Subject: Letter of Development Policy for the Gender Equality in Access to Economic Opportunities Development Policy Financing

Tirana, on 21 June 2019

Dear Mr. President,

On behalf of the Government of Albania, I have the pleasure of submitting to you the letter of development policy for the Gender Equality in Access to Economic Opportunities Development Policy Financing (DPF) in the amount of US$10 million.

Our vision as a country is to create a strong democracy with a competitive and sustainable economy that protects the rights of all citizens. This innovative operation supports our Government’s efforts to enhance the policy framework for gender equality. Our Government has advanced structural reforms to ensure equality between men and women in access to economic opportunities. We are proud to be the first country to receive joint World Bank and French Development Agency (AFD) development policy financing for a reform program focused entirely on gender equality.

The Government of Albania appreciates the long-standing partnership and cooperation with the World Bank on a range of development issues and the financing and implementation support that the World Bank has provided for the benefit of the people of Albania. Our Government looks forward to the continued support from the World Bank and AFD to advance the agenda of gender equality.

Macroeconomic context. Our main economic objective over the medium-term is to promote robust, inclusive, and sustainable economic growth that improves the living standards of Albanian citizens. As part of our National Strategy for Development and Integration, we have a firm commitment to maintaining macroeconomic stability by reducing public debt levels, enhancing revenue mobilization and public expenditure efficiency, and mitigating fiscal and financial sector risks, and of which requires improvements in governance and the rule of law.
Since 2014, the Government of Albania has made great efforts to stabilize public finances. The fiscal adjustment program implemented in the last 6 years included the clearing of arrears to the private sector and measures to improve tax collection and reduce the fiscal burden of pensions and energy subsidies. As a result, the fiscal deficit was reduced from 5.2 percent of GDP in 2014 to 1.6 percent in 2018. Total public revenues increased from 26.3 percent of GDP in 2014 to 27.7 percent in 2018. Meanwhile, total public expenditures were contained as a shared of GDP during this period, at 29.3 percent of GDP in 2018. Capital spending increased from 4.4 percent of GDP in 2014 to 4.8 percent in 2018, supporting important public infrastructure projects. Furthermore, the Government of Albania has also taken important measures to restore the health of the financial sector, including expediting the resolution of non-performing loans and strengthening the financial sector supervisory framework. As a result of these efforts, the Government of Albania achieved positive primary fiscal balances during 2016–2018, which has helped to reduce the stock of public debt to 68.0 percent of GDP in 2018. In 2018, the Government placed a seven-year €500 million Eurobond as part of its strategy to improve debt management. The lower interest rate for the latest Eurobond is a testament to the international financial market's renewed confidence in Albania's macroeconomic stance.

Our Government remains committed to ensuring macroeconomic sustainability and mitigating fiscal and financial sector risks. For instance, during 2019 our Government continues to improve the transparency and efficiency of tax administration and reduce informality with the aim of further increasing revenues while preventing the accumulation of arrears. We also aim to reduce the risks generated by off-budget operations by introducing a stricter selection and monitoring framework for public-private partnerships to ensure that projects deliver value-for-money while containing potential budgetary risks. In addition, we aim to further reduce the stock of non-performing loans and strengthen the financial sector supervisory framework.

We remain cautious about the uncertainties ahead, particularly risks related with the Eurozone’s growth performance, geopolitical and trade disputes, and the tightening of international capital markets. We are committed to taking a proactive role in reforming the business climate and enhancing the rule of law to improve the competitiveness of Albania’s economy. Furthermore, as outlined in the European Commission’s 2019 Progress Report for Albania, we have adopted key judicial, public administration, and parliamentary reforms that would allow us to make progress toward European Union (EU) accession. We have also made strides in the fight against corruption and organized crime. We intend to advance further measures in all these areas to promote robust and sustainable growth.

**Gender equality.** Achieving gender equality is a key objective of the Government’s social and economic development agenda, as it is essential for inclusive growth. In 2016 the Government of Albania formulated the National Gender Equality Strategy and Action Plan 2016–2020 to boost women’s economic empowerment including by increasing women’s participation in political decision making, reducing gender-based violence and domestic violence, and strengthening the coordinating role of the Government’s Gender Equality Mechanism. The goal of achieving gender equality is also emphasized in other economic and social development strategies, including the National Strategy for Development and Integration 2015–2020, the National Employment and Skills Strategy 2014–2020 and the Economic Reform Program.

Bulevardi "Dëshmorët e Kombit", Nr. 3; Tiranë, Albania; www.financa.gov.al; info@financa.gov.al
This letter summarizes the key elements of our program on promoting gender equality in access to economic opportunities. Through the program, we expect to increase women’s economic empowerment and their ability to benefit from and contribute to economic growth. We believe that this DPF provides the appropriate tool to advance our agenda and is complementary to our ongoing efforts in other fronts. It supports our 2030 Agenda and EU accession process, as well as our commitment to the Sustainable Development Goals. Finally, being the first of its kind in your institution, we anticipate that this gender-focused DPF will break ground and inform efforts in other countries.

**Improving Women’s Access to Assets.** To strengthen women’s rights to own and use immovable property the Government is committed to implementing and monitoring the enacted reforms. The new Notary Law introduces more detailed registration procedures to grant women equal rights to property ownership, placing the burden of verification and registration on notaries rather than owners. This reform is being complemented with a training program we recently launched to ensure that notaries fulfill their obligations under the law. A step further in our reform process corrects the under-registration of female co-owners in our existing property certificates, at no cost to the population. Through an Order of the Director of State Cadaster Agency, registration offices are mandated to correct errors in the owners’ information in existing property certificates at the request of the owner or when registering property transactions. Finally, we are for the first time implementing a legal framework for providing free legal aid, which will enable vulnerable women to exercise their ownership rights. In this vein, the Government has created the regulations needed to select and register the providers of legal aid, as well as the mechanisms for the delivery and payment of the services.

**Leveling the Playing Field to Enhance Labor Market Opportunities for Women.** To reduce constraints to women’s participation and employment, our reform program promotes gender inclusion in public procurement policy, and targets specific barriers related to employment that disproportionately affect women. Supported by the World Bank DPF, the reforms undertaken on public procurement open a path of change on gender mainstreaming that we are committed to follow. Our processes, for the first time, include explicit requirements of compliance with non-discrimination principles as per the Labor Code, now embedded in the standard bidding documents required for public tenders. To support this reform, we are conducting information sessions around it with the private sector and, importantly, the Public Procurement Agency has signed a Memorandum of Understanding with the Labor Inspectorate that will strengthen the collaboration between these two institutions to ensure enforcement.

Removing barriers to employment and entrepreneurship among women is a central part of our reform program. To this end, we have put in place a multifaceted effort, in line with the multiplicity of constraints that women face. One key obstacle for women to participate in the labor market is related to the lack of child care options, and thus our reforms are geared towards improving the quality and availability of preschool and basic education to provide alternative to mothers to expand their employment opportunities. We have shifted the rules for budget allocation to the preschool system: whereas before it was fully centered on teacher-based financing, it now incorporates student-based financing in line with international best practices. We recognize the strong link between increasing the quality of education (including through reduced overcrowding in preschool classrooms) and the increased incentives among women, particularly those in poorer
communities with limited alternatives, to send their children to preschool. At the same time, we have piloted an after-school enrichment program in a set of primary-schools around the country that extends the hours that children stay in the educational facilities. Both measures will allow mothers to explore employment opportunities that they wouldn’t have access to otherwise. In the same spirit of putting strong emphasis on monitoring, we will be assessing the performance of the pilot program to gain insights that will inform its expansion. Our Government is also putting strong emphasis on targeting disadvantaged groups in labor market policies, reflected in the adoption of the Employment Promotion Law (Law 15/2019). This legislation mandates the tailoring and delivery of services to groups facing disadvantaged in the labor market, among which women are overrepresented.

**Strengthening the Institutional Arrangements for Gender-Informed Policy Making.** The emphasis that we are placing on strengthening rules and capacity for better monitoring and evaluation of gender equality objectives, as part of our commitment to long-term impact, is also reflected in this pillar of our program. Specifically, we are mainstreaming gender in our budget, and with the support of this DPF, we established clear procedures to monitor gender-related public spending and key performance indicators, and developed a tracking tool for gender inclusion in our budget embedded in our Financial Management Information System. Moreover, we are aligning our monitoring of gender equality outcomes with the European Union’s Gender Equality Index. This will allow us to identify priority areas for action over time, but also to benchmark our progress with other countries in Europe.

**Next steps.** The aforementioned policy actions reaffirm our Government’s commitment to achieving gender equality in access to economic opportunities. However, we recognize that there is much more to do to ensure that women and men benefit from equal opportunities. Looking forward, the Government will continue its efforts to advance this agenda, including on the following objectives:

- **Ensure the implementation of the reforms aimed at improving women’s access to immovable property** by (i) supporting the Chamber of Notaries in the establishment and use of an electronic repository of notarial acts; (ii) taking the necessary steps to improve the quality and coverage of our database on property ownership, particularly through digitization and verification processes; and (iii) expanding the capacity and knowledge of the relevant institutions through training, coupled with awareness raising activities among the population.

- **Continue efforts to improve the quality of education,** particularly in remote and disadvantaged areas, as a development goal in itself for but also to alleviate constraints for mothers’ employment. Specific areas to highlight are (i) following up on the commitments we adopted in the National Agenda for Children’s Rights 2017–20, which targets improvements in access to high-quality childcare and education services for children ages under 6; key priorities on this would be to develop minimum standards for public nurseries, and establish the institutional arrangements for monitoring service quality and sanctioning noncompliance; (ii) advancing our reforms to improve teacher performance; and (iii) enhancing the monitoring and evaluation framework of the after-school program to incorporate lessons as it is rolled out.

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Bulevardi "Dëshmorët e Kombit", Nr. 3; Tiranë, Albania; www.financa.gov.al; info@financa.gov.al
• **Continue enhancing the ability of our budget and budget processes** to promote gender equality, by tracking impact at national and municipal levels.

• Beyond preparing the **Gender Equality Index**, we are committed to publishing it in 2019 to make the findings visible and available, and to conduct regular updates in line with those of other European countries.

• Finally, **seize opportunities of reforms in other domains** to further advance the gender equality agenda, including reforms to procurement legislation, future rounds of amendments to the Labor Code and actions to raise the efficiency of local public spending given their key role in providing critical services for families.

In closing, I would like to reiterate the strong commitment that the Government of Albania places on reaching the goal of gender equality. Advancing towards that goal is also in line with our efforts to promote economic growth and job creation, which cannot be fully attained if all our citizens do not have the same opportunities to succeed. The support from the World Bank, AFD as well as the support from the EU, GIZ, UN Women, UNICEF, USAID, among other development partners that accompany us in this agenda, is indispensable to achieving our objective of equality of opportunities.

In view of the above, the Government of Albania requests the favorable consideration and approval of the World Bank’s “Gender Equality in Access to Economic Opportunities Development Policy Financing” in the amount of US$10 million.

Sincerely,

MINISTER

Anila Denaj