PROJECT PERFORMANCE ASSESSMENT REPORT

ALBANIA

Competitiveness Development Policy Lending Project

Report No. 178775
FEBRUARY 13, 2023

IEG
INDEPENDENT EVALUATION GROUP
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Competitiveness Development Policy Lending Project

(IBRD-86890)

February 13, 2023

Finance, Private Sector, Infrastructure, and Sustainable Development

Independent Evaluation Group

Abbreviations

AEO	approved economic operator
AIDA	Albanian Investment Development Agency
DB	*Doing Business*
DPL	development policy loan
DTF	distance to frontier
GDP	gross domestic product
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IGM	investor grievance mechanism
LCP	local clearance procedure
ROC	Regional Operations Committee

All dollar amounts are US dollars unless otherwise indicated.

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This report was prepared by Melvin P. Vaz, who assessed the operation in February 2021. The report was peer reviewed by Andrew Stone and panel reviewed by Jeff Chelsky. Jean-Jacques Ahouansou and Viktoriya Yevsyeyeva provided administrative support.

Note: IEG = Independent Evaluation Group; PPAR = Project Performance Assessment Report.

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This is a Project Performance Assessment Report by the Independent Evaluation Group of the World Bank Group on the Albania Competitiveness Development Policy Loan (P155605). This instrument and the methodology for this evaluation are discussed in appendix F. Following standard Independent Evaluation Group procedure, copies of the draft Project Performance Assessment Report were shared with relevant government officials for their review and comment; no comments were received.

Competitiveness Development Policy Lending Operation (P155605)

Basic Data

Country	Albania	Financing source	IBRD-86890
Global Practice	Finance, Competitiveness, and Innovation	World Bank financing commitment	US$70.0 million
Operation name	Competitiveness Development Policy Loan	Actual amount disbursed	US$77.7 million
Operation ID	P155605	Programmatic series	Yes
Financing instrument	Development policy lending		

Dates

Event	Original Date	Actual Date
Approval	January 31, 2017	January 31, 2017
Effectiveness	May 31, 2017	May 31, 2017
Closing	January 31, 2018	January 31, 2018

Key Staff Responsible

Management	Appraisal	Completion
Operation team leader	Feyi Boroffice	Feyi Boroffice, Wolfgang Fengler
Practice manager	Paulo Guilherme Correa	Mario Guadamillas
Global director	Alfonso Garcia Mora	Alfonso Garcia Mora
Country director	Ellen A. Goldstein	Linda Van Gelder

Summary

Background and Description

Albania is among the top remittance-receiving countries in the world, with about 40 percent of its population living abroad. Greece and Italy are the key economic partners of Albania in trade, capital, and technology transfer. Albania experienced a period of rapid economic growth of 6 percent between 1998 and 2008 and became a middle-income country in 2008. Growth was accompanied by poverty reduction, with the severe poverty rate ($2.50 per day) falling from 12 percent in 2002 to 5.2 percent in 2008. However, growth and poverty reduction stalled in the aftermath of the global financial crisis and the eurozone crisis, which were particularly intense in Greece and Italy. Albania became the fourth poorest country in Europe, with 7 percent of its population living below the severe poverty rate. In June 2014, the European Union granted Albania candidate status as a result of critical actions the government took to stabilize the economy through reforms to protect the country's fiscal position and to strengthen the financial sector. Better integration into the global economy was crucial for Albania's growth at the time of preparation of this operation in 2015. However, a complex regulatory and institutional framework for investment policy and weak performance in some of the important *Doing Business* (*DB*) reform areas made it difficult to attract and retain investments and create jobs in Albania.

The Albania Competitiveness Development Policy Loan (DPL) was financed by an International Bank for Reconstruction and Development loan in the amount of $77.72 million and approved by the World Bank Group Board of Executive Directors on January 31, 2017. The DPL was designed as a stand-alone operation.

The objective of the DPL was "to enhance Albania's competitiveness by improving the investment regime, making it easier to do business, and facilitating trade" (World Bank 2017, v). The DPL pursued reforms under the following three policy pillars:

Pillar 1. Attracting and retaining investment, which focused on supporting reforms to strengthen Albania's investment policy framework.

Pillar 2. Making it easier to do business, which focused on supporting reforms to enhance Albania's business climate.

Pillar 3. Facilitating trade, which focused on supporting the government's efforts to improve trade facilitation and logistics.

Results

What Worked

Pillar 3. Facilitating trade: Prior action on adopting a local clearance procedure (LCP) that enables traders to clear goods at their premises or other approved locations. The implementation of this prior action required the Director General of customs to issue instructions on the LCP in April 2016. The International Finance Corporation (IFC) and the DPL operation team worked closely with the Albania Customs Agency to operationalize the LCP. The outcome in terms of the annual value of imports under the LCP increased steadily from $9 million in 2015 to $110 million in 2017 and to $147 million in 2018, significantly exceeding its target of $70 million. However, there was limited progress in the uptake of the LCP by businesses—that is, only nine companies had participated in the LCP at the time of the Independent Evaluation Group (IEG) virtual mission in February 2021, an increase of only five companies since 2015.

What Didn't Work

Pillar 1. Attracting and retaining investment: Prior action on investment law. At the time of preparation of this DPL in 2015, there were two investment laws in Albania that were operating in parallel: (i) the Law on Foreign Investment, which fell short of international best practice standards; and (ii) the Law on Strategic Investment, which gave preferential treatment to a few investors. The implementation of the prior action on investment law required the government to adopt an investment policy statement in August 2016; the statement included key guiding principles for the development of a comprehensive investment law and a detailed, time-bound action plan for its adoption by 2018. IFC supported the Ministry of Finance and Economy in drafting the Unified Investment Law. However, the government has not yet adopted this law as of February 2021. As a result, Albania continues to operate two separate investment laws in parallel.

Pillar 1. Attracting and retaining investment: Prior action on investor grievances. In 2015, Albania was involved in a significant number of investor-state disputes that reduced investor confidence and negatively affected the country's attractiveness for investors. The implementation of the prior action on investor grievances required the Ministry of Economic Development, Tourism, Trade, and Entrepreneurship to formally adopt a decision in August 2016 to establish an investor grievance mechanism (IGM) secretariat within the Albanian Investment Development Agency to address investor grievances. However, the IGM was not operational as of February 2021. IFC provided capacity building to the Albanian Investment Development Agency to establish an informal mechanism, Investor Servicing and Aftercare. This mechanism resolves basic day-to-day investment issues but does not resolve higher level investor-state disputes, as the IGM originally anticipated. As a result, investor-state disputes remain an issue in Albania.

Pillar 2. Making it easier to do business: Prior action on reducing the administrative burden associated with construction permits. In 2015, the government put a temporary moratorium on issuing construction permits because of cumbersome restrictions in the issuance process. The implementation of the prior action on construction permits required the Ministry of Urban Development to issue key provisions for implementing the new Law on Territorial Planning. A World Bank technical team conducted a detailed assessment of the building permit regime. A one-stop shop for construction permits was implemented in all municipalities. However, Albania's distance to frontier (DTF) score for dealing with construction permits declined significantly, from 68 in 2017 to 53 in 2020. The DTF score is a *DB* indicator that illustrates the distance of an economy to the "frontier," in which the frontier represents the best performance observed on each *DB* topic across all economies since 2005. An economy's DTF is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. An improvement in score through time would indicate that the economy is improving. According to the 2019 Enterprise Survey, the percentage of firms expected to give gifts to get construction permits in Albania was 16.8, almost the same level as the regional average of 17.1 percent. During its virtual mission, IEG found that construction permits involving secondary permits, particularly environmental impact assessments, are creating an incentive for kickbacks.

Pillar 2. Making it easier to do business: Prior action on reducing the administrative burdens associated with getting electricity. In *DB* 2016, Albania was ranked 162 out of 180 on getting electricity because of excessive delays and high costs in getting new electricity connections. The implementation of the prior action on getting electricity required the board of the Energy Regulatory Entity to pass a regulation for new connections in October 2016. The DPL operation team collaborated with the Bank Group's Energy Global Practice in reviewing the draft bylaw on the new regulation. The regulation on new electricity connection in 2017 and subsequent reforms from the government in 2018 and 2019 contributed to significant reduction in the time required to obtain an electricity connection: a 60 percent reduction between 2016 and 2020. However, the cost to obtain an electricity connection (at 449 percent of income per capita) in 2020 was significantly above the regional average (of 272 percent of income per capita). In addition, 59 percent of firms in Albania experienced electrical outages, compared with 35 percent of firms in the region, per the 2019 Enterprise Survey. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability. Evidence from IEG's Country Program Evaluation for Albania (2011–19) shows that progress in improving the efficiency of supply and cost recovery has been mixed.

Pillar 2. Making it easier to do business: Prior action on reducing the administrative burdens associated with the business licensing processes. Before 2015, the government undertook two reforms in business registration and licensing: (i) The reform of the business registration system established the National Registration Center as the one-stop shop for business registration, and (ii) the reform of business licensing established the National Licensing Center as the one-stop shop for business licensing and permitting. The Bank Group supported the government in improving online registration and licensing through an investment project financing governance project and advisory services projects. The implementation of the prior action on business licensing required the Ministry of Economy to merge the National Registration Center and the National Licensing Center to create the National Business Center, which serves as the one-stop shop for business registration and licensing. However, licensing and permits continue to be obstacles for businesses in Albania. For example, the number of days to obtain an operating license and an import license in 2019 (11 days and 7 days, respectively) were broadly stable compared with 2013 (12 days and 6 days, respectively), per the 2013 and 2019 Enterprise Surveys.

Pillar 2. Making it easier to do business: Prior action on national quality infrastructure. Before 2015, the framework for a market surveillance system for nonfood consumer products (to protect consumers from dangerous products and to ensure a level playing field for businesses) was absent. The implementation of the prior action on national quality infrastructure required the Council of Ministers to adopt a decision on the creation of the State Inspectorate of Market Surveillance in January 2016. IEG found no evidence of any technical assistance from the Bank Group. The inspectorate began its operations in January 2017. However, lack of experienced staff, limited funding for equipment, and lack of standard operating procedures are key risks to the sustainability of the inspectorate. Competition from informal firms continues to be an obstacle for businesses in Albania. It was cited as the second biggest obstacle by firms in Albania in the 2019 Enterprise Survey.

Pillar 3. Facilitating trade: Prior action on improving risk management for food products. Before 2015, the National Food Agency physically inspected almost 100 percent of incoming cargo. This delayed the clearance of agribusiness goods and products of animal origin. The implementation of the prior action on risk management for food products required the National Food Agency to adopt a new risk management policy in May 2016. IFC provided technical assistance to the agency. However, the relevant law was not amended to include the new risk management policy because of vested interest, lack of commitment from the Ministry of Agriculture, and lack of oversight from the DPL operation team in factoring these risks along with appropriate mitigation measures at the time of design. As a result, all imported agribusiness goods continue to be physically inspected.

Pillar 3. Facilitating trade: **Prior action on reducing congestion at the port of Durres.** Before 2015, the regulatory framework offered incentives to traders to use the container terminal as a long-term storage space. The implementation of the prior action on reducing congestion at the port of Durres required the Port Authority to issue a new directive in September 2015 to reduce the time allowed for free storage from 10 days to 5 days. A Bank Group technical team visited Albania in February 2016 and identified issues and recommended reform actions to increase competitiveness at the port. However, the outcome of reducing the cargo dwell time at the port cannot be fully assessed because during the IEG virtual mission, the Durres Port Authority (responsible for collecting this information) only provided information on average dwell time for ships and for ferries and not for cargo, which was also the case during the Implementation Completion and Results Report of this DPL. The Logistics Performance Index for Albania improved from a rank of 117 in 2016 to a rank of 88 in 2018. This index is the weighted average of country scores on six key dimensions: (i) efficiency of the clearance process (that is, speed, simplicity, and predictability of formalities) by border control agencies, including customs; (ii) quality of trade- and transport-related infrastructure (for example, ports, railroads, roads, and information technology); (iii) ease of arranging competitively priced shipments; (iv) competence and quality of logistics services (for example, transport operators and customs brokers); (v) ability to track and trace consignments; and (vi) timeliness of shipments in reaching their destination within the scheduled or expected delivery time. In addition, quality of trade- and transport-related infrastructure for Albania improved from a rank of 148 in 2016 to a rank of 110 in 2018. However, these improvements cannot be fully attributed to the contributions from this operation because of the narrow reforms on trade facilitation under this DPL.

Design and Preparation

What Didn't Work

Prior actions and their links to the DPL's overall objective of enhancing competitiveness in the theory of change were weak. First, the policy reforms of the prior actions were soft and focused mainly on addressing basic upstream aspects (for example, adoption of laws); critical follow-up reforms and critical implementation of the new laws and related regulations were lacking. Given the results chain linking prior actions to outcomes, the failure to redesign the prior actions when the DPL series was reversed to a stand-alone operation was a major shortcoming in the design of this DPL. Second, not all prior actions addressed the important constraints to achieving the overall objective where Albania was lagging (for example, paying taxes, registering a property, and enforcing contracts). Finally, using *DB* indicators to prioritize the prior actions was not the right approach because *DB* indicators do not give any sense of the relative significance of a particular dimension; that is, a country can have a low score for a measure that is not particularly important to its economy.

Mitigation measures for critical risks such as political, governance, and institutional capacity were weak in the DPL's design, which resulted in lack of follow-on policy reforms and affected the achievement of the overall objective. IEG's Albania Country Program Evaluation (2015–19) also identified that more proactive efforts by the World Bank were needed to mitigate the capacity and political economy risks identified ex ante.

Lessons and experiences from the past were not fully incorporated into the design of the DPL, particularly in trade facilitation reforms and in the implementation of the approved economic operator program, resulting in limited progress in the uptake of the LCP and the approved economic operator program.

Results indicators for most of the prior actions of the DPL did not adequately measure progress toward achievement of the objective. In addition, DTF was not a good results indicator for measuring the impact of policy reforms or a good measure of relevance because of methodological changes in *DB* over time.

Implementation and Supervision

What Worked

There was good collaboration between the World Bank and IFC during the preparation of the DPL. This was evident from World Bank efforts on policy reforms in areas of competitiveness being complemented by IFC advisory services. The DPL involved frequent missions from the relevant Global Practices to conduct the normal operation.

What Didn't Work

Lack of commitment from the government, frequent changes in operational counterparts, and failure on the part of the DPL operation team to adequately understand the underlying context and mitigate associated risks affected the implementation of important policy reforms in areas such as adoption of the Unified Investment Law, operationalization of the IGM, and implementation of the risk management policy.

IEG project ratings are described in appendix A. The evaluation methodology and evidence sources are described in appendix F.

Lessons

This assessment offers the following lessons:

- It is crucial for prior actions to address the key binding constraints to achieving the stated objective of a DPL. This was not the case in this operation. The 2016 Regional Operations Committee review meeting raised the point that reforms in key areas where Albania was lagging at the time of preparation—such as paying taxes, registering a property, and enforcing contracts—deserved more attention than reforms in the *DB* areas, such as construction permits, to achieve the operation's overall objective of enhancing competitiveness.

- Prior actions of this operation did not have a sufficient level of ambition to make a significant contribution to enhancing competitiveness. They had been designed as part of a two-stage process within the confines of a programmatic development policy operation. When the DPL series of two operations was reversed to a stand-alone operation, the credibility of the prior actions for the first operation should have been reassessed.

- It is crucial for IFC to determine, at implementation, warning signals regarding inadequate client commitment and show flexibility and patience only to those clients that show proof of trust, ownership, and commitment. IFC advisory services projects can play an important role in complementing World Bank efforts on policy reforms. They can, however, consume a significant amount of IFC resources while not serving the intended purpose of contributing to the DPL's objectives, particularly in situations where there is lack of client commitment during implementation. Despite IFC's continued efforts in supporting the government in areas such as investment policy framework, IGM, and trade facilitation, there was limited progress in implementation of reforms in these areas.

- For progress in the uptake of the LCP or the approved economic operator programs by businesses, it is crucial to have the following in place: (i) a clear communication and outreach strategy, (ii) a systematic approach to educating businesses and customs about the benefits of these programs, (iii) strong engagement of customs and other border agencies with the private sector, and (iv) a culture of trust between customs and the business community. However, these prerequisites were not in place at the time of preparation of this operation, resulting in low uptake of these programs by businesses in Albania.

- *DB* indicators as targets and metrics of reforms do not work very well, even if they are valid ways to point to a problem area. Because of the limited agenda they have, *DB* indicators cannot prioritize the range of private sector development constraints. Also, because of the limitations and lack of granularity of the *DB* indicators, they cannot track reforms very precisely.

- Clear assignment of responsibility for collection of particular data needs to be assigned at the outset. The expected outcome of reducing the cargo dwell time at the port of Durres could not be assessed because of limited information provided by stakeholders during the IEG virtual mission. This indicates a failure to have in place clear responsibility for data collection and reporting as part of the DPL.

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1. Background, Context, and Design

Background and Context

1.1 Albania is situated in the Western Balkans in southeastern Europe; it has a gross domestic product (GDP) per capita of $5,246 and a population of 2.8 million as of 2020.[1] It is near Greece and Italy, which are its key economic partners in trade, capital, and technology transfer. Albania is among the top remittance-receiving countries in the world, with about 40 percent of its population living abroad. After the fall of communism in 1991, the country's progress during the early transition years was rapid, with a GDP growth of 10 percent between 1993 and 1995. However, governance shortcomings between 1995 and 1997 and the war in neighboring Kosovo between 1998 and 1999 affected Albania's economy negatively. Nevertheless, the country demonstrated resilience and experienced a period of rapid economic growth of 6 percent between 1998 and 2008. Nontradable sectors, such as construction and services, contributed to nearly three-quarters of output growth and to nearly one-third of employment growth before 2008. Growth was accompanied by poverty reduction, with the poverty rate ($5 per day) falling from 62.3 percent in 2002 to 43.9 percent in 2008 and the severe poverty rate ($2.50 per day) falling from 12 percent to 5.2 percent during the same period. Albania became a middle-income country in 2008.

1.2 However, growth and poverty reduction in Albania stalled in the aftermath of the global financial crisis and the eurozone crisis, which were particularly intense in Greece and Italy. The country's economic growth declined from 7.5 percent in 2008 to 3.4 percent in 2009 and to 1 percent in 2013. Albania became the fourth poorest country in Europe, with 7 percent of its population living below the severe poverty rate in 2013. Public debt increased from 55 percent of GDP in 2008 to 72 percent in 2014. Inadequate budget planning and lack of control on investment commitments led to a failure of the government to honor its contracts, which subsequently led to an accumulated stock of government arrears to the private sector of about 5.3 percent of GDP in 2013. These arrears also contributed to an increase in nonperforming loans, reaching nearly one-quarter of total loans in 2014. Before the November 2019 earthquake, Albania's macroeconomic performance was broadly positive, although structural and institutional weaknesses persisted. Growth averaged 3.7 percent between 2016 and 2018, and public debt declined to 67.8 percent of GDP in 2019. The economic contraction in Albania started in the fourth quarter of 2019 and reached 10.2 percent year over year in the second quarter of 2020, reflecting the impact of the 2019 earthquake and the lockdown in the country between March and May 2020.

1.3 A new government in 2013 took critical actions to stabilize Albania's economy through reforms to protect the country's fiscal position and to strengthen the financial sector. These actions included clearing large arrears to businesses and major tax, pension, and energy sector reforms. For example, the government cleared arrears worth 2.4 percent of GDP in 2014 and an additional 1.3 percent of GDP in 2015. As a result of the government's efforts, the European Union granted Albania candidate status in June 2014. Better integration into the global economy was crucial for Albania's growth at the time of preparation of the competitiveness development policy loan (DPL) in 2015.

1.4 However, a complex regulatory and institutional framework for investment policy and weak performance in some of the important *Doing Business* (*DB*) reform areas made it difficult to attract and retain investments and to create jobs. In 2015, Albania had two separate investment laws (Law on Foreign Investment and Law on Strategic Investment), both with individual shortcomings. In addition, there were difficulties in retaining investors because of a significant number of investor-state disputes. Although Albania made progress in its overall *DB* ranking, from 90 in 2016 to 58 in 2017, it had the lowest rankings in areas such as enforcing contracts, getting electricity, registering a property, obtaining construction permits, and paying taxes.

Objective, Design, and Financing

1.5 The objective of the Albania Competitiveness DPL, as stated in the Program Document, was "to enhance Albania's competitiveness by improving the investment regime, making it easier to do business, and facilitating trade" (World Bank 2017, v). At the Concept Note stage, the DPL was designed as a stand-alone operation (appendix B). However, at the Concept Note review meeting on November 24, 2015, the team was authorized to prepare a programmatic DPL series of two operations. This was because many of the policy reforms of the stand-alone DPL focused on upstream aspects (such as enactment of laws and adoption of decrees and bylaws), and therefore a follow-on operation was needed to support the reform implementation to achieve the desired results. The DPL was designed as a programmatic series of two operations and presented at the Regional Operations Committee (ROC) review meeting on October 20, 2016 (appendix C). However, it was agreed in this meeting to reverse the DPL to a stand-alone operation because of both an external factor (related to the political uncertainty from the forthcoming elections on June 25, 2017) and an internal factor (related to the World Bank's corporate constraints on its International Bank for Reconstruction and Development lending envelope for Albania). The DPL was financed by an International Bank for Reconstruction and Development loan in the amount of $77.72 million and approved by the Bank Group Board of Executive Directors on January 31, 2017.

1.6 The DPL pursued reforms under three policy pillars (appendix D):

- **Pillar 1. Attracting and retaining investment.** This pillar focused on supporting reforms to strengthen Albania's investment policy framework.
- **Pillar 2. Making it easier to do business.** This pillar focused on supporting reforms to enhance Albania's business climate.
- **Pillar 3. Facilitating trade.** This pillar focused on supporting the government's efforts to improve trade facilitation and logistics.

1.7 The DPL complemented two other policy-based interventions that were supporting Albania's reform agenda. The reforms under these three policy-based interventions intended to address fiscal, financial, and business climate issues to subsequently address critical growth and distributional issues in Albania over the medium term. The other two policy-based interventions were the Albania Financial Sector DPL (P152064) and the Albania Public Finance Policy-Based Guarantee (P149765).

2. What Worked, What Didn't Work, and Why?

Results

What Worked

2.1 **Pillar 3. Facilitating trade: Prior action on adopting a local clearance procedure (LCP)**:[2] "Customs Director General adopted the Local Clearance Procedures Instruction, incorporating best practices clarifying: (i) criteria relating to grant of a local customs clearance authorization; (ii) procedural actions to be taken from the moment the goods arrive at the border until they are released; and (iii) duties of the economic operator" (World Bank 2017, 38). At the time of preparation of this DPL in 2015, the government developed a legal and regulatory framework for the national approved economic operator (AEO) program,[3] in line with the World Trade Organization's Trade Facilitation Agreement and the European Union Customs Code. However, the AEO program was not operationalized because of significant delays in the Albania Customs Agency's evaluation of traders' AEO applications. As a result, the government phased out the development of the AEO program and instead offered an LCP to companies.

2.2 The implementation of the prior action on the LCP required the Director General of customs to issue instructions on the LCP in April 2016. It was expected that the companies approved for the LCP would be considered as the pilot applicants for AEO certification at a later stage. Four companies were approved under the LCP in 2015.

2.3 The International Finance Corporation (IFC) and the DPL operation team worked closely with the Albania Customs Agency to operationalize the LCP.

2.4 The annual value of imports under the LCP increased steadily from $9 million in 2015 to $110 million in 2017 and to $147 million in 2018, exceeding the target of $70 million significantly. However, only nine companies had participated in the LCP at the time of the Independent Evaluation Group (IEG) virtual mission in February 2021. Of these, four companies had applied for the AEO certification. Limited progress in the uptake of the LCP was mainly due to the lack of a clear communication and outreach strategy and the absence of a systematic approach to educate stakeholders, including corporations and customs officers, about the benefits of the LCP.

What Didn't Work

2.5 **Pillar 1. Attracting and retaining investment:** Prior action on investment law: "Council of Ministers adopted an Investment Policy Statement outlining the borrower's commitment and action plan to develop a comprehensive investment law compatible with international best practices" (World Bank 2017, 36). At the time of preparation of this DPL, there were two investment laws in Albania, which were operating in parallel:

- The Law on Foreign Investment, which was adopted in 1993 and amended in 2010. This law fell short of international best practice standards in several areas, such as the right to employ, compensation for expropriation and nationalization, dispute settlement, and access to land.
- The Law on Strategic Investment, which was adopted in May 2015 as a transitory law with a termination date of December 31, 2018. This law gave preferential treatment to a few investors.

2.6 The reforms from this DPL were expected to replace these two laws with the new Unified Investment Law, which would give equal treatment to all investors.

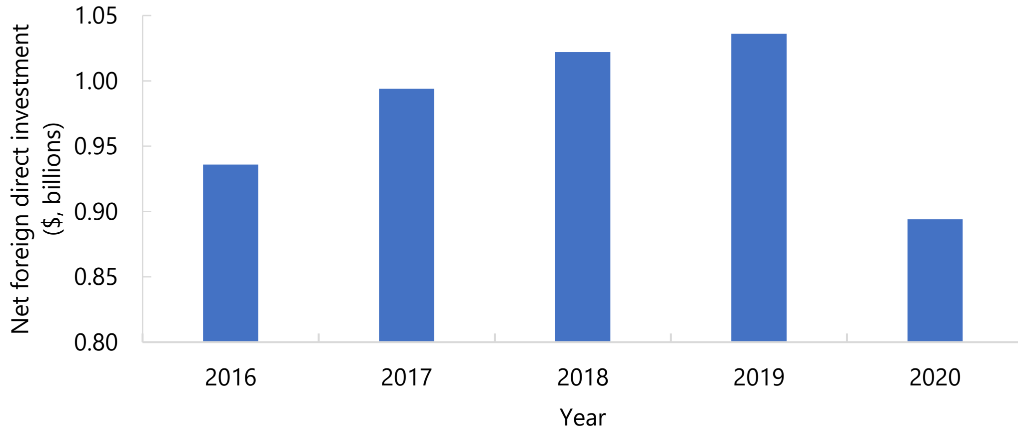
2.7 The implementation of the prior action on investment law required the government to adopt an investment policy statement on August 3, 2016. This policy statement included key guiding principles for the development of a comprehensive investment law and a detailed, time-bound action plan for its adoption by 2018.

2.8 IFC supported the Ministry of Finance and Economy through an advisory services project (the Investment Climate and Agribusiness Competitiveness Project) in drafting the Unified Investment Law, with the help of local and international legal experts.

2.9 At the time of the preparation of the Implementation Completion and Results Report on April 19, 2019, and the Implementation Completion and Results Report Review on June 26, 2019, the Unified Investment Law had been sent for public consultations and was expected to be enforced by December 31, 2019. However, during its virtual mission, IEG found that the Unified Investment Law had not been adopted because of lack of commitment from the Ministry of Finance and Economy. This was evident from the multiple extensions of the termination date of the Law on Strategic Investment since 2018; for example, at the time of the IEG virtual mission, the termination date of the Law on Strategic Investment had been extended to December 31, 2021. The discretionary power of the Ministry of Finance and Economy in granting preferential treatment to a few investors is worrisome because Albania's ranking on the Worldwide Governance Indicator on corruption control has declined significantly from a percentile rank of 38.46 in 2015 to a percentile rank of 31.73 in 2020.[4] Albania fell into the lowest one-third of countries in control of corruption.

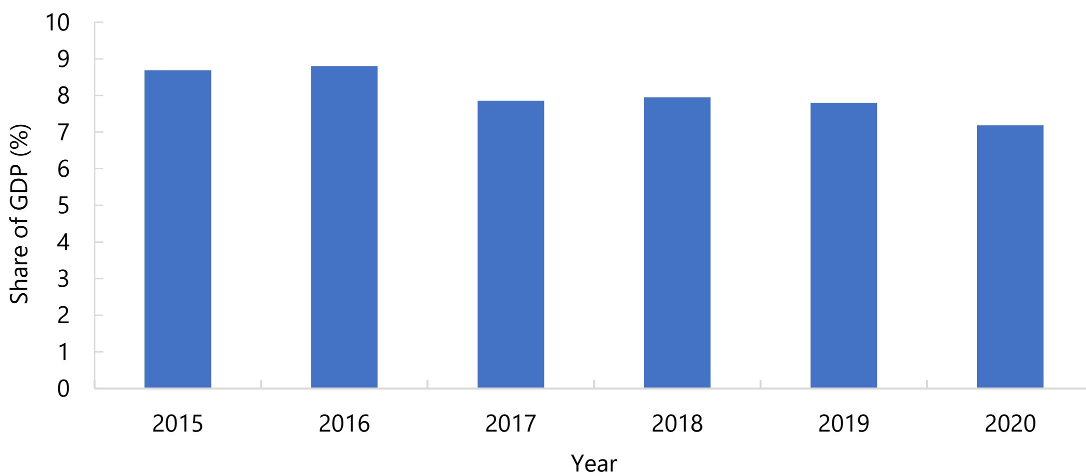
2.10 According to the Implementation Completion and Results Report and the Implementation Completion and Results Report Review, the results indicator "number of investment leads generated annually by the Albanian Investment Development Agency (AIDA)" increased from 16 in 2015 to 28 in 2018, exceeding the target of 18. During its virtual mission, IEG found that 31 projects between 2016 and 2020 applied for the status of strategic investments under the Law on Strategic Investment. Of these, 16 projects (representing $1.11 billion) were implemented or under implementation,[5] with an estimated 13,153 new jobs.[6] In addition, 15 investments (representing $16.45 million) under the Law on Foreign Investment were implemented or under implementation, with an estimated 3,111 new jobs. In sum, AIDA facilitated $1.13 billion in investments, representing about one-quarter of the net foreign direct investments of $4.88 billion in Albania during the period 2016 to 2020 (figure 2.1; IMF 2018, 2021). However, these results cannot be attributed to this DPL because the government has not yet adopted the Unified Investment Law. In addition, results of important indicators related to investments were weak; for example, foreign direct investment inflows as a share of GDP declined from 9 percent in 2015 to 7 percent in 2020 (figure 2.2), and private investment as a share of GDP declined from 19 percent in 2015 to 16 percent in 2020 (figure 2.3). IEG acknowledges that the global COVID-19 pandemic in 2020 affected investment and trade negatively.

Figure 2.1. Net Foreign Direct Investment in Albania (2016–20)



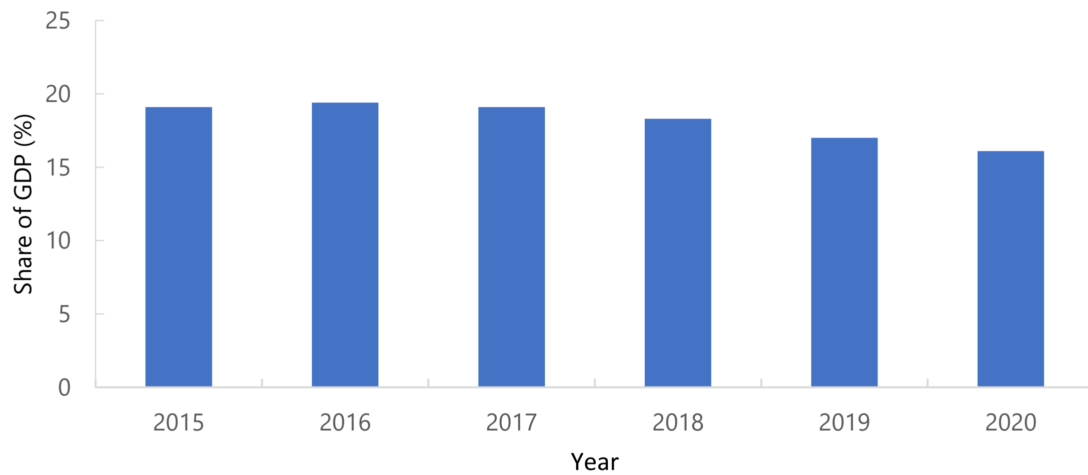
Sources: IMF 2018, 2021.

Figure 2.2. Foreign Direct Investment Inflows as a Share of Gross Domestic Product (2015–20)



Source: World Development Indicators database.
Note: GDP = gross domestic product.

Figure 2.3. Private Investment as a Share of Gross Domestic Product (2015–20)



Sources: IMF 2018, 2021.
Note: GDP = gross domestic product.

2.11 **Pillar 1. Attracting and retaining investment: Prior action on investor grievances:** "Minister of Economic Development, Tourism, Trade, and Entrepreneurship adopted measures to establish the Secretariat for addressing grievances of investors Investor Grievance Mechanism [IGM]" (World Bank 2017, 36). At the time of preparation of this DPL, Albania was involved in a significant number of investor-state disputes. Between 1994 and 2015, investors filed seven cases against Albania in the International Centre for Settlement of Investment Disputes. These disputes created additional costs and uncertainty for both the state and the investor. In addition, they reduced investor confidence and negatively affected the country's attractiveness for investors. The reforms from this DPL were expected to establish an IGM to help existing investors address their grievances before they escalate into disputes.

2.12 The implementation of the prior action on investor grievances required the Ministry of Economic Development, Tourism, Trade, and Entrepreneurship to formally adopt a decision on August 3, 2016, to establish an IGM secretariat within AIDA to address investor grievances. The secretariat was expected to be in charge of both receiving the grievances and seeking an amicable solution between the investor and the government agency associated with the grievance.

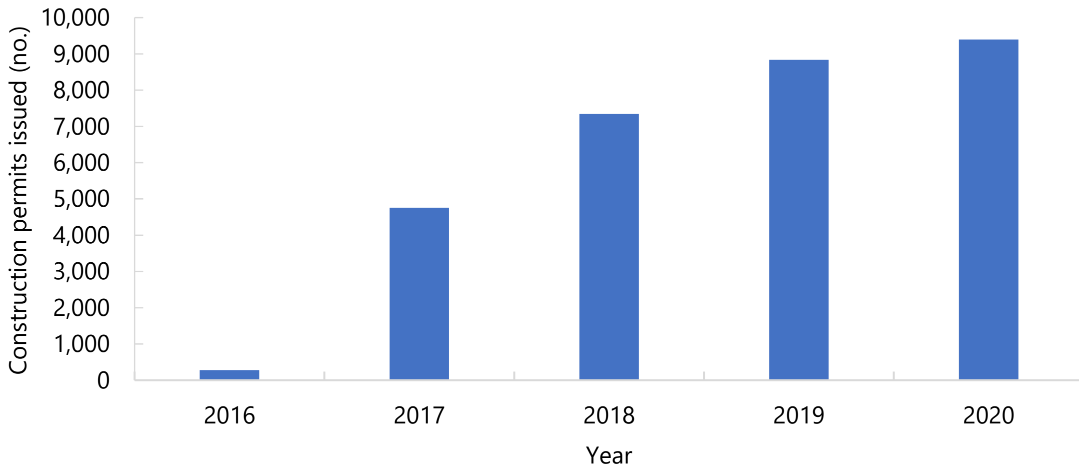
2.13 During its virtual mission, IEG found that the IGM had not been operationalized because the management of AIDA changed after the 2017 elections, and the new management did not have the capacity to operationalize the IGM. IFC's advisory services project (the Investment Climate and Agribusiness Competitiveness Project) enabled AIDA to establish an informal mechanism, Investor Servicing and Aftercare, to help investors resolve basic issues in areas of construction, taxation, and customs clearance. This mechanism, however, does not resolve higher-level investor-state disputes, as the IGM originally anticipated. It also does not provide an option to resolve investor issues through other channels, such as ombudsman services. As a result, investors have no option but to use courts; for example, investors have filed four more cases against Albania in the International Centre for Settlement of Investment Disputes since 2015. In addition, investor issues take a longer time to resolve because of weak rule of law, which is evident from Albania's decline in ranking on the Worldwide Governance Indicator on rule of law from a percentile rank of 44.23 in 2015 to a percentile rank of 40.87 in 2020.[7]

2.14 **Pillar 2. Making it easier to do business: Prior action on reducing the administrative burdens associated with construction permits:** "Minister of Urban Development adopted a decision on Territorial Planning and Development outlining the guidelines for the new construction permits process and introducing the new online platform for issuing construction permits" (World Bank 2017, 37). At the time of preparation of this DPL, the government put a temporary moratorium on issuing construction permits because of cumbersome restrictions in the issuance process. As a result, Albania's *DB* ranking on dealing with construction permits declined from 157 in *DB* 2015 to 189 in *DB* 2016. The reforms from this DPL were expected to improve the construction permits regime in Albania through (i) clarification of responsibilities in issuing permits; (ii) clarification on development permits, documentation requirements for building permits, and time limits for reviews of applications for building permits; (iii) the introduction of an online one-stop shop for construction permit applications and the mandatory use of electronic signatures in applications; and (iv) clear transparency requirements for all agencies involved in the construction permitting process and clear guidelines for the end users.

2.15 A World Bank technical team conducted a detailed assessment of the building permits regime in December 2015. In line with the recommendations from this assessment, the Ministry of Urban Development issued a decision (No. 734) in February 2016 on key provisions for implementing the new Law on Territorial Planning. The World Bank technical team also supported the Ministry of Urban Development in drafting the key points included in the decision (No. 734).

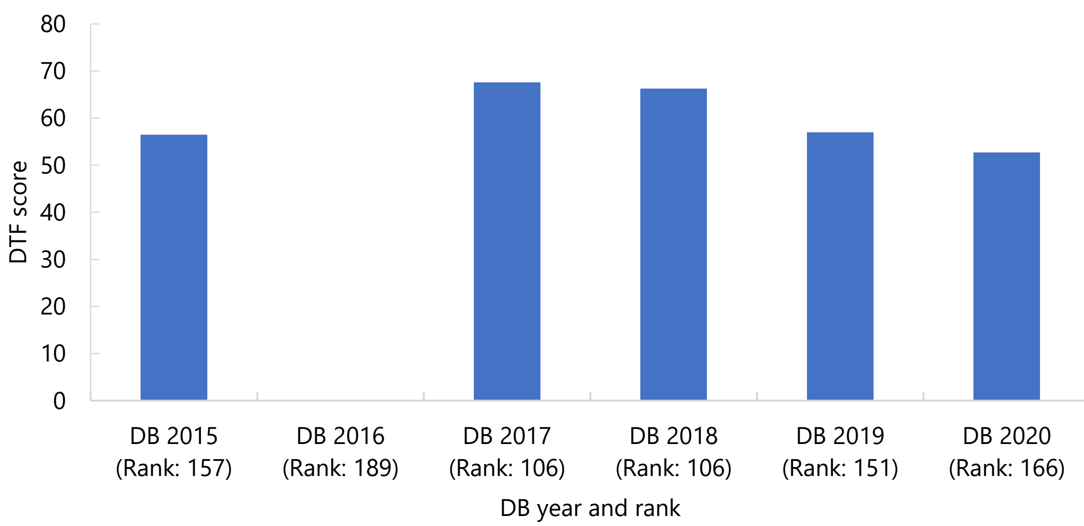
2.16 During its virtual mission, IEG found that the online one-stop shop platform for construction permits had been implemented in all 61 municipalities in Albania. Close to 30,000 construction permits were issued between 2016 and 2020 (figure 2.4). However, after increasing from 0 in 2016 to 68 in 2017, Albania's distance to frontier (DTF) score for dealing with construction permits declined significantly to 53 in 2020 (figure 2.5).[8] (DTF scores range from 0 to 100, where 0 represents the lowest performance and 100 the frontier.) In addition, Albania's DTF score on construction permits in *DB* 2020 was the lowest among similar economies in the region (figure 2.6).

Figure 2.4. Trends in Number of Construction Permits Issued (Albania, 2016–20)



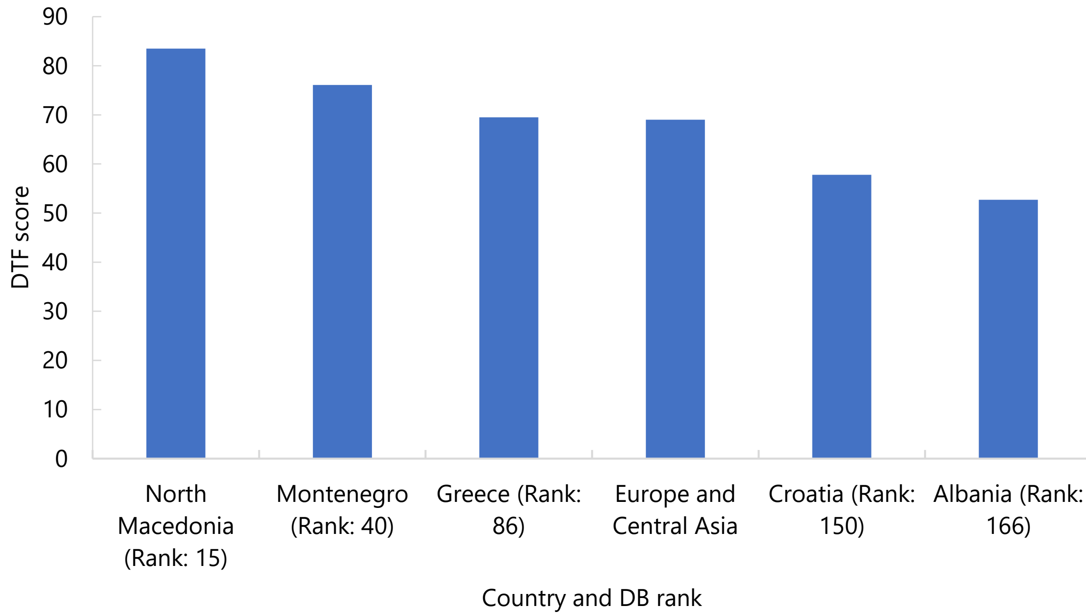
Source: Legal Directorate, Territory Development Agency, during Independent Evaluation Group virtual mission.

Figure 2.5. Distance to Frontier Score on Dealing with Construction Permits (Albania, *Doing Business* 2015–20)



Source: Doing Business Data database 2015–20, World Bank, Washington, DC, https://archive.doingbusiness.org/en/data.
Note: DB = *Doing Business*; DTF = distance to frontier.

Figure 2.6. Distance to Frontier Score on Dealing with Construction Permits (Albania and Comparator Economies in the Region, *Doing Business* 2020)



Source: Doing Business Data database 2020, World Bank, Washington, DC, https://archive.doingbusiness.org/en/data.

2.17 During the IEG virtual mission, both the Territory Development Agency and the Urban Directory in Tirana disagreed with the *DB* methodology on the dealing with construction permits indicator for the following reasons:

- Various institutions (such as water supply, power, and sewerage) are integrated with the online construction permits system, and their feedback is received in parallel within 10 days from the time of submission of the application. The methodology used by *DB*, however, considers the time taken by each institution as a separate process. As a result, the total time of 324 days reported in *DB* 2020 is significantly greater than the time it normally takes to receive a construction permit, which is an average of 60 days (as reported by the Territory Development Agency and the Urban Directory in Tirana during the IEG virtual mission).

- The cost of construction permits reported in *DB* is also high because it is based solely on the information from the capital city, Tirana, which has a significantly higher tax rate than other municipalities in Albania (table 2.1).

Table 2.1. Subindicators of Dealing with Construction Permits (Albania, *Doing Business* 2015–20)

DB Year	Procedures to Legally Build a Warehouse (no.)	Time Required to Complete Each Procedure (calendar days)	Cost Required to Complete Each Procedure (share of income per capita, %)	Building Quality Control Index (0–15)
2015	19	228	3.3	Not applicable
2016	No practice	No practice	No practice	0
2017	16	220	3.3	13
2018	17	220	3.5	13
2019	18	299	5.6	13
2020	19	324	6.8	13

Source: Doing Business Data database 2015–20, World Bank, Washington, DC, https://archive.doingbusiness.org/en/data.
Note: DB = Doing Business.

2.18 According to the 2019 Enterprise Survey for Albania, the percentage of firms expected to give gifts to get construction permits was 16.8, almost the same level as the regional average of 17.1 percent. The value of this indicator in Albania was much higher for medium-size firms (at 22.5 percent) than for larger firms (at 5.8 percent) and small firms (at 14.3 percent). During its virtual mission, IEG interviewed Delmon Group—a manufacturing company serving automotive, aeronautics, and rubber industries with facilities in Albania, France, and Spain—and found that it had taken the landlord more than two months to get a permit for an extension to the building that this company was renting. In addition, the environmental impact assessment cost €1,000, and the landlord had to pay a bribe to government officials.

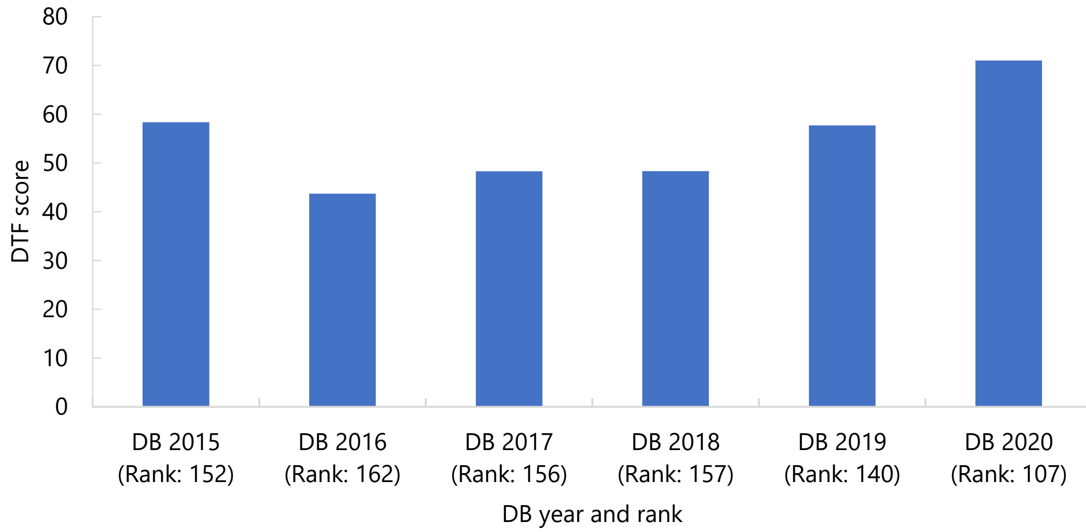
2.19 **Pillar 2. Making it easier to do business: Prior action on reducing the administrative burdens associated with getting electricity:** "Energy Regulatory Entity adopted the electricity regulation on New Connections on the Distribution Network" (World Bank 2017, 37). At the time of preparation of this DPL, access to electricity was one of the top three obstacles to businesses in Albania (2013 Enterprise Survey). In addition, Albania was ranked 162 out of 180 on getting electricity in *DB* 2016 because of excessive delays (177 days, compared with the regional average of 118 days) and high costs (491 percent of income per capita, compared with the regional average of 440 percent) in getting new electricity connections. The reforms from this DPL were expected to reduce the total time for the completion of new connections by 50 percent.

2.20 The implementation of the prior action on getting electricity required the board of the Energy Regulatory Entity to pass a regulation for new connections in October 2016.

2.21 The Bank Group supported the government in the energy sector through investment project financing projects (for example, the Power Recovery Project [P144029], which was approved by the Board in September 2014 and closed in June 2021) and advisory services projects. The DPL operation team collaborated with the Bank Group's Energy Global Practice in reviewing the draft bylaw on the new regulation.

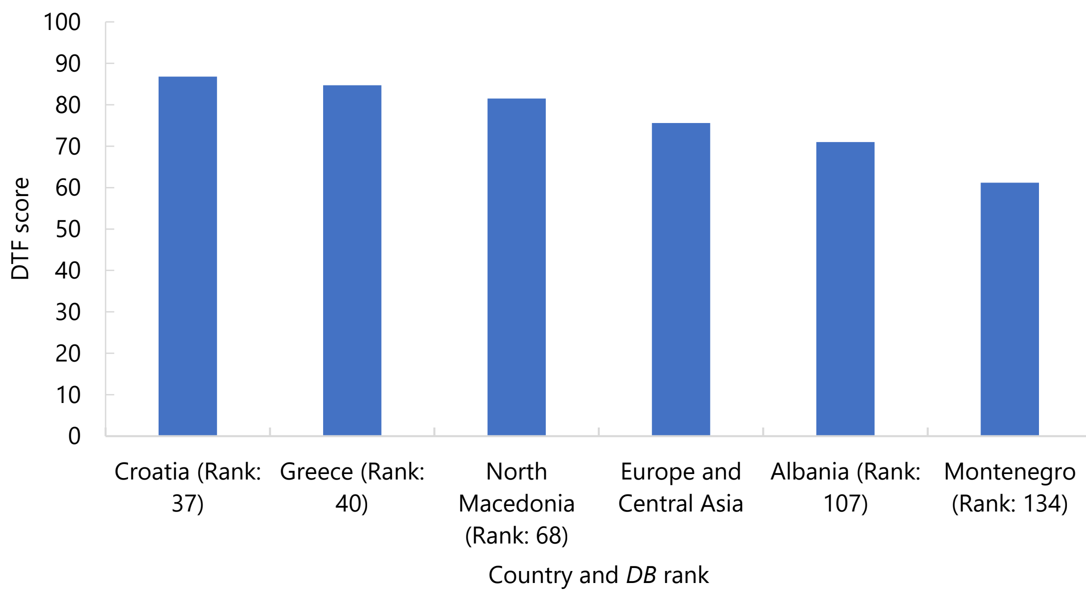
2.22 Albania's DTF score for getting electricity increased from 44 in 2016 to 71 in 2020 because of several reforms in the energy sector during this period (figure 2.7). (DTF scores range from 0 to 100, where 0 represents the lowest performance and 100 the frontier.) As a result, the time required to obtain an electricity connection reduced significantly (by 60 percent), from 177 days in 2016 to 71 days in 2020, below the regional average of 100 days (table 2.2). However, the cost to obtain an electricity connection, at 449 percent of income per capita, in 2020 was significantly above the regional average of 272 percent. During IEG's virtual mission, the Albania Investment Council acknowledged that businesses complain about the high cost of electricity. According to the 2019 Enterprise Survey, 59 percent of firms in Albania experienced electrical outages, compared with 35 percent of firms in the region. Inadequate electricity supply can increase costs, disrupt production, and reduce profitability. In addition, Albania's DTF score on getting electricity in *DB* 2020 was the second lowest among similar economies in the region (figure 2.8). Finally, evidence from IEG's Albania Country Program Evaluation shows that progress in improving the efficiency of supply and cost recovery has been mixed (World Bank 2021). For example, distribution losses improved from 43.0 percent in 2013 to 24.3 percent in 2018, but losses remained significantly above the 2019 target of 19 percent (as defined in the 2015–19 Country Partnership Framework for Albania) and higher than in regional comparator countries. Collection rates improved, reaching 99 percent in 2019 (January–August) from 84 percent in 2012. However, intercompany arrears, though reduced, remained higher than targeted by June 2019.

Figure 2.7. Trends in Distance to Frontier Score for Getting Electricity (*Doing Business* 2015–20)



Source: Doing Business Data database 2015–20, World Bank, Washington, DC, https://archive.doingbusiness.org/en/data.
Note: DB = *Doing Business*; DTF = distance to frontier.

Figure 2.8. Distance to Frontier Score on Getting Electricity (Albania and Comparator Economies, *Doing Business* 2020)



Source: Doing Business Data database 2020, World Bank, Washington, DC, https://archive.doingbusiness.org/en/data.
Note: DB = *Doing Business;* DTF = distance to frontier.

Table 2.2. Subindicators of Getting Electricity (Albania, *Doing Business* 2015–20)

DB Year	Procedures to Obtain an Electricity Connection (no.)	Time Required to Complete Each Procedure (calendar days)	Cost Required to Complete Each Procedure (share of income per capita, %)	Reliability of Supply and Transparency of Tariffs Index (0–8)	*DB* Reforms
2015	6	177	473	Not applicable	Not applicable
2016	6	177	491	0	Not applicable
2017	6	134	516	0	Albania made getting electricity easier by speeding up the process for obtaining a new connection.
2018	6	134	505	3	Albania improved the monitoring and regulation of power outages by beginning to record data on the frequency and duration of power outages longer than five minutes. Albania also made the process of getting electricity faster by imposing strict deadlines for services and payment of connection fees.
2019	6	134	505	3	Not applicable
2020	6	71	449	5	Albania increased the reliability of power supply by rolling out a Supervisory Control and Data Acquisition automatic energy management system for the monitoring of outages and the restoration of service.
Europe and Central Asia Region					
2020	5	100	272	6	

Source: Doing Business Data database 2015–20, World Bank, Washington, DC, https://archive.doingbusiness.org/en/data.
Note: DB = Doing Business.

2.23 **Pillar 2. Making it easier to do business: Prior action on reducing the administrative burdens associated with the business licensing processes:** “Parliament enacted the law to merge the National Registration Center and National Licensing Center” (World Bank 2017, 37). The implementation of the prior action on business licensing required the Ministry of Finance and Economy to merge the National

Registration Center and the National Licensing Center to create the National Business Center in 2016. This was necessary because at the time of preparation of this DPL, as part of the government's deregulation agenda, the Ministry of Finance and Economy was in the process of merging the National Licensing Center with the National Registration Center to provide the following benefits to businesses: (i) a single window for businesses to register and get licenses, (ii) streamlined documentation for getting licenses, and (iii) expanded access to licensing services in more locations across Albania. The National Business Center serves as the one-stop shop for business registration and licensing and has expanded its services to 35 regional locations in 2020 from 10 locations in 2015.

2.24 The Bank Group supported the government in improving online registration and licensing through an investment project financing governance project (Citizen-Centered Public Services, which was approved by the Board in August 2015 and closed in December 2020) and advisory services projects.

2.25 The number of days to obtain an operating license and the number of days to obtain an import license were 11 and 7, respectively, as reported in the 2019 Enterprise Survey. These results were broadly stable compared with the 12 days and 6 days, respectively, reported in the 2013 Enterprise Survey. Licensing and permits continue to be an obstacle for businesses in Albania. During the IEG virtual mission, the Foreign Investors Association acknowledged that it is much easier to register a business than to get a license.

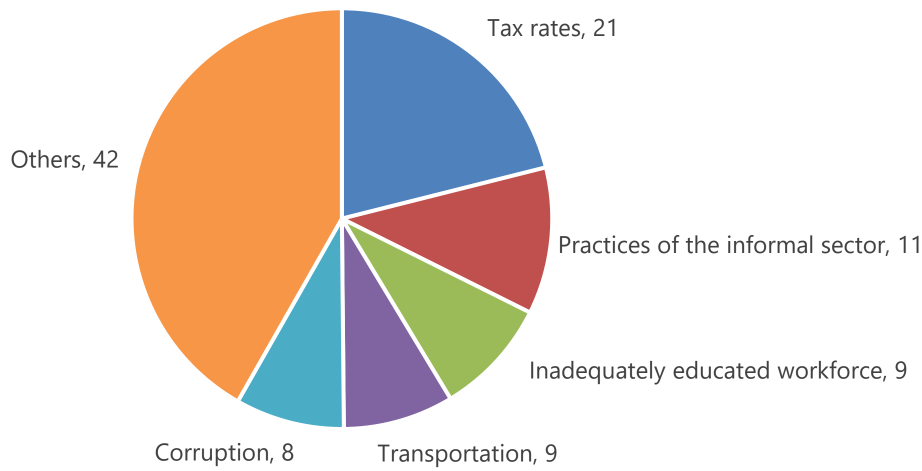
2.26 **Pillar 2. Making it easier to do business: Prior action on national quality infrastructure:** "Council of Ministers adopted a decision to establish the Market Surveillance Inspectorate and the Prime Minister issued an order to approve the organizational structure of the Market Surveillance Inspectorate" (World Bank 2017, 37). At the time of preparation of this DPL, the framework for a market surveillance system for nonfood consumer products was absent. Effective market surveillance was important in Albania not only to protect consumers from dangerous products but also to ensure a level playing field for businesses. This was evident from businesses citing unfair competition from informal firms as the biggest obstacle in the 2013 Enterprise Survey.

2.27 The implementation of the prior action on national quality infrastructure required the Council of Ministers to adopt a decision on the creation of a State Inspectorate of Market Surveillance in January 2016. The main objective of the inspectorate was to oversee the implementation of rules to create fair market competition and safer consumers. To achieve its objective, the inspectorate was expected to perform tasks such as inspections, sampling, laboratory testing, interpretation of results, and imposition of sanctions on noncompliant businesses.

2.28 The German Agency for International Cooperation provided technical assistance in drafting regulations and standard operating procedures. However, IEG found no evidence of any technical assistance from the Bank Group.

2.29 During its virtual mission, IEG found that the inspectorate began its operations in January 2017 and has been conducting inspections of the following nonfood consumer groups: elevators, electrical appliances, machinery, toys, detergents, footwear, and prepackaging and measuring instruments. The number of inspections conducted by the inspectorate increased from 1,078 in 2017 to 1,649 in 2020. However, the following are key risks to the sustainability of the inspectorate: lack of experienced staff for conducting inspections in specific areas; limited equipment to address product safety because after the 2019 earthquake, the government reallocated some of the inspectorate's budget to focus on reconstruction efforts; and lack of standard operating procedures for assessing different groups of products. Competition from informal firms continues to be an obstacle: 11 percent of firms in the 2019 Enterprise Survey considered it the most important obstacle, making it the second most cited obstacle (after tax rates, which 21 percent of the firms cited as the most important obstacle; figure 2.9).

Figure 2.9. Business Environment Obstacles in Albania That Firms Considered Most Important in 2019
(percentage of firms)



Source: World Bank Enterprise Survey 2019.
Note: A World Bank Enterprise Survey is a firm-level survey of a representative sample of an economy's private sector. The surveys cover a broad range of business environment topics, including access to finance, corruption, infrastructure, competition, and performance measures. The category *Others* in the figure includes political instability (8 percent); electricity (8 percent); courts (5 percent); business licensing and permits (5 percent); tax administration (4 percent); access to finance (3 percent); labor regulations (3 percent); customs and trade regulations (3 percent); crime, theft, and disorder (3 percent); and access to land (1 percent).

2.30 **Pillar 3. Facilitating trade: Prior action on improving risk management for food products**: "Director General of the National Food Agency adopted a decision for the introduction of a risk management policy" (World Bank 2017, 38). At the time of preparation of this DPL, the National Food Agency—responsible for the control of food-, animal-, and plant-related trade—was physically inspecting almost 100 percent of incoming cargo. This delayed the clearance of agribusiness goods and products of animal origin. A requirement from the World Trade Organization's Trade Facilitation Agreement was that customs and control agencies of World Trade Organization members apply risk management in the control process of international trade flows.

2.31 The implementation of the prior action on improving the risk management for food products required the National Food Agency to adopt a new risk management policy in May 2016. The adoption of this new policy and the establishment of a risk management unit, along with risk management tools and methodologies, was expected to reduce physical inspections and laboratory tests for internationally traded agribusiness goods and products of animal origin.

2.32 IFC provided technical assistance to the National Food Agency through its advisory services project (the Investment Climate and Agribusiness Competitiveness

Project). National Food Agency staff were trained to analyze domestic and international data for food and veterinary hazards, analyze test results, and develop risk categorizations for different product groups.

2.33 The expected outcome of reducing physical inspections of internationally traded food products by the National Food Agency was not achieved. Although the National Food Agency adopted a risk management policy, this policy was not operationalized because the existing law—which mandates the National Food Agency to inspect all agribusiness goods—was not amended to include the new risk management policy. As a result, the National Food Agency continues to physically inspect all imported agribusiness goods as of February 2021. During its virtual mission, IEG found that the National Food Agency was committed to implementing the new risk-based approach. However, there was a lack of commitment from the Ministry of Agriculture (to which the National Food Agency reports) because implementation of the risk-based policy could reduce physical inspections, which could subsequently reduce bribes to officials at the border. This was also an oversight from the DPL operation team because the challenges in terms of political and governance risks involved in operationalizing the risk-based policy should have been anticipated along with appropriate mitigation measures at the time of design of the prior action (see paragraph 2.38 on critical risks).

2.34 **Pillar 3. Facilitating trade: Prior action on reducing congestion at the port of Durres:** "Minister of Transport and Infrastructure and Minister of Finance adopted a joint instruction to amend port regulation to reduce the number of free freight storage days at the port of Durres" (World Bank 2017, 38). At the time of preparation of this DPL, the regulatory framework offered incentives to traders to use the container terminal as a long-term storage space. This encouraged rent-seeking behavior and incentivized traders to store their containers at the port yard, minimizing the already limited available operational space and confining the ability for optimal movement of cargo within the port.

2.35 The implementation of the prior action on reducing congestion at the port of Durres required the Port Authority to issue a new directive on September 17, 2015, to reduce the time allowed for free storage from 10 days to 5 days. This was expected to reduce the port dwell times, contribute to the port's decongestion, increase its working space at the container terminal, and improve its operational efficiency.

2.36 A Bank Group technical team visited Albania in February 2016, identified issues faced by the port of Durres, and recommended reform actions that could contribute to increased competitiveness at the port.

2.37 In 2020, the average dwell time for ships in the port was in the range of one to three days, and the average dwell time for ferries was close to half a day. However, the expected outcome of reducing the cargo dwell time at the port of Durres from nine days in 2015 to a target of seven days in 2018 cannot be fully assessed because of limited information provided by the Port Authority (responsible for collecting this information) during the IEG virtual mission, which was also the case during the preparation of the Implementation Completion and Results Report of this DPL. The Logistics Performance Index for Albania improved from a rank of 117 in 2016 to a rank of 88 in 2018.[9] In addition, the quality of trade- and transport-related infrastructure (for example, ports, railroads, roads, and information technology), which is one of the six key dimensions of the Logistics Performance Index, improved in Albania from a rank of 148 in 2016 to a rank of 110 in 2018. However, these improvements cannot be fully attributed to the contributions from this operation because of the narrow reforms on trade facilitation and logistics under this DPL.

Design and Preparation

2.38 The prior actions of the DPL were based on several analytical underpinnings (table 2.3). However, the policy reforms associated with these prior actions were soft and focused mainly on addressing basic upstream aspects related to enactment of laws or adoption of decrees and bylaws, indicating the DPL operation team's lack of understanding of the conditions needed for effectiveness of the DPL. In addition, critical follow-up reforms needed to contribute to enhancing competitiveness were lacking because of the stand-alone nature of the DPL. For example, the prior action on investment law (which required the government to adopt an investment policy statement) was very weak and constituted a minimal movement along the results chain; it was therefore not sufficient for success. Also, several of the prior actions seem to be pursuing capacity building. This raises a question about the appropriateness of the prior actions because DPLs are generally not good instruments for capacity building. In addition, not all prior actions addressed the important constraints to achieving the stated objective of the DPL. It was also raised during the ROC review meeting in October 2016 that key areas where Albania was lagging (such as paying taxes, registering a property, and enforcing contracts) deserved more attention than dealing with construction permits. The team prioritized the prior actions, particularly in the *DB* pillar, based on Albania's ranking on *DB* indicators and whether there were other World Bank or government interventions in the *DB* areas. However, the fundamental problem is that the *DB* indicators do not give any sense of the relative significance of a particular dimension. For example, a country can have a low score for a measure that is not particularly important to its economy.

Table 2.3. Analytical Bases for Prior Actions of the Development Policy Loan

Prior Actions	Analytical Underpinnings
Prior action 1: Investment law	1. World Bank Group analytical work: • Assessment report on the Law on Strategic Investments • Assessment report on the bylaws to the Law on Strategic Investments 2. UNCTAD/World Bank—FDI inflows 3. Investment promotion agency/AIDA—Register of strategic investment projects 4. *Financial Times*: FDI Markets database
Prior action 2: Investor grievances	5. Bank Group: Grievance management assessment report 6. International Centre for Settlement of Investment Disputes—cases 7. Case statistics (General State Advocate, government of Albania) 8. *World Investment and Political Risk* report (Multilateral Investment Guarantee Agency) 9. US Department of State, *Investment Climate Statement Albania,* 2014
Prior action 3: Construction permitting	10. Bank Group: Construction permit review assessment, February 2015 11. *Doing Business* report
Prior action 4: *Doing Business*	12. *Doing Business* report
Prior action 5: Simplification of procedures	13. Albania government's National Economic Reform Program 2014–17
Prior action 6: National quality infrastructure	14. European Commission progress report for Albania, 2015
Prior action 7: Risk management	15. Bank Group: *Regional Balkans Infrastructure Study Update, Enhancing Regional Connectivity*, 2015 16. USAID: WTO-TFA, Self-Assessment, 2014 17. UNECE: *Regulatory and Procedural Barriers to Trade in Albania*, 2016
Prior action 8: Simplified trade procedures	18. Bank Group: Regional Balkans Infrastructure Study Update, Enhancing Regional Connectivity, 2015 19. USAID: WTO-TFA, Self-Assessment, 2014 20. UNECE: *Regulatory and Procedural Barriers to Trade in Albania*, 2016
Prior action 9: Port reform	21. Bank Group: Regional Balkans Infrastructure Study Update, Enhancing Regional Connectivity, 2015

Source: World Bank 2017.
Note: AIDA = Albanian Investment Development Agency; FDI = foreign direct investment; UNCTAD = United Nations Conference on Trade and Development; UNECE = United Nations Economic Commission for Europe; USAID = US Agency for International Development; WTO-TFA = World Trade Organization's Trade Facilitation Agreement.

2.39 Critical risks—such as political, governance, and institutional capacity—were identified at the time of preparation of this DPL. However, they were not adequately mitigated in the DPL's design, even though the Program Document indicated that difficult reforms supported by this operation were at risk of being either reversed or not fully implemented. These risks materialized during the implementation of the prior actions, which resulted in lack of follow-on policy reforms and affected the achievement of the overall objective. Although IFC's advisory services projects supported the government during the implementation of some policy reforms, they were not sufficient because of the political, governance, and implementation capacity constraints in Albania. More proactive efforts by the World Bank to mitigate the capacity and political economy risks identified ex ante were also identified in IEG's Albania Country Program Evaluation (2011–19).

2.40 Lessons and experiences from the past were not fully incorporated into the design of the DPL. This was evident from the comments in the 2015 Concept Note review meeting of this DPL. A key lesson from the World Bank's experience on trade facilitation operations was that successful implementation of the AEO program was a lengthy process involving strong engagement of customs and other border agencies with the private sector and the creation of a culture of trust between customs and the business community. These lessons were not adequately factored into the design of this DPL, resulting in limited progress in the uptake of the LCP and the AEO program.

2.41 Results indicators for most of the prior actions did not adequately measure progress toward achievement of the overall objective. In addition, some results indicators were not adequately linked to the impact of policy reforms from the prior actions. For example, comments in the 2015 Concept Note review meeting correctly indicated that the increase in the number of investment leads could be a result of new promotional efforts by the government in attracting investors into the country rather than from the enactment of legislation. As a result, the link between this indicator and the outcome of enhancing competitiveness was not clear and convincing. Additional indicators, such as percentage change in the volume of investments (both domestic and foreign), were correctly suggested in the 2016 ROC review meeting. In addition, the results indicator "reduction in imported food products physically inspected by the National Food Agency" did not fully capture the objective of introducing a risk-based approach to food-, animal-, and plant-related controls. This is because the mere reduction in physical inspection does not reflect the idea of achieving the same or better results in detecting harmful material with fewer controls. Complementing the numeric indicator on reducing physical inspection with an indicator that measured the evidence of having a risk management system in operation was correctly suggested in the 2015 Concept Note review meeting. Finally, the results indicator for the policy reforms in areas of construction permits, getting electricity, and business licensing processes were mainly based on the *DB* DTF. However, this was not a good results indicator or a good measure of relevance because the methodological changes in *DB* 2015 and *DB* 2017 have affected the aggregate DTF scores over time.

Implementation and Supervision

2.42 There was good collaboration between the World Bank and IFC during the preparation of the DPL. World Bank efforts on policy reforms in areas of competitiveness were complemented by IFC advisory services, notably the Investment Climate and Agribusiness Competitiveness Project, which supported the Ministry of Finance and Economy in drafting the Unified Investment Law, provided capacity building to AIDA on investor servicing and aftercare, and provided training to the National Food Agency staff on analyzing, testing, and developing risk categorizations. IFC and the DPL operation team also worked closely with the Albania Customs Agency in operationalizing the LCP. In addition, IFC's technical assistance to the government on the Unified Investment Law involved consultations with various stakeholders, such as AIDA, the Albania Investment Council, the Foreign Investors Association, and the American Chamber of Commerce. During the IEG virtual mission, stakeholders also acknowledged that they reviewed and commented on the draft Unified Investment Law.

2.43 The DPL involved frequent missions from the relevant Global Practices to conduct the normal operation. Bank Group technical teams conducted five missions between July 2015 and October 2016. During the December 2015 mission, a World Bank team provided technical assistance to the Ministry of Urban Development on construction permits by conducting a detailed assessment of the building permits regime. The recommended measures from this assessment report were presented to municipalities and private sector stakeholders at a workshop in February 2016 organized by the Ministry of Urban Development, together with the German Agency for International Cooperation and the Bank Group.

2.44 Lack of commitment from the government, frequent changes in the operational counterparts, and failure on the part of the DPL operation team to adequately understand the underlying context and mitigate associated risks affected the implementation of important policy reforms. For example, despite the World Bank and IFC's efforts in supporting the Ministry of Finance and Economy in drafting the Unified Investment Law, the government had not adopted this law at the time of the IEG virtual mission. In addition, the risk management policy had also not been operationalized because of vested interests in the Ministry of Agriculture and frequent changes in the directors of the National Food Agency. However, the DPL operation team should have anticipated many of these challenges and put appropriate mitigation measures in place at the time of design of this operation.

3. Lessons

3.1 This assessment offers the following lessons:

- It is crucial for prior actions to address the key binding constraints to achieving the stated objective of a DPL. This was not the case in this operation. The 2016 Regional Operations Committee review meeting raised the point that reforms in key areas where Albania was lagging at the time of preparation—such as paying taxes, registering a property, and enforcing contracts—deserved more attention than reforms in the *DB* areas, such as construction permits, to achieve the operation's overall objective of enhancing competitiveness.

- The prior actions of this operation did not have a sufficient level of ambition to make a significant contribution to enhancing competitiveness. They had been designed as part of a two-stage process within the confines of a programmatic development policy operation. When the DPL series of two operations was reversed to a stand-alone operation, the credibility of the prior actions for the first operation should have been reassessed.

- It is crucial for IFC to determine, at implementation, warning signals regarding inadequate client commitment and show flexibility and patience only to those clients that show proof of trust, ownership, and commitment. IFC advisory services projects can play an important role in complementing World Bank efforts on policy reforms. They can, however, consume a significant amount of IFC resources while not serving the intended purpose of contributing to the DPL's objectives, particularly in situations where there is a lack of client commitment during implementation. Despite IFC's continued efforts in supporting the government in areas such as investment policy framework, IGM, and trade facilitation, there was limited progress in implementation of reforms in these areas.

- For progress in the uptake of LCPs or the AEO programs by businesses, it is crucial to have the following in place: (i) a clear communication and outreach strategy; (ii) a systematic approach to educating businesses and customs about the benefits of these programs; (iii) strong engagement of customs and other border agencies with the private sector; and (iv) a culture of trust between customs and the business community. However, these prerequisites were not in place at the time of preparation of this operation, resulting in low uptake of these programs by businesses in Albania.

- *DB* indicators as targets and metrics of reforms do not work very well, even if they are valid ways to point to a problem area. Because of the limited agenda they have, *DB* indicators cannot prioritize the range of private sector development constraints. Also, because of the limitations and lack of granularity of the *DB* indicators, they cannot track reforms very precisely.

- Clear assignment of responsibility for the collection of particular data needs to be assigned at the outset. The expected outcome of reducing the cargo dwell time at the port of Durres could not be assessed because of limited information provided by stakeholders during the IEG virtual mission. This indicates a failure to have in place clear responsibility for data collection and reporting as part of the DPL.

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[1] Gross domestic product figure is from World Bank Data (database) "GDP per Capita—Albania," World Bank, Washington, DC, https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=AL. The population figure is from World Bank Data (database) "Population, Total—Albania," World Bank, Washington, DC, https://data.worldbank.org/indicator/SP.POP.TOTL?locations=AL.

[2] A local clearance procedure enables traders to clear goods at their premises or other approved locations.

[3] An approved economic operator is a company that, by satisfying certain criteria, is considered to be trustworthy by customs and other border inspection authorities and therefore entitled to a number of simplified processes and procedures (or benefits) as a reward for its long-standing high compliance levels.

[4] Data are from the Worldwide Governance Indicators (database), World Bank, Washington, DC, https://info.worldbank.org/governance/wgi/Home/Reports. The Worldwide Governance Indicators is a research data set that summarizes views on the quality of governance provided by a large number of enterprise, citizen, and expert survey respondents in industrial and development countries. These data are gathered from a number of survey institutes, think tanks, nongovernmental organizations, international organizations, and private sector firms. The Worldwide Governance Indicators do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The Worldwide Governance Indicators are not used by the World Bank Group to allocate resources. Percentile rank indicates the percentage of countries worldwide that rate below Benin. Higher values indicate better governance ratings.

[5] Currency conversion rate from euros to US dollars obtained from XE, https://www.xe.com/currencyconverter/convert/?Amount=1067083373&From=EUR&To=USD.

[6] These data were provided by the Albanian Investment Development Agency during the Independent Evaluation Group virtual mission in February 2021.

[7] Data are from the Worldwide Governance Indicators (database), World Bank, Washington, DC, http://info.worldbank.org/governance/wgi/Home/Reports.

[8] Distance to frontier is a *Doing Business* indicator that illustrates the distance of an economy to the "frontier," which represents the best performance observed on each *Doing Business* topic across all economies since 2005. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. An improvement in score through time would indicate the economy is improving.

[9] The logistics performance is the weighted average of a country's scores on six key dimensions: (i) efficiency of the clearance process (that is, speed, simplicity, and predictability of formalities) by border control agencies, including customs; (ii) quality of trade- and transport-related infrastructure (for example, ports, railroads, roads, and information technology); (iii) ease of arranging competitively priced shipments; (iv) competence and quality of logistics services (for example, transport operators and customs brokers); (v) ability to track and trace consignments; and (vi) timeliness of shipments in reaching their destination within the scheduled or expected delivery time.

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Appendix A. Ratings

Albania Competitiveness Development Policy Lending Project (P155605)

Table A.1. ICR, ICR Review, and PPAR Ratings

Indicator	ICR	ICR Review	PPAR
Outcome	Moderately satisfactory	Moderately unsatisfactory	Moderately unsatisfactory
Risk to development outcome	Modest	Modest	Substantial
Bank performance	Moderately satisfactory	Moderately unsatisfactory	Moderately unsatisfactory
Borrower performance	Moderately satisfactory	Moderately satisfactory	Moderately unsatisfactory

Sources: World Bank 2019a, 2019b.
Note: The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Global Practice. The ICR Review is an intermediate Independent Evaluation Group product that seeks to independently validate the findings of the ICR. PPAR = Project Performance Assessment Report.

1. Relevance of the Objectives and Design

Objectives

The objective of the Albania Competitiveness Development Policy Loan (DPL), as stated in the Program Document, was "to enhance Albania's competitiveness by improving the investment regime, making it easier to do business, and facilitating trade" (World Bank 2017, v). The DPL was financed by an International Bank for Reconstruction and Development loan in the amount of $77.72 million and approved by the World Bank Group Board of Executive Directors on January 31, 2017. The Project Performance Assessment Report will assess the achievement of the DPL's overall objective of enhancing Albania's competitiveness by assessing the following three subobjectives that correspond to the DPL's policy pillars:

- Subobjective 1. Attracting and retaining investment
- Subobjective 2. Making it easier to do business
- Subobjective 3. Facilitating trade

Relevance of the Objectives

The objectives of the DPL were relevant to the country conditions at appraisal and at completion.

At the time of preparation of this DPL, Albania was poorly integrated with the world, and exports amounted to only 30 percent of its gross domestic product. As a small open middle-income economy, Albania's main path to prosperity was through more successful international integration, especially with Europe. Albania needed to address the fundamental constraints across multiple dimensions to integrate successfully with Europe and the world. A country the size of Albania needed an exceptionally strong business environment to attract investors and connect to international supply chains. However, companies were not investing and creating jobs because doing business was too cumbersome. Key areas in the business environment that required improvement included (i) cutting the regulatory burden; (ii) strengthening the policy, legal, and institutional framework for domestic and foreign investment; and (iii) improving trade logistics and facilitation.

The overall objective of the DPL for enhancing competitiveness was aligned with Albania's 2015–19 Country Partnership Framework objective of "contributing to improved business environment" under the focus area "creating conditions for accelerated private sector growth," the main goal of which was to increase competitiveness to ensure economic growth. Enhancing competitiveness was also one of the key priorities in the government's 2015–20 National Strategy for Development and Integration. Its vision was to promote inclusive and sustainable economic growth. Reforms to improve the business environment were critical for job creation and to strengthen the link between economic growth and poverty reduction.

The relevance of the objective is rated **high.**

Relevance of the Design

Prior actions and their links to the DPL's overall objective in the theory of change were weak. Clear articulation between the proposed reforms and the expected outcomes was also highlighted as an area for improvement during the Regional Operations Committee review meeting in 2016. Failure to redesign the prior actions when the DPL series was reversed to a stand-alone operation was a major shortcoming in the design of this DPL.

The relevance of the design is rated **modest.**

2. Efficacy

The efficacy of this DPL is assessed by splitting the overall objective into three subobjectives that correspond to the DPL's policy pillars:

Subobjective 1. Attracting and retaining investment. Achievement of this subobjective is rated **negligible** for the following reasons:

- The government had not adopted the Unified Investment Law at the time of the Independent Evaluation Group (IEG) virtual mission in February 2021. As a result, Albania continues to operate two separate investment laws in parallel: one on foreign investment, which has not been updated to international best practice standards since 2010; and another on strategic investment, which gives preferential treatment to a few investors at the discretion of the Ministry of Finance and Economy.

- The investor grievance mechanism (IGM) had not been operationalized as of February 2021. An informal mechanism, Investor Servicing and Aftercare, was established within the Albanian Investment Development Agency, but this mechanism offers only basic services and does not resolve higher-level investor-state disputes. As a result, investor-state disputes remain an issue in Albania.

Subobjective 2. Making it easier to do business. Achievement of this subobjective is rated **modest** for the following reasons:

- The online one-stop shop platform for construction permits was implemented in all 61 municipalities in Albania. However, Albania's distance to frontier (DTF) score for dealing with construction permits declined significantly from 68 in 2017 to 53 in 2020, below the 2018 target of 66. (DTF score ranges from 0 to 100, where 0 represents the lowest performance and 100 the frontier.)

- The regulation on new electricity connection from the prior action of this DPL and subsequent reforms by the government contributed to significant reduction in the time required to obtain an electricity connection: a 60 percent reduction between 2016 and 2020. Albania's DTF score for getting electricity increased from 44 in 2016 to 71 in 2020, above the 2018 target of 48. Evidence from IEG's Country Program Evaluation (2011–19) shows mixed progress in improving the efficiency of supply and cost recovery.

- The National Business Center serves as the one-stop shop for business registration and licensing and has expanded its services to 35 regional locations in 2020, compared with 10 locations in 2015. Although the overall DTF for Albania improved from 61 in 2016 to 68 in 2020, it was below the 2018 target of 70. In addition, this indicator is too broad to measure the outcomes of narrow reforms on the business licensing process under this DPL.

- The State Inspectorate of Market Surveillance was established in January 2016 and started its operations in January 2017. The total number of inspections conducted by the inspectorate increased from 1,078 in 2017 to 1,649 in 2020. In addition, 11 percent of the firms in the 2019 Enterprise Survey rated competition from informal firms as an obstacle, compared with 20 percent of the firms in the 2013 Enterprise Survey.

Subobjective 3. Facilitating trade. Achievement of this subobjective is rated **modest** for the following reasons:

- The expected outcome of policy action under the local clearance procedure was already achieved during the preparation of the Implementation Completion and Results Report for this DPL. However, there has been limited progress in uptake of the local clearance procedure by businesses: an increase of only five companies since 2015.
- The expected outcome of reducing the imported food products physically inspected by the National Food Agency from 100 percent in 2015 to 90 percent in 2018 was not achieved. As of February 2021, the National Food Agency was still physically inspecting all imported agribusiness goods.
- The expected outcome of reducing the cargo dwell time at the port of Durres from nine days in 2015 to a target of seven days in 2018 cannot be assessed because stakeholders provided limited information during the IEG virtual mission. This indicates a failure to have clear responsibility in place for data collection and reporting as part of the development policy operation.

3. Outcome

High relevance of objectives, modest relevance of design, and negligible efficacy for the first subobjective and modest efficacy for the remaining two subobjectives lead to an outcome of **moderately unsatisfactory.**

4. Risk to Development Outcome

The risk to development outcome is **substantial.** Political, governance, and implementation capacity remain the key risks to development outcome. This is evident from the lack of commitment from the government to adopt the Unified Investment Law and to amend the law on physical inspection of all agribusiness goods to include the new risk management policy, and the lack of capacity within the Albanian Investment Development Agency to operationalize the IGM.

5. Bank Performance

Quality at Entry

The quality at entry is rated **moderately unsatisfactory** because of significant shortcomings in preparation or appraisal of this operation.

Although critical risks such as political, governance, and institutional capacity were identified, they were not adequately mitigated in the DPL's design. Lessons and experiences from the past were not fully incorporated into the design of the DPL, resulting in limited progress in the uptake of the local clearance procedure and the approved economic operator program.

Refer to the Quality of Monitoring and Evaluation section for assessment of results indicators.

Quality of Supervision

The quality of supervision is rated **moderately satisfactory** because of moderate shortcomings in the proactive identification of opportunities and resolution of threats.

The DPL involved frequent missions— the Bank Group technical teams conducted five supervision missions between July 2015 and October 2016. In addition, World Bank efforts on policy reforms in areas of competitiveness were complemented by International Finance Corporation advisory services.

Bank performance is rated **moderately unsatisfactory** because of significant shortcomings in quality at entry.

6. Borrower Performance

Government Performance

Government performance is rated **moderately unsatisfactory** because lack of commitment from the government and frequent changes in the operational counterparts affected the implementation of important policy reforms.

Implementing Agency Performance

Not rated because the government implemented the operation.

Borrower performance is rated **moderately unsatisfactory** because of significant shortcomings in government performance.

7. Quality of Monitoring and Evaluation

Design

Results indicators (for example, increase in the number of investment leads, reduction in imported food products physically inspected by the National Food Agency, and *Doing*

Business DTF) did not adequately measure progress toward the achievement of the DPL's overall objective of enhancing competitiveness.

Implementation

Some of the reforms were not implemented, and therefore their results indicators were not met by default, particularly the results indicators "investment retained through the IGM" and "reduction in imported food products physically inspected by the National Food Agency from 100 percent in 2015 to a target of 90 percent in 2018." The IGM was not operationalized at the time of the IEG virtual mission, and the relevant law was not amended to include the new risk management policy.

Use

There is no evidence in the Implementation Completion and Results Report that the results indicators were used for purposes other than monitoring performance of this operation.

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World Bank. 2019b. "Albania—Albania Competitiveness Development Policy Lending." Implementation Completion and Results Report Review ICRR21677, Independent Evaluation Group, World Bank, Washington, DC.

Appendix B. Prior Actions and Results Matrix: Concept Note Review Meeting

Table B.1 shows the prior actions and results matrix for the Competitiveness Development Policy Loan Operation discussed at the Concept Note review meeting on November 24, 2015.

Table B.1. Prior Actions and Results Matrix: Concept Note Review Meeting, November 24, 2015

Prior Actions under DPL	Results: Baselines	Results: Targets (mid-2017)
Pillar I. Attracting and retaining investment		
Prior action 1: Investment policy Adopt bylaws for the Law on Strategic Investments, clarifying the selection criteria for strategic investments and the types of benefits that will be provided to strategic investors	Number of investment leads in sectors targeted by the strategic investment law: 15	Number of investment leads in sectors targeted by the strategic investment law increased by 10%
Prior action 2: Investor grievances Adopt a government decision to establish a mechanism for investment retention and confidence	Investment retention and confidence mechanism not operational	$50 million in investment retained through the investment retention and confidence mechanism
Prior action 3: Economic zones Adopt bylaws for the law on establishment and functioning of the TEDAs, separating management from regulatory enforcement	Number of expressions of interest for development of TEDAs: 2	Number of expressions of interest for development of TEDAs increased by 50%
Pillar II. Facilitating trade		
Prior action 4: Border inspection Issue a minister's decree for the adoption of a risk management policy, the establishment of a Risk Management Unit within the NFA, and a cooperation agreement between the NFA and the General Directorate of Customs	100% of imported cargo physically inspected by NFA inspectors at the border inspections points	Percentage of imported cargo physically inspected by NFA inspectors at the border inspections points reduced by 10%
Prior action 5: Cross-border trade Amend the decree establishing the AEOs program to refine the eligibility criteria and clarify instructions and benefits	System of AEOs not yet operational	5% of value of goods traded under the AEO procedures as percentage of total trade
Prior action 6: Port reform Amend the Port Authority Law to separate the Durres Port Authority's regulatory and operational responsibilities, and adopt a new storage pricing policy and new customs clearance provisions	(50%) port yard capacity	10% increase in port yard capacity
Pillar III. Making it easier to do business		
Prior action 7: Construction permits Amend the Law on Territorial Planning, establishing the National Agency for Construction Permits, and implement a streamlined process for issuing construction permits	19 procedures and 228 days for construction permits process	Streamlined construction process, which reduces the number of procedures and number of days by 10% commenced in Tirana municipality

Prior action 8: Business licensing Enact the law to merge the National Registration Center and National Licensing Center, and adopt the decision to simplify and eliminate business authorizations	Business licensing services available in 10 regional centers	Business licensing services available in 20 regional centers
Prior action 9: National quality infrastructure Issue the decision of the Council of Ministers to establish a Market Surveillance Inspectorate	No market surveillance inspectorate	Inspection of at least two nonfood consumer products

Source: Concept Note review meeting.
Note: AEO = approved economic operator; DPL = development policy loan; NFA = National Food Agency; TEDA = technical and economic development area.

Appendix C. Prior Actions and Results Matrix: Regional Operations Committee Review Meeting

Table C.1 shows the prior actions and results matrix for the Competitiveness Development Policy Loan Operation discussed at the Regional Operations Committee review meeting on October 20, 2016.

Table C.1. Prior Actions and Results Matrix: Regional Operations Committee Meeting, October 20, 2016

Prior Actions	Prior Actions for DPL I	Triggers for DPL II	Results Baseline (2015) Target (2018)
Prior action 1: Investment law	Adopt a Council of Ministers policy decision to approve an investment policy statement outlining the government's commitment and action plan to develop a comprehensive investment law compatible with international best practice	Enact the new Law on Investment	Investment retained through the IGM[a] Baseline: n.a. Target: US$80 million
Prior action 2: Investor grievances	Adopt an Order of the Minister of Economic Development to initiate work on the institutional setup of the IGM	Enact the legal framework underpinning the IGM	Number of investment leads in strategic sectors targeted:[b] Baseline: 15 Target: 20
Prior action 3: Construction permitting	Adopt an implementation decision on territorial planning and development issued by the Minister of Urban Development, outlining the guidelines for the new construction permits process	Issue implementation decision to make construction permit applications and urban plans available online	Distance to frontier on dealing with construction permits Baseline: 56 Target: 66
Prior action 4: *Doing Business*	Adopt the electricity regulation on new connections on the distribution network issued by the Energy Regulatory Entity	Implement electronic case management system for commercial dispute cases	Distance to frontier on getting electricity Baseline: 43.7 Target: 53
Prior action 5: Simplification of procedures	Enact the law to merge the National Registration Center and National Licensing Center	Adopt a decision to streamline and reduce business authorizations	
Prior action 6: National quality infrastructure	Adopt the decision of the Council of Ministers to establish a Market Surveillance Inspectorate	Approve organizational structure and operating procedures for Market Surveillance Inspectorate	*DB* cost for starting a business Baseline: 10.4% of income per capita Target: 5%
Prior action 7: Risk management	Adopt a decision by the Director General of the NFA for the adoption of risk management policy	NFA and Customs Agency sign cooperation agreement to facilitate the implementation of the risk management policy	Percentage of imported cargo inspected by NFA Baseline: 100% Target: 85%
Prior action 8: Simplified trade procedures	Adopt a local clearance procedures instruction by the Customs Director General	Amend law on e-signature to include e-certification for businesses	Annual value of imports under local

Prior Actions	Prior Actions for DPL I	Triggers for DPL II	Results Baseline (2015) Target (2018)
Prior action 9: Port reform	Amend port regulation to reduce the number of free freight storage days at the port of Durres	Amend the Port Authority Law to fully corporatize the Durres Port Authority	clearance procedures Baseline: US$0 Target: US$70,000,000 Cargo dwell time Baseline: 9 days Target: 6 days

Source: Regional Operations Committee Review Meeting.
Note: DB = Doing Business; DPL = development policy loan; IGM = investor grievance mechanism; NFA = National Food Agency.
a. In line with the relevant Trade and Competitiveness monitoring and evaluation guidelines for investment policy reforms, "investment retained" is defined as the total value of assets (from a balance sheet) of existing foreign (and domestic) investors facing severe investor-state grievances ("grievances") that benefit from the IGM. Investment retained is investment at risk before reform implementation—investment at risk at the target date. Data on this indicator will be collected through an investor grievance tracking system, to be established by the IGM. The system will systematically record grievances faced by investors and the corresponding amount of investment at risk because of the grievances. It will monitor progress in resolving the grievances until they are fully resolved.
b. In line with the relevant Trade and Competitiveness monitoring and evaluation guidelines for investment policy reforms, "investment lead" is defined as a foreign individual or firm that intends to make a new investment or undertake a new public-private partnership in the country directly or through some subsidiary, whereby the intention goes beyond the mere initial expression of interest. Typically, this follows on from the inquiry stage of the investment process and might include actions by the investor such as the successful conclusion of the first site visit by the investor or consulting team hired by the investor to evaluate the location; the signing of a memorandum of understanding related to the scope of the investment; the business registration or application for any permits or procedures required as part of the investment process in the location; and the initiation of negotiations with counterparts to obtain financial support, guarantee issuance, construction works, equipment and other material procurement, client agreements, or other. Data sources typically used for tracking this kind of information may include investment promotion intermediaries, investment tracking system reports, or investor surveys.

Appendix D. Prior Actions and Results Matrix: Board Approval

Table D.1 shows the prior actions and results matrix for the Competitiveness Development Policy Loan Operation discussed at Board approval on January 31, 2017.

Table D.1. Prior Actions and Results Matrix: Board Approval, January 31, 2017

Prior Actions	Results: Baselines	Results: Targets (mid-2017)
Pillar I. Attracting and retaining investment		
Prior action 1: Investment law Council of Ministers adopted an investment policy statement, including a time-bound action plan to develop a comprehensive investment law compatible with international best practice	Number of investment leads in sectors targeted by the strategic investment law: 15	Investment retained through the IGM[a] Baseline: n.a. Target: US$60 million Number of investment leads:[b]
Prior action 2: Investor grievances Adopt a government decision to establish a mechanism for investment retention and confidence	Minister of Economic Development, Tourism, Trade, and Entrepreneurship adopted an order to establish the Secretariat of the IGM	generated annually by AIDA Baseline: 15 Target: 18
Pillar II. Making it easier to do business		
Prior action 3: Construction permitting	Minister of Urban Development adopted an implementation decision on territorial planning and development, outlining the guidelines for the new construction permit process and introducing the new online platform for issuing construction permits	Overall *Doing Business* DTF Baseline: 61.3 Target: 70 DTF on dealing with construction permits Baseline: 56 Target: 66 DTF on getting electricity Baseline: 43.7 Target: 48 Inspection of nonfood consumer product groups Baseline: 0 Target: 2
Prior action 4: *Doing Business*	Energy Regulatory Entity adopted the electricity regulation on new connections on the distribution network	
Prior action 5: Simplification of procedures	Parliament enacted the law to merge the National Registration Center and the National Licensing Center	

Prior action 6: National quality infrastructure	Council of Ministers adopted a decision to establish a Market Surveillance Inspectorate and the prime minister issued an order to approve the organizational structure of the Market Surveillance Inspectorate	
Pillar III. Facilitating trade		
Prior action 7: Risk management	Director General of the National Food Agency adopted a decision for the introduction of a risk management policy	Percentage of imported cargo inspected by NFA Baseline: 100% Target: 85%
Prior action 8: Simplified trade procedures	Customs Director General adopted a local clearance procedures instruction incorporating best practices	Annual value of imports under local clearance procedures Baseline: $0 Target: US$70,000,000
Prior action 9: Port reform	Minister of Transport and Infrastructure and Minister of Finance adopted a joint instruction to amend port regulation to reduce the number of free freight storage days at the port of Durres	Cargo dwell time Baseline: 9 days Target: 7 days

Source: World Bank 2017.

Note: AIDA = Albanian Investment Development Agency; DTF = distance to frontier; IGM = investor grievance mechanism; NFA = National Food Agency.

a. In line with the relevant Trade and Competitiveness monitoring and evaluation guidelines for investment policy reforms, "investment retained" is defined as the total value of assets (from a balance sheet) of existing foreign (and domestic) investors facing severe investor-state grievances ("grievances") that benefit from the IGM. Investment retained is investment at risk before reform implementation—investment at risk at the target date. Data on this indicator will be collected through an investor grievance tracking system, to be established by the IGM. The system will systematically record grievances faced by investors and the corresponding amount of investment at risk because of the grievances. It will monitor progress in resolving the grievances until they are fully resolved.

b. In line with the relevant Trade and Competitiveness monitoring and evaluation guidelines for investment policy reforms, "investment lead" is defined as a foreign individual or firm that intends to make a new investment or undertake a new public-private partnership in the country directly or through some subsidiary, whereby the intention goes beyond the mere initial expression of interest. Typically, this follows on from the inquiry stage of the investment process and might include actions by the investor such as the successful conclusion of the first site visit by the investor or consulting team hired by the investor to evaluate the location; the signing of a memorandum of understanding related to the scope of the investment; the business registration or application for any permits or procedures required as part of the investment process in the location; and the initiation of negotiations with counterparts to obtain financial support, guarantee issuance, construction works, equipment and other material procurement, client agreements, or other. Data sources typically used for tracking this kind of information may include investment promotion intermediaries, investment tracking system reports, or investor surveys.

Appendix E. Environmental and Social Effects

An environmental assessment was conducted at appraisal. Most of the prior actions were not expected to have environmental impacts because the operation supported mainly regulatory reforms, with no direct link to physical infrastructure. The Implementation Completion and Results Report did not report on any environmental impacts from this operation.

Appendix F. Methods and Evidence

Given the travel restrictions because of the COVID-19 pandemic, the Independent Evaluation Group (IEG) conducted this Project Performance Assessment Report without the benefit of visiting the country. With the help of the Country Management Unit in Albania, IEG hired an interpreter for translation services during a virtual mission. The evaluation is based largely on triangulation of evidence from the following three sources:

Desk-based review. First, IEG conducted a detailed desk-based review of the following background documents and evaluative materials:

- World Bank publications:
  - Albania Country Partnership Framework (2015–19), 2015
  - Albania Systematic Country Diagnostic, 2015
  - Albania—Competitiveness Development Policy Lending, Program Document, 2017
  - Implementation Completion and Results Report, 2019
  - Implementation Completion and Results Report Review, 2019
  - Performance and Learning Review of the Albania Country Partnership Framework (2015–19), 2019
  - Albania Systematic Country Diagnostic Update, 2019
  - Albania Country Program Evaluation, 2021
- International Monetary Fund publications:
  - Albania—Article IV Consultation, 2011
  - Albania—First Review under the Extended Arrangement and Request for Modification of Performance Criteria, 2014
  - Albania—Article IV Consultation, 2017
  - Albania—Article IV Consultation, 2018
  - Albania—First Post-Program Monitoring, 2020
  - Albania—Article IV Consultation, 2021.

Interviews with the World Bank Group. Second, IEG conducted interviews with the following task team leaders and teams that contributed to the design and implementation of the operation:

- Feyifolu Adeyosola Boroffice and Wolfgang Fengler, co-task team leads
- Maryam Salim, country manager
- Keler Gjika, financial sector specialist
- Dusko Vasiljevic, senior private sector specialist (Implementation Completion and Results Report author)
- Eugeniu Osmochescu, private sector specialist
- Evis Sulko, senior operations officer
- Tarik Sahovic, senior operations officer
- Harald Jedlicka, senior private sector specialist
- Periklis Saragiotis, senior private sector specialist
- Sagita Muco, senior private sector specialist