



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 14-May-2019 | Report No: PIDC25057



**BASIC INFORMATION**

**A. Basic Project Data**

Country Albania	Project ID P160594	Project Name Albania Gender Equality in Access to Economic Opportunities DPF (P160594)	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Board Date Oct 31, 2019	Practice Area (Lead) Poverty and Equity	Financing Instrument Development Policy Financing
Borrower(s) Government of Albania	Implementing Agency Ministry of Finance and Economy		

**Proposed Development Objective(s)**

The Program Development Objectives are to support the Government of Albania’s efforts to enhance the policy framework for gender equality in access to economic opportunities, with a focus on (i) improving women’s access to assets; (ii) levelling the playing field to enhance labor market opportunities for women; and (iii) strengthening institutional arrangements for gender-informed policy making.

**Financing (in US\$, Millions)**

**SUMMARY**

<b>Total Financing</b>	66.28
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**DETAILS**

<b>Total World Bank Group Financing</b>	10.00
World Bank Lending	10.00
<b>Total Non-World Bank Group Financing</b>	56.28
Multilateral and Bilateral Financing (Concessional)	56.28

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

Country Context



Albania has made significant progress in recent years promoting gender equality, but challenges remain. Gender gaps in school enrollment between pre-primary and secondary have virtually disappeared, while tertiary enrollment is over 26 percentage points higher for females. Moreover, the legal framework recognizes gender parity in all aspects of social and economic life and bars discriminatory practices, such as dismissing female workers who become pregnant or give birth. Still, Albania is estimated to lose 20 percent of per capita gross domestic product (GDP) every year due to women's low labor-force participation rate, overrepresentation in unpaid and poorly paid sectors, and lower average wages than men in similar positions. Addressing the social and economic constraints that limit women's access to income-generating opportunities will be critical to unleash Albania's inclusive growth potential.

Despite improvements in recent years, systemic constraints in Albania's legal and regulatory framework, combined with implementation gaps, continue to inhibit women's access to economic opportunities. For instance, married women are under-registered as joint owners of property, which curtails their rights of ownership and use. Likewise, Albania's female labor force participation rate remains 16 percentage points lower than the male rate, and only 30 percent of firms have female owners or administrators. The labor market gender gap is widest among women of prime childbearing age, due in part to a lack of early childhood education and care facilities. Gender gaps in labor-force participation, employment, and wages are especially pronounced among ethnic minorities. Moreover, institutional capacity constraints undermine the ability of the government to conduct and monitor gender-informed policies across sectors.

The proposed Development Policy Financing (the operation) supports policies to help women access greater opportunities and enable the government to better allocate resources to these policies. Building on Albania's progress in strengthening legislation to support gender equality in recent years, policies supported by this operation aim at bringing the country's legal framework closer to international standards and ensure its effective implementation.

### ***Albania's Macroeconomic Policy Framework***

Strong economic performance during the 2000s resulted in important social gains. Albania is a small, open, upper-middle income (2018 GDP per capita US\$4,537) parliamentary democracy with a population of 2.8 million, and with aspirations to start EU accession negotiations in the near future. Between 1998 and 2008, real GDP growth averaged 6 percent a year and income per capita quadrupled. The country went from being the poorest country in Europe to achieving middle-income status in 2008. Growth was accompanied by poverty reduction, with absolute poverty (measured at US\$5.5/day, 2011 PPP) falling from 54 percent of the population in 2002 to 36 percent in 2008, while extreme poverty (measured at US\$3.2/day, 2011 PPP) fell from 17 percent to 6.6 percent during the period.

The global financial crisis and subsequent Eurozone crisis caused Albania's growth to decelerate, interrupting the quest for shared prosperity. During 2008-2014 GDP growth decelerated to an average of 2.4 percent per year, due to lower external demand for Albania's exports, lower remittances' inflows, and less favorable external credit conditions, which dampened domestic demand. While the country did not experience recession, the lower growth period reversed some of the poverty reduction and by 2012 poverty had increased to 39.3 percent (US\$5.5/day) and 7.7 percent (US\$3.2/day).

Economic growth picked up during 2015-2018, driven by domestic demand. After growing by 1.8 percent in 2014, growth recovered to an average of 3.4 percent during 2015-2018 as private investment strengthened thanks to increasing macroeconomic stability and economic recovery in the EU. Consumption picked up thanks to growing employment, wages, and household credit. The rise in investment was driven by large foreign-financed projects in energy generation. Net exports contributed positively to growth, driven by an expansion in services exports, mainly tourism.

Although the economic recovery improved conditions in the labor market, inactivity and unemployment remain high,



particularly for women. Job creation accelerated from an average of 3 percent during 2010-2014 to 4.4 percent during 2015-2018; by 2018 Albania had the highest employment rate in the Western Balkans at 52.1 percent. Despite recent improvements, the legacy of Albania's transition to a market economy is still visible in the high structural unemployment and inactivity rates, which are sources of economic and social vulnerability. More persistent search and entry into the labor force increased the participation rate by 5.7 percentage points between 2014 and 2018, but it remains low at 59.4 percent in 2018, and there are major gender gaps in participation rates. Unemployment fell from 17.5 percent in 2014 to its lowest level, 12.3 percent, in 2018.

Albania's medium-term economic outlook is generally positive. Under a neutral scenario, and taking into consideration external conditions, annual real GDP growth is projected to increase to an average of 3.7 percent during 2019-2022, from an average of 3 percent over the past 5 years, as ongoing reforms of the business environment, land market, judiciary, and financial markets unlock additional growth potential, and the increased economic dynamism gradually closes the output gap. The current-account deficit is expected to narrow from 6.7 percent of GDP in 2018 to about 6 percent of GDP by 2022 and continue to be financed by FDI during the projected period. Inflation is projected to remain below the Bank of Albania's 3 percent target through 2022. Albania's fiscal position is expected to improve, with the overall deficit projected to decline to 1.5 percent of GDP by 2022. Macroeconomic forecast assumes adherence to the targets set by medium-term fiscal framework and the fiscal rule which mandates a decline of the public debt as share of GDP each year until it reaches 45 percent.

Albania's macroeconomic policy framework is deemed sustainable and adequate for the proposed operation. Nonetheless, the economic outlook is vulnerable to external and domestic risks. As a small, open economy, Albania is highly exposed to external shocks, such as slower-than-projected growth in the EU, a possible tightening of financing conditions in international capital markets, and geopolitical and trade disputes. Economic growth is also dependent on Albania's EU accession prospects, which hinge on the success of ongoing negotiations. Under a low-growth scenario assuming a decline in investment (mainly FDI) and a fall in demand for Albanian exports, annual GDP growth would be 1 percentage point lower. Under this scenario, the primary balance would remain stable over the projection period – debt interest payments would be higher and public debt would level around 72.4 percent of GDP over the projection period. Mitigating fiscal risks related to contingent liabilities from PPPs and state-owned enterprises, and improving the efficiency and equity of public spending and revenue mobilization remain priorities to reduce high debt levels, create fiscal buffers to address shocks, and improve the delivery of public services. Finally, sustaining inclusive growth will require addressing structural challenges related to the rule of law, the business environment, energy security, and human capital.

#### Relationship to CPF

The proposed operation supports the WBG's Albania Country Partnership Framework (CPF) for the period FY15-19, in particular with Pillars 4 and 5 of the CPF, which focus strengthening the institutional framework for inclusiveness, promoting the sustainability of land markets, and enhancing public-sector transparency and accountability. It addresses priorities outlined in the WBG's Albania Systematic Country Diagnostic, which include removing disincentives and barriers to work, strengthening the business environment, fostering private-sector development, improving governance and institutional quality, and creating the conditions for accelerated economic growth and greater international competitiveness. The operation advances these priorities by focusing on increasing the productivity of female workers and expanding the employment opportunities faced by women. The operation is also aligned with the WBG's twin goals and supports the WBG's Gender Strategy. The operation is informed by lessons learned from recent and ongoing WBG operations, including the importance of adopting gender-sensitive procurement policies before attempting to reform procurement documents at the project level.



### **C. Proposed Development Objective(s)**

The Program Development Objectives of the proposed operation are to support the Government of Albania's efforts to enhance gender equality in access to economic opportunities, with a focus on (i) improving gender equality in access to assets through the recognition of ownership of immovable property; (ii) levelling the playing field for women to access income-generating opportunities; and (iii) strengthening institutional arrangements for gender-informed policymaking.

#### Key Results

Actions supported by the proposed operation are expected to (1) improve the accuracy of immovable-property registries for married couples and the quality of information on existing property titles; (2) increase access to affordable legal assistance to ensure property titles recognize the rights of vulnerable women; (3) accelerate the registration process for both new and existing immovable properties with female owners or co-owners; (3) increase awareness and compliance with legislation on gender equality in employment practices, including the equal work for equal pay provisions of the labor code, and to strengthen awareness for gender equality principles in the private sector; (4) alleviate constraints on women's ability to access, and succeed in, the labor market; and (5) improve the monitoring of gender equality policies and programs by establishing clear, measurable links between gender-related spending and gender-equality objectives.

### **D. Concept Description**

The operation is structured around three pillars. The first pillar supports institutional reforms designed to strengthen women's rights to own and use immovable property. Proposed prior actions focus on amending property registration procedures, building institutional capacity to register all rightful owners in the property title, and providing cost-free support to individuals or married couples who wish to correct property ownership registries. The second pillar supports reforms designed to reduce constraints for women participation in productive activities and the inequalities faced by those that already participate. These reforms aim to leverage public procurement policy to pave the way to increase women participation in government contracting and promote the equal treatment of female employees by private employers. They also aim to remove barriers to employment that disproportionately affect women, including those related to child care—particularly the limited supply of education services for preschool aged children and short school day—and constraints on access to networks and labor-market information among disadvantaged groups. The third pillar supports actions to improve the monitoring gender-equality indicators, enabling more informed policy measures to address gender gaps. Actions include the adoption of harmonized methodologies to monitor gender-related performance indicators linked to specific programs, as well as the country's overall progress on gender equality.

These three pillars complement each other. First, a more equitable application of immovable property rights will increase women's opportunities for entrepreneurship by allowing their use of property both as a productive input and as a means to access financing and can thus also increase their bargaining power in the household. Second, better conditions for women to participate in the labor market can increase their incentives to do so, while allocating human capital more efficiently. Finally, an enhanced regulatory and institutional framework for social inclusion, including improved monitoring, will increase transparency and foster sustained progress on the government's social-equality agenda, by enabling the authorities to adjust the policy program to reflect women's evolving role in the Albanian economy.

### **E. Poverty and Social Impacts and Environmental Aspects**

#### Poverty and Social Impacts



The proposed operation is expected to reduce poverty and narrow gender and social disparities. Supported prior actions target key issues identified in the analytical underpinnings of the DPF, especially lower access to property rights and labor market opportunities among women. Measures in Pillar 1 aimed at protecting the ownership rights of women are expected to have positive effects on agency and may also reduce poverty in the long term. Measures in Pillar 2 aimed at reducing constraints on women’s participation in productive activities are also expected to have a direct positive effect on poverty reduction and inclusion; under this pillar, policies that promote labor market inclusion among disadvantaged groups in the labor market (e.g., delivery of employment intermediation services to groups facing disadvantages in the labor market) are expected to impact poverty reduction directly, along with the positive gender and social impacts. Measures in Pillar 3 aimed at improving the monitoring of gender outcomes are expected to raise the efficiency of gender equality policies and to broaden the fiscal space to deliver services to the poor. Fiscal implications of these reforms are expected to be largely neutral, generating a small fiscal cost for the implementation of legal aid services (0.6 percent of the budget allocated to the Ministry of Justice), but no other additional fiscal expenditures.

#### Environmental Impacts

Policies supported by the proposed operation are not expected to have any adverse effect on Albania’s environment or natural resources. Actions under Pillar 1 involve access to immovable property, but they focus on easing gender disparities regarding property rights, land tenure and are not expected to significantly influence land use in any way that could be environmentally harmful. Actions under Pillars 2 and 3 are not expected to have any environmental impacts.

## CONTACT POINT

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**APPROVAL**

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**Approved By**

Country Director:	Lada Strelkova	21-May-2019
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