

## Appendix A: Three-year Macroeconomic Framework

In the government's view, strong growth remains the main instrument for sustained improvements in the living conditions of the population and the elimination of poverty. The government is therefore determined to take all the necessary measures for preserving macroeconomic stability and to implement further structural reforms, with a view to keeping the economy expanding at its potential growth rate of about 8 percent a year. To allow for a gradual reduction in reliance on foreign resources, and to create scope for more rapid private sector credit growth, the government will continue its policy of fiscal consolidation and reduction in the current account deficit. However, this adjustment will be gradual, in light of the need to increase spending on poverty reduction measures, with the general government deficit declining from 9.4 percent of GDP in 2000 to 7.4 percent in 2003. To create scope for private sector credit growth, the domestically financed deficit, which is currently financed at high interest costs, will decline somewhat faster, from 4.3 percent of GDP to 2.1 percent of GDP in 2003. Such a program of fiscal consolidation will also allow the government to keep the public debt-to-GDP ratio on a gradually declining path and reduce interest expenditure from 5.9 percent of GDP in 2000 to 3.2 percent of GDP in 2003 (Table on Selected Economic Indicators is attached).

2. Strong efforts to boost revenue collection will provide resources for increasing public expenditure and simultaneously improving the fiscal balance. The government plans to raise non-interest public expenditure from 26.0 percent of GDP in 2000 to at least 27.5 percent of GDP in 2003, with a view to providing resources for additional programs for poverty alleviation and continuing with the public investment program. Combined with the targeted fiscal adjustment and the expected decline in interest rates (which will affect central bank profit transfers and, thus, government non-tax revenue) this will require the tax-to-GDP ratio to rise from around 15 percent of GDP in 2000, to 17 percent of GDP in 2003. This increase will be largely a result of better tax administration and a broadening of the tax base, to include, *inter alia*, agriculture. Moreover, possibilities will be explored for reducing tax rates to strengthen incentives for private sector activity. As foreign trade liberalization will continue, reliance on the taxation of imports will have to be reduced.

3. Monetary policy will be geared to keeping inflation in the 2-4 percent range. In response to reforms in the financial sector, private sector credit is assumed to grow from a very low base by an average annual rate exceeding 30 percent over the coming three years. Monetary policy will continue to be conducted in the context of the flexible exchange rate regime that has served the country well.

4. The current account deficit is projected to decline from 8.4 percent of GDP in 2000 to 6.4 percent of GDP by 2003. Financing of this deficit will require continued support from foreign donors, with foreign assistance for the budget in the form of grants, as well as concessional and close to concessional loans equivalent to about US\$220 million per year in the period 2000–2003. The government is committed to cooperate with the donors in obtaining and effectively using these resources. With most of the financing provided on concessional terms and with longer maturities, the debt-service payments are expected to remain at a prudent level of less than 10 percent of annual exports, and foreign debt will remain broadly unchanged relative to GDP. To preserve the capability of the economy to react to adverse shocks, financial policies will be geared toward keeping the foreign reserves of the Bank of Albania at a level of at least 4.2 months of imports.

5. Forceful financial sector reforms, privatization of the remaining state-owned enterprises, and progress in creating an institutional and legislative environment conducive to foreign and domestic investment will be crucial for attaining the ambitious 8 percent target growth rate over the medium-term. The privatization of state-owned banks and legal reforms to strengthen financial markets will improve the effectiveness in channeling financial resources to the most productive uses. Enterprise privatization will focus on the strategic enterprises Albtelecom and KESH, as well as on the remaining medium-size enterprises. Regarding the legislative agenda, the government intends to approve a new bankruptcy law, and a new law on the office for execution of judicial orders in civil cases, which should enhance enforcement of private contracts. To create a better business climate, the government intends to establish a

mediation center that will offer an alternative means of dispute resolution in commercial cases. To attract more investment, the government will explore in cooperation with donors the establishment of a one-stop investment shop, which would provide all the services associated with the promotion, approval, and facilitation of investment projects within the same agency. In addition, an industrial park will be created in Durres, with a view to providing foreign investors with a strategic location and adequate administrative and logistical support for their activities.

## Appendix B: Matrix of Economic and Financial Policies

Area/Objective	<i>Measures to be taken</i>	<i>Responsible agent</i>	<i>Implementation</i>
<b>Macroeconomic stability and growth</b>	Ensure macroeconomic stability and sustainable GDP growth at around 8 percent through a gradual reduction in the fiscal deficit and forceful privatization and financial sector reform.	Government	2000-2003
	Maintain inflation in the 2-4 percent range through appropriate monetary and fiscal policies.	BoA, Government	2000-2003
	Reduce the current account deficit from 8 percent in 1999 to about 6 percent by 2003, with a view to limiting the growth in foreign debt to GDP ratio from 25 percent to 30 percent during this period. Assure that foreign borrowing is largely limited to loans at concessional terms, with a view to limiting foreign debt service ratios. Keep official reserves at a prudent level of about 4 months of imports.	Government, BoA	2000-2003
	Reduce the general government deficit from 11 percent in 1999 to about 7.2 percent in 2003, with a view to containing growth in public debt to 66 percent of GDP, and stabilizing domestic debt at about 36 percent of GDP.	Government	2000-2003
	Increase tax to GDP ratio from close to 14 percent in 1999 to 17[...] percent of GDP in 2003, and non-interest expenditure from 25.2 percent of GDP to 27.2 percent, with a view to providing resources for public investment and poverty alleviating policies.	Government	2000-2003
<b>Tax and Customs Reform</b>  Improve tax and customs collection, administration, and enforcement.	Develop tax sources for local governments.	Government	2000-2002
	Continue to reduce the stock of customs debt.	CD	2000-2002
	Continue implementing the merit-based payments in customs.	CD	2000-2002
	Approve and implement new tax code.	Parliament/GTD	2000
	Strengthen operations of large taxpayer office.	GTD	2000
	Continue the training program for trainers in tax administration.	GTD	2000
	Train customs officials in application of customs code.	CD	2000-2001
	Improve valuation of imported goods by applying market oriented prices and seek assistance for valuation information from other countries.	CD	2000-2001
	Prepare position paper on the introduction of agricultural land taxation.	MoF	2000-2001
	Make anti-smuggling group in Customs Department fully operational.	CD	2000
	Increase direct tax revenues through enforcing compliance with the personal income tax law and identify measures to enhance social security contributions.	GTD/SII	2000-2002
<b>Public Expenditure Management</b>  Strengthen budget preparation and execution.	Implement the medium-term expenditure framework (MTEF) and integrate the planning for the investment budget and the recurrent budget.	MoF/MoECT/ Line ministries	March-June 2000
	Finalize MTEF document and present to the Economic Policy Committee and to parliament.	MoF	June 2000
	Improve cash management system in treasury department.	MoF	2000-2001
	Review role of regional and local budget offices in view of fiscal decentralization.	MoF	2000-2001
	Formalize procedural, institutional, and legal framework for monitoring and servicing external credits and grants.	MoF/BoA/ MoECT	2000

Financial Sector  Prevent illegal activities and strengthen functioning of formal sector.	Improve environment for development of savings and credit associations by amending Savings Association Law and issuing prudential rules for SCAs.	Government/BoA	September 2000
	Start operations of the credit information bureau.	BoA	2000
	Prepare a plan for introducing a deposit insurance scheme.	BoA	2000
	Privatize National Commercial Bank (NCB).	MoF	2000
	Improve auction market for treasury bills.	BoA	2000
	Replace government nonmarketable obligations to the BoA with marketable securities.	MoF/BoA	2000-2001
	Introduce remuneration on minimum reserves.	BoA	2000
	Continue to strengthen banking supervision capacity through a training program for on-site and off-site inspections, and further strengthen licensing and supervision procedures.	BoA	2000-2001
	Privatize Savings Bank.	MoF	2001
	Improve operational efficiency and effectiveness of Loan Collection Agency.	MoF	2000-2001
	Design and implement a real-time gross settlement system.	BoA	2000-2001
	Abolish remaining direct monetary policy instruments.	BoA	2000-2001
	Approve the new Bankruptcy Law.	Parliament/MoF/MoJustice	2000
<b>Security and Public Order</b>	Strengthen police force, including through transparent hiring procedures, review of wage structure, and training.	MoInterior	2000-2002
Strengthen public security and promote the rule of law	Improve further security at border crossing points.	MoInterior	2000-2002
<b>Judiciary</b>	Adopt the Action Program to strengthen enforcement of judicial decisions.	MoJustice/High Council of Justice	2000
Develop an independent judiciary and strengthen judicial implementation capacity.	Develop regulation for preparation of court budgets.	MoJustice	2000
	Implement recommendations of court administration study in High Court and two lower courts.	MoJustice	2000
	Make judicial inspection office fully operational.	MoJustice	2000
	Amend the legal basis for out of court mediation and arbitration in commercial cases, and establish center to handle these cases.	MoJustice	2000
	Fully implement legislation providing explicit criteria for appointment and dismissal of judges and limiting executive authority over the judiciary.	MoJustice	2000
	Strengthen Magistrates School to organize education program for existing judges.	MoJustice	2000
	Adopt reform agenda for Tirana Law School.	MoJustice	2000-2002

<b>Public Administration</b>  Improve governance and strengthen institutional reforms to further combat corruption.	Complete revision of “Anti-Corruption Action Plan”.	Government	March 2000
	Prepare statement clarifying key ways in which the government’s institutional and public administration reform strategy addresses poverty reduction objectives of supporting sustainable, socially inclusive growth by (a) building more inclusive and citizen-responsive state institutions, and (b) enhancing the public sector’s capacity to cost-effectively help build human capital, particularly among the poorer sections of Albanian society	Gov/Steering Committee	May 2000
	Take initial steps aimed at creating more inclusive, citizen-responsive state institutions: (i) appoint Ombudsman (ii) appoint Civil Service Commission (iii) publicize baseline indicators measuring institutional and public administration capacities and performance	(i) Parliament (ii) Parliament (iii)Gov/Steering Committee	(i) February 2000 (ii) July 2000 (iii) December 2000
	Prepare and publicize semi-annual assessments of progress in implementing “Anti-corruption Action Plan” and impacts of that effort	Government	December 2000
	Conduct salary survey to assess the competitiveness of salaries in the civil service.	DoPA	2000
	Improve implementation of Public Procurement Law.	MoF/ Public Procurement Office/DoPA	2000
	Implement transparent recruitment procedures and merit based promotion and compensation to attract and retain competent and qualified civil servants. Reform pay structure by decompression of wages.	DoPA/MoF	2000-2001
	Introduce and enforce court procedures for corrupt officials.	Public Prosecutors Office	2000-2001
Make operational a central database to monitor employment and authorized posts in the budgetary sector.	DoPA	2000-2002	
<b>Social Safety Net</b>  Improve social protection of vulnerable groups, improve targeting of benefits.	Complete actuarial evaluation of the pension system and identify measures aiming at achieving its fiscal sustainability in the medium term	MoLSA	October 2000
	Complete institutional assessment of GASS and other parts of the public administration involved in the provision of social care services	MoLSA	September 2000
	Draft changes in legislation necessary for development of community based social services	MoLSA	September 2000
	Submit a proposal for a system of electricity subsidies for the poorest income groups	MoLSA	September 2000
	Prepare plan for development of community based social care services for vulnerable groups of the population, including orphans, street children, disabled, etc.	MoLSA	October 2000
Analyze targeting efficiency and effectiveness of the social assistance programs in cash (special compensation program for pensioners and social assistance) and identify measures for their restructuring	MoLSA	November 2000	

<p><b>Health Sector</b></p> <p>Match better the services offered with the needs of the population and improve capacities at all levels of the health sector.</p>	<p>Finalize National Health Policy and Strategy document</p>	<p>MoH</p>	<p>June 2000</p>
	<p>Establish a new “Policy, Planning, and Coordination Department” within the Ministry of Health</p>	<p>MoH</p>	<p>December 2000</p>
	<p>Establish the new Tirana Regional Health Authority</p>	<p>MoH</p>	<p>December 2000</p>
	<p>Conduct a five-month training course for district health teams to strengthen capacities in planning and management</p>	<p>MoH</p>	<p>December 2000</p>
	<p>Maintain the high rate of immunization coverage and improve vaccine supply and the cold chain conditions, especially for the remote rural areas</p>	<p>MoH</p>	<p>Ongoing</p>
	<p>Improve emergency and intensive care services to reduce impact of acute diseases.</p>	<p>MoH</p>	<p>2000</p>
	<p>Establish a program with the purpose of increasing accessibility to and strengthening reproductive health services, more specifically maternal, prenatal, neonatal and child care</p>	<p>MoH</p>	<p>December 2000</p>
	<p>Strengthen the monitoring system and communication capacities of districts with the national agencies and the Institute of Public Health to prevent the spread of infectious diseases and epidemics</p>	<p>MoH</p>	<p>March 2001</p>
	<p>Improve accessibility of secondary services as well as capacities of district hospitals, especially in the poorest areas of the country, in order to diagnose and treat infectious diseases in the respective district facilities.</p>	<p>MoH</p>	<p>Ongoing</p>
	<p>Undertake a survey on anthropometric measures for children through the Institute of Public Health</p>	<p>MoH</p>	<p>March 2001</p>
	<p>Take measures to reduce illegal payments for drugs, vaccines, and other basic health services as this may prohibit access of the poor to those services. Take rigorous actions against doctors accepting payments for changing medical records in case of infectious diseases at the cost of compromising public health.</p>	<p>Government</p>	<p>2000</p>
<p><b>Education Sector</b></p> <p>Improve the quality of and access to education across income groups and geographic regions.</p>	<p>Conduct analyses to identify systematic variations in school enrollment and their primary causes as input to the development of the poverty-focused sector expenditure strategy.</p>	<p>MoES</p>	<p>March 2001</p>
	<p>Use school mapping data base at central and district levels to rationalize the allocation of school rehabilitation and new construction resources</p>	<p>MoES</p>	<p>March 2000 onwards</p>
	<p>Install a registration system in which each pupil can be identified and traced through his school life in order to allow for the calculation of dropout and completion rates.</p>	<p>MoES/INSTAT</p>	<p>August 2000 (before start of school year)</p>

	Conduct a tracer study of students who recently completed secondary school to assess the usefulness of secondary school education in the labor market. This would be input into the MoES strategy for secondary education.	MoES	June 2001
	Conduct a grade 4 sample-based assessment in 2 subjects (Albanian language and mathematics) in preparation for a full baseline assessment	MoES	December 2000
<b>Labor Market</b> Improve the functioning of the labor market and reduce unemployment.	Complete a comprehensive analysis and evaluation of labor market institutions and policies and identify steps for their reform	MoLSA	October 2000
<b>Environment</b> Protect the environment.	Assess scope for expansion of the community based natural resources and watershed management	Forestry Directorate	April 2000
	Complete National Environmental Action Plan in order to improve understanding of priorities regarding natural resource use	Gov/METAP WB	December 2000
<b>Urban Development</b>	Support the formation of community association to establish responsive society at the community level and build up ground for participatory urban planning process	MoPublicWorks/ Municipality and District of Tirana	Continuous
	Establish a participatory platform for urban policy dialogue (urban forum) to build up ground for increasing governance and formulating effective policy on broader urban development issues	MoPublicWorks/ Municipality and District of Tirana	May 2000
	Explore practical solutions for resolution of outstanding restitution claims	MoPublicWorks/ Municipality and District of Tirana	December 2000
	Develop a strategic development investment plan for Tirana to establish clear direct linkages between economic and land development trends, and infrastructure investment programs through a process of involving all stakeholders	MoPublicWorks/ Municipality and District of Tirana	March 2001
<b>Rural Development</b>	Increase the area of pasture and forest land sustainably managed by local communities	Forestry Directorate	March 2000
	Take initial steps aimed at expanding opportunities for asset accumulation, reinstall district Land Commissions to (a) issue land distribution documents and (b) distribute the remaining undistributed land to individual users or communes.	Parliament/ Government	May 2000
	Amend Savings Association Law and issue prudential rules for SCAs to encourage the development of savings savings and credit associations.	BoA/MoF	September 2000
	Complete land registration in 150 cadastral zones each quarter.	MoAF	2000-2001

	Prepare and present to parliament legislation and procedures for establishing cadastre zone boundaries in forest and pasture land.	MoAF	2000-2001
	Allocate land refused in distribution process to individual users or communes.	MoAF	2000
	Prepare draft legislation aiming to resolve pending land compensation of former owners.	MoAF/ MoJustice	2000
	Complete restitution process for forest and pasture land and compensation process for agricultural land.	MoAF	2000
	Continue transfer of operational responsibilities for irrigation facilities to water user associations and their federations, and embark on the restructuring of state-owned water enterprises into participatory public drainage institutions in accordance with the Irrigation and Drainage Law	MoAF	March 2001
	Facilitate the development of community-based Fishermen's Associations to support small fishermen, and introduce community-based marine resource management	MoAF	March 2001
	Increase effective access to irrigation water by small farmers.	MoAF	March 2001
<b>Infrastructure</b>	Develop a plan for energy sector regulatory reform, restructuring and eventual privatization.	Government	2000
Improve service delivery and management of enterprises.	In the electricity sector, introduce measures to improve collection and reduce theft, including through an incentive-based foreign governance contract, installation of meters and meter boxes, disconnection of customers in arrears, and measures to facilitate payment of bills.	KESH	2000-2001
	Formulate a plan to address bill collection, theft, and cost recovery problems in the water companies.	Water Company	2000
	Strengthen cost control by reducing overstaffing and improving management in public utilities.	KESH/Water Company	2001
<b>Privatization</b>	Develop plan for privatizing utilities.	MoPrivatization	2000-2001
Complete privatization of state enterprises.	Privatize Albanian Mobile Telecommunications	MoPrivatization	2000
	Conduct open international tender for the second GSM license.	MoPrivatization	2000
	Privatize Albanian Telecom.	MoPrivatization	2001
	Privatize Albpetrol	MoPrivatization	2001
	Privatize Durres port operations.	MoPrivatization	2000
	Privatize Albchrom.	MoPrivatization	2000
<b>Trade Reform</b>	Reduce average tariff rate through a combination of reductions in the level, number, and dispersion of rates.	MoF	2001
Establish liberal and non-discretionary trade regime.	Reduce top customs duty rate to 15 percent.	MoF	2001



## A. Appendix C: Monitoring Indicators

**Table 1: Life expectancy and fertility indicators, 1990-1998**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>Male life expectancy at birth (years)</b>									
Albania	69.3	69.3	68.5	68.5	69.5	68.5			
SEE-6	67.9	68.5	67.7	67.6	68.0	67.9	67.4	66.2	
CEE-5	67.0	67.1	67.4	67.8	67.9	68.3	68.7	69.1	
<b>Female life expectancy at birth (years)</b>									
Albania	75.4	75.4	74.3	74.3	75.6	74.3			
SEE-6	73.9	74.6	74.0	74.1	74.2	74.8	74.1	73.7	
CEE-5	75.6	75.5	75.8	76.0	76.2	76.2	76.7	77.0	
<b>Fertility rate (births per woman)</b>									
Albania	3.0		2.9			2.6		2.5	
SEE-6	1.9	1.8	1.7	1.7	1.6	1.6	1.6	1.5	
CEE-5	1.9	1.9	1.7	1.7	1.6	1.5	1.4	1.4	

*Sources:* Statistical Office (for Albanian data), MONEE database (for comparators).

*Notes:* SEE-6 consists of Bosnia and Herzegovina, Bulgaria, Croatia, FYR of Macedonia, Romania, and FR Yugoslavia; CEE-5 consists of Czech Republic, Hungary, Poland, Slovakia, and Slovenia.

**Table 2: Health indicators, 1990-1998**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>Infant mortality rate (per 1,000 births)</b>									
Albania	28.3	32.9	32.8	35.4	28.3	30.0	25.8	22.5	20.5
SEE-6	20.4	19.1	20.6	19.6	17.5	16.3	15.0	15.1	
CEE-5	13.1	13.1	12.6	10.9	10.4	9.7	8.8	8.0	
<b>Maternal mortality rate (per 100,000 births)</b>									
Albania	37.7	29.7	25.2	16.2	40.2	33.3	27.8		22.1
See-6	25.7	21.8	20.7	20.3	21.7	22.6	17.4	17.6	
CEE-5	9.6	11.4	7.2	12.9	8.9	8.1	10.7	7.1	
<b>Under-five mortality rate</b>									
Albania	41.5	44.5	46.9	49.7	44.7	37.0	30.6		
SEE-6	24.2	23.2	24.8	22.7	21.9	20.1	18.6	18.9	
CEE-5	15.1	15.1	14.5	12.8	12.5	11.5	10.6	9.7	
<b>Immunization rate - diphtheria, pertussis, tetanus (percent of children under 2)</b>									
Albania		77.6	94.0	95.8	96.3	97.1	98.1	98.6	
SEE-6	89.3	87.1	91.1	92.4	90.9	94.3	94.2	94.9	
CEE-5	97.1	97.0	96.8	97.0	96.9	96.3	96.4	96.6	
<b>Immunization rate – polio (percent of children under 2)</b>									
Albania		82.5	87.0	97.5	97.2	97.8	99.6	99.1	
SEE-6	89.8	89.1	92.4	91.0	90.0	93.8	94.4	95.8	
CEE-5	96.7	96.6	96.5	97.0	96.9	96.7	96.7	96.6	
<b>Immunization rate – measles (percent of children under 2)</b>									
Albania		80.5	87.0	76.2	81.2	91.0	91.7	95.1	
SEE-6	92.3	88.4	79.4	90.2	87.6	93.1	92.5	94.5	
CEE-5	96.6	96.0	95.6	96.1	96.3	96.4	96.3	97.5	
<b>Physicians (number per 100,000 population)</b>									
Albania	138.0	147.1	165.0	143.2	132.9	142.2	141.0		
SEE-6	215.5	222.0	224.8	223.9	226.6	229.6	233.5	232.0	
CEE-5	287.1	286.6	288.2	273.6	278.4	270.5	277.6	287.9	
<b>Nurses (number per 100,000 population)</b>									
Albania	451.7			501.4	454.2	393.6		432.9	
SEE-6	545.1	528.0	525.8	524.9	533.1	527.7	535.3	518.9	
CEE-5	700.3	770.0	700.0	671.1	675.7	671.7	665.7	682.3	

Sources: Statistical Office (for Albanian data), MONEE database (for comparators).

**Table 3: Education indicators, 1990-1998**

	1990	1991	1992	1993	1994	1995	1996	1997	1998
<b>Basic education enrollment rate</b>									
Albania	90.7	88.5	85.9	86.6	87.6				
SEE-6	93.3	89.8	84.5	86.0	86.8	86.5	87.2	86.9	
CEE-5	97.9	98.0	98.6	98.5	97.9	97.9	98.4	99.0	
<b>General secondary education enrollment rate</b>									
Albania	21.9	26.3	29.5	29.9	29.3	30.5			
SEE-6	20.8	22.9	18.6	20.6	19.4	20.0	20.3	20.9	
CEE-5	18.4	18.7	19.4	19.9	21.0	22.0	22.8	25.7	
<b>Total secondary education enrollment rate</b>									
Albania	57.3	47.9	44.0	40.3	36.9	30.5			
SEE-6	62.6	58.5	57.2	58.4	56.8	57.1	67.2	66.3	
CEE-5	84.9	82.6	81.7	83.1	82.8	83.4	83.4	86.6	
<b>Pupil-teacher ratio in basic education</b>									
Albania	19.3	18.3	17.2	16.7	17.8	17.8	18.1	18.6	
SEE-6	18.5	18.5	18.3	18.6	18.4	18.0	17.5	16.3	
CEE-5	16.5	16.4	15.8	15.6	15.2	15.1	14.9	14.9	

*Sources:* Statistical office (for Albanian data), MONEE database (for comparators).

## **Appendix D: Participation Plan for the PRSP**

To make the preparation of the PRSP a participatory exercise the government will take the following steps:

- (a) Select a reputable, European research institute to facilitate and help to manage the process in collaboration with domestic partners. In particular, these facilitators (foreign and domestic) will carry out the comprehensive stakeholder analysis and identify a set of feasible mechanisms for consultation.
- (b) Conduct a national level workshop to build ownership and consensus among the central and line ministries, donors and representative bodies over the PRSP process.
- (c) Establish clear and transparent selection criteria for participants in the participatory process.
- (d) Define the institutional mechanisms through which different stakeholders can participate in the PRSP, including national workshops, focus groups and interviews, but also a public debate which can be carried out through the media or letter writing.
- (e) Initiate a public information campaign to increase knowledge of the PRSP among civil society groups and communities, thereby increasing their capacity to articulate their views in the context of the PRSP process.
- (f) Recruit and train a cadre of local consultants, perhaps university students, who can carry out the consultations.
- (g) Carry out the consultations over the course of the fall and early winter months of the year 2000.
- (h) Evaluate and analyze the information gathered through the consultative process in cooperation with the facilitators and present it to the Steering Committee, and then incorporate the findings into the PRSP document.
- (i) Conduct a consensus building and validation workshop in June 2001 to build ownership over the strategy and finalize the PRSP document.

## **Appendix E: Work Program for the Preparation of the PRSP**

A tentative time-table for the preparation of the PRSP includes the following:

### **April 2000**

- (a). The government will establish a Steering Committee for the PRSP consisting of members of the Economic Policy Committee and representatives of parliament, donors, and civil society.
- (b). The government will establish a PRSP working group to focus on poverty issues in the context of the MTEF.
- (c). The government, in consultation with the World Bank, will examine the current participatory process in Albania to determine a starting point and feasible level of the PRSP participation process.
- (d). The government, in consultation with the World Bank and the IMF, will prepare a plan for collecting information necessary for poverty assessment and monitoring.
- (e). The government will initiate research to select a reputable European research institute to work with the government on the stakeholder analysis and the organization of the participatory process.
- (f). The government, in consultation with the World Bank and the IMF, will identify a set of monitoring indicators for social development and poverty for the PRSP.
- (g). The sector working groups for health, education, transport, public works, and social protection will prepare sector expenditure strategies for the 2001 budget, focusing on poverty reduction measures and defining indicators to be monitored.

### **May 2000**

- (a). The Steering Committee, in consultation with the World Bank, will start the process of coordination with external donors – Friends of Albania.
- (b). The Ministry of Finance will continue with the information campaign to increase knowledge of the PRSP process among civil society groups and communities.
- (c). The Steering Committee will start preparing a workshop for ministries, representative bodies, donors, etc. to increase knowledge about the PRSP and in particular the participation process.
- (d). The Ministry of Labor and Social Affairs, in consultation with the World Bank, will evaluate findings of social assessments undertaken in previous World Bank and other projects in Albania with direct poverty linkages (e.g. rural development, environment,

human development) including assessments undertaken through agricultural services projects.

(e). The sector working groups on health, education, transport, public works, and social protection will prepare draft expenditure plans for the 2001 budget consistent with the sectoral resource framework and strategic objectives identified in the sector expenditure strategies.

(f). The MTEF working group will organize an Economic Policy Committee workshop on the MTEF and public expenditure options.

### **June 2000**

(a). The MTEF working group will finalize the 2001-2003 MTEF document to be approved by the Economic Policy Committee and the Council of Ministers.

(b). INSTAT, with technical assistance from the World Bank, will prepare a poverty update based on 1998 Household Living Conditions Survey.

(c). The Ministry of Labor and Social Affairs, in collaboration with the World Bank, will launch the preparation of a qualitative and participatory social assessment of poverty.

### **July 2000**

(a). INSTAT, with assistance from the World Bank, will evaluate statistical data and propose measures to provide regular and timely collection, analysis and publication of data to monitor poverty reduction and the well-being of the population.

(b). The government, in consultation with the World Bank and with technical assistance from a European research institute, will carry out a stakeholder analysis in order to identify the stakeholders and to identify a set of feasible mechanisms for consultation.

(c). The government will establish a clear set of selection criteria for participation based on the stakeholder analysis and define institutional mechanisms through which the identified stakeholder can participate in the preparation of the PRSP and will launch the participatory process.

### **September 2000**

The government will present the 2001-2003 MTEF document to the donor community and brief the donor community on the PRSP preparation process.

### **October – November 2000**

The sector working groups will prepare poverty reduction strategies in health, education, public works, labor and social protection, and agriculture consistent with the 2001-2003 MTEF resource framework in preparation for the 2002-2004 MTEF process.

### **November 2000**

The World Bank, in cooperation with the government, will prepare a survey-based beneficiary assessment of cash social assistance programs.

### **December 2000**

(a) The Ministry of Health, with technical assistance from UNICEF, will conduct a Multiple Indicators Cluster Survey (MICS) for children.

(b) The Ministry of Labor and Social Affairs will complete the data base on social assistance beneficiaries.

### **December 2000 - January 2001**

The PRSP working group will prepare a PRSP status report setting out poverty reduction guidelines for the 2002-2004 MTEF process.

### **January 2001**

The Steering Committee, in consultation with other government agencies, will evaluate and analyze the information gathered through consultation with stakeholders.

### **February 2001**

INSTAT will complete the data base for the 2000 Household Budget Survey.

### **April 2001**

(a) INSTAT, with donor assistance, will conduct population census.

(b) The sector working groups will prepare sector expenditure strategies for the 2002-2004 MTEF on health, education, transport, public works, social protection, and agriculture, focusing on poverty reduction measures and defining indicators to be monitored.

### **May 2001**

(a) The sector working groups will prepare draft expenditure plans for the 2002-2004 MTEF consistent with the sectoral resource framework and strategic objectives identified in the sector expenditure strategies and the poverty reduction guidelines in the PRSP status report.

(b) The MTEF working group will organize an Economic Policy Committee workshop on the MTEF and public expenditure options.

## **June 2001**

(a) INSTAT, in cooperation with the World Bank, will prepare a poverty profile based on the 2000 Household Budget Survey.

(b) The government, with assistance from the World Bank and other donors, will launch preparations for an LSMS using the results of the April 2001 census as a sampling frame.

(c) The MTEF working group will prepare the 2002-2004 MTEF document to be approved by the Economic Policy Committee and the Council of Ministers.

(d) The Steering Committee will organize a Consensus Building/Validation Workshop to review and finalize the PRSP.



## Selected Economic Indicators

	1997	1998	1999	2000	2001	2002	2003
			Est.	Proj.	Proj.	Proj.	Proj.
	(Percent change)						
Real GDP	-7.0	8.0	7.3	7.0	8.0	8.0	8.0
Retail prices (avg.)	32.1	20.9	0.4	1.5	3.0	3.0	3.0
Retail prices (end-period)	42.1	8.7	-1.0	3.0	3.0	3.0	3.0
	(In percent of GDP)						
Saving-investment balance							
Foreign saving 1/	12.1	6.1	8.0	8.4	7.8	7.1	6.4
Domestic saving	3.9	9.9	8.8	10.6	12.2	13.9	15.6
Public 2/	-8.6	-5.2	-5.6	-2.9	-2.2	-1.4	-0.6
Private	12.5	15.1	14.4	13.6	14.5	15.3	16.2
Investment	16.0	16.0	16.8	19.0	20.0	21.0	22.0
Public	4.0	5.2	5.7	6.5	6.4	6.6	6.8
Private	12.0	10.8	11.1	12.5	13.6	14.4	15.2
Fiscal sector							
Revenues	16.9	20.3	21.3	22.5	22.3	22.7	23.3
Tax revenue	9.7	12.3	12.9	15.3	15.7	16.3	17.0
Expenditures	29.4	30.7	32.6	31.8	30.9	30.7	30.7
Non-interest	24.0	22.9	25.7	26.0	26.1	26.8	27.5
Non-interest current	19.9	17.7	20.0	19.5	19.7	20.2	20.7
Interest	5.5	7.8	6.9	5.9	4.8	3.9	3.2
Overall balance	-12.6	-10.4	-11.3	-9.4	-8.6	-8.0	-7.4
Domestically financed balance 3/	-10.5	-6.4	-5.1	-4.3	-3.5	-2.6	-2.1
Public Debt	68.9	60.1	62.0	70.6	70.7	69.3	67.1
Domestic 4/	35.8	32.9	36.5	40.9	40.3	38.7	36.9
External	33.1	27.2	25.5	29.7	30.4	30.6	30.3
Monetary indicators							
Broad money growth (in percent)	28.5	20.7	22.3	11.1	13.3	11.3	11.6
Private credit growth (in percent)	19.0	14.7	22.6	27.4	43.1	33.1	30.0
Velocity	1.72	1.92	1.73	1.68	1.65	1.65	1.65
Interest rate (3-mth deposits)	26.0	16.5	8.5	...	...	...	...
	(In millions of U.S. dollars)						
External sector							
Trade balance 5/	-519	-621	-663	-692	-728	-785	-838
(in percent of GDP)	-22.7	-20.4	-18.0	-18.1	-17.4	-16.8	-16.1
Official transfers 5/	77	89	142	91	86	95	94
(in percent of GDP)	3.4	2.9	3.9	2.4	2.1	2.0	1.8
Current account balance 5/	-276	-187	-294	-320	-326	-333	-332
(in percent of GDP)	-12.1	-6.1	-8.0	-8.4	-7.8	-7.1	-6.4
Gross international reserves	306	384	481	500	535	570	605
(in months of imports of goods and services)	3.8	4.2	4.9	4.6	4.5	4.3	4.2
(relative to external debt service)	14.0	21.8	29.1	17.4	12.0	9.5	10.3
(in percent of broad money)	23.0	22.6	22.3	22.3	21.1	20.2	19.2
Change in real effective exchange rate	0.3	18.3	12.5	...	...	...	...
Memorandum items							
Nominal GDP (in millions of lek)	341,716	460,631	506,205	545,847	607,288	677,295	755,252
Nominal GDP (in millions of U.S. dollars)	2,284	3,046	3,676	3,817	4,188	4,671	5,209

Sources: Albanian authorities and Fund staff estimates and projections.

1/ Current account excluding official transfers.

2/ Revenue minus current expenditure.

3/ Excluding privatization revenues.

4/ Including bonds for bank restructuring.

5/ For 1999 excluding imports of direct humanitarian aid related to the Kosovo crisis.