRSP is the closer coordination between the Bank and IMF. This is a very positive story in Albania. The two teams have worked

well together and the PRSP has provided a much more effective coordination framework than the Policy Framework Paper did. The Fund factored in the need to maintain the increased level of social expenditures in providing its advice to the Government on the fiscal situation and the Bank, IFC, and IMF have worked together in building incentives for PSD into their proposals for reform of the tax system. The improved quality of Bank-Fund coordination was highlighted in responses to the survey of PRSP stakeholders conducted by OED.³³

Box 7. Examples of Poor Donor Coordination

Donors are not leveraging each others' efforts. Both USAID and the World Bank are reviewing Albanian competitiveness. EU work on money laundering did not reflect extensive IMF and US activities in this area.

Legitimate differences of view are not being resolved in a systematic fashion. Aggressive US line on decentralization at odds with World Bank and IMF concern over potential impact on social service delivery and tax revenues.

Donors are crowding a few areas such as governance, anti-corruption, and crime and are leaving critical infrastructure needs unmet.

97. **Support for Monitoring and Evaluation.** An important area of Bank assistance was the support for monitoring and evaluation. The PRSP team made extensive use of the central advisory capacity in the Bank and funded a number of missions to provide advice to the Albanian Government on how to develop its capacity in this area. The Bank was successful in convincing the government of the need to integrate M&E across all the line ministries. Two Bank missions were sent to Albania to the Government on setting up M&E systems and in December 2002, a Bank mission pushed successfully for implementation of the decree on monitoring. In addition, the Bank supported the participation of a technical staff member at the IPDET evaluation training program in Canada. This is also an area where the synergies with Bank project support activities were effective since the Bank had provided substantial training in the area of project monitoring and evaluation to the members of the PIUs and the Government was able to draw on these staff for the new ministry-level monitoring and evaluation units which were established.

IV. The Joint Staff Assessment.

98. The JSA of Albania's PRSP is well-written and picks up very clearly on the potential risks and the key areas of focus moving forward. It deals well with the

³³ See Survey Annex 8.

budgetary aspects and provides good linkage of the macro and sectoral components of the PRSP. With hindsight it is obviously too optimistic about government ownership and follow-up in the context of the Government in place in May 2002, but in the light of the later changes and the work done to prepare the Progress Report these judgments look much more accurate. It could perhaps have dealt more strongly with the risks of state capture and the centrality for private sector development of tackling the corruption issue.

99. The JSA of Albania's PRSP Progress Report (JSA PR)³⁴ assesses the progress in terms of the PRS process and in light of the comments raised by the first JSA. As already noted, the JSA emphasizes that a major shortcoming of the Progress Report process was the truncated schedule for preparation of the report which resulted in a lower level of participation than originally envisaged. The Progress Report is also criticized for not being candid enough about progress made since the PRSP. The JSA PR notes that progress has been made in a number of areas including: a better diagnosis of poverty through use of the recently completed LSMS; a better synchronized link with the MTEF; better linkage with the MDGs and SAA; and a better understanding of the PRSP in line ministries and an established structure and staffing to undertake monitoring.

E. LESSONS OF THE ALBANIA PRSP

100. On balance the Albania PRSP has been a successful experience for both the Government and the Bank. There are a number of features of this experience which constitute useful lessons for other countries going forward and a number of areas which the Albanian Government needs to tackle to enhance its own benefits from the PRS Process.

101. While the monitoring process in Albania is not perfect there have been encouraging steps taken. The approach taken, which combined training activities, substantial support from the Bank and the commitment and structures established by the Government should make this a good model to watch going forward.

102. The value of facilitation of the consultation process, at least in the early stages, is demonstrated by the Albanian experience. There is greater credibility when the Government is not choosing who to consult and the role which an outside body can play in ensuring that NGOs are given sufficient time to review documents and collating their comments is a very valuable one.

103. Public awareness was high at the launch stage but faltered during the implementation. The Monitoring Unit in the Ministry of Finance needs to hold regular, perhaps monthly briefings with the press to focus on the implementation of the various components of the PRSP.

104. While the Albania case demonstrates the key role of political stability in the PRS Process, it suggests that we should not assume that in its absence there is unlikely to be

³⁴ World Bank and IMF (2003).

value in going through the various steps needed for the PRSP. In the Albania case it would not have been advantageous to wait until the political picture had cleared before proceeding.

105. A key weakness of Albania's PRSP relates to the multi-sector programs which require inter-ministerial coordination: PSD, decentralization, and urban infrastructure. Both the Government and the Bank need to give thought about how to handle such programs more effectively in preparing the strategies.

106. The integration of PSD into the PRSP framework is a particular challenge. The work being done by FIAS to identify the issues facing private business in Albania, could become the basis of a more structured framework for a PSD strategy and be integrated fully into the PRSP. This is an option which might be considered elsewhere as well.

107. Sustainability will require the institutionalization of the PRSP, not just in terms of structures, but also the processes which support them, and above all the supporting sectoral and regional strategies and action plans.

108. Donor coordination is too important to be left to the donors. The Albanian Government needs to take leadership of the process. The coordinating point in the Government needs to be identified and a schedule of meetings convened for donors. This might consist, for example, of a quarterly meeting with heads of delegations to present the Government's strategy and priorities and for donors to share information on their approach and programs, followed by monthly technical meetings co-chaired by the appropriate Ministries to assess progress and programs in the sectors.

109. The donors must work together, however, to reduce the transaction costs of their assistance to Albania, through increased co-financing, fewer project units and harmonized procedures.

110. The Bank and Fund play a very delicate role in the PRS Process. It is difficult to avoid the perception that the process and document exist only because the Bank and Fund require their existence. Both institutions should give serious thought to opening up procedures such as the Joint Assessment to the participation of other partners including perhaps senior officials from other PRSP countries with first-hand knowledge of the process.

Annex 1. Key Elements of the NSSED

Achieving sustainable and inclusive growth is the fundamental objective of the NSSED (GPRS) strategy. Improved governance as well as growth and private sector development are the two main pillars of the strategy. European integration is specifically recognized as Albania's long-term objective and the NSSED is consistent with the Stabilization and Association (SAA) process. The NSSED is closely linked to the Medium Term Economic Framework, in order to orient Government spending towards poverty reduction and to coordinate donor financing.

The main objectives of the NSSED are:

1. Annual real GDP growth of about 7 percent during 2002-2004
2. Reduction in the number of people living in poverty, in particular, the worst affected groups
3. Tangible improvements in infrastructure and related services and increasing the access of the poor to these services
4. Reduction of infant and maternal mortality rates and infectious disease incidence
5. Increase of elementary and secondary school enrollment rates.

The NSSED identifies six priority sectors of public actions:

- i) Health and Education
- ii) Infrastructure
- iii) Improvement of governance
- iv) Economic growth
- v) Social support
- vi) Macroeconomic stability

Annex 2. Macroeconomic indicators

Table 2a: Macroeconomic indicators 1996-2001

		1996	1997	1998	1999	2000	2001
GDP	million Lek	280,988	341,716	460,631	506,205	539,210	590,237
Real Growth in GDP	%	9.1	-7.0	8.0	7.3	7.8	6.5
Per Capita GDP	US\$	871	743	991	1,191	1,215	1,333
Annual Inflation	%	17.4	42.0	8.7	-1.0	4.2	3.5
Total Revenue	million Lek	51,572	56,645	93,519	107,506	120,637	135,484
Total Expenditure	million Lek	87,596	100,730	141,628	165,692	170,620	186,049
Deficit/Surplus	million Lek	-36,024	-44,085	-48,109	-58,186	-49,983	-50,565
Trade Balance	US\$ million	-678	-535	-604	-663	-814	-1,027
Exports	US\$ million	244	159	208	275	256	305
Imports	US\$ million	922	694	812	938	1,070	1,332
Transfers	US\$ million	559	265	520	353	533	571
Reserves	US\$ million	280	306	384	482	608	
Exchange Rate	Lek/US\$	104.5	148.9	150.6	137.7	143.7	143.5

Source: MTEF 2003-05, p. 16

Table 2b. Growth rates lag forecasts

Growth Rates (in percentage)	NSSD Projection	Projection at start of CY03	Actual
Real growth	7.0	6.0	4.0
Out of these:			
Industry		5.0	2.0
Agriculture	5.0	3.0	2.1
Construction		11.5	9.1
Transport		11.0	10.1
Services		6.5	5.5

Source NSSED Progress Report Section C page 4.

Table 2c. Changing structure of the economy (%GDP)

Sector % GDP	1992	1999	2000	2001	2002
Agriculture	54.2	37.2	35.9	34.2	33.3
Industry	16.9	13.5	13.2	13.2	12.8
Construction	7.6	8.9	9.7	10.3	10.8
Transport	3	9	9.5	10.1	10.6
Other	18.3			32.2	32.5

Sources: NSSED Progress Report Section C page 3. Data for 1999 and 2000 from MTEF 2003-2005, p. 16

Annex 3. NSSED Timeline

June 2000	I-PRSP presented to the Boards of the World Bank and IMF
January 2001	Work on drafting the PRSP following an order from the Prime Minister. National Steering Committee for the Growth and Poverty Reduction Strategy (GPRS) established and chaired by the PM. Minister of Finance appointed as National Coordinator for the GPRS. Interministerial working group on GPRS chaired by the Deputy Minister of Finance established. Deputy ministers of line ministries involved in the PRS Process appointed to the working group.
November 2001	Public launch of the National Strategy on Socio-Economic Development (formerly GPRS) by the PM.
August 2002	NSSED served as the main document for the preparation of the new Government's program
November 2002	National Conference on the NSSED marking the first anniversary of the NSSED
September 2002	PM order establishes Monitoring and Evaluation units in all line ministries. NSSED Secretariat in the Ministry of Finance upgraded to Directorate level
April 2003	First Annual Progress Report on the NSSED completed.
May 2003	Progress Report approved by Council of Ministers.

Annex 4. World Bank Assistance 1994-2002

Table 4a: Lending – IDA Approvals 1994-2003

FY	Project Name	Len Instr Type	Sector Board	Commit Amt
2003	MUN WATER/WW	INVESTMENT	Water Supply and Sanitation	15
2003	COM WRKS 2	INVESTMENT	Social Development	15
2003	ROAD MAINT SUPPLMT	INVESTMENT	Transport	13
2002	FSAC	ADJUSTMENT	Financial Sector	15
2002	ROAD MAINT	INVESTMENT	Transport	17
2002	FISHERY DEVT	INVESTMENT	Rural Sector	6
2002	PRSC	ADJUSTMENT	Social Protection	20
2002	PWR SECT REHAB/RESTRCT'G	INVESTMENT	Energy and Mining	30
2001	AG SERVICES	INVESTMENT	Rural Sector	10
2001	SOC SERV DEVT	INVESTMENT	Social Protection	10
2001	TRADE & TRANS FACIL IN SE EUR	INVESTMENT	Transport	8
2000	LEG/JUD REF	INVESTMENT	Public Sector Governance	9
2000	WS URG REHAB	INVESTMENT	Water Supply and Sanitation	10
2000	EMG ROAD REPAIR	INVESTMENT	Transport	14
2000	FIN SEC IBTA	INVESTMENT	Financial Sector	7
2000	EDUC REF	INVESTMENT	Education	12
2000	PUB ADM REF	INVESTMENT	Public Sector Governance	9
1999	IRRIG & DRAIN II	INVESTMENT	Rural Sector	24
1999	COMMUNITY WORKS	INVESTMENT	Social Protection	9
1999	MICROCREDIT	INVESTMENT	Rural Sector	12
1999	SAC	ADJUSTMENT	Economic Policy	45
1999	PUBLIC EXPENDITURE SUPPORT	ADJUSTMENT	Public Sector Governance	30
1999	COMM WORKS SUPPORT	INVESTMENT	Social Protection	5
1998	DURRES PORT	INVESTMENT	Transport	17
1998	LAND DEVT	INVESTMENT	Urban Development	10
1998	HEALTH RECOVERY	INVESTMENT	Health, Nutrition and Population	17
1998	PRIV IND REC	INVESTMENT	Private Sector Development	10
1998	REHABILITATION	ADJUSTMENT	Social Protection	25
1998	RCVRY PROG TA	INVESTMENT	Economic Policy	5
1996	FORESTRY	INVESTMENT	Rural Sector	8
1996	URBAN WORKS & MICRO	INVESTMENT	Private Sector Development	4
1996	POWER TRNSM & DIST	INVESTMENT	Energy and Mining	30
1996	AGROPROC DEVT	INVESTMENT	Rural Sector	6
1996	NATL ROADS	INVESTMENT	Transport	25
1995	HEALTH SERVS REHAB	INVESTMENT	Health, Nutrition and Population	12
1995	EFSAC	ADJUSTMENT	Private Sector Development	15
1995	POWER LOSS REDUCTION	INVESTMENT	Energy and Mining	5
1995	RURAL ROADS	INVESTMENT	Transport	15
1995	IRRIG REHAB	INVESTMENT	Rural Sector	10
1995	TAX ADMIN MOD	INVESTMENT	Public Sector Governance	4
1995	RURAL DEVELOPMENT	INVESTMENT	Rural Sector	6
1994	LABOR MRKT DEVT	INVESTMENT	Social Protection	5
1994	DURRES WS REHAB	INVESTMENT	Water Supply and Sanitation	12
1994	SOCIAL SAFETY NET	INVESTMENT	Social Protection	6
1994	HOUSING	INVESTMENT	Urban Development	15
1994	SCHOOL REHAB	INVESTMENT	Education	10
1993	ASAL	ADJUSTMENT	Rural Sector	20
1993	TRANSP/INFRA	INVESTMENT	Transport	18
1993	RUR POV ALLEV	INVESTMENT	Rural Sector	2
1993	TECH ASST	INVESTMENT	Private Sector Development	4
1992	CRITICAL IMPORTS	INVESTMENT	Economic Policy	41

Table 4b: Economic and Sector Work 1994-2003

Document Title	Date	Type
JSA of the PRSP Annual Progress Report	6/16/03	JSA
Country assistance strategy	5/28/02	CAS
Country Financial Accountability Assessment	5/14/02	CFAA
Poverty in Albania : a qualitative assessment	3/31/02	Publication
Building construction sector study and pipeline development	2/28/02	Departmental Working Paper
A qualitative assessment of poverty in ten areas of Albania	6/30/01	Sector Report
Financing efficiency and equity in Albanian education	6/30/01	Publication
Household welfare, the labor market, and social programs in Albania	5/31/01	Publication
Public expenditure and institutional review	4/16/01	Economic Report
Albania - Filling the vulnerability gap	2/29/00	Publication
Country assistance strategy - progress report	2/29/00	CAS Progress Report
Reforms in Albania agriculture : assessing a sector in transition	3/31/99	Publication
Beyond the crisis - a strategy for recovery and growth	12/7/98	Economic Report
Social assistance in Albania : decentralization and targeted transfers	7/31/98	Publication
Country Assistance Strategy	7/8/98	CAS
The main determinants of inflation in Albania	6/30/98	Policy Research Working Paper
Country assistance review	6/18/98	OED CAR
Albania - Growing out of poverty	5/30/97	Sector Report
Fiscal decentralization and intergovernmental finances in Albania	11/30/94	Policy Research Working Paper
Albania and the World Bank : building the future	7/31/94	Publication
Building a new economy	7/14/94	Economic Report
Report on the environmental situation in Albania	7/31/93	Environmental Action Plan
Environmental strategy study	6/11/93	Sector Report
An agricultural strategy for Albania	10/31/92	Publication

Annex 5. Summary of Nonlending Services

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience a</i>	<i>Objective b</i>
Recent completions				
Anticorruption TA	00	50	Gov/IDA/Don	KG/PS
Refugee Impacts/Prospects	00	25	Gov/IDA/Don	KG/PS
Country Portfolio Performance Review	00	25	Gov/IDA/Don	KG/PS
Education Sector Review	00	162	Gov/IDA/Publ/Don	KG/PS/PS
Country Procurement Assessment	01		Gov/IDA/Publ/Don	KG/PD
Anticorruption TA	01	50	Gov/IDA/Don	KG/PD/PS
Qualitative Poverty Assessment	01	62	Gov/IDA/Don	KG/PS
Public Expenditure Institutional Review	01	300	Gov/IDA/Don	KG/PS
Governance Anticorruption Report	01	90	Gov/IDA/Pub	PS/PD
Country Portfolio Performance Review	01	30	Gov/IDA/Don	KG/PS
Country Financial Accountability Assessment	02	30	Gov/IDA/Don	KG/PS
Financial Sustainability Note	02	138	Gov/IDA	KG/PS
Underway				
Rural Strategy	02	145	Gov/IDA	KG/PD/PS
Poverty Assessment	03	150	Gov/IDA/Don	KG/PS/PS
Fiscal Decentralization Study	03	132	Gov/IDA/Don	KG/PS
Planned				
National Water Strategy	03	92	Gov/IDA/Don	KG/PD/PS
Privatization TA	03	30	Gov/IDA/Don	KG/PS
PCF Early Childhood Development TA	03	30	Gov/IDA	KG/PS
Anticorruption TA	03	50	Gov/IDA/Don	KG/PD/PS
Social Safety Net Review	03	75	Gov/IDA/Don	KG/PS
CEM - Competitiveness and Sources of Growth	04	207	Gov/IDA/Don	KG/PD/PS
Rural Human Capital Development	04	75	Gov/IDA/Don	KG/PS
Privatization TA	04	30	Gov/IDA/Don	KG/PS
Roma Assessment Note	04	60	Gov/IDA/Don	KG/PD/PS
PCF Early Childhood Development TA	04	30	Gov/IDA/Don	KG/PD/PS
Anticorruption TA	04	50	Gov/IDA/Don	KG/PD/PS
Labor Market Assessment	05	120	Gov/IDA/Don	KG/PD
Transport Study	05	85	Gov/IDA/Don	KG/PD/PS
Anticorruption TA	05	50	Gov/IDA/Don	KG/PD/PS
Public Expenditure Review	05	200	Gov/IDA/Don	KG/PS

a. Government, donor, Bank, public dissemination.

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

Source: CAS 2002. Annex B4

Annex 6. Total Public Expenditure by Function (excluding interest)

Function	1998		1999		2000		2001		2002 Rev. Budget	
	Lek million	% of GDP	Lek million	% of GDP						
1 General Public Services	11,065	2.4%	15,238	3.0%	14,366	2.7%	15,293	2.6%	26,191	4.0%
2 Defense	5,343	1.2%	6,145	1.2%	5,655	1.0%	6,724	1.1%	6,947	1.1%
3 Public Order and Safety	9,136	2.0%	12,155	2.4%	12,733	2.4%	13,277	2.2%	12,310	1.9%
4 Education	13,612	3.0%	16,850	3.3%	17,192	3.2%	19,488	3.3%	22,264	3.4%
5 Health	7,985	1.7%	12,066	2.4%	12,334	2.3%	12,027	2.0%	18,044	2.7%
6 Social Security and Welfare	34,112	7.4%	34,987	6.9%	38,521	7.1%	44,710	7.6%	46,336	7.0%
7 Housing and Communal Services	5,933	1.3%	11,107	2.2%	8,559	1.6%	9,808	1.7%	14,337	2.2%
8 Recreation, Culture etc.	2,031	0.4%	2,481	0.5%	2,395	0.4%	2,985	0.5%	3,177	0.5%
9 Energy	2,068	0.4%	1,169	0.2%	4,823	0.9%	9,578	1.6%	9,888	1.5%
10 Agriculture, Forestry, Fishing	5,500	1.2%	5,043	1.0%	4,788	0.9%	5,450	0.9%	7,374	1.1%
11 Mineral Resources	748	0.2%	3,564	0.7%	1,499	0.3%	1,389	0.2%	574	0.1%
12 Transport and Communications	6,959	1.5%	9,003	1.8%	16,089	3.0%	19,047	3.2%	16,121	2.4%
13 Other Economic Services	1,236	0.3%	435	0.1%	522	0.1%	386	0.1%	32	0.0%
14 Other Expenditure	6	0.0%	513	0.1%	98	0.0%	2,258	0.4%	0	0.0%
Total	105,734	23.0%	130,756	25.8%	139,574	25.9%	162,420	27.5%	183,594	27.9%

Note: Revised Budget figures for 2002 as of June 2002

Source: MTEF 2003-05, page 36

Annex 7. List of Interviewees

Table 7a: Mission Interviews

Name	Title	Organization
H.E. Fatos Nano	Prime Minister	Government of Albania
Adela Franja	Head of M&E	Ministry of Economy
Adrian Civici	PRSP Secretariat	Ministry of Finance
Adriana Berberi	Deputy Minister	Ministry of Finance
Alban Bala	Journalist	Radio Free Europe
Alexandre Papa		Albanian Chamber of Commerce
Anastas Angjeli	Minister (fmr.)	Ministry of Finance (fmr.)
Anesti Kashta	Executive Director	ASET
Anna Stjärnerklint	Resident Representative	UNDP
Arben Malaj	Minister of Economy	Government of Albania
Arben Molla	Director of Agriculture	Ministry of Agriculture and Food
Arlinda Ymeraj	Planning Officer	UNICEF
Artan Hoxha	Research Director	Institute for Contemporary Studies
Astrit Beci	General Director	Shkodra General Hospital
Bajana Cevoli		Women with Social Problems
Barry K. Primm	Program Officer	USAID
Basam Sejdarasi	Journalist	Tele Norba
Blendi Klosi	Minister of State	Government of Albania
Burhan Vajushi	Regional Director of Education	Municipality of Shkodra
Dhimiter Bako	Head of M&E	Ministry of Education and Science
Dritan Shano	Chief of Cabinet	Government of Albania
Edi Rama	Mayor	Municipality of Tirana
Elida Reci	Director	Public-Private Finance Institute
Fatos Reca	Chairman	Securities Commission
Filloreta Kodra	Director	Public Administration
Gelardine Ducka	PRSP Secretariat	Ministry of Finance
Genc Boga	Managing Partner	Boga & Associates
Genc Ruli	President	Institute for Contemporary Studies
Gjokë Jaku	Mayor	Municipality of Lezhe
Hysen Domi	Mayor	Municipality of Elbasan
Ilir Beqja	Deputy Director	Institute of Social Insurance
Ismail Beka	Coordinator	GTZ
Kastriot Islami	Minister	Ministry of Finance
Linda Spahia	Correspondent	Reuters
Lindita Backa	Head of M&E	Ministry of Health
Luiza Jano	Director, Macro Department	Ministry of Finance
Lutz Salzman	Representative	European Union
Majlinda Keta		Citizenship Initiative
Martin Johnson	Team Leader MTEF	Ministry of Finance
Michael Hoffman	Senior Advisor	The Carter Center
Mimoza Dhembi	Director	Budget Department
Minella Mano	Chairman	Federation of Health Trade Unions

Table 7a: Mission Interview (contd.)

Name	Title	Organization
Miri Hoti	Mayor	Municipality of Dürres
Naim Çope	Executive Director	Elbasan Regional Development Agency
Naim Hasa	General Director	Institute of Social Insurance
Ormir Rusi	Mayor	Municipality of Shkodra
Ornela Kembora	Chief of Cabinet	Government of Albania
Ornela Lipori		Monitoring Magazine
Pandeli Theodhori	Executive Director	Albanian Civil Society Foundation
Petrit Vasili	Deputy Minister	Ministry of Health
Pierre Semaan	President	Foreign Investors Association of Albania
Rajmonda Duka	Coordinator	SOROS
Rezart Ferzaj	Operations Officer	Commercial Bank of Greece
Roberto Laurenti	Representative	UNICEF
Seyhan Pencapligil	CEO	Banka Kombetare Tregtare
Simon Stone	Consultant	Ministry of Finance
Sokol Axhemi	Deputy Minister	Ministry of Education and Science
Sokol Nako	State Minister of EU Integration	Government of Albania
Terezina Hila	Program Officer	OXFAM
Valdet Sala	Program Director	SOROS
Vjollca Ibro	Deputy Minister	Ministry of Agriculture and Food
Yahia Farwati	President	FAM Co.

Table 7b: World Bank and IMF Interviews

Name	Title/Sector	Organization
Akiko Maeda	Lead Health Specialist	World Bank
Andreas Rohde	Senior Sanitary Engineer	World Bank
Christiaan J. Poortman	Fmr. Country Director/Coordinator S.E.Europe	World Bank
Daniela Gressani	PRSP Lead Advisor	World Bank
Eugen Scanteie	Country Manager	World Bank
Frauke Jungbluth	Senior Rural Development Economist	World Bank
Gary Reid	Lead Public Sector Management Specialist	World Bank
Helga Treichel	Economist (fmr.)	IMF
Hormoz Aghdaey	Lead Financial Analyst	World Bank
Iftikhar Khalil	Lead Energy Specialist	World Bank
Joao Oliveira	Sr. Economist	World Bank
Jody Zall Kusek	Sr. Monitoring & Evaluation Spec	World Bank
Juela Haxhiymeri	Economist	World Bank
Kathryn Ann Funk	Senior Country Officer	World Bank
Lorena Kostallari	Operations Officer	World Bank
Mansour Farsad	Sr. Country Economist	World Bank
Murray Town	Economist	World Bank
Neil Simon M. Gray	Lead Country Officer	World Bank
Philip S. Goldman	Lead Operations Officer	World Bank
Rochelle Hilton	Sr. Operations Officer	World Bank
Sandra Bloemenkamp	Sr. Public Sector Management Specialist	World Bank
Sue Ellen Berryman	Human Development	World Bank
Verdon S. Staines	Sr. Economist	World Bank

Annex 8. Albania Survey Results

1. As part of the OED and IEO evaluations of the PRS Process and the PRGF, a survey of PRSP stakeholders was administered in each of the ten countries where a case study was undertaken. The objective of the survey was to obtain perceptions of the PRS Process and the role of the World Bank and IMF in supporting the initiative.

2. A standard survey of 39 questions was administered in each country. The full questionnaire can be found on both of the evaluation websites www.worldbank.org/oed/prsp and <http://www.imf.org/external/np/ieo/2002/prsp/index.htm>. The survey consists of four main components: information on respondents; the PRS Process (covering ownership, results orientation, comprehensiveness, partnership-orientation and long term perspective); World Bank performance; and the role of the IMF. In most cases, respondents were asked to indicate the extent of their agreement with statements on a five point scale³⁵. The survey was translated, into local languages, where necessary, and pre-tested. A local consultant with survey experience was engaged in each country to assist with administration of the survey. Survey results were coded by the local consultant and sent back to Washington and an outside contractor, Fusion Analytics, was hired to analyze the data.

3. The survey was targeted at key groups within the three main categories of PRSP stakeholders: Government, Civil Society, and International Partners.³⁶ Within each group, the survey sought to obtain an *institutional view* and was targeted at the most knowledgeable individuals. Respondents were asked to define the nature of their involvement in the PRS Process, and their level of familiarity with the PRSP document, the Bank, and the IMF. Given the targeted nature of the survey, respondents who were “Not Aware” of the PRS Process were excluded from the results. The specific samples were selected using three main inputs: information gained through the country case study mission; participants listed in the PRSP document; and input from the local consultant. In some cases, samples were circulated to obtain broader input on their composition. The study teams also identified a set of highly relevant respondents in each country for whom a survey response was required. These included core ministries and agencies (Finance, Economy, Central Bank...), key PRSP-related ministries (Health, Education, Agriculture...), and major donors. Survey questionnaires were tracked in order to ensure responses were obtained from key groups, however, individual respondents could choose to remain anonymous.

4. The following section presents findings from the survey applied in Albania. Section A provides an overview of the survey respondents, including the nature of involvement and familiarity with the process. Section B provides an aggregated snapshot of stakeholder perceptions of the PRS Process across each of five main sub-categories. Section C provides the mean results for all questions concerning the role and effectiveness of

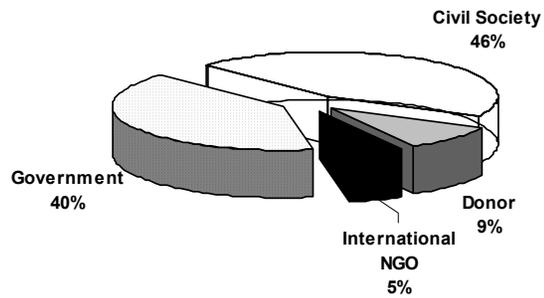
³⁵ The five point scales used in most questions offered a range from 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

³⁶ Fourteen stakeholder groups were identified: Government - central government, line ministries and sector agencies, local government, Parliament – Civil Society – local NGOs, business sector, labor unions, academia, media, religious organization, political party, other – International Partner – donor, international NGO. Results at the stakeholder group level will be presented in the aggregate analysis across all countries.

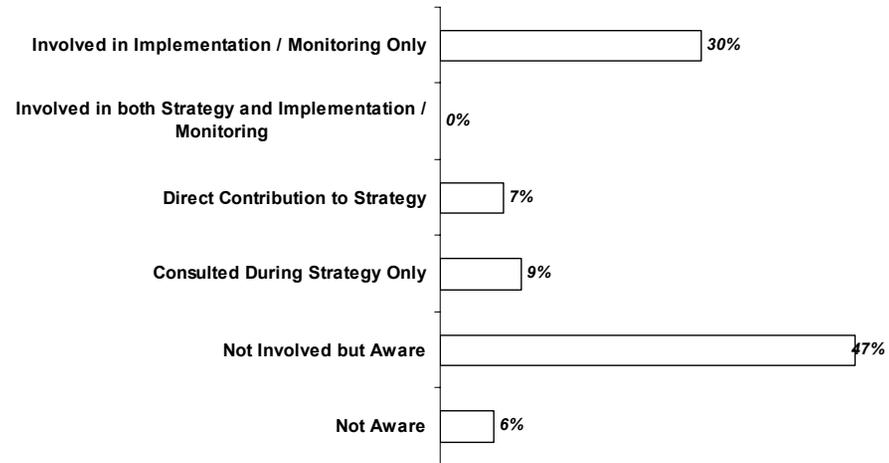
Bank and Fund support. Section D presents results for questions with the most positive and negative responses and questions where there was the greatest consensus or disagreement on issues.

A. Respondent Information

1. Composition of respondents (n = 97)



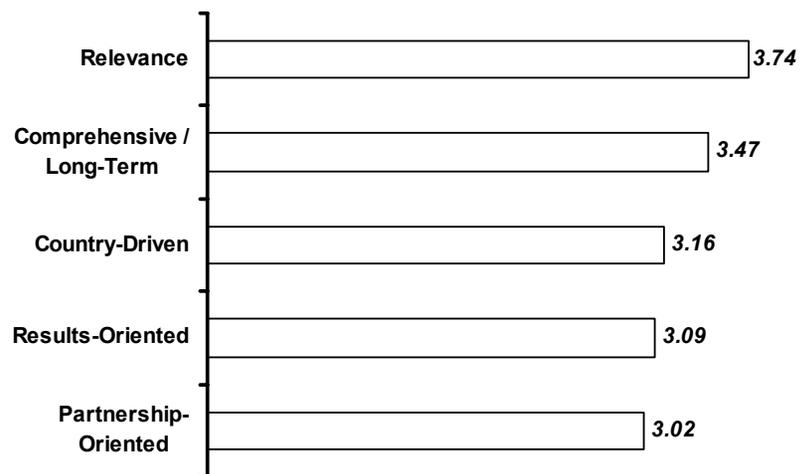
2. Nature of involvement (%)



3. Level of Familiarity

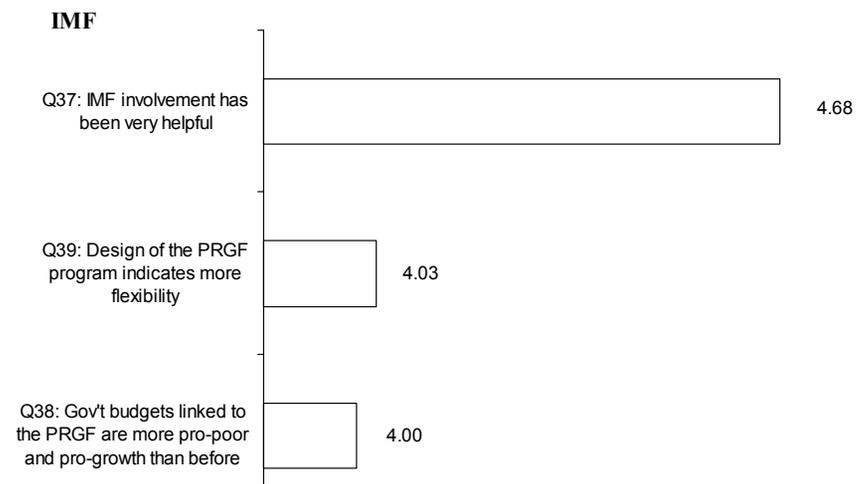
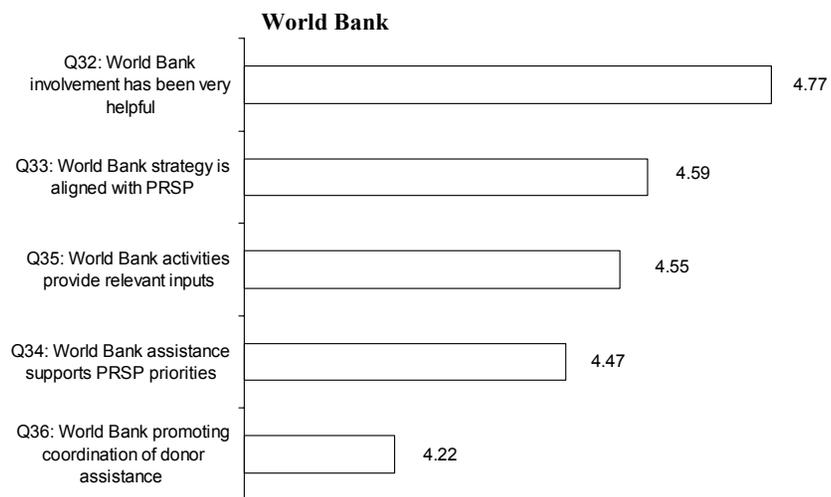
PRSP document	43%
Bank	59%
IMF	30%

B. The PRS Process



Based on a five point scale, where 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

C. Bank and IMF



Based on a five point scale, where 1: Completely Disagree to 5: Completely Agree. Respondents could also mark 0 for Don't Know or Unsure.

D. Composite Results Table

Question - Albania	% Agree	% Disagree	Mean for Highest St. Dev.	Mean for Lowest St. Dev	% Unknown
Most positive responses					
Q8 - Relevance: PRSP is a good model	52.6%				
Q9 - Relevance: PRSP adds value	50.5%				
Q16 - Results-oriented: Outcomes benefit poor	49.5%				
Q10 - Relevance: PRSP improves on past modalities	47.4%				
Q20 - Comprehensive: Adequate diagnosis of cause of poverty	45.4%				
Most negative responses					
Q28 - Partnership-oriented: Current donor coordination		46.4%			
Q17 - Results-oriented: Realistic targets and plans		36.1%			
Q12 - Country-driven: PRSP driven by national stakeholders		34.0%			
Q18 - Results-oriented: Structure to monitor results		32.0%			
Q19 - Results-oriented: Results feed back		28.9%			
Most polarized responses					
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved			3.59		
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration			3.57		
Q11 - Relevance: PRSP benefits outweigh costs			3.79		
Q21 - Comprehensive: Alternatives fully explored			3.44		
Q22 - Comprehensive: Macroeconomic framework participatory			3.53		
Areas of greatest consensus					
Q28 - Partnership-oriented: Current donor coordination				2.17	
Q17 - Results-oriented: Realistic targets and plans				2.91	
Q12 - Country-driven: PRSP driven by national stakeholders				3.08	
Q20 - Comprehensive: Adequate diagnosis of cause of poverty				3.54	
Q16 - Results-oriented: Outcomes benefit poor				3.61	
Most unfamiliar areas					
Q29 - Partnership-oriented: Coordination b/t World Bank and IMF improved					36.1%
Q30 - Partnership-oriented: Quality of Bank/Fund collaboration					25.8%
Q19 - Results-oriented: Results feed back					18.6%
Q14 - Country-driven: Final document was modified to accomodate viewpoints					14.4%
Q13 - Country-driven: Your stakeholders were consulted					13.4%

Note: polarized and consensus question means are sorted by standard deviation. The standard deviation measures the dispersion of responses to a question. If the standard deviation is high then there is a low level of agreement among the sample (polarization). If the standard deviation is low then there is a high level of agreement among the sample (consensus).

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