



Enabling poor rural people  
to overcome poverty

## PROJECT EVALUATION



**Republic of Albania**

**Mountain Areas Development Programme**

Completion Evaluation

**November 2008**





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Completion Evaluation**

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**Republic of Albania**  
**Mountain Areas Development Programme (MADP)**  
**Loan No. 526-AL**

**Completion Evaluation**

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(\*) Annexes are available from IFAD's Office of Evaluation. Please contact [evaluation@ifad.org](mailto:evaluation@ifad.org)

## **Exchange Rates**

1 US\$ = 86 Albanian Lek  
(15 February 2008)

## **Abbreviations and Acronyms**

APC	Agricultural Production Cooperatives
ADF	Albanian Development Fund
ARRI	Annual Report on Results and Impact of Operations
ASP	Agricultural Service Project
AWPB	Annual Work Plan and Budget
CBO	Community-based Organisations
CEN	Gender Mainstreaming Programme for Central and Eastern Europe and the Newly Independent States Countries
CGAP	Consultative Group to Assist the Poor
CIS	Commonwealth of Independent States
CLP	Core Learning Partnership
COSOP	Country Strategic Opportunities Paper (or Programme)
CPM	Country Programme Manager
CSO	Civil Society Organizations
DFID	UK Department for International Development
EIRR	Economic Internal Rate of Return
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FERT	Formation pour l'Epanouissement le Renouveau de la Terre (French NGO)
FFAM	Facility for Farmers' Access to Markets
GDP	Gross Domestic Product
GNI	Gross National Income
GoA	Government of Albania
HACCP	Hazard Analysis Critical Control Point
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
INSTAT	Albania's Institute of Statistics
IRF	Irrigation Rehabilitation Foundation
Lek	Albanian currency
LSMS	Living Standard Measurement Survey
M&E	Monitoring and Evaluation
MADA	Mountain Areas Development Agency
MADP	Mountain Areas Development Programme
MAFF	Mountain Areas Finance Fund
MFI	Micro Finance Institution
MoAF	Ministry of Agriculture and Food
MTR	Mid-Term Review
NDRDP	North-eastern Districts Rural Development Project
NSSED	National Strategy for Socio-Economic Development
OE	Office of Evaluation
O&M	Operation and Maintenance
PIU	Project Implementation Unit
PN	Near East and North Africa Division (IFAD)
PSD	Private Sector Development
SDC	Swiss Agency for Development Cooperation
SDRMA	Sustainable Development in Rural Mountain Areas
SIP	Strategic Investment Programme
SME	Small and Medium Enterprises
SNV	Netherlands Development Organisation
SPS	Sanitary and Phytosanitary Standards
SSIRP	Small-scale Irrigation Rehabilitation Project

TA	Technical Assistance
TAG	Technical Assistance Grant
TBC	Tuberculosis
ToR	Terms of Reference
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
US\$	US Dollar
VAT	Value Added Tax
VCC	Village Credit Committee
VCF	Village Credit Fund
WB	World Bank
WDI	World Development Indicators
WUA	Water Users' Association



# Albania

## Mountain Areas Development Programme

*Completion evaluation*



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD



## FOREWORD

*The Mountain Areas Development Programme (MADP) was designed against the backdrop of the severe economic, political and humanitarian crises in the wake of the financial crisis following collapse of informal lending schemes and, not least, unrest in neighbouring Kosovo and Macedonia. Conversely, the implementation of the MADP took place during a period of rapid growth and overall substantial poverty reduction, when standards of living were increasing throughout the country. Within this evolving context, the MADP showed flexibility to adapt to changing circumstances; the programme was carefully redesigned and its relevance was thereby increased.*

*For the first part of its implementation, the programme was essentially non-performing. At project start-up, the MADP relied heavily on interventions based on collective action approaches, in which groups and associations (often formed with the objective of accessing donor funds) acted as main implementation vehicles and were expected to ensure sustainability of the programme thereafter. This was particularly true in the case of the irrigation, rural roads and vaccination sectors, but was not suited to the highly-individualized characteristics of Albanian society and the limited ability of centrally-imposed collective groups to deliver long-term benefits. Consequently, based on the findings of the mid-term review undertaken in 2003, IFAD and its partners decided to take remedial action and to lead a strategic reorientation exercise with a view to restoring MADP's relevance, improving its impact and promoting greater sustainability.*

*The programme shifted focus towards fostering structural change and supporting the rural private sector by promoting successful farmers and agri-business activities with high profitability and potential for increased commercialization. The key ingredient was to harness the renowned entrepreneurial spirit of Albanian business-men and -women in rural areas.*

*MADP's most notable achievement has been its establishment of two core institutions, namely, the Mountain Areas Development Agency (MADA) and the Mountain Areas Finance Fund (MAFF), both of which have proved to be highly relevant as key players dedicated to the advancement of mountain areas in general and the rural poor living in such areas in particular. Overall, MADA and MAFF have assisted in raising the profile of the mountain areas on the Government's policy agenda. As a result of their activities, knowledge of the specific needs and problems of these areas, as well as of opportunities and investment potential there, is now significantly greater both among the public and among policy-makers.*

*The evaluation report includes an Agreement at Completion Point, which summarizes the main evaluation findings and sets out the recommendations discussed and agreed on by the Government of Albania and IFAD. It also makes proposals as to how and by whom these recommendations should be implemented.*



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**Republic of Albania**  
**Mountain Areas Development Programme**  
**Completion Evaluation**

**Executive Summary**

**I. INTRODUCTION**

1. **Background.** The mountain areas in Albania cover 70 per cent of the country's territory and have a considerably higher incidence of poverty than the lowland coastal areas. Agriculture, livestock and agribusinesses are the main employment and income opportunity in these areas, but low productivity, small farm sizes, limited access to financial services, and weak market linkages are among the factors that have inhibited effective and sustainable growth and poverty reduction. The IFAD supported Mountain Areas Development Programme (MADP) was designed to improve the living standards of mountainous households using a multifaceted strategy, which included financial services, agricultural development and institutional strengthening.

2. **Political and social context.** The MADP was designed and implemented during a period of significant political, economic and social transformation in Albania. Still emerging from one of the most isolated communist regimes, Albania was in 1997 thrown into substantial violent civil unrest as a result of the collapse of the pyramid schemes. One year later the Kosovo crisis began, culminating in the arrival of hundreds of thousands of refugees impacting negatively on the social and food security situation, especially in northern Albania. Ethnic inspired unrest later spread to another neighbouring country, Macedonia, and between 2001 and 2002 trade and travel links were severely disrupted as a consequence. This impacted negatively on the already precarious Albania's situation, especially in the northern areas. In addition, the considerable political instability and uncertainty following both parliamentary and local elections also proved disruptive to the civil service, as they often resulted in changes in staff, which also affected MADP (as it will be later discussed).

3. **Economic and poverty situation.** The economy of Albania has generally performed well with strong macro-economic growth since 1993 averaging between five and seven per cent annually although it suffered a substantial economic contraction in 1997 as a result of the collapse of the pyramid schemes.<sup>1</sup> Key drivers for achieving and maintaining these relatively high growth rates have included the rapid privatisation and trade liberalisations, a strong fiscal discipline and a relatively well educated labour force able to exploit the market opportunities that were opened in the post-communist period. Also, facilitating this benign outcome has been the establishment of a sound financial sector in the aftermath of the pyramid schemes crisis of 1997. Industry accounted for about 19 per cent of Gross Domestic Product (GDP) in 2006 down from an average of about 45 per cent in the late 1980s. The service sector is a smaller part of the economy than in most other post-communist countries in Eastern Europe. Agriculture's share of GDP has shrunk from about 33 to 23 per cent between 1996 and 2006, although around half the population derives a living primarily from agricultural production (EIU, 2007).

4. While strong economic growth has contributed to reduce poverty, Albania started from an extremely low base and still today remains one of the poorest countries in Europe with an estimated Gross National Income (GNI) per head of US\$2,510 in 2005. According to a 2006 survey<sup>2</sup>, an estimated 18.5 per cent of the population live below the national poverty line of US\$2 a day and 3.5

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<sup>1</sup> The highly leveraged and ultimately unsustainable pyramid investment schemes are estimated to have resulted in the loss of some US\$1.2 billion in people's savings and triggered a crisis that brought the country to the brink of civil war.

<sup>2</sup> See Albania's Institute of Statistics (INSTAT) and the World Bank on 'Trends in Poverty and Inequality', 2006.

per cent of the population live on an income of less than US\$1 a day, the latter being classified as extreme poverty. These data show an improvement from the 2002 Living Standard Measurement Survey (LSMS)<sup>3</sup>, according to which aggregated level consumption poverty was estimated at around 25 per cent, whereas extreme poverty was five per cent. This substantial reduction in poverty has been accompanied by regional convergence in poverty trends, with a sharp reduction in the poorest region, the Mountain areas, and comparatively slower, but still significant reductions in poverty in the Coast and Central areas. However, rural poverty is still significantly higher than urban poverty, with three quarter of all the poor living in rural areas.

5. **Evaluation objectives, methodology and process.** The Office of Evaluation (OE) of the International Fund for Agricultural Development (IFAD) has undertaken a Completion Evaluation of the MADP. The objectives of the evaluation were to: (a) assess the performance and impact of the project; and (b) generate findings and recommendations that would serve as inputs for the design and implementation of future projects in Albania with similar characteristics. The evaluation was conducted in line with the IFAD Evaluation Policy and utilised OE's methodology for project evaluations. The methodology focused on four dimensions: (i) the performance of the project measured in terms of relevance, efficiency and effectiveness; (ii) the rural poverty reduction impact of the project; (iii) the performance of partners including IFAD, the Government of Albania (GoA), United Nations Office for Project Services (UNOPS), UK Department for International Development (DFID) and others concerned; and (iv) sustainability and innovation. The evaluation mission conducted field work in Albania in June 2007. The evaluation team examined data obtained from the programme management units, interviewed key informants, conducted focus group discussions with beneficiaries using standard questionnaires and guidelines, and visited sites to see various activities funded by the Mountain Areas Development Agency (MADA) and by the Mountain Areas Finance Fund (MAFF). Both quantitative and qualitative techniques have been adopted and the main findings presented in this report are the results of triangulation between different methods and sources. An important source has been the self-evaluation undertaken by the MADP, which has provided valuable analysis especially in relation to the more qualitative aspects of MADP's performance. The evaluation teams have some concerns about the integrity of some of the data sources (mostly from the Government of Albania), as will be discussed below.

## II. THE MOUNTAIN AREAS DEVELOPMENT PROGRAMME

6. **Rationale.** The MADP was designed to continue, strengthen and expand the activities of the two previous IFAD-funded projects: the North-eastern Districts Rural Development Project (NDRDP) and the Small-Scale Irrigation Rehabilitation Project (SSIRP), which were implemented in the poorest part of the mountain areas. The organization and management of MADP was designed to shift IFAD's support to mountain areas from the *ad hoc* spot application of area-based subsector projects to a long-term programmatic view of mountain areas development, to be based upon a rational and synergistic portfolio of investments.

7. **Programme's key dates.** MADP was approved by IFAD's Executive Board in December 1999, the loan agreement was signed in January 2000 and the programme became effective in July 2001. The actual start up of MADA's activities was further delayed due to several reasons, such as disagreement between IFAD and the Government of Albania on some of the staff appointments. MADA became operational only in May 2002 following the approval of its 2002 Annual Work Plan and Budget (AWPB) by the Agency's board of Directors. The Mid-Term Review (MTR) was conducted in October 2003. The project completion date was 30 September 2007, while the loan closing date is 31 March 2008.

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<sup>3</sup> This survey found that rural poverty was significantly higher than urban poverty, by a factor of at least ten percentage points. Moreover, the northern part of the Mountain region (the North and the North-east agroecological area) had the worst poverty outcomes among the country's four regions (Tirana, Coastal, Central and Mountain). Almost one-half of the population in this area was poor and one in five could not meet basic food needs. Poverty also had a strong gender dimension as the transition period has had a disproportionately negative impact on women's economic and political status.

8. **MADP overall objective and components.** The overall objective of MADP was to achieve a sustainable long term economic growth and development in the mountain areas of Albania, and to raise the standard of living of 37 500 mountain area-based households. The overall objective would be achieved by financing the following components: i) Programme Management: in order to ensure a systematic impact, the programme would establish an agency for MADA, which would be a small facility for programming, planning and fund management; ii) Rural Credit: through the establishment of a sustainable non-banking institution such as the Mountain Areas Finance Fund (MAFF), the programme would provide social and agricultural production credit on a sustainable basis to clients living and working in poor, marginal mountain areas; iii) Rural Infrastructure: this component would focus on the rehabilitation of small-scale irrigation schemes and construction of rural roads and village water supplies; iv) Agricultural Development has several subcomponents including: support to community management plans for pasture and forest land use; testing and vaccination of cattle and small ruminants; support to the private veterinary services; and provision of demand-driven extension services.

9. **Financing.** MADP's total programme cost was US\$23.1million (See Table 1 in the main report). IFAD financed 59 per cent of total costs, through the provision of a highly concessional loan of US\$13.2 million and grant of US\$0.4 million. Albanian Government funded contribution was of US\$2.9 million including foregone duties and taxes (12 per cent). The contributions of beneficiaries amounted approximately to US\$1.2 million. The main co-financiers were: Department for International Development (DFID) that contributed US\$1.9 million; the Netherlands Development Organisation (SNV) that agreed to co-finance US\$0.4 million; the Italian Cooperation that provided US\$1.0 million that was later supplemented with US \$0.1 million<sup>4</sup>. There were also supplementary funds, which had not been foreseen at the time of programme design. These included US\$60,970 and US\$40,500, which were secured from the World Bank-financed Agricultural Service Project (ASP) in Albania and from MADA beneficiaries. These funds were used towards a joint MADA/ASP pilot initiative, namely the 'joint competitive grant scheme'. Moreover, through its Gender Mainstreaming Programme for Central and Eastern Europe and the Newly Independent States countries (CEN), IFAD provided a Technical Assistance Grant (TAG) of US\$88,200 for the MAFF-initiated "Knowledge Generation and Skills Development Project for Rural Women and Youth".

### III. MADP PERFORMANCE

10. **Relevance.** MADP has been mostly relevant and, perhaps more importantly, it has shown the flexibility to learn from experiences gained. It has adapted to changing circumstance and redesigned key interventions to increase its relevance. The establishment of MADA and MAFF has been relevant as these are key institutions dedicated to reducing rural poverty in mountain areas. The programme objectives have been highly consistent with the needs of the rural poor who live in mountain areas, with the priorities of the GoA, with IFAD's 1998-2002 and 2002-2006 Strategic Frameworks and with IFAD's 1999 COSOP for Albania, which emphasised the need to move beyond time-bound project approaches towards a cogent and coherent programme for the development of marginal areas in Albania. In relation to the COSOP, it seems that MADP's original design and its 2003 MTR reorientation have informed both the 1999 and 2005 COSOPs for Albania rather than vice-versa, especially on modalities by which the overall poverty reduction strategy was to be implemented. Thus MADP has arguably also assisted in improving relevance of the Albania COSOP. Both COSOPs argued for channelling support through institutions that were permanent in structure and not through specific IFAD Project Implementation Units (PIUs). This design feature seemed highly relevant, as the experience with PIUs had generally proven unsustainable.

11. Over time, MADP has been able to make significant changes as signs emerged that some of the initial modalities were not optimally designed and were not in line with the evolving country's changing context. At project start, MADP's heavy reliance on collective actions and formation of associations did not prove to be appropriate to the Albanian context. Realising this, the 2003 MTR made efforts to restore the programme's relevance by increasing focus on fostering structural change

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<sup>4</sup> The US\$1.0 million and US\$0.1m from the Italian Cooperation were financed through a programme called Facility for Farmers' Access to Markets (FFAM) in the Balkan Area.

in mountain areas and emphasising support to the private sector. The strategies for MADP activities and its institutions were further developed, in many cases revised and a strong focus was put on the new Institutional Building component. In addition, the Agricultural Development component was re-oriented (and renamed) as the Private Sector Development (PSD) component. The new approach for this component emphasized the commercial orientation of MADA and was intended to enable farmers and agribusinesses to fully exploit emerging opportunities. To this aim, Strategic Investment Plans (SIPs) were developed to strengthen the growth of strategic farming and agri-business activities with high profitability and potential for increased commercialisation. In relation to the provision of rural financial services, MAFF began gradually to emphasise loans to individuals and Small and Medium Enterprises (SME) with a much more direct incentive for productive and profitable investments, thus discarding the less relevant group-based approach. Since the MTR, the programme expanded its geographic targeting from poorer mountain areas to all mountain areas in the country, with a special emphasis on those activities with a high potential for increasing productivity and profitability.<sup>5</sup>

12. **Effectiveness.** In assessing MADP's effectiveness, an important consideration concerns the fact whether the interventions have actually taken place where the poor are located. MADP was designed to start in the south due to the presence of two previous IFAD-funded projects (Northern-eastern Districts Rural Development Project (NDRDP) and Small-Scale Irrigation Rehabilitation Project (SSIRP) located in Albania's northeast and centre-east areas, but then at the phasing out of these two projects, the MADP was supposed to move to the poorer northern mountain areas. However, after the closure of NDRDP and SSIRP projects, the investments and activity level of MADP remained largely concentrated in the relatively substantial richer southern mountain areas, allocating only around 16 per cent of investment funds (i.e. sourced from MADA) to northern ones. If MAFF funds are included too, the figure becomes 27 per cent, which is still a strong bias for southern mountain areas. There are poor people in the southern areas too, but the incidence and depth of poverty are significantly lower here and the programme could have been more effective in reaching poor people by taking a wider geographic coverage. The evaluation mission was unable to find technical evidence as to why MADA investment allocations were biased against the northern areas. Loan funds from MAFF, on the other hand, were essentially equally distributed between north and south.

13. MADP's effectiveness has been mixed but with an improving tendency throughout the programme period. MADP's programme objective was to improve the living standards of 37 500 poor mountain area households. According to MADP figures (2007) 56 488 households have received MADP services and their living standards have been raised accordingly. However, while living standards have generally increased rapidly during the programme period, the evaluation team would like to caution about drawing a too close causal relationship between MADP's interventions and this rise. Undoubtedly, MADP has played an important (and increasingly strategic) role, but there are some concerns about the degree to which necessary complementary actions by other actors (most notably the government's veterinary service and water user associations) have been sufficient to achieve the desired effectiveness. This especially concerns the interventions that started before 2003, most notably in the irrigation and vaccination sectors, which account for the majority of beneficiary households. The implicit assumption that these external actors would deliver the needed follow-up to MADP investments at times proved too optimistic and has in certain instances compromised effectiveness. In any case, exclusive focus on numbers may not capture important contributions from MADP both in terms of delivering tangible benefits to numerous households, but also in terms of piloting and demonstration activities especially within the private sector development and the credit sector, where MAFF has proven the viability of rural financial services and introduced new products. Other interventions concerning the rural infrastructure component and the vaccination activities have had more limited effectiveness and almost no-spill over effects and for all interventions the richer southern districts have been found to be the main beneficiaries.

14. **Efficiency.** It is difficult to evaluate MADP's efficiency at aggregate level. At programme's appraisal, an Economic Rate of Return (EIRR) was estimated at 37 per cent, heavily relying on the three main investments in irrigation, vaccinations and agricultural extension. The reach, coverage and economic lifetime of these investments were overestimated during the design phase. The economic life

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<sup>5</sup> This also proved consistent with IFAD's 'Targeting Policy' of September 2006.



of the single largest investment (in irrigation) was set at 20 years at appraisal: this is evidently an overestimation as many of the schemes are already disintegrating with virtual no institutionally sustainable structures to ensure their maintenance. Already in 2001 UNOPS Supervision Mission claimed a MADP's estimated EIRR of only 21 per cent stating that this reflected the level of sunk costs in existing irrigation structure and conservatively estimated incremental benefits. In 2003 this figure was revised further downwards as many of the investments were deemed unsustainable, whilst benefits from incremental marketed output were likely to have been overstated. It was argued that the EIRR, while impossible to be accurately assessed, was likely to be near zero or negative.

15. Also reducing efficiency has been the substantial implementation delay of nearly two years at programme start. This affected especially MADA, whereas MAFF generally had somewhat higher efficiency, especially after it started to phase out the group-based loans. Based on various estimates of the economic life-time of the infrastructure and coverage of the vaccination programme, the evaluation team has made calculations of the EIRR and would argue that efficiency could have been significantly higher.

16. **Impact on rural poverty.** At a component level, the impact of the vaccinations interventions and rural infrastructure is disappointingly low, especially when considering the amount of funds invested (79 per cent of MADA's total investments). While there is still some uncertainty as to the ultimate impact of the vaccination programmes, it is clear that these have not managed to bring major zoonotic diseases under control. As for the rural infrastructure, most of the investments have proven to be unsustainable and based on flawed design. In addition, the heavy reliance on collective action through e.g. Water User Associations (WUAs) for Operation and Maintenance (O&M) proved ill-suited to the Albanian – highly individualised – social context. Similarly, many of the forest and pasture management associations have failed to maintain impact after the cessation of IFAD/MADA support.

17. Conversely, most of the activities that were initiated after the 2003 MTR have demonstrated significant strategic impact, albeit still on relatively small scale. The Strategic Investment Plans (SIPs) have facilitated the introduction of crucial agricultural technologies and the increased emphasis on a broader range of actors in the value chains has proved successful in raising agricultural productivity and, most crucially, profitability. The rural credit component, implemented through MAFF, has impacted directly on the beneficiaries' access to financial services, as they are now able to increase investments and smooth consumption patterns thus reducing exposure to e.g. seasonal or unforeseen downturns in the economy. Moreover, after a somewhat misguided start, the component has helped restore a healthier and sustainable credit culture, by following a strict commercial approach in its lending to individuals and Small and Medium Enterprises (SMEs).

18. **Sustainability.** An important determining factor for sustainability seems to be the degree to which individuals, companies or small cohesive groups of individuals (socially and/or commercially) have a clear and direct incentive to continue the activity after support is withdrawn. Perhaps the most powerful incentive is the profit motive, which explains the significantly higher degree of sustainability of e.g. SIPs compared to other various donor-established user groups/associations, such as the WUAs and the forest and pasture management user associations. The economic sustainability of many irrigation schemes, which have accounted for a significant amount of investments, is also questionable due to the low value mix of crops being under irrigation. These are often not profitable, as the income they generate is not sufficient to cover the full cost of irrigation schemes, including depreciations. However, it is possible to take comfort in observations from the SIPs and interventions in which privately owned irrigation schemes have worked and continue to work post-project.

19. With regard to Fora, both at district and national levels, it seems that their political and social sustainability is also limited, as they are substantially dependent on the income and funding for activities from MADA. With the end of MADA funding, the level of Fora's activity has dropped substantially, with the result that many Fora have either turned largely dormant, or sought other donors' assistance for a variety of purposes and at times somewhat opportunistically without strong strategic guidance. The sustainability of support to private and public veterinary services is also

uncertain and improvements are needed in all aspects of vaccine production in future campaigns to not jeopardise previous MADA efforts.

20. As far as the two key institutions - MADA and MAFF - are concerned, MADA has become a more sustainable market-supporting centre of excellence for mountain areas development and the government is considering devolving substantially more legal authority to MADA; a clear indication that the institutional sustainability is improving. However, it will probably still need external funding for a number of years. In relation to MAFF, this was initially saddled with a high portfolio at risk primarily from the collective loans disbursed under the Village Credit Funds scheme (VCFs). Most of these VCFs proved unsustainable. This having been overcome, sustainability prospects appear bright provided MAFF is given the full ability to compete on equal terms with the growing competition in the financial sector. Privatisation will probably be the only long term sustainable solution.

21. Given the substantial initial focus on partly supply-driven approaches (especially in irrigation and rural road construction), sustainability has generally been jeopardised in many instances. However, this judgement does not do full justice to MADP's dynamics and to its successor programme the 'Sustainable Development for Rural Mountainous Areas Programme' (SDRMA), which have seen clear sustainability improvements especially in relation to the specific priority interventions initiated after the 2003 MTR not least the strategic investment programmes and the re-oriented financial focus of MAFF.

22. **Innovation, replicability, and scaling-up.** The two major institutional innovative features of the MADP have been arguably the establishment of MADA and MAFF, as permanent locally embedded institutions. MADA has become a market-supporting centre of excellence for mountain areas development and may eventually be developed into a regional development agency as seen in other European countries. This has clearly been an innovation in the Albanian context. MAFF is also an innovative feature, and it has produced innovative products such as flexible repayment regimes that have been well received among its customers.

23. At a component level, the introduction of SIPs was a major innovation within the programme, redirecting focus from supporting essentially economically doomed small-scale subsistence farmers, towards commercial farmers with a strong potential to up-scale. This is arguably also rather innovative in relation to IFAD's more traditional approach to poverty reduction, which tend to argue for continued support to small-scale farmers agricultural production. Obviously this does not entail that IFAD should refrain from working with the poor directly; the key point here is that the initial focus on promoting incremental improvements in the poorest farmers' agricultural production had virtually no sustainable impact and hence also no potential for up-scaling. However, in order to make a well balanced assessment of MADP's innovative features, it needs also to be highlighted that the programme's original design was initially based on some old-fashioned interventions, especially with regard to the infrastructure component that was using decade old designs for irrigation with no potential for up scaling.

24. **Partner performance.** IFAD played a crucial role in the design of MADP, drawing on the experiences of two previous IFAD funded projects. However, MADP design turned out to have some structural flaws that were partly based on unconvincing assumptions which had not been fully analysed by neither IFAD or by the Government of Albania. Later on, IFAD was instrumental in the much needed reorientation of the programme which took place after the MTR. IFAD strategically used MADP as a policy platform for advancing the dialogue on mountain areas development, which has catapulted the issue to the agenda of policy-makers and has ensured stronger government commitment. However, IFAD should have invested more resources in pledging a more balanced and pro-poor geographical orientation of activities and in ensuring stronger voice of the rural poorest in the advocacy activities.

25. **Government of Albania.** Has been the key domestic partner and has provided a generally enabling legislative framework e.g. for MAFF in the field of micro-financial regulation, but also for private sector development in general. Macro political changes seem at times to have impacted on the frequency and appointment of senior management positions, thus generating delays and some loss of

institutional memory. In some instances, lack of complementary actions also contributed to reducing the programme's performance (in e.g. vaccinations) and the staff appointed by GoA did not always ensure proper pro-poor geographical targeting. Local governments have participated enthusiastically in the strategic development planning exercises piloted under the local area partnership sub-component.

26. UNOPS performance as the Cooperating Institution responsible for supervision was generally satisfactory, especially considering the relatively budget constraints under which it performed. Its supervision duties were managed with a reasonable degree of responsibility, proportionally to the allocated resources, alerting stakeholders to possible problems and providing part of the remedial resources such as technical inputs.

27. The communities participated in a number of contexts from WUAs to forest and pasture user associations, to Fora development with reasonable dedication, at least as long as they derived direct programme benefits. However, very few honoured the commitment to continuously provide user/community contributions and all displayed challenges in operation and maintenance. Also many 'community leaders' made their request for irrigation rehabilitation not on the basis of the whole community's needs and aspirations, but often following political and personal preferences and priorities.

28. DFID has been mainly involved in providing technical assistance to a number of activities, including overall programme management, SIPs and local partnership initiatives. Concerns have been voiced about the degree of local involvement, capacity development and ownership of some products.

29. The Italian Cooperation has primarily provided funds in a timely manner and thanks to its financial support a number of workshops were held at the district, regional and national level with a wide range of stakeholders. In MADP's initial phase, the Dutch SNV provided TA to the forest and pasture management associations; these inputs have been appreciated as they facilitated the implementation of important activities such as the private sector development activities and tree planting.

#### **IV. CONCLUSIONS**

30. The context in which MADP was initially designed and implemented deserves special attention. The severe political and economic disruption caused by the collapse of the pyramid schemes in 1997, the Kosovo crisis in 1998-99 and the trade disruption caused by the Macedonian crisis in 2001-02, clearly instilled a sense of urgency (and possibly emergency) among all stakeholders, which reduced focus on long-term sustainability issues and diverted the attention from the need to foster structural change in the mountain areas. In addition to the two years delay in project start due to disagreements on senior staff appointments, there was also considerable project inertia with many modalities and concepts being somewhat inherited from previous projects, such as the adoption of group - based associations and activities that proved not to be suited to the Albanian context. This led to the design of interventions with only limited impact and sustainability, often being supply- driven and with poor monitoring and supervision (e.g. vaccinations and irrigation). Combined with a partly misguided approach towards poverty reduction and too heavy emphasis on utilising discredited implementation modalities, the project performance in the first years was unsatisfactory.

31. To the credit of IFAD, UNOPS and GoA, during the MTR remedial actions and strategic reorientations were proposed in order to restore relevance and improve MADP's impact and sustainability. Emphasis was put on supporting the private sector and encouraging already emerging developments of land consolidation and commercialisation. Empirically, this has proven the only relevant growth strategy for mountainous areas. The alternative of promoting incremental improvements in the poorest agricultural production techniques on very small plots turned to be irrelevant as it has not been able to yield any substantial and sustainable impact on poverty reduction, but rather has further delayed an inevitable rural transformation process towards a higher degree of commercialisation and higher productivity. This strategic shift has successively promoted and increased relevance and looks set to be continued in the ongoing successor programme 'Sustainable Development for Rural Mountainous Areas programme' (SDRMA), which is also supported by IFAD.

32. The single largest achievement of MADP is arguably the establishment of the two core institutions of MADA and MAFF. They have proven relevant as key institutions dedicated to advancing the course of mountain areas in general and the poor living there in particular. They have also assisted in raising the profile of the mountain areas on the policy agenda. The general knowledge of the specific needs and problems, but also opportunities and investment potentials, of these areas is now significantly enhanced among the public and policy-makers. However, both institutions could have performed even better had they been subject to less political interference and more robust impact evaluation.

<b>MADP Performance Rating<sup>6</sup></b>	
Relevance	5
Effectiveness	3
Efficiency	3
<b><i>Project Performance<sup>7</sup>:</i></b>	<b>4</b>
Rural Poverty Impact	4
Sustainability	3
Innovation	4
<b><i>Overall MADP Achievement<sup>8</sup></i></b>	<b>4</b>
<b>Partners Performance:</b>	
IFAD	4
Government of Albania	3
UNOPS	5

33. In light of the above, MADP's overall achievement has been rated as moderately satisfactory (4). While initial performance was not fully satisfactory, the programme, especially after the Mid-term Review, has made continuous attempts to improve its performance, most often with considerable success. Performance has thus improved over time and MADP has increasingly supported and benefited from the economic revival in the mountain areas that has occurred during the programme period.

## V. RECOMMENDATIONS

34. **Accelerate the strategic shift supporting a private sector led structural transformation.** This should form the backbone of the mountain areas growth and poverty reduction strategy and all partners should remain clear that this process will produce both winners and short-term losers. In the agricultural sector this will entail support to land concentration, to commercialisation and industrialisation, a process that is likely to temporarily marginalise the least resourced farmers as they cannot meet the increasingly demanding standards of modern agriculture. This process is likely to be intensified as Albania seeks European Union (EU) approximation to food safety standards (in particular Sanitary and Phytosanitary Measures (SPS) and Hazard Analysis Critical Control Point (HACCP)), which in turn will force farmers to meet quantity, quality, timeliness and traceability requirements of new supply chains. Small scale, under-capitalised and often under-educated farmers have only limited prospects in this scenario, even with IFAD assistance.

35. **Increase the poorest labour market mobility enabling them to exploit emerging non-agricultural opportunities.** Perhaps too often, IFAD (both in Albania) has attempted to improve

<sup>6</sup> The ratings are based on the OE's six-point rating system: Highly Satisfactory (6); Satisfactory (5); Moderately Satisfactory (4); Moderately Unsatisfactory (3); Unsatisfactory (2); Highly Unsatisfactory (1).

<sup>7</sup> As per OE's Methodology, the Project Performance rating is the arithmetical average of Relevance, Effectiveness and Efficiency.

<sup>8</sup> As per OE's Methodology, the Overall Project Achievement is a composite assessment of the six evaluation criteria: relevance; effectiveness; efficiency; rural poverty impact; innovation and sustainability.

existing, mostly agriculture-based livelihoods of the poorest. Thus initial emphasis in MADA was to improve - marginally – the productivity of small-scale farmers by e.g. irrigation. As argued above such a strategy is likely to only delay an inevitable process. Instead, more efforts should be made to complement the above mentioned private sector led growth strategy with targeted efforts aimed at improving the poorest people's skills and competencies, enabling them to take advantage of the new opportunities emerging in both rural and non-rural settings. Retraining, vocational education and targeted courses could form part of such a complementary strategy.

**36. Increase the voice of the poor mountain people in policy making and allocations of importance to them.** At the moment the key vehicles for promoting voice and accountability - the Fora - are not representing the rural poor, and broadening Fora membership may undermine cohesiveness and sustainability. Going forward IFAD and MADA may need to devote more resources in analysing how to better ensure the representation of the poor in advocacy efforts.

**37. Prioritise districts with higher than average poverty rates.** It is not appropriate that MADA has focussed efforts on relatively less poor areas, leaving out more deserving ones. This needs to be corrected and will have to entail more investment in northern mountain areas. IFAD should closely monitor spatial disbursement patterns and not allow a repetition to occur.

**38. Make a clear, sequenced and time specific privatisation plan for MAFF.** While there was an argument for using public funds (IFAD and government) for reaching poor mountain households when the programme started, this argument is now starting to lose validity. Commercial banks are partly taking their cue from MAFF by investing heavily in mountain areas, and MAFF should be given the full operational and management freedom needed to remain competitive that only a full privatisation can offer.

**39. Ensure more realistic analysis of incentives and political economy issues in the design of similar programmes.** The MADP experience testifies to the need to critically analyse both economic and political incentives of all stakeholders (including possible losers) especially when designing interventions based on collective approach, be it credit, infrastructure or natural resource management. Initially MADP was institutional naive in its assumptions. The MADP experiences also suggest that there are significant dangers in following donor fashions as the evidence from irrigation, forest management and micro-credit testifies. Too often such approaches have been used as a blue-print that have had relevance in another context, but not in Albania. Interventions relying on the establishment of new groups and associations need to be carefully evaluated, utilising both insight from the political economy of collective action and more simple incentive analysis.



**Republic of Albania**  
**Mountain Areas Development Programme**

**Completion Evaluation**

**Agreement at Completion Point**

**I. BACKGROUND**

1. Between 1998 and 1999 the Government of Albania (GoA) and IFAD formulated the Mountain Areas Development Programme (MADP) with the objective to raise the standard of living for poor mountain area people. The programme became effective in July 2001 with completion date of 30 September 2007. In 2007, the IFAD Office of Evaluation (OE) conducted a Completion Evaluation of the Mountain Areas Development Programme. The evaluation was conducted in line with the IFAD Evaluation Policy and the general provisions contained in the evaluation Approach Paper. After a preparatory Mission in May 2007, evaluation field work was conducted in Albania in June 2007. A workshop was held to present the initial findings and the Aide Memoire to key stakeholders in Tirana on 20 June 2007.

2. The Agreement at Completion Point (ACP) reflects an agreement between the Government of Albania (represented by Mr Sherefedin Shehu, Deputy Minister and Chair, MAFF Board of Directors, Ministry of Finance) and the IFAD management (represented by the Near East and North Africa division, PN) on the main findings of the evaluation, as well as the evaluation recommendations that they agree to adopt and implement. The ACP builds on the evaluation's results as well as the discussions that took place during the stakeholder workshop held on 8 July 2008 in Tirana with the participation of MADP staff, GoA, PN, OE and other stakeholders.

**II. MAIN EVALUATION FINDINGS**

3. **Project design.** The MADP has been mostly relevant and, perhaps more importantly, it has shown the flexibility to learn from experiences gained, to adapt to changing circumstances and redesign key interventions to remain relevant to the rural mountainous areas. The programme was designed against the back-drop of the severe macro-economic and political crises after the collapse of the pyramid schemes in 1997, the huge influx of refugees from the Kosovo conflict in 1998-1999 and the trade disruption caused by the Macedonian crisis in 2001-02. The MADP was designed to continue, strengthen and expand the activities of the two previous IFAD-funded projects<sup>1</sup>, which were implemented in the poorest part of the mountain areas. The organization and management of MADP was designed to shift IFAD's support to mountain areas from the ad hoc spot application of area-based subsector projects to a long-term programmatic view of mountain areas development, to be based upon a rational and synergistic portfolio of investments.

4. The focus on improving productive potential in mountainous areas was relevant to the needs of the rural poor and to government priorities. However some of the modalities chosen - such as the use of collective action and formation of associations - were of limited relevance, as they were not in line with the country's changing and evolving context.<sup>2</sup> Realising this, the mid-term review in 2003 made efforts to restore relevance by increasing focus on structural change in mountain areas and by emphasising support to the private sector both in the credit component, which began to phase out

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<sup>1</sup> The North-eastern Districts Rural Development Project (NDRDP) and the Small-Scale Irrigation Rehabilitation Project (SSIRP).

<sup>2</sup> Other donors, most notably the World Bank, also followed and recommended this approach which clearly influenced the design of MADP.

collective Village Credit loans, but also in the Agricultural Production component which tellingly and aptly was renamed the Private Sector Development component. Also, the evaluation recognizes that the increased focus on promoting successful farmers (albeit not the poorest) and agri-business activities with high profitability and potential for increased commercialisation has been a relevant strategy for promoting sustainable and long term poverty reduction. In fact, empirically this has proven to be the only relevant growth strategy for mountainous areas, as the alternative of promoting incremental improvements in the poorest' agricultural production techniques on very small plots, is unlikely to yield any substantial impact on poverty reduction, but rather delay an inevitable rural transformation process towards a higher degree of commercialisation and higher productivity. This strategic shift has successively promoted and increased relevance and looks set to be continued in the ongoing successor programme "Sustainable Development for Rural Mountainous Areas" (SDRMA), which is also supported by IFAD.

5. **Implementation and outputs.** MADP's implementation performance has been mixed but with an improving tendency throughout the programme period. The overall objective of MADP was to achieve a sustainable long term economic growth and development in the mountain areas of Albania, and to raise the standard of living of 37500 mountain area-based households. According to MADP figures (2007) 56488 households have received MADP services and their living standards have been raised accordingly. However, while living standards have generally increased rapidly during the programme period, caution has to be taken when drawing a too close causal relationship between MADP's interventions and this rise. Undoubtedly, MADP has played an important (and increasingly strategic) role, but there are some concerns about the degree to which necessary complementary actions by other actors (most notably by the government's veterinary service and water user associations) have been sufficient to achieve the desired effectiveness. This especially concerns the interventions that started before 2003, most notably in the irrigation and vaccination sectors, which account for the majority of beneficiary households. In any case, exclusive focus on numbers may not capture important contributions from MADP both in terms of delivering tangible benefits to numerous households, but also in terms of piloting and demonstration activities especially within the private sector development and the credit sector, where MADP (through its credit component managed by MAFF) has proven the viability of rural financial services and introduced new products. Other interventions concerning the rural infrastructure component and the vaccination activities have had more limited effectiveness and almost no spillover effects and for most interventions the richer southern districts have been found to be the main beneficiaries.

6. **Strengths.** Generally MADP has accelerated successful aspects of the component portfolio and gradually phased out poor performing interventions. In particular, MADP promoted those interventions which were harnessing the key incentive in private sector development: the profit motive. This has helped ensure commitment to achieving the agreed outputs and, more crucially, ensured higher levels of sustainability and impact, as it has been in the beneficiaries' self-interest to continue the intervention. An example of such interventions includes the Strategic Investment Plans (SIPs - introduced after the mid-term review) that have facilitated the introduction of crucial agricultural technologies, have increased the emphasis on a broader range of actors in the value chains, and thus have proved successful in raising agricultural productivity and, most importantly, profitability. Similarly, in relation to the rural credit component, the use of misguided collective (or 'community as it was termed) approaches were replaced with individual and enterprise loans. This has strengthened MAFF tremendously and allowed it to pioneer new products and reaching clients who had not previously had access to financial services. Finally, and perhaps most strategically, is the establishment of the two core institutions of MADA and MAFF, that have proven relevant as key locally embedded and permanent institutions dedicated to advancing the course of mountain areas in general and the poor living there in particular. They have played a crucial role in raising the profile of the mountain areas on the policy agenda. Thanks to these two institutions, the general knowledge of the specific needs and problems of mountain areas, but also their opportunities and investment potentials, are now significantly enhanced among policy-makers, investors and the general public. Finally, recent legislative initiatives promoted by the government suggest that their institutional sustainability is rapidly improving.



7. **Weaknesses.** The main weakness of MADP was the partly flawed design upon which some of the initial implementation modalities rested. This was especially pronounced in the initial phases of the irrigation, forest management and micro-finance activities, where the donor driven formation of various groups and associations proved to result in sustainability challenges, as well as limited incentives for achieving reasonable performance. These design challenges were aggravated by poor choices made in the selection of implementation partner in the case of irrigation. Moreover, the frequent changes in MADP management staff and delays in agreeing on replacements further undermined the programme's ability to deliver, although the situation improved considerably in the last phase of the programme. Finally, the successful implementation of some interventions rested on the assumption that government would take necessary complementary actions (e.g. in the vaccination component where lack of an effective culling campaign reduced MADA's effectiveness), which failed to fully materialize. This further weakened the performance of MADP.

8. **Lessons learned.** A key lesson learnt is the need to thoroughly examine the appropriateness of the aid delivery modalities, including the organizing principles and the incentive structures herein. The MADP experiences suggest that there are significant dangers in following 'imported' approaches as the evidence from rural infrastructure, forest management and group-based microcredit testify. These may have worked in other countries and context, but it cannot be assumed a priori. This clearly calls for a careful analysis of the various interests involved, solidly grounded in the local context. Finally, through the introduction of SIPs, focus was redirected away from supporting essentially economically doomed small-scale subsistence farmers, towards strengthening commercial farmers with a strong potential to up-scale. Often SIPs have catalysed the realisation of this potential. This holds an important lesson in relation to IFAD's more traditional approach to poverty reduction, which tends to argue for continued support to incremental improvements for small-scale farmers' agricultural production.

### III. KEY RECOMMENDATIONS

#### **Recommendation 1. Accelerate the strategic shift supporting a private sector led structural transformation.**

9. This should form the backbone of the mountain areas growth and poverty reduction strategy. However, all partners should remain clear that this process will produce both winners and short-term losers. In the agricultural sector, this new strategic direction will entail support to land concentration, commercialisation and industrialisation, a process that is likely to temporarily marginalise the least resourced farmers, as they cannot meet the increasingly demanding standards of modern agriculture. This process is likely to be intensified as Albania seeks the European Union (EU) approximation to food safety standards (in particular the Sanitary and Phytosanitary Standards (SPS) and the Hazard Analysis Critical Control Point (HACCP), which in turn will force farmers to meet quantity, quality, timeliness and traceability requirements of new supply chains. Small scale, under-capitalised and often under-educated farmers have only limited prospects in this scenario, even with IFAD's assistance. Assisting them in managing the transition out of small-scale farming is probably a more relevant support area, as argued in the next recommendation.

10. **Responsible institutions.** The lead institution for this recommendation is MADA, in collaboration with relevant ministries (such as Ministry of Economy, Trade and Energy, and Ministry of Agriculture, Food and Consumer Protection responsible for providing a conducive framework) and, most crucially, the private sector in mountainous areas. Moreover it will be important also to facilitate accelerated technology transfer and adaptation by partnering with relevant organizations and enterprises both in and outside Albania. The beneficiaries should be commercially oriented farmers with a documented potential to up-scale. IFAD will provide assistance to the process, including identification of international partners for technology transfers and piloting.

11. **Time frame.** Current activities aiming at this transformation should be continued and possibly accelerated within the time frame of SDRMA.

**Recommendation 2. Increase the poorest labour market mobility enabling them to exploit emerging non-agricultural opportunities.**

12. Perhaps too often, IFAD (both in Albania and globally) has attempted to improve existing, mostly agriculture-based livelihoods of the poorest. Thus initial emphasis in MADA was to improve - marginally – the productivity of small-scale farmers by e.g. irrigation. Such a strategy is likely to only delay an inevitable process of agricultural concentration and commercialisation. Instead, more efforts should be made to complement the above mentioned private sector led growth strategy with targeted efforts aimed at improving the poorest people's skills and competencies, enabling them to take advantage of the new opportunities emerging in both rural and non-rural settings. Retraining, vocational education and targeted courses could form part of such a complementary strategy, especially in subjects where labour shortages exist as identified during SIP preparatory work.

13. **Responsible institutions.** MADA will hold responsibility for identifying gaps in competences using e.g. the SIP preparatory process as one vehicle. MADA should subsequently partner with relevant vocational education institutions capable of addressing such skills gaps.

14. **Time frame.** MADA will only approach relevant educational institutions once the skills gaps have been identified through e.g. the SIP. This is likely to be a continuous process as different investments require different skills.

**Recommendation 3. Prioritize districts with higher than average poverty rates.**

15. MADP was designed to start in the south due to the presence of two previous IFAD-funded projects (NDRDP and SSIRP) which were still ongoing at MADP start up and were located in Albania's northeast and centre-east areas, but then at the phasing out of these two projects, the MADP was supposed to move to the poorer northern mountain areas. However, after the closure of NDRDP and SSIRP projects, the investments and activity level of MADP remained largely concentrated in the relatively substantial richer southern mountain areas, allocating only around 16 per cent of investment funds (i.e. sourced from MADA) to northern ones. If MAFF funds are also included, the MADP (i.e. MADA + MAFF) figure becomes 27% distributed funds for the north and 73% funds for the south, which is still a considerable imbalance. It is unfortunate that MADA in particular has focused efforts on relatively better off areas, leaving out poorer ones. This needs to be corrected and more investments will need to be directed to northern mountain areas.

16. **Responsible institutions.** IFAD should closely monitor the geographically-based resource allocation and should not allow a repetition to occur, but ultimate responsibility rests with MADA.

17. **Time frame.** Within the future projects and programme implemented in Albania, special efforts should now be made in order to ensure an appropriate geographical allocation of resources, according to poverty rates.

**Recommendation 4. Make a clear, sequenced and time specific privatisation plan for MAFF.**

18. While there was an argument for using public funds (IFAD and government) for reaching poor mountain households when the programme started, this argument is now starting to lose validity. Commercial banks are, partly taking their cue from MAFF, investing heavily in mountain areas, and MAFF should be given the full operational and management freedom needed to remain competitive, as only a full privatisation process could offer. In this process MAFF should be assisted to define its comparative advantages vis-à-vis its competitors which are probably still related to the less affluent market segment in the mountain areas. Consequently MAFF should be dissolved as a foundation and created as an initially 100% government owned for-profit non-bank financial institution (probably a Financial Development Company, FDC), with the clear intention of selling the shares to a strategic investor.

19. **Responsible institutions.** Ministry of Finance, as chair of MAFF's board and as borrower, is a key stakeholder capable of driving the process forward. However, both MAFF and IFAD will need to assist in making the detailed planning needed to ensure a smooth, transparent and fair process. IFAD, in particular, will need to provide specialized technical assistance of international quality to ensure this outcome. Bank of Albania will need to provide the restructured entity with full license as a non-bank financial institution. Finally the Albanian Parliament will have to pass necessary legislation allowing for the dissolution of MAFF and the creation of a for-profit non-bank financial institution, initially owned by the government.

20. **Time frame.** It will be very important to have a carefully sequenced plan for the conversion of MAFF, respecting all legal requirements. Also, in order to attract the best possible strategic investor, the privatisation should not be rushed. A first step should be the establishment of the for-profit non-banking financial institution (e.g. a FDC) as a legal entity. This could be completed within a year. Concurrently there is a need to develop a business plan for the conversion period in order to ensure that MAFF does not lose momentum and market share during this critical period. Furthermore, to minimise uncertainty the identification of a strategic investor should also receive priority and probably be completed before the end of 2009. This would allow for the gradual privatisation of the new for-profit entity over a period of a few years. It is important that IFAD complements this process by providing assistance in upgrading MAFF's product portfolio ensuring alignment to the objectives of the for-profit entity. This will also include staff and management training.

#### **Recommendation 5. Ensure more realistic analysis of incentives and political economy issues.**

21. The MADP experience testifies to the need to critically analyse both economic and political incentives of all stakeholders (including possible losers) especially when designing interventions based on collective approaches. The MADP experiences also suggest that there are significant dangers in following donor fashions as the evidence from irrigation, forest management and micro-credit testify. Too often such approaches have been used as a blue-print that may have had relevance in another context, but not in Albania. Interventions relying on the establishment of new groups and associations need to be carefully evaluated, utilising both insight from the political economy of collective action and more simple incentive analysis grounded in the local realities.

**Responsible institutions.** MADA is a key institution for ensuring this outcome, but IFAD can assist in providing technical expertise (e.g. both economists and political economists) if demanded. GoA at both local and central level also has a responsibility to restrain political pressures and ensure that investment decisions are based on sober assessments of needs, feasibility and potential sustainability.

22. **Time frame.** Should be applied before all major investments, especially in relation to public infrastructure where collective action is needed.

#### **Recommendation 6. Increase the voice of the poorest mountain people in policy making and allocations of importance to them.**

23. At the moment the key vehicles for promoting voice and accountability - the Fora - are not representing the rural poor, and there is the risk that attempts to broaden Fora membership will undermine cohesiveness and sustainability. Going forward, IFAD and MADA may need to devote more resources in analysing how to better ensure the representation of the poor in lobbying efforts, perhaps by supporting Civil Society Organizations (CSOs) and other more pro-poor groups directly, as a complement to Fora support.

24. **Responsible institutions.** MADA with the assistance of IFAD and possibly other donors, international CSOs and national organizations representing the poor.

25. **Time frame.** Throughout SDRMA programme period.



**Republic of Albania**  
**Mountain Areas Development Programme**  
**Completion Evaluation**

**Main Report**

**I. INTRODUCTION**

**A. Country Background**

1. **Geography.** Albania is a small country lying on the western seaboard of the Balkan Peninsula. It borders Serbia and Montenegro to the north and north-east, the former Yugoslav Republic of Macedonia to the east and Greece to the south. Of a land area totalling 27 000 km<sup>2</sup>, 36 per cent is covered by forest, 24 per cent is arable and 15 per cent is meadows and pastures; the remainder is infertile or in non-farm use. Of the arable land, 44 per cent lies along the coast, predominantly in plains, and the remaining 37 per cent and 19 per cent in hill and mountainous areas, respectively. Although Albania is rich in water resources, most of them are concentrated in major lakes and rivers located along international borders. This has made the management of water reserves a cross border issue.

2. **Population.** Following the collapse of communism in 1991, both birth rates and population size have decreased. A census from 2001 recorded a population of 3.07 million, 3.6 per cent lower than the previous census in 1989, even though latest population estimates put the population in 2006 at 3.15 million indicating that the population is once again growing, albeit slowly. Besides constantly falling fertility rates, emigration has played a key role in explaining the profound demographic changes occurring in Albania during the last 15 years. More than 1.1 million Albanian have emigrated since 1990 with Greece, Italy, USA and UK being the main destinations. Simultaneously, starting from 1990, the country experienced a large-scale uncontrolled internal migration whose main consequence has been a mass population exodus<sup>1</sup> from the eastern mountain areas toward the urban centres, mainly Tirana and Durrës<sup>2</sup>. Despite this shift, the majority of population still lives in rural areas.

3. **Political and social context.** The Mountain Areas Development Programme (MADP) was designed and implemented during a period of significant political, economic and social transformation in Albania. Still only emerging from one of the most isolated communist regimes,<sup>3</sup> Albania was in 1997 thrown into substantial violent civil unrest as a result of the collapse of the pyramid schemes. One year later the Kosovo crisis began, culminating in the arrival of hundreds of thousands of refugees impacting negatively on the social and food security situation especially in northern Albania. Ethnic inspired unrest later spread to another neighbouring country, Macedonia, and between 2001 and 2002 trade and travel links were severely disrupted as a consequence. The considerable political instability and uncertainty following both parliamentary and local elections have also proven disruptive to the civil service, as they often resulted in changes in staff, which has also impacted on MADP, as will be later discussed.

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<sup>1</sup> Albania's Institute of Statistics (INSTAT): Internal Migration in Albania, 2004.

<sup>2</sup> The key drivers of this migration have included: the pent-up migration pressures from the communist area which restricted rural-to-urban migration and the relatively low economic growth in mountain areas in the 1990. It has been estimated that the share of the urban populations increased from 36 per cent in 1990 to an estimated 48.1 per cent at the start of 2006. (EIU, 2007).

<sup>3</sup> The result was not only extreme isolation but also absolute financial ruin for Albania. An example of this may be drawn from the construction between 1974 and 1986 of approximately 700 000 reinforced concrete bunkers to defend against an anticipated multi-front attack.

4. **The economy.** With the exception of 1997 when the collapse of the pyramid investment schemes<sup>4</sup> caused the economy to contract by about ten per cent, Albania's economy has generally performed well with strong macro-economic growth since 1993 averaging between five and seven per cent. Key drivers for achieving and maintaining these relatively high growth rates have included the rapid privatisation and trade liberalisation, strong fiscal discipline, the establishment of a sound financial sector and a relatively well educated labour force able to exploit the market opportunities that were opened in the post-communist period. Moreover, remittances from Albanians living and working abroad helped to drive growth by fuelling domestic demand; it has been estimated that they amount to US\$600-800 million per annum. Industry accounted for about 19 per cent of Gross Domestic Product (GDP) in 2006, down from an average of about 45 per cent in the late 1980s. Textiles and footwear are Albania's principal exports and generate about 55 per cent of total export revenue. The services sector is a smaller part of the economy than in most other post communist countries in Eastern Europe.



**Improved vineyard cultivation due to the new irrigation system. The water association system is regarding 160 ha of fruit trees (peaches, cherries, nuts, olives and vineyard), generally associated with vegetables.**

*Source: Stefano Grego, Evaluation Mission 2007*

#### 5. **The agricultural sector.**

The communist regime ruled Albania from 1944 to 1991 and relied on the forced participation of farmers in Agricultural Production Cooperatives (APCs) and to a lesser degree on large-scale state farms. All land ownership was nationalised and agriculture was managed to achieve self-sufficiency with little regard to comparative advantage and efficiency. Farmers' incentives for production became virtually non-existent leading to severe constraints on productivity and development. Agricultural output virtually collapsed in 1990, resulting in the paradoxical situation whereby a largely agricultural economy became dependent on food aid and experienced a steady deterioration in the living standards of the population.

6. Following the fall of the communist party in 1991, Albania instituted arguably the most radical agricultural reform seen anywhere in the former communist countries of Central and Eastern Europe.<sup>5</sup> The initial results were quite impressive with the restoration of production incentives resulting in agricultural growth rates around ten per cent annually between 1991 and 1994. On the other hand, privatisation created about 470 000 small family farms, with an average landholding of around 0.72 ha, typically fragmented into smaller units. In some hill and mountainous areas, land parcels were even smaller, at around 0.2 ha. This, together with disputes over property titles, impeded the development of a proper land market. The sector has also been hindered by a limited use of modern inputs, poor infrastructure, limited market access and weak processing capacity. Between 1996 and

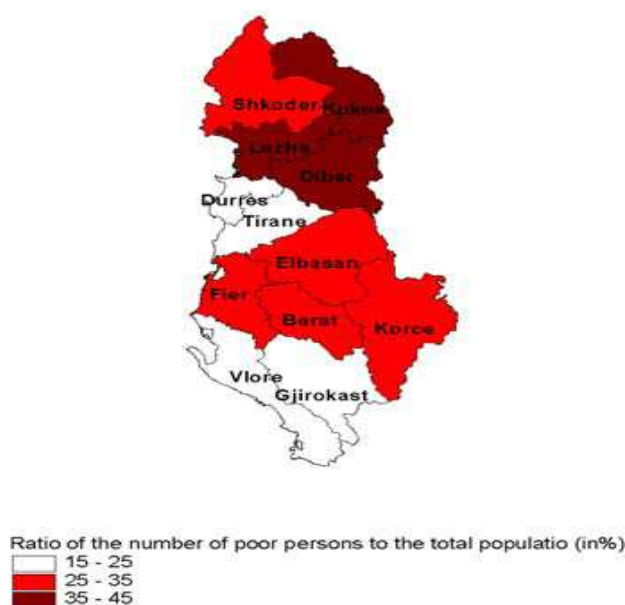
<sup>4</sup> The highly leveraged and ultimately unsustainable pyramid investment schemes are estimated to have resulted in the loss of some US\$1.2 billion in people's savings and triggered a crisis that brought the country to the brink of civil war.

<sup>5</sup> The land of the agricultural production cooperatives was distributed free of charge and on an equal per capita basis to member families and other rural residents, whereas the land of state farms was distributed to agricultural specialists and former workers or pooled into joint venture often with foreign capital. See e.g. Cungu and Swinnen: 'Albania's Radical Agrarian Reform' in *Economic Development and Cultural Change*, Vol. 47, No. 3, April 1999.

2006, agriculture's share of GDP has shrunk from about 33 to 23 per cent. Despite this, the Albanian economy remains heavily reliant on agriculture, and around half the population still lives on agricultural production (EIU, 2007). Most recent data indicate that investments in fruit tree plantations, vineyards and food-processing are increasing, as the expansion of bank lending in Albania makes credit more available. However, productivity remains low and the country is highly dependent on food imports for covering urban demand. Albania's agricultural exports constitute only eight per cent of total export (Bank of Albania, 2006) and limited progress towards meeting European Union (EU) veterinary and phytosanitary requirements is also reducing agricultural export opportunities.

7. **Poverty profile.** While economic growth has been strong, Albania remains one of the poorest transition economies outside the Commonwealth of Independent States (CIS). In 2005 the country had an estimated GNI per head of about US\$2,510 and it ranked 73 on the global UNDP Human Development Index (HDI) scale, i.e., in the range of countries with medium human development. This suggests that the persistently high prevalence of poverty is more a matter of income poverty than human poverty<sup>6</sup>. According to survey published in 2006<sup>7</sup>, an estimated 18.5 per cent of the population live below the national poverty line of US\$2 a day and 3.5 per cent of the population live on an income of less than US\$1 a day, the latter group classifying as extreme poor. The 2006 survey shows an improvement from the 2002 Living Standard Measurement Survey<sup>8</sup> (LSMS), according to which at aggregated level consumption poverty was estimated in 2001 at around 25 per cent, whereas extreme poverty was five per cent.

**Figure 1. Regional poverty ratios 2001**



8. Mountain areas have seen the fastest and most robust reduction of poverty indicating regional convergence in poverty trends. Whereas in 2002 the mountain areas' rural poverty rate was 67 per cent higher than the national rural rate, by 2005 this had narrowed to only 14 per cent. Limited analytical efforts have been devoted to analyse the exact determinants of the increased incomes and falling

<sup>6</sup> IFAD (2005): COSOP, page 2.

<sup>7</sup> See INSTAT (Albania's Institute of Statistics) and the World Bank on 'Trends in Poverty and Inequality', 2006.

<sup>8</sup> This survey found that rural poverty was significantly higher than urban poverty, by a factor of at least 10 percentage points. In addition, the northern part of the Mountain region (the North and the North-east agroecological area) had the worst poverty outcomes among the country's four regions (Tirana, Coastal, Central and Mountain). Almost one-half of the population in this area was poor and one in five could not meet basic food needs. Poverty also had a strong gender dimension as the transition period had a disproportionately negative impact on women's economic and political status.

poverty levels in mountain areas, but it would appear that the decline of mountain areas has been halted partly due to the internal mobility of the population who emigrated from rural to urban and peri-urban areas, partly to significant government-led infrastructural investments especially in roads<sup>9</sup>. Also important is the agro-processing industry, which has now become the key driver for economic growth in mountain areas.<sup>10</sup> The land consolidation and emerging service sector in mountain areas (including tourism) have also demonstrated significant potential to increase rural incomes. Finally, remittances continue to be a significant factor in reducing poverty in mountain areas.

9. **Rural finance.** After the collapse of communism, rural finance was provided mainly through the state-owned Rural Commercial Bank but lax supervision, mismanagement and political interference undermined sustainability, despite considerable support from both the World Bank and the EU.<sup>11</sup> The Rural Commercial Bank ceased lending in the run up to the collapse of the pyramid schemes. Then, numerous donors, including the International Fund for Agricultural Development (IFAD), World Bank, Swiss Agency for Development and Cooperation (SDC) and the Netherlands, have supported a plethora of micro-finance institutions most of which have struggled to become sustainable partly due to the fact that the context has proven challenging, partly because some of the micro-credit approaches utilized have not been fully appropriate to the social and political configuration of Albania. On the other hand, the formal banking sector has aggressively expanded its operations into rural areas thus increasing competition, expanding the product portfolio offered and lowering minimum loan sizes. This has led to a considerable shakeout in the micro-financed business with only those with either sustainable business models or deep-pocketed donors surviving. Thus only the Saving and Credit Union, the Mountain Areas Finance Fund (MAFF) and the Christian 'Opportunity International' are having micro-financial services targeted at rural areas.<sup>12</sup>

10. **Institutional context.**<sup>13</sup> A key national goal is the fullest possible integration of Albania into the economic and political mainstream of Europe. Albania is considered a potential candidate country for European Union membership, and the country is beginning to benefit from pre-accession funding arrangements. A closer association with Europe has widespread popular support. The legal and regulatory frameworks in Albania are becoming more consistent with European Union and international standards. Measures continue to be put in place that will enable Albania to meet obligations under the trade agreements recently concluded with countries in the region and the World Trade Organization of which Albania became member in 2000.

11. **IFAD in Albania.** IFAD has financed four projects in Albania since 1993, investing a total of US\$42.3 million in rural development, irrigation rehabilitation and agriculture in the poorest mountainous areas of the country. The first two projects - the North-eastern Districts Rural Development Project (NDRDP) and the Small-Scale Irrigation Rehabilitation Project (SSIRP) - financed by IFAD were geared principally towards improving food security and incomes in selected poorer mountain districts, thereby seeking to secure the means of agriculture-based survival following the disruptive effects of economic transition. IFAD's most recent investment (2005) of 8.0 million in the Sustainable Development in Rural Mountain Areas (SDRMA) programme supports initiatives to increase household income among rural poor people in mountainous areas. The SDRMA is utilising many of the same concepts and institutions (including the Mountain Areas Development Agency (MADA) and the Mountain Areas Finance Fund (MAFF) as MADP and is thus considered a successor to MADP. IFAD also developed two Country Strategic Opportunities Papers (COSOPs) for Albania, in 1999 and 2005, respectively. The latter highlights the key strategy employed by IFAD in the country that is to provide a foundation for promoting sustainable increases in economic activity in

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<sup>9</sup> INSTAT & World Bank: Trends in Poverty, 2006.

<sup>10</sup> Ibid.

<sup>11</sup> The WB provided support through its Agricultural Sector Adjustment Credit Programme and the EU through its PHARE programme promoted a Revolving Credit Account.

<sup>12</sup> BESA Foundation is the fourth Micro Finance Institution (MFI) depending on funds from a variety of donors, but is targeting only urban and semi-urban clients.

<sup>13</sup> Quoted from IFAD: Albania 2005 COSOP.



disadvantaged mountain areas and encouraging the closer integration of these areas into the national economy.<sup>14</sup>

## B. The Programme

12. **Rationale.** The MADP was designed to continue, strengthen and expand the activities of the two previous IFAD's projects: the North-eastern Districts Rural Development Project (NDRDP) and the Small-Scale Irrigation Rehabilitation Project (SSIRP), which were implemented in the poorest mountain districts in the country. The organization and management of MADP was designed to shift IFAD's support to mountain areas from the ad hoc spot application of area-based subsector projects to a long-term programmatic view of mountain areas development that would be based upon a rational and synergistic portfolio of investments. To this end, IFAD would work through the Mountain Areas Development Agency (MADA), a permanent government agency, and MAFF, a micro-finance institution.

13. **Key dates.** MADP was approved by IFAD's Executive Board in 1999, the loan agreement was signed in January 2000 and the programme became effective only in July 2001. The actual start up of MADA's activities was delayed due to several reasons, such as disagreement between IFAD and the Government of Albania on some of the staff appointments; MADA only became operational in May 2002 following the approval of its 2002 Annual Work Plan and Budget (AWPB) by the agency's Board of Directors. The Mid-Term Review (MTR) was conducted in October 2003. The project completion date was 30 September 2007, while the loan closing date is 31 March 2008. However, due to funding constraints, private sector activities under the MADA already ended in mid-2006.<sup>15</sup> The main institutional vehicles, MADA and MAFF, are receiving assistance under the SDRMA approved in 2005.

14. **Financing.** MADP's total programme cost was US\$23.1 million (See table 1). IFAD financed 59 per cent of total costs, through the provision of a highly concessional loan of US\$13.2 million and grant of US\$0.4 million. Albanian Government funding contribution was of US\$2.9 million including foregone duties and taxes (12 per cent). The contributions of beneficiaries amounted approximately to US\$1.2 million. The main Co-financiers were: Department for International Development (DFID) that contributed to US\$1.9 million; the Netherlands Development Organisation (SNV) that agreed to co-finance US\$0.4 million; the Italian Cooperation provided US\$1.0 million that was later supplemented with US\$0.1 million.<sup>16</sup> There were also supplementary funds, which had not been foreseen at the time of programme design. These included US\$60,970 and US\$40,500, which were secured from the World Bank-financed Agricultural Service Project (ASP) in Albania and from MADA beneficiaries. These funds were used towards a joint MADA/ASP pilot initiative, namely the 'joint competitive grant scheme'. Moreover, through its Gender Mainstreaming Programme for Central and Eastern Europe and the Newly Independent States countries, IFAD provided a Technical Assistance Grant of US\$88,200 for the MAFF-initiated "Knowledge Generation and Skills Development Project for Rural Women and Youth". This leaves a funding gap for MADP of US\$1.1 million.

15. **Partners.** The MADP entailed partnerships with various stakeholders including IFAD (which initiated and appraised the programme), and various co-financiers as listed above. The Ministry of Finance was the official borrower, while MADA and MAFF were the executing agencies. Other collaborators included the District Directorates of Agriculture and Food, Albania Development Fund and FERT, a French Ngo. The Cooperating Institution was the United Nations Office for Procurement Services (UNOPS), which was responsible for supervising the programme and providing technical advice.

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<sup>14</sup> IFAD 2005: COSOP.

<sup>15</sup> This shortfall was due to expected Italian Cooperation's funds not being forthcoming as these were tied to the signature of the SDRMA which for various reasons was delayed.

<sup>16</sup> The US\$1.0 million and US\$0.1million from the Italian Cooperation were financed through a programme called Facility for Farmers' Access to Markets (FFAM) in the Balkan Area.

**Table 1. Programme Costs by Components and Financiers (US\$)**

Components	IFAD Loan		IFAD Grant		SNV		Other Cofinanciers		MAFF		Government		Beneficiaries		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>A. Programme management</b>	2 881.4	59.5	290.0	6.0	385.5	8.0	900.1	18.6	-	-	384.6	7.9	-	-	4 841.4	20.9
<b>B. Rural credit</b>	2 301.1	59.1	150.0	3.9	-	-	390.8	10.0	716.5	18.4	334.4	8.6	-	-	3 892.9	26.8
<b>C. Rural infrastructure</b>																
Small-scale irrigation rehabilitation	5 411.5	75.0	-	-	-	-	219.2	3.0	-	-	1 299.1	18.0	287.2	4.0	7 217.1	31.2
Rural works	-	-	-	-	-	-	2 241.9	66.6	-	-	587.6	17.5	535.7	15.9	3 365.2	14.5
<b>Subtotal</b>	5 411.5	51.1	-	-	-	-	2 461.1	23.3	-	-	1 886.7	17.8	822.9	7.8	10 582.3	45.7
<b>D. Agricultural development</b>																
Community pasture and forest management plan	1 138.2	100.0	-	-	-	-	-	-	-	-	-	-	-	-	1 138.2	4.9
Veterinary support	454.7	80.0	-	-	-	-	-	-	-	-	113.7	20.0	-	-	568.4	2.5
Private veterinary services	404.3	35.0	-	-	-	-	277.7	24.0	-	-	55.9	4.8	418.6	36.2	1 156.5	5.0
Agricultural extension	636.0	65.8	-	-	-	-	194.3	20.1	-	-	136.1	14.1	-	-	966.3	4.2
<b>Subtotal</b>	2 633.2	68.8	-	-	-	-	472.0	12.3	-	-	305.6	8.0	418.6	10.9	3 829.4	16.5
<b>Total disbursement</b>	<b>13 227.2</b>	<b>57.1</b>	<b>440.0</b>	<b>1.9</b>	<b>385.5</b>	<b>1.7</b>	<b>4 224.0</b>	<b>18.2</b>	<b>716.5</b>	<b>3.1</b>	<b>2 911.3</b>	<b>12.6</b>	<b>1 241.5</b>	<b>5.4</b>	<b>23 146.0</b>	<b>100.0</b>

Source: IFAD Appraisal Document, October 1999

16. **Programme area and target group.** In order to avoid duplication with the two other IFAD projects still ongoing at the time of IFAD's appraisal, MADP's activities were meant to initially focus on seven new poor mountain districts in the south of the country and later to include at least seven districts where IFAD had already supported some interventions (mainly located in the North East and Central East mountain areas of the country). Consequently, MADP was designed to be active in at least 14<sup>17</sup> of the 21 districts, which were defined as poor, marginal mountain districts. It was then intended that MADP would eventually cover all the mountain areas of Albania. Programme services would, in a first phase, be available to about 37 500 farm families (app. 153 800 people) or 42 per cent of the rural households in the initial seven districts who were subject to considerable social and economic deprivation and who owned on average not more than 2.5 ha of arable land of which 0.75 ha was irrigable. At appraisal, a quite comprehensive analysis of Albanian women's conditions was envisaged; however no specific gender-targeted activities were foreseen. No quantifiably indicators were given as to numbers of beneficiaries and households to be included in a following phase during which the programme was supposed to extend activities to the northern mountain areas.

17. **Goals and objectives.** The overall goal of MADP was the achievement of sustainable long term economic growth and development in the mountain areas of Albania. Its purpose was to raise the standard of living of 37 500 households living in the mountain areas through increased agricultural production and productivity, better food security and nutrition, increased incomes from agricultural and related rural enterprises and improved infrastructure. The original programme had four components described below.

18. **Programme management.** The programme would establish an agency (MADA), which would be a small facility for programming, planning and fund management. MADA would provide informational, technical, financial and managerial support for medium to long term mountain areas development. Its main modus operandi would be to contract out and supervise work, promoting enterprise, efficiency and accountability. MADA activity would be demand-driven but the agency's response to this demand would be shaped by a coherent regional plan based on a sound analysis of the investment opportunities and requirements for profitable and sustainable resource use in Albania's mountain areas. MADA also would be responsible for Monitoring and Evaluation (M&E).

<sup>17</sup> These fourteen districts included eight of the eleven with more than 80 per cent of their area classed as mountainous, and six of the ten districts with 50-80 per cent of mountain area. (See MADP Appraisal Report).

19. **Rural credit.** MAFF<sup>18</sup> would be established as a foundation under the Law of Non-bank Financial Institutions. It was envisaged that MAFF should be operate purely as a financial wholesale mechanism and it would provide social and agricultural production credits on a sustainable basis to clients in poor, marginal mountain areas. MAFF would build upon and consolidate the rural financial service activities supported under previous IFAD-financed NDRDP<sup>19</sup> and SSIRP interventions. MAFF would develop a range of credit products including: social lending to existing and future group-based Village Credit Funds (VCFs); agricultural input loans through small traders associations; and loans for specialist producer associations and small-scale agro-processors.

20. **Rural infrastructure.** MADA would finance the rehabilitation of up to 6 400 ha of small-scale, gravity-fed irrigation schemes, including 4 760 ha served by reservoirs and 1 640 ha supplied by river intakes. The exact number of schemes to be rehabilitated was not specified. In addition, the programme set out to finance the rehabilitation of approximately 40 rural roads and village water supply subprojects in the initial seven programme districts of the mountain areas in response to the request from their respective communities<sup>20</sup>. The rural roads would be financed where their absence was considered a serious constraint to better agricultural marketing and local economic development.

21. **Agricultural development.** In line with expressed needs of the farmers, the initial phase of the agricultural development programme would include: (a) development and implementation of community management plans for pasture and forest land used for livestock production; (b) provision of funds for a comprehensive testing and vaccination programme for cattle and small ruminants against the major zoonotic diseases; (c) support for the development of private veterinary services; and (d) provision of extension services.

22. **Implementation arrangements.** Despite the fact that their boards of trustees were composed exclusively of government representatives, MADA and MAFF were established and continue to operate as autonomous institutions with executive authority rather than as line agencies of the Government. It was envisaged that the responsibility of programme management would be entrusted to MADA who would contract with implementing partners. MADA would work on the basis of Annual Work Plans and Budgets (AWPBs) to be approved by the Board of Directors that would be chaired by the Minister of Agriculture and Food and was supposed to guide the overall operation of MADA. MAFF was administered in accordance with its statutes that had already been approved by the Government and through a subsidiary financing agreement between the Ministry of Finance and MAFF. MAFF would function purely as a financial wholesale mechanism for the provision of services to Village Credit Funds (VCF) and producer organizations. MAFF would not be under MADA programme management but strong joint programming and coordination was supposed to ensure that all potential synergies were exploited.

### C. Evaluation Objectives and Methodology

23. The Office of Evaluation (OE) of the International Fund for Agricultural Development (IFAD) has undertaken a Completion Evaluation of the MADP in order to ensure accountability and to offer an overview of good practices and lessons learned for all stakeholders. The objectives of the evaluation were to: (a) assess the performance and impact of the project; and (b) generate findings and recommendations that would serve as inputs for the design and implementation of future projects in Albania with similar characteristics. The evaluation was conducted in line with the IFAD Evaluation Policy and utilised OE's methodology for project evaluation. The methodology focused on four

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<sup>18</sup> It is supervised by the Bank of Albania. MAFF's Board of Trustees consists of representatives of five key ministries, the Executive Director of MADA and the Executive Director of the Albanian Savings and Credit Union.

<sup>19</sup> As stated in MADP's Appraisal Report (p. 9), the credit operations of the NDRDP and SSIRP would be incorporated into MADP and therefore districts covered by MADP would include the districts already covered by the two ongoing projects.

<sup>20</sup> The definition of 'communities' was not explicit, which contributed to sub-optimal outcomes, as will be discussed elsewhere.

dimensions: (i) the performance of the project measured in terms of relevance, efficiency and effectiveness<sup>21</sup>; (ii) the rural poverty reduction impact<sup>22</sup> of the project; (iii) the performance of partners including IFAD, the Government of Albania, United Nations Office for Procurement Services (UNOPS), UK Department for International Development (DFID) and others concerned; (iv) sustainability<sup>23</sup> and innovation. A 6-point scale was used to rate each evaluation criteria and a rating was attributed to the overall programme performance.<sup>24</sup> Each rating has been rounded to a whole number according to IFAD's evaluation guidelines.

24. The sequencing of the evaluation followed IFAD's procedures, starting with a desk phase in April – May 2007 during which key documents were reviewed and a first draft of the Approach Paper was developed. From 14 to 18 May 2007, OE's Lead Evaluator and the Team Leader jointly visited Albania in order to discuss and agree on the proposed methodology and approach with key stakeholders. Subsequently, the Approach Paper was finalised and field work was conducted in Albania from 3 to 21 June 2007. On 20 June 2007, a Wrap – up meeting took place in Tirana and on that occasion the Aide Memoire was presented to the Core Learning Partnership (CLP) and key stakeholders. Throughout the whole evaluation process, IFAD Operations Division for Albania (PN) provided useful assistance and comments as did the two key institutions in Albania (MADA and MAFF). The evaluation team has appreciated this assistance.

25. **Evaluation methods.** Self-evaluations were prepared by MADA and MAFF but there is some uncertainty as to the accuracy of the data provided by GoA (especially in relation to the coverage of veterinary services) and by the water users associations (in relation to the number of members). The evaluation team examined existing data, which were found to have varying quality and usability; key informants were interviewed, and focus group discussions were conducted with beneficiaries using tailored-made questionnaires and guidelines. Sites were visited by the evaluation mission to see various activities funded by MADA and MAFF. Both quantitative and qualitative evaluation techniques have been adopted and the main findings presented in this report are the result of triangulation between different methods and sources.

26. In assessing impact of MADP, the evaluation team has faced several challenges, most notable the lack of a comprehensive and methodological robust data set of impact indicators, as only recently MADA has begun to undertake impact studies. Without such data the evaluation team has attempted to analyse each of the interventions separately and establish plausible causal linkages between such interventions and impacts.

27. In the absence of a formal control group (which was not feasible within the resource and timeframe provided), the evaluation team adopted a bottom-up approach. Thus, the evaluation attempted to analyse if livelihood improvements observed among beneficiaries could reasonably be attributed to the relevant MADP interventions. The evaluation team primarily relied on a sample of more than 200 beneficiaries; this sample was identified in cooperation with MADP staff to ensure logistical feasibility.<sup>25</sup> The aim has been to ensuring a geographically balanced sample, including both northern and southern districts. Unannounced spot visits were also conducted. Appendix A provides more information on the persons and groups met and sites visited.

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<sup>21</sup> The following definitions are applied: Relevance captures the extent to which the project objectives are consistent with the priorities of the rural poor and other stakeholders. Effectiveness refers how well the project performed in delivering against project objectives. Efficiency measures the outputs - qualitative and quantitative - in relation to the inputs. It captures how economically resources were converted into results.

<sup>22</sup> Impact: Is the positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended.

<sup>23</sup> Sustainability: is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn.

<sup>24</sup> The ratings are based on the OE six-point rating system: Highly Satisfactory (6); Satisfactory (5); Moderately Satisfactory (4); Moderately Unsatisfactory (3); Unsatisfactory (2); Highly Unsatisfactory (1).

<sup>25</sup> The sample included beneficiaries from all components within MADA and MAFF.



**An open air pipeline not in use.**  
*Source: Stefano Grego, Evaluation Mission 2007*

## **II. IMPLEMENTATION RESULTS**

28. At the macro-level, the establishment of the two key institutional bodies - MADA and MAFF - was hampered by a considerable delay in the appointment of staff for key management positions, especially within MADA that only became operational in May 2002. The delayed start-up seems to have created a sense of urgency that led to an initial piecemeal and supply-driven approach.<sup>26</sup> There are multiple causes for this delay, including disagreement between IFAD and GoA on some of the staff appointments and the general political uncertainty introduced by the local elections in October 2000 and parliamentary elections in mid-2001. A somewhat similar situation occurred after the 2005 national elections, which also impacted negatively on the institutional performance of both MADA and MAFF. MAFF, once established, was less affected and quickly gained traction; in the process it became partly separated from MADA activities.

29. **Changes in design during implementation.** In 2003 the MTR<sup>27</sup> of MADP was carried out. At that time, it was recognized that the MADP approach to poverty reduction, growth and sustainable development required adaptation based on new needs and opportunities, which were a consequence of the rapidly changing circumstances and economic environment in Albania. As a result, the strategy of MADP, its activities and its institutions were further developed and in many cases revised<sup>28</sup>. The redesigned MADP meant to give more support to the private sector as the driver for the development of mountain areas' agriculture. It is also worth noting that MADP attempted to move away from collective approaches, as programme's objectives were now meant to be achieved through new and different means. These included: the establishment of an enabling institutional and financial framework for private sector development; increased private investments and capacity building of local private and public institutions. A noticeable difference between the previous programme's

<sup>26</sup> See Mid-term Review, 'Aide Memoire' 2003.

<sup>27</sup> This mission was led by Albania's Country Programme Manager (CPM) with the participation of the CI and DFID.

<sup>28</sup> The review was largely driven by a participatory process that led to the drafting of the Government's Vision for Mountain Areas Development. This Strategy was conceived by the Albanian Government within the framework of the National Strategy for Socio-Economic Development (NSSD) and aimed at establishing a set of principles to guide development in mountain areas and providing a basis for stakeholders to raise the profile of mountain areas – related concerns, lobby for change and influence resource allocations in their interest.

approach, was that the programme no longer targeted poor mountain area households, perhaps indicating a more indirect poverty reduction strategy.<sup>29</sup>

30. At component level, the Agricultural Development component was re-oriented (and renamed) as the Private Sector Development component. The new approach for this component emphasized the commercial orientation of MADA and it was intended to enable farmers and other actors to fully exploit emerging opportunities of the agribusiness sector. To this aim, the Strategic Investment Programmes (SIP) were conceived to strengthen the growth of strategic farming and agri-business activities with high profitability and potential for increased commercialisation. An Institutional Building component was also added which embraced the following subcomponents: 1) community pasture and forest management<sup>30</sup>; 2) support to advocacy through the establishment of Mountain Fora; and 3) support to strategic planning at commune level with the aim of strengthening local area partnerships. It is worth noting that support to advocacy through the establishment of Mountain Fora and support to strategic planning at commune level were not initially foreseen at programme's Appraisal.

31. **Logical framework.** Over time MADP objectives have been made more specific and their hierarchy improved. However, in the revised logical framework of the 2003 the expected outputs have not been quantified<sup>31</sup> and the quantitative indicators in the original framework have been substituted by more qualitative indicators, mainly linked to employment opportunities, revised organizational structure, and investment opportunities identified by MADA. The main quantitative indicators were related to financial aspects (e.g. number of investments by communes, by Fora) and to enterprises developed through MAFF's and MADA's loans and grants. At appraisal, the key indicator in the original framework for measuring the achievement of programme purpose was 'changes in nutritional standards'. However, given the general high nutritional standards already at programme start, this indicator proved irrelevant and was not used in the revised logical framework. The evaluation team has analytically focussed on the objectives and components as defined after the MTR, with due consideration to the original set-up.

32. **Monitoring and evaluation.** At project start it was envisaged that all implementing agencies would provide semi-annual progress reports to MADA, which would compare physical and financial results with the approved programme of work. On the basis of these reports MADA would prepare a consolidated six-monthly report to be sent to MADA's Board of Directors and IFAD for information. At the end of the year, all implementing agencies and MADA would prepare an annual report on physical and financial progress and impact.

33. However, for various reasons described elsewhere, MAFF and MADA became rather separated in their project developments and progressed rather uneven, which also resulted in the two organisations establishing separate monitoring and evaluation systems. For both organisations there have been limited efforts on documenting impact, although MADA somewhat belatedly accelerated efforts by creating the position of an 'impact monitoring specialist', which resulted in several improvements. However the evaluation team has some doubts concerning the quality of part of the data upon which MADA impact is assessed.<sup>32</sup>

34. **Targeting during implementation.** As mentioned above, in its first phase MADA was supposed to start implementation in seven districts in the south of the country, until the two other IFAD-financed projects (NDRDP and SSIRP) were phased out. This happened in 2001 and 2002 respectively, but hereafter MADA continued focussing on southern districts, although being repeatedly

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<sup>29</sup> Such an indirect approach to targeting is consistent with IFAD's 'Targeting Policy' of September 2006.

<sup>30</sup> This subcomponent was originally under the Agricultural Production component, as envisaged in the Appraisal mission.

<sup>31</sup> The two versions of the log-frames are reproduced in appendix I and II.

<sup>32</sup> As expressed in e.g. the MADA self-evaluation of May 2007.

criticised by UNOPS/IFAD supervision missions.<sup>33</sup> The original decision to include the southern districts seems to have been grounded more in a desire to eventually cover all mountain areas rather than increasing the poverty focus. Despite statements to the contrary, the project design documents failed to demonstrate that these districts were poorer than Albanian average. The only hard indicator mentioned was the small farm size, on average 1 ha, but this was actually close to national average (1.1). More importantly, farm income was by no means the only income source in these districts, which were experiencing an increasingly thriving off-farm economy.

35. As it can be seen in the Table 2 below on MADA investments, the seven original southern districts alone account for more than 80 per cent of all investment funds, despite the fact that most of the implementation period (2002-2007) took place after the closing of two previous IFAD-financed projects (NDRDP and SSIRP). No convincing technical arguments have been offered to the evaluation mission, as to why MADA failed to expand to the north as planned at programme start. MAFF, on the other hand, has continuously maintained an essentially equally geographical balance between northern and southern Albania<sup>34</sup>. In total, MADP (i.e. MADA + MAFF) funds were distributed with 73% for the north and 27 % for the south, which is still a considerable imbalance.<sup>35</sup>

**Table 2. Geographical Distribution of Cumulative MADA Investments According to Districts**

Southern Districts		Northern Districts	
Beret	20%	Kukes	4%
Permet	15%	Mat	4%
Skrapar	11%	Tropoje	3%
Pogradec	10%	Diber	2%
Korce	9%	Puke	1%
Tepelene	9%	Mirdite	1%
Erseke	7%	Has	1%
Librazhd	1%	Bulqize	0.4%
Other	2%	Other	0%
<b>South Sub-Total</b>	<b>84%</b>	<b>North Sub-Total</b>	<b>16%</b>

Source: MADA, 2007

36. **Loan disbursement.** Financially, as of February 2007 IFAD has disbursed US\$13.7 million equivalent to 97 per cent of its total allocation to MADP (few activities are still ongoing), of which US\$4.5 million went to MAFF whose activities have been related to micro-credit and comparatively small Small and Medium Enterprises (SME) loans; the remaining US\$9.2 million to MADA that has invested in a quite diverse range of activities. ‘Disbursement performance’ has thus been good. In the table 3 below, technical assistance, overheads<sup>36</sup> and MADA’s operating cost have not been included, thus explaining the discrepancy with the total disbursement figure. It seems that rural infrastructure is by far the most important component funding-wise, consuming more than half of all investments, with irrigation being the single largest sub-component.

<sup>33</sup> In 2005, MADA undertook efforts to translate identified investment opportunities in northern districts into SIPs, paving the way to a more balanced distribution of future interventions in the successor programme SDRMA.

<sup>34</sup> No district disaggregated data on MAFF loans was available; hence MAFF funds are not included in table 2.

<sup>35</sup> If MAFF loans were counted *cumulatively* then the figure would become 64 per cent for southern areas and 36 per cent for northern. However this would entail counting the same investment twice or more as many loans have been recycled and hence not give a representative picture of the investment patterns.

<sup>36</sup> It is estimated that one-third of total MADA expenditures has been incurred for technical assistance, financed by IFAD, DFID and Italian Cooperation (through their Facility for Farmers’ Access to Markets).

**Table 3. Summary of Cumulative Investments by MADA in Programme Period**

No.	Component/Sub-component	Investments in US\$	% of total
<b>1</b>	<b>Rural Infrastructure<sup>37</sup></b>		
1.1	Rehabilitation of 35 irrigation schemes	2 405 000	36%
1.2	Other infrastructure (rural roads etc.)	1 266 000	19%
Sub/total		3 671 000	56%
<b>2</b>	<b>Agricultural Development/Private Sector Development (PSD)</b>		
2.1	Extension	94 000	1%
2.2	Pilot program in PSD	112 649	2%
2.3	SIP in PSD	231 140	4%
2.4	Public Veterinary Services	809 450	13%
2.5	Private Veterinary Services	663 438	10%
Sub/total		1 910 677	30%
<b>3</b>	<b>Institutional Support</b>		
3.1	Provide and support to Mountain Areas Fora	160 000	2.5%
3.2	Forest and Pasture Development	795 322	12.5%
Sub/total		955 322	15%
<b>Total</b>		<b>6 537 418</b>	<b>100%</b>

Source: MADA, 2007.

37. The implementation of the Rural Infrastructure component was affected by the programme's delayed start-up, which may offer part of the explanation as why the outputs set at Appraisal were not reached. Implementation of the irrigation infrastructure sub-component started in mid 2002, but it was temporarily halted at 2003 MTR when concerns were raised about quality of design, construction, supervision and sustainability of the irrigation works. In quite a number of cases the selection of schemes was carried out without sufficient adherence to stipulated technical and social criteria, and it was to some degree supply-driven or driven by political interests, with limited analysis of farmers' needs and priorities<sup>38</sup>. The supervision of construction by the Irrigation Rehabilitation Foundation<sup>39</sup> (IRF) and contracted engineering design companies was judged as insufficient and considered the main reason for poor quality of finished works. It was also highlighted that the average fixed rate of US\$512<sup>40</sup> expenditure per hectare for rehabilitation works stipulated in project design promoted a detrimental environment for imaginative design and construction solutions, which has also been duly acknowledged in MADA's self-evaluation.<sup>41</sup> In addition, the legal requirement that engineering services for design and supervision were limited to a maximum of 3 per cent of scheme investment costs contributed to the unsatisfactory quality of design work.

38. After the MTR 2003, implementation progress picked up again but the project continued to 'rehabilitate' the old irrigation schemes. As per table 4 below, the Evaluation found that 35 schemes were eventually rehabilitated and roughly 3 700 hectares were irrigated; the total number of actual

<sup>37</sup> These sums do not include fees for feasibility reports; design engineer; and engineering supervision amounting in total to approximately 10 per cent of construction costs. Nor does it include costs for supporting MADA management.

<sup>38</sup> See e.g. MADA: 'Review of Small Scale Irrigation Scheme Rehabilitation' May 2003 and UNOPS Supervision: 'Report by the Irrigation/Institutions Specialist' November 2004.

<sup>39</sup> Through a contractual agreement with MADA, the Irrigation Rehabilitation Foundation (IRF) was given the responsibility to manage and implement the subcomponent's activities.

<sup>40</sup> This rate was later abolished; hence, the higher average.

<sup>41</sup> See MADA: 'Self Evaluation' May 2007. The self evaluation also points to many of the same shortcomings in terms of quality and management of the IRF.



beneficiaries was estimated to be 3 700 households. If measured against the original targets<sup>42</sup> set at Appraisal, rehabilitation was eventually completed only for 57 per cent of the planned area and for 45 per cent of the planned number of households.

**Table 4. Irrigation Infrastructure Rehabilitated during 2002 – 2007**

District	Number of schemes	Length of channels (km)	Irrigated Area (ha)	Number of beneficiaries (HH)	Rehabilitation Cost (Lek) without VAT
<i>Southern Districts</i>					
Berat	4	14	616	662	45 956 994
Skrapar	5	11	536	266	36 231 630
Kolonje	3	9	250	370	19 948 274
Permet	6	17	622	468	43 018 040
Tepelene	2	5	222	160	17 057 181
Pogradec	6	15	495	964	30 526 363
Korce	2	7	182	180	15 434 999
Librazhd	1	2	160	100	12 704 814
<i>Northern Districts</i>					
Kukes	1	2	120	50	9 159 598
Mirdite	2	4	177	91	4 058 884
Mat	2	4	188	261	5 090 787
Diber	1	5	130	120	1 257 048
<b>Total</b>	<b>35</b>	<b>96</b>	<b>3698</b>	<b>3692</b>	<b>240 444 588</b>

Source: MADA Impact Monitoring Officer and analysis by the Evaluation Mission

39. The Water Users Associations (WUAs) were strongly linked to the *irrigation infrastructure* subcomponent as they were supposed to manage and sustain the rehabilitated schemes. Training was to be provided to WUAs on group administration and management, accounting, irrigation systems management and conflict resolution. The target was that 140 WUAs would be established by end of programme, but partly due to a 20 per cent reduction in the number of schemes being rehabilitated and the very limited expansion to northern areas, the number of WUAs eventually established was only 43 (31 per cent of target). Functioning of the WUAs didn't prove to be successful, as most WUAs were found to be unaware of their responsibilities of Operation and Maintenance<sup>43</sup> (O&M); in addition, some of them were either associations on paper, or they were not able to manage and maintain the infrastructure and did not have proper technical and financial means<sup>44</sup>. As it was implicitly assumed that the main reason for this underperformance was the insufficient and partly inappropriate training, it was decided to provide to the WUAs with more and better training by increasing the number of training session and drawing on international consultants; it was also decided to set up an upfront user-contribution by the WUAs, typically around five per cent of the rehabilitation costs. The substantial training was largely delivered as planned and MADA trained the 43 WUAs. However, this approach mostly failed to take into account the limited degree of social cohesion and trust that characterised donor-created WUAs; in addition, the evaluation found numerous examples among its sample beneficiaries where contractors had been the de facto financiers of the five per cent 'user contribution'. Indeed, based on the evaluation sample this approach seems to have been the norm rather than the exception.

40. Some of the irrigation schemes that had previously been under the rural infrastructure component, eventually started to be integrated into the SIP framework that focussed on individually owned schemes, e.g. with one owner responsible for all aspects of operation and maintenance, as

<sup>42</sup> The target set at Appraisal was: rehabilitation of 6 400 ha of small-scale, gravity fed irrigation in the programme's seven first phase districts, including 4 760 ha served by reservoirs and 1 640 ha supplied by river intakes.

<sup>43</sup> See UNOPS financed irrigation Supervision Report, November 2004.

<sup>44</sup> See IFAD Mission in October 2002 and Review Mission in May 2003.

opposed to the group-based approach with WUAs. This process accelerated after the MTR and was instrumental in avoiding the problem of collective action and the associated dangers of free riding. In these SIPs, improved irrigation was part of a broader commercial farming package. Based on analysis of the evaluation sample, the results (while quantitatively few) are promising, as will be discussed below.

41. As for the rural roads sub-component, MADA managed to construct a total of 23 km: 21 km in the 4 southern districts of Berat, Korce, Permet and Tepelene, and 2 km in the northern district of Mat. This represents an achievement of close to 20 per cent of the overall objective of constructing 120 km of rural roads as stated at the MTR. The actual construction was done by various contractors under ultimate supervision from the MADA engineer<sup>45</sup>. It would appear that a key factor inhibiting better goal achievement was the lack of any convincing maintenance arrangement for the roads in the post-project period, as MADA was reluctant to construct roads, which had only dubious sustainability.<sup>46</sup>

42. **Agriculture development/private sector development.** Before the MTR the component was more narrowly focussed on agricultural development and included the creation of an agricultural extension fund<sup>47</sup> that inter alia would finance 420 farm demonstrations and 2 150 days of farmer training programme on various issues related to raising agricultural productivity, with the aim to: improve crop production; introduce suitable cash crop and have a better use of rehabilitation schemes. However, the initial focus on traditional agricultural extension appeared not to reflect the interest and priorities of the farmers themselves and eventually only 160 demonstrations were implemented (38 per cent of target) and very few days of farmer training actually took place, primarily due to limited demand from farmers. After 2003, these activities were generally stopped because they did not seem consistent with the new focus on private sector development.

43. Concerning the livestock development subcomponent, this was designed to support farmers in their major agricultural income-generating activity – livestock production - through the development of improved veterinary services and a sustainable pasture management system. One of the subcomponent's specific activities was to provide budgetary support to the public sector-led veterinary programme<sup>48</sup> of the Ministry of Agriculture and Food (MoAF) in order to strengthen its ability to control and eradicate the three major zoonotic diseases (tuberculosis – Tuberculosis (TBC), brucellosis and anthrax) by testing and vaccinating cattle and small ruminants. In addition, private veterinary services were to be contracted to carry out the testing and part of the vaccination programme and to supply general animal health services in mountain areas. After the MTR, direct support to private veterinarians gradually phased out and in order to maximise resources and impact, activities were re-oriented to focus exclusively on supporting a new policy of brucellosis vaccination of small ruminants, thus now excluding e.g. cattle and vaccinations against anthrax and TBC, as can be seen in the table 5 below. According to the MADA Self-evaluation, this was partly due to the lack of focus and inappropriate targeting of the various diseases. This was corroborated by the findings arising from the analysis of the evaluation mission's own sample. The subcomponent's objectives were also revised to: i) establish an immune zone along the eastern and southern borders, in order to protect the national herd against infection through unregulated trans-border movement; and ii) develop a small stock population with an increasing proportion of immune animals, thereby reducing the risk of new infections over time.

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<sup>45</sup> However the evaluation mission noted daily supervision reports that appeared to have been written at later dates and back-dated; in other cases signatures were missing (especially signatures of the MADA Engineer).

<sup>46</sup> See e.g. UNOPS Supervision Report: July 2005.

<sup>47</sup> This extension fund would be accessed by service providers on a matching grant basis where appropriate, to provide technical guidance and training to farmers and studies on markets, processing, trading, etc.

<sup>48</sup> The villages previously selected by MADA for the inclusion in the programme based on three indicators: history of losses due to livestock diseases; low economic status or relative poverty; willingness to participate to the programme.

**Table 5. Public and Private Veterinary Services**

<b>Indicators</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Total</b>
Pub. Vet- N° Vaccines against Brucellosis (ruminants)	180 000	450 000	334 000	334 000	1 298 000
Pub. Vet- N° Vaccines against Anthrax (cattle + ruminants.)	193 000	0	0	0	193 000
Pub. Vet- N° Vaccines against TBC (cattle)	22 500	0	0	0	22 500
N° of Beneficiaries (HH) from Pub. Vet.	15 000	11 000	12 200	12 000	50 200
N° of Private Veterinarians Included	79	81	85	82	
Investments in Public Veterinary ('000 lek)	14 822	17 100	20 040	20 040	

Source: MADA, 2007

44. The only quantitative target at programme's appraisal was that 180 000 animals in 300 villages should be treated. As Table 5 above shows, from 2002 to 2005 the public veterinary services activities covered 50 200 households across 2 140 villages. Approximately 22 500 cattle were tested for tuberculosis, 1 298 000 small ruminants were tested for brucellosis and 36 000 cattle and 157 000 small ruminants were tested for anthrax. According to the above mentioned figures, the initial target seems to have been more than achieved by MADP. However, the evaluation team's sample showed that there have been instances of over-reporting and many households were counted more than once (due to sometimes less than optimal supervision). Consequently, the real number is not known.

45. In conclusion, the vaccination campaign has been implemented and the majority of animals have probably been vaccinated. However, there are severe criticisms on the intra-palpebral brucellin test as a suitable method to assess the presence of the illness. Despite this methodological dispute, as the programme was largely based on vaccination of young replacement breeding stock, this is planned to lead to progressively increasing proportion of immune individuals in target population. The data available (from government sources which is at times conflicting) does not allow drawing any firm conclusion. What can be concluded is that brucellosis was not brought under control in the targeted regions, primarily due to ineffective culling and compensation scheme of the government, which failed to provide incentives to farmers for reporting diseases instances.

46. After the 2003 MTR, SIPs were developed and introduced to assist selected producers, processors, traders and agri-business clusters in economic activities of strategic importance to mountain areas. The SIPs provided technical, institutional and financial support and grants were allocated for: farm improvement or modernization; enterprise improvement or modernisation; training; public veterinary service for vaccination; and private veterinary services. In 2004 a formal process was initiated by MADA for identifying farm and enterprise needs, opportunities, constraints and priorities. In order to identify and develop SIPs, MADA started building internal capacity for agricultural investment planning and programming and developing processes for the identification of investment opportunities. SIPs were thus developed on the basis of specific demands from farmers and businessmen and to this aim there were conducted sector studies, feasibility studies and subsequent business planning for the most relevant sectors: livestock development and dairy production; vineyard and wine development; potato seed production (see table 6).

47. In 2005, the first year of SIP implementation, nine SIPs were prepared and supported (See table below). Unfortunately, the activities scheduled for the second year, which had been planned in the 2006 Annual Work Plan and Budget (AWPB), could not be implemented due to lack of funds that were not made available by IFAD, as these were tied to the signing and effectiveness of MADP's successor programme (SDRMA), which was delayed for various reasons, some of which are related to the 2005 general elections and the associated political instability.<sup>49</sup> According to the data of MADA, it is not possible to measure SIP's level of achievement against initial expectations, as there were no quantifiable targets in the 2003 revised logical framework. The total number of direct beneficiaries in the mountain area has been estimated to be 901, but the substantial spill-over effects to secondary

<sup>49</sup> E.g. renewed disagreement on the appointment of key staff in MADA and MAFF. The funds were originating from Italian Cooperation, but it was IFAD decision not to disburse before convincing management structures and staff had been put in place.

beneficiaries have not been quantified. The anecdotal evidence from the evaluation sample suggests that there are significant spill-over effects.

**Table 6. SIPs Implemented in 2005 (first year)**

SIP's sector	District	Commune	Village	Beneficiaries
Potato seed production	Librazhd	Sterbleve	Sterbleve	100
Potato seed production	Bulqize	Klenje	Klenje	20
Vineyard and wines	Permet	Kelcyre	Kelcyre	60
Vineyard and wines	Berat	Roshnik	Roshnik	60
Vineyard and wines	Pogradec	Beragozh	Stropcke	76
Vineyard and wines	Mirdite	Bukmire	Bukmire	60
Milk processing	Tepelene	Kurvelesh	Nivice	60
Milk processing	Permet	Suke	Kelcyre	65
Medical Herbs	Kukes/Tropoje/Mat	5 commune	20 villages	400
<b>TOTAL</b>				<b>901</b>

Source: MADA

48. With the aim of transferring and adopting key technologies, as well as providing Technical Assistance (TA) and study tours, in 2004 a partnership was established between MADA and the Formation pour Formation pour l'Epanouissement le Renouveau de la Terre (French NGO, FERT), a French NGO that through training and input gave a strong impulse to the fruit industry, particularly commercial fruit tree nursery and fresh fruit production.

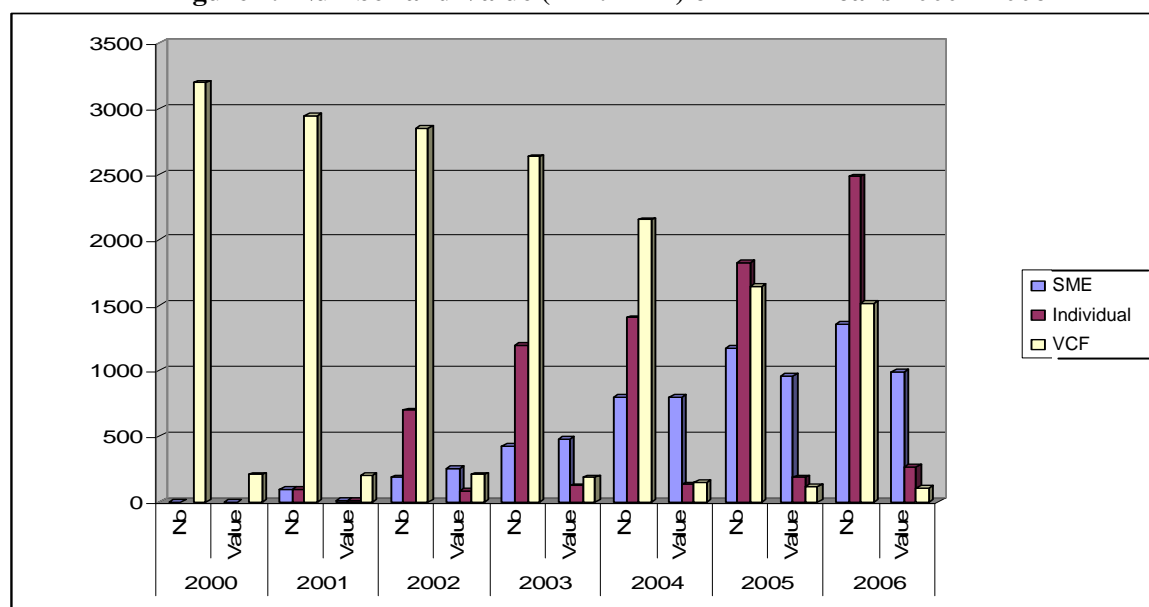
49. **Rural credit.** The target at appraisal was that 180 VCFs should obtain loans at MAFF for on lending and that MAFF should on-lend all the IFAD funds allocated for that purpose. The credit component's implementation soon proved to be problematic, as the VCF loans had high default rates and corresponding low repayment rates. This was partly due to the inappropriateness of the concept of groups based loans, which presumed people's willingness and availability to join a group in order to access a loan. In other cases, the VCFs loans financed small investments - such as small livestock purchases or improvement of home garden production - that, despite being tied up with the most urgent needs of the target beneficiaries - did not create any surpluses in order to pay back the loan for the majority of the borrowers. As a result, the borrowers fell into debt and the default rates were high. Consequently from 2002, VCF loans started to be phased out. MAFF made efforts to aggressively recovering the outstanding VCF loans by all its branch offices. The methods for loan recovery have been persistent and at times also innovative, by e.g. pursuing a 'naming and shaming' strategy by publishing the names of defaulters in local media.

50. The total number of VCF loans in year 2000 was 3 196 with an outstanding portfolio of LEK 206.66 million. In year 2001 MAFF inherited from IFAD's NDRDP project 2 945 loans with an outstanding portfolio of LEK 204.81 million. Starting from 2001 but mainly after the 2003 MTR, MAFF began to target beneficiaries with two different types of loan products: Individual loans (small loans to individual farmers) and Small and Medium Enterprise loans, to bigger customers. Loans to SMEs and to individuals differ from each other mainly by their loan size: individual loans have an upper limit of LEK 150 000, and for repeat individual loans the threshold is LEK 200 000. SME loans are those with a minimum amount of LEK 150 000, whereas the maximum amount depends on the credit worthiness of the borrower. In this regard, MAFF does apply strict lending criteria such as: credit history assessment, request for legalised agreements and guarantees, pledge collateral, mortgage agreements and/or documents of land or house ownership. These criteria are consistent with best practices as expressed by e.g. the Consultative Group to Assist the Poor (CGAP), and the analysis of the evaluation sample indicates that this has clearly contributed to performance improvement. The interest rates vary accordingly to the loan size and duration. For an individual micro credit the interest rate is 15 per cent per year which is competitive, while the interest rate for the SME loan varies depending on loan duration: SME loan from three to seven years levies an interest rate of 15 per cent to 19 per cent per year. In general, these interest rates are in line with the market rates, even though they have been relatively low in comparison with the interest rates charged by the other Micro Financing Institutions (MFIs).

51. In the year 2000, MAFF was serving only 80 villages. As of December 2006, 20 branches have been established, covering 24 districts and 850 villages, and employing 79 staff members including 43 loan officers. From its inception, the component has accumulatively disbursed 11 273 loans totalling LEK 3 479 million. As per December 2006, the total outstanding loans were 5 354 with a total of LEK 1 363 million. Of these, there were 1 358 SME loans, 2 482 Individual loans and a remaining balance of 1514 VCF loans still to be recovered. Of the total outstanding loans, there are 736 repeat borrowers. Records show that during MAFF's lending operations its outstanding portfolio of individual loans has increased by 42 per cent, SME loans increased by 3.24 per cent while the VCF loans declined by 6.7 per cent. The borrowing SMEs are primarily active in agriculture, livestock, trade, services and agro-processing. There are also 374 women borrowers, which are engaged in trading, beauty culture, salons, and small enterprises.

52. The rural credit component has achieved the objectives set at Appraisal of on-lending all IFAD funds to the stipulated beneficiaries, for a total of US\$4.4 million. This amount is around 16 per cent higher than the projected available funds at appraisal, as MAFF has been able to raise and lend additional funds. In its sample, the Evaluation team observed that a fair number of borrowers have been able to settle the loans before the due date. The high repayment rate (95 per cent) confirms this; the remaining VCF loans are still problematic. It was also noted that some borrowers (10 per cent) have gone for second and third loans, which are much bigger in size.

**Figure 2. Number and Value (mill. LEK) of MAFF Loans 2000 – 2006**



Source: MAFF 2007

53. The institutional building component was set up at MTR 2003 and subsumed the already ongoing subcomponent – the community pasture and forestry management – and two other new subcomponents: Mountain Fora and strategic planning at commune level. In relation to the community pasture and forestry management, groups were to be established in order to facilitate the transfer of user rights to the communities, as part of the government's decentralisation process. The sub-component utilised a methodology pioneered by the World Bank by which user associations were formed and supposed to manage and develop forest and pasture resources<sup>50</sup>. Quantitatively, the sub-component was set to cover ten communes and 100 villages, but according to programme data the component managed to cover only seven southern communes and 36 villages.<sup>51</sup> In all of these communes, MADA assisted in forming/supporting pasture and forest associations and also assisted

<sup>50</sup> Initially the community pasture and forest management sub component was contracted by MADA to the then ongoing World Bank Forestry Project, but later continued under MADA management.

<sup>51</sup> Some livestock and pasture activities were later being implemented under the Strategic Investment Programmes in two southern districts, using a somewhat different and more commercial approach.

and subsequently financed the implementation of the ten year plans. These plans were containing a variety of activities, such as: forest and pasture improvement measures (seedling, tree planting, woodland management), application of temporary grazing restrictions and controlled rotational grazing schemes, installation of livestock watering points to de-concentrate grazing pressure. The sub-component achieved most of the agreed (and very diverse) targets made in these plans, partly because MADA paid 100 per cent of implementation costs, resulting in the completion of almost 100 mini-projects, which generally have been demanded and appreciated by farmers and forest users.<sup>52</sup> In the evaluation sample it was noticed that there was limited availability of funds and resources to maintain the structures, a fact that was substantiated in interviews with key informants, including MADA staff.

54. With regard to the support to Mountain Fora and strategic planning at commune level subcomponents, no quantifiable indicators were provided in the revised log-frame. With MADA support, seven district-based Fora have been established and they have undertaken lobbying activities effectively informing policy makers and civil servants about the priorities and community needs as perceived by the Fora members. One national level forum has been recently established (though not registered) and has only met a few times.<sup>53</sup> At commune level, the related local area partnerships piloted in two southern communes have aimed at developing commune level capacity in planning and budgeting, with DFID providing TA for the training. Clearly this support has improved planning effectiveness of the two communes, although some concerns have been raised about the role of TA in the actual drafting process, which may have ‘gap-filled’ instead of promoting local capacity development more effectively by facilitating instead of driving the planning process. This was also corroborated by the result from the analysis of the evaluation sample.

### **III. PROGRAMME PERFORMANCE**

#### **A. Relevance**

55. In 1998 and 1999, Albania was only starting to recover from the severe macro-economic and political crises that occurred after the collapse of the pyramid schemes; the country was also being affected by the huge influx of refugees generated by the Kosovo conflict in 1998-1999. Against this background, MADP’s focus on rapidly improving the productive potential in the poor and remote mountainous areas was highly relevant in the context of the emergency situation. MADP was also consistent with the priorities of Albania’s Government<sup>54</sup>, which aimed at improving the quality of life in poverty-stricken mountain areas by supporting the transformation from subsistence farming to a more modern, diversified and market-oriented rural economy. MADP was also highly consistent with IFAD’s 1999 COSOP for Albania that sought to maintain focus on mountain areas under a programmatic approach rather than a time-bound project approach. The aim was to promote sustainable increases in economic activity in disadvantaged areas and hence the integration of these areas into the national economy.

56. In relation to the Sub-regional Strategy for the Gender Mainstreaming Programme for Central and Eastern Europe and the Newly Independent States Countries (CEN)<sup>55</sup>, although it had not been compiled at the time of design<sup>56</sup>, retrospectively MADP’s design can be considered compatible with

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<sup>52</sup> Although this was not envisaged in the appraisal, at one point MADA tinkered with the concept of introducing user contributions. Eventually, this was not tested.

<sup>53</sup> A Mountain Area Day was held in Tirana in December 2006 which generated debate and interest in these areas, but it is difficult to assess the effectiveness of such a one-off effort to be influential at national level policy.

<sup>54</sup> The main thrusts of the Government strategy were: (a) privatisation of agricultural input supply channels and other services, e.g. extension and veterinary support; (b) rehabilitation, development and support to scheme-users of irrigation systems; (c) restructuring of the financial sector and improved access for agricultural and rural enterprises to financial services; and (d) establishment of an effective marketing system. See Ministry of Agriculture and Food: “the Green Strategy for Agricultural Development in Albania”, 1999.

<sup>55</sup> IFAD, 2002.

<sup>56</sup> It was only finalised in 2002.

the main strategic thrusts of the Sub-regional Strategy particularly with regard to: focus on mountain areas; support for agricultural services, agro-processing and other areas of the non-farm rural economy; strengthening of veterinary services and extension advice; development of small-scale, community-managed irrigation systems; high priority given to the development of rural financial services; promotion of long-term institutional development and influence of mountain area development policy. Finally, MADP's design was also consistent with IFAD's Strategic Framework<sup>57</sup> for 1998-2002 with its strong focus on improving agricultural productivity of smallholders operating at subsistence level and also with IFAD's Strategic Framework 2002-2006.

57. At programme start the sociological Albanian context was one characterised by mistrust toward public institutions and cooperative approaches that extended beyond family ties.<sup>58</sup> Farmers were consequently less inclined to cooperation and leaned towards individualistic and competitive approaches. In relation to the irrigation infrastructure subcomponent, most of the irrigation schemes (mainly built under the communist system) that were planned to be rehabilitated, were based on the assumption of strong collective action by the WUAs that were supposed to operate, maintain and repair the schemes once completed. This assumption did not seem to be consistent with Albania's context and this reduced the relevance of the subcomponent. This point has also been acknowledged in the MADA Self-evaluation report. Another factor reducing relevance was the often supply-driven approach to irrigation rehabilitation. After the MTR, attempts were made to improve relevance by fielding several irrigation missions and experimenting stronger private incentives for operation and maintenance, especially through the SIPs. Anecdotal evidence drawn from the evaluation sample and from discussions with informed stakeholders suggests that this has improved relevance.

58. The initial focus on traditional agricultural extension appeared not to reflect the interest and priorities of the farmers and themselves and thus had limited relevance.<sup>59</sup> As for the 'old' activity of strengthening community forest and pasture management user associations there was clearly a need to assist in decentralising management of these resources, but the group-based approach which required strong and well-coordinated collective action was arguably not the most relevant modality in Albania. As for the other initial focus area, *livestock development*, this was highly relevant, in consideration of the importance that small ruminants had in the social and economical life of the mountain areas people.

59. At the 2003 MTR, IFAD recognized the initial flaws and decided to take remedial action to improve MADP's relevance. A new vision for mountain area development was established aiming at promoting private sector development by reinforcing and upgrading the capacity of business and producers' associations and by providing supplementary funds to support private investments. The strength and support to the development of the private sector in the mountain area was in line with the overall new trend of the country and the design of SIPs has been considered very relevant and appropriate. As for the institutional building component, the focus on complementing support to productive sector with improvements in the policy and administrative environments seems highly relevant, as well as the effort to set up permanent, democratic, local government institutions seems innovative, especially if such support is aimed at promoting the long-term interest of the poor.

60. With regard to the rural credit component, the relevance of providing rural financial services was very high at programme start, as there was a clear need to improve the availability of financial services in remote mountain areas where formal banking institutions were virtually absent<sup>60</sup>. However, the relevance of continuing a group based approach through the VCFs (inherited from previous IFAD projects) was arguably misconceived. Eventually, this model did not prove to be suitable for Albania's context and both IFAD and MAFF took remedial action, thus improving relevance. The evaluation

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<sup>57</sup> IFAD (1998): "Meeting Challenges in a Changing World".

<sup>58</sup> See e.g. Clarissa De Waal: Albania Today - A Portrait of Post-Communist Turbulence, London 2005.

<sup>59</sup> See e.g. MADA: 'Self evaluation Report' May 2007.

<sup>60</sup> This was also consistent with the government policy of improving access for agricultural and rural enterprises to financial services. See GoA/MoA (1999): 'Strategy for Agricultural Development in Albania', pp 27-30.

found that since the programme start, competition in providing financial services in mountain areas has increased tremendously with many formal banks opening branches and reaching down to smaller borrowers, effectively offering micro-credits.<sup>61</sup> Consequently the relevance of continued long term external support to MAFF is diminishing, as the private sector is increasingly able to provide competitively priced services to the mountain area beneficiaries. This should be seen as a broadly positive outcome of the programme's development.

61. The 2003 MADP programme redirection was in line with the 2005 COSOP that emphasised the need to accelerate efforts aimed at promoting off-farm job opportunities, as it was envisaged that further intensification and mechanization of agriculture would lead to a further decrease in the size of the permanent agricultural workforce. This in turn called for more support to SME activities in mountain areas. Retrospectively, it seems that MADP's original design and its 2003 reorientation informed the COSOPs rather than visa-versa, especially on modalities by which the overall poverty reduction strategy was to be implemented. In addition, both COSOPs argued for channelling support through institutions that were permanent in structure and not through specific IFAD project implementation units (PIUs). This design feature seemed highly relevant as the experience with PIUs had generally proven unsustainable, both in Albania and elsewhere.<sup>62</sup>

62. The 2003 MTR represents a turning point for restoring MADP relevance to a higher level, also in relation to the targeting issue.<sup>63</sup> The Evaluation found that after 2003 the programme was no longer targeting the poorest, but rather all mountain households, with a special emphasis on those engaged in activities with a high potential for increasing productivity and, most crucially, profitability.<sup>64</sup> The main underlying assumption was that the investments primarily in agricultural production but also in agro-processing and related sectors (marketing, trading, servicing etc.), even if directed to the less poor – through a trickle down effect - would eventually fuel increasing job opportunities also to the benefits of the poorest. The evaluation team believes that this enhanced programme relevance.

63. On the other hand, only limited gender targeting was included in original programme design. Subsequent implementation did not fundamentally address gender concerns, despite growing pressure from UNOPS/IFAD supervision missions and the MTR. IFAD did manage to provide a vocational training programme for rural women aimed at facilitating technology transfers through MAFF (from 2004 to 2005). In MADA, a gender specialist was recruited for the year 2005, which belatedly introduced gender disaggregated indicators. In sum, the limited gender targeting has reduced programme's relevance somewhat.

64. In conclusion, at its beginning MADP had some design flaws that affected its relevance. IFAD should have undertaken a more rigorous analysis of the relevance and appropriateness of promoting collective actions or group-based activities; more analytical efforts could also have been invested in assessing the feasibility and demand for the agricultural extension activities that were forming a central part of the original design. However, during its implementation MADP has adapted to changing circumstances and has shown the flexibility to learn from experiences gained. The 2003 MTR redesigned key interventions and their objectives were highly relevant to the rural mountainous areas. MADP is consequently rated as relevant (5).

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<sup>61</sup> E.g. a majority of MAFF beneficiaries of the evaluation sample indicated that financial services are now available from multiple sources.

<sup>62</sup> See e.g. UNDP: 'The PIU Dilemma' September 2003. The first two IFAD-sponsored projects (NDRDP and SSIRP) each had the typical characteristics of a time bound project approach in which pre-specified activities were to be carried out under the overall responsibility of a centralized management system established under a line agency of Government, in this case the Ministry of Agriculture Food and Consumer Protection.

<sup>63</sup> However these efforts did unfortunately not result in improved *geographical* targeting for MADA; the main point here is that MADA improved thematic/strategic targeting.

<sup>64</sup> This was also reflected in the socio-characteristic of the evaluation mission sample where beneficiaries from the pre MTR period were generally poorer, less productive and older. Conversely, the post-MTR beneficiaries had higher productive potential and could mobilise more resources, which were in turn translated into significant multiplier effects.





**Beneficiary grows vegetables using an open air pipeline.**  
*Photo: Stefano Grego, Evaluation Mission 2007*

## **B. Effectiveness**

65. MADP's programme purpose was to improve the living standards of 37 500 poor mountain area households. According to MADP figures (including those from the Self-evaluation of May 2007), the number of households who have received MADP services was 56 488 and their living standards were raised as a consequence.<sup>65</sup> While living standards have generally increased rapidly during the programme period, the evaluation team would like to caution about drawing a too close causal relationship between MADP's interventions and this rise, as external factors also contributed. Undoubtedly, MADP has played an important (and increasingly strategic) role in promoting this very positive outcome of poverty reduction. However the evaluation team has some concerns about the degree to which necessary complementary actions by other actors, most notably by the government's veterinary service and water user associations, have been sufficient to achieve the desired effectiveness. This especially concerns the interventions that started before 2003, most notably in the irrigation and vaccination sectors, which account for the majority of beneficiary households. Thus the government was supposed to provide crucial complementary veterinary services to MADA beneficiaries, and GoA data (upon which MADA relies in this case) indicate that a very high number of farmers have benefited from these services. However, all informed analysts outside GoA (including Food and Agriculture Organization of the United Nations (FAO) and EU's Veterinary Project) had serious concerns about the data integrity and even less faith in the effectiveness of the government's veterinary programmes. Again such concerns were corroborated by the evaluation own sample. The data obtained by MADA from the managers of WUAs are also subject to a certain margin of error, as the evaluation team's own sample indicated that many alleged members of WUAs (and hence also beneficiaries) were unaware of such membership, with this being perhaps an indication of in-accurate reporting. The data generated by MADP itself was generally robust and of high integrity (e.g. for SIPs and MAFF) and the analyses based on these data in the self-evaluation were generally convincing and mostly supported by analysis of the evaluation team's sample.

<sup>65</sup> Obviously not all beneficiaries, regardless of the actual number, have benefited equally. It should also be noted that the key indicator for measuring the achievement of programme objective was 'changes in nutritional standards'. However given the general high nutritional standards already at programme start, this indicator proved irrelevant and was not used.

66. A deeper analysis at component level reveals that the rural infrastructure interventions have generally had limited effect and almost no leverage and spill over effects. Specifically, the irrigation infrastructure subcomponent already at design level was presenting serious flaws. Recognizing this, the 2003 MTR recommended a substantial slow down in the roll out of irrigation rehabilitation, which may explain the underachievement against the original target. However, the project continued to 'rehabilitate' the old irrigation schemes without making sufficient efforts to provide farmers with extensive capacity building and extension to manage irrigated farming, nor was sufficient agronomic assistance provided to farmers to assist them in selecting higher yielding cash crops and more appropriate varieties or market oriented varieties. The underperformance of this subcomponent had a substantial and negative impact on the effectiveness of the overall programme, as irrigation was the single largest activity.

67. With regard to rural roads subcomponent, its effectiveness has been reduced by poor construction and road maintenance and weak supervision efforts both by the contractors but also by MADA, which had the ultimate responsibility for supervision. In addition, the demand for rural roads came primarily from commune chairmen and other political leaders. Once the completed rural roads were handed over to the communes, many of these did not have appropriate budget lines for maintaining the roads. Based on available evidence, including the evaluation's own sample, it seems that after the 2003 MTR, construction quality and procurement slightly improved. In aggregate, the Rural Infrastructure component is assessed as ineffective not only because quantitative targets were not met, but also because of the inherent weaknesses in design and implementation, which allowed a continuation of activities that should have never commenced.

68. With regard to the rural credit component, its effectiveness improved after de-emphasising the discredited and often defaulting VCFs. By end of 2003, MAFF successfully diversified its loan portfolio and entered a broader range of productive sectors. MAFF's branches at district level have become progressively involved and competent in credit operations, monitoring and supervision, despite their limited facilities. The new approach aimed not only at lending to individuals and SME, but also at adopting a measured scale and progressive approach that allowed MAFF to tailor its products to individual needs and to progressively expand the loan size. In this way, sound and robust credit histories were established, allowing for many beneficiaries to eventually graduate to formal banks. In sum, the rural credit component is assessed as having been highly effective not only in achieving progress in reaching these difficult areas, but also in fairly successfully moving into the more up-market segments of formal financial institutions.

69. In general, the private sector component appears to have reached most of its objectives. Investment analyses demonstrate that SIPs have successfully allowed enterprises to expand production, improve quality and strengthen agri-business value chains thus spreading the impact beyond the direct target group, as many SIP-enterprises have started sub-contracting farmers and other input providers.<sup>66</sup> In addition, the established collaboration between the MADA and the French NGO FERT turned to be very relevant and effective. Training on new technology such as improved irrigation, spacing of plants and trees, fertiliser and pesticide use has emerged as an important component for private sector development.

70. With regard to the livestock development sub-component, the design of the intervention and the strong focus on veterinary services (especially control of brucellosis) had the implicit assumption that supervision, testing and follow-up remedial action by government, by e.g. culling of infected livestock, would be effectively implemented. This proved not always to be the case and basing the vaccinations programme on dubious assumptions about the government's effectiveness in undertaking a vaccination campaign (and later relying on GoA data with limited integrity) have clearly undermined effectiveness.<sup>67</sup> The evaluation mission noted that there is considerable uncertainty on the outreach and number of beneficiaries, and there has been no rigorous and methodologically robust evaluation of the effectiveness of the sub-component by either MADA or GoA, but most informed analysts outside

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<sup>66</sup> This was clearly noted among the beneficiaries in evaluation sample.

<sup>67</sup> Again, this was also supported by the evidence that emerged from the analysis of the evaluation sample.

government, including FAO and EU specialists, agree that the main animal diseases (including brucellosis) are still not under control. There are several underlying reasons explaining this underperformance: a) Government's inability to pay compensation to farmers with infected livestock; b) weak supervision of the vaccination activities during which e.g. the integrity cold chain may have been compromised; c) instances of over-reporting. Part of the responsibility for this outcome thus rests with the government.

71. The institutional building component has attained most of its quantifiable objectives, although delays and lack of funds - mainly at the end of the programme period - have in some instances hampered full achievement, partly due to delays in approving MADP's successor programme SDRMA. The main achievement is arguably the firm and effective establishment of MADA and MAFF as nationally recognised institutions delivering valuable services to the mountain areas' people. Thanks to MADA support, Mountain Fora have undertaken lobbying activities and have effectively informed policy makers and civil servants about the priorities and community needs as perceived by the Fora members. This is also corroborated by findings from the MADA Self-Evaluation Report of May 2007. However, based on the evaluation sample and available documentation, it seemed that these lobbying efforts to a large extent (and quite naturally) have mainly reflected the interest of the Fora members - mainly of 'prominent persons' often businessmen, government officials and intellectuals from the local communities - thus jeopardising Fora's ability to fully and effectively promote the poor's interests in policy making<sup>68</sup>. The related local area partnerships piloted in two communes have aimed at developing commune level capacity in general local government planning, prioritisation, fund mobilisation and budgeting. Clearly, this support has improved planning and execution effectiveness of the communes, even though the full effectiveness can only be assessed in the next years.<sup>69</sup> Finally, MADA was effective in establishing the forest and pasture associations that effectively provided useful services, even though many of them had serious problems in maintaining effectiveness without donor funding.

72. On aggregate, MADP has been moderately *ineffective* (3), with an improving tendency over the programme period.

### C. Efficiency

73. At appraisal, MADP's Economic Internal Rate of Return (EIRR) was estimated at 37 per cent, heavily relying on the three main investments in irrigation, vaccinations and agricultural extension. However, already during the programme implementation, it was noted that the reach, coverage and economic lifetime of these investments had been overestimated in which case the EIRR would be probably significantly lower<sup>70</sup>. The evaluation mission would argue that efficiency could have been higher and the technical working paper on EIRR prepared by the evaluation provides various models for calculating EIRR. Substantial implementation delays of nearly two years seriously contributed to reduce efficiency. Finally the parliamentary and local elections were often followed by major staff turnover and sometimes the lack of consensus on new appointment led to a management vacuum. This turned to be also detrimental to improving efficiency.

74. The rural infrastructure component showed generally low unit costs for key inputs such as concrete, labour, design and supervision, although quality concerns have been a persistent corollary,

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<sup>68</sup> The evaluation team recognises the dilemma between insisting on influencing the group formation process and composition, and the degree to which such groups are cohesive and sustainable, as well as the difficulties in organising the poor. Going forward one possible avenue could be to partner with organisations (NGOs/Community Based Organisations (CBOs) explicitly working with the poorest.

<sup>69</sup> Finding based on the evaluation's own sample. See also MADA: 'Self - evaluation' 2007.

<sup>70</sup> As for the rural infrastructure component, an IFAD technical irrigation review in April 2003 concluded that: "UNOPS Supervision Mission Reports claim an EIRR on the project of 21 per cent stating that this reflected the level of sunk costs in existing irrigation structure and conservatively estimated incremental benefits. The EIRR is seriously overestimated as it is based on the assumption that the investment would be fully sustainable, which is not the case, whilst benefits from incremental marketed output are likely to have been overstated. The EIRR is likely to be very low or negative".

bar the concrete. The total rehabilitation work cost roughly US\$2.4 million with an average expenditure of US\$650 per irrigated hectare of land, and with engineering, management and VAT it amounted to roughly US\$845. This figure is higher than the figure initially conceived (US\$520 per hectare). In order to make a full economic analysis of an irrigation scheme, it needs to take into account the investment costs in source works; conveyance as well as in water application (irrigation technology). The current combination of open channels for conveyance and water application by flooding adapted by the MADP is assessed as the most inefficient mode of irrigation. Such irrigation systems usually waste at least half of the water losing extensive amounts of water to evaporation from both the channels and the fields; as well as to leaks and seepage. It is estimated that operating efficiency is less than 40 per cent. This means that over 60 per cent of the water is wasted. In most of the case studies of the evaluation sample, water was limited in quantity. No serious technical and economical analysis of the efficiency, effectiveness as well as the costs of the drip irrigation were done during the design of the project, nor was it done during the design of the rehabilitation. Had it been done many irrigation schemes would have been proven to have better economic feasibility.<sup>71</sup> Therefore, the above figure (US\$845) becomes meaningless when held against the fact that the works did not include the full cost of establishing a new irrigation scheme but rather of reconstructing the conveyance element only<sup>72</sup>. Another self-imposed limitation was to reconstruct the original open channel conveyance system. Although initially the open channels were conceived to be appropriate as contributing to immediate food security, their adoption closed entirely the option for future pressure irrigation technologies such as sprinkler or drip that have a higher efficiency<sup>73</sup> level. With regard to the rural roads sub-component, the average expenditure per rural household for rural roads came to roughly US\$700. In addition, the average cost per kilometre has been estimated to be US\$50,000; this average cost would rise up to US\$65,000 per kilometre if adding 10 per cent for engineering and management and 20 per cent for VAT. The evaluation mission found that internationally these are reasonable costs for rural roads without asphalt surfacing. In sum, the rural infrastructure component was generally inefficient mainly due to the irrigation schemes design and implementation modalities, whereas the much smaller rural roads sub-component was more efficient.

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<sup>71</sup> Also after MTR, MADA decided to opt for quality rather than quantity. A move to modern irrigation technologies would have been a major step towards stressing quality.

<sup>72</sup> A self-imposed limitation was to restore the original open channel conveyance system. Conveyance through a closed pipe system, although more expensive would greatly improve the overall efficiency as losses from a well constructed piped system should be minimal. The current combination of open channels for conveyance and water application by flooding is an inefficient mode of irrigation. Such irrigation systems usually waste at least half of the water losing extensive amounts of water to evaporation from both the channels and the fields; as well as to leaks and seepage. It is estimated that operating efficiency is less than 40 per cent.

<sup>73</sup> Efficiency of water application under sprinkler technology is upward of 80 per cent; efficiency of drip irrigation ranges from 90 per cent - 98 per cent.





**Captation of spring water constructed with the support of IFAD. Water is used for around 300 families and 180-200 ha. A basin is present in the upper part where trout are bred.**  
*Photo: Stefano Grego, Evaluation Mission 2007*

75. The efficiency of the rural credit component has suffered from the heritage of the VCFs, but otherwise both individual and SME lending operations have displayed reasonable levels of efficiency. As of present the average number of active clients per credit officer in the branch is approximately 140-150. The average portfolio per credit officer in the branch is LEK 35.9 million and this enables a smooth monitoring of the individual loans by the credit officers. However, as the number of loans will increase, the situation may change and additional staff for monitoring will be required. The branches at district level have become progressively involved and competent in credit operations, monitoring and supervision, despite their limited facilities. Nevertheless, they have a long, further way to go to reach the

level of proficiency that will be required to ensure development sustainability of a rural commercial bank. Due to the absence of technical staff mainly in enterprise development and small business management, MAFF is not involved in technically monitoring the SME loans; the absence of such a technical follow-up either by MADA or MAFF could negatively affect the efficiency of the loan portfolio.

76. The efficiency of the institutional building component is challenging to evaluate. For the forestry and pasture management sub-component, the implementation of the mini-projects was generally delivered with internationally low unit costs (e.g. construction of water points). Support to Mountain Fora has generally had low unit cost for the locally provided training, although use of international TA has obviously increased costs. However, given the piloting nature of these exercises, such unit cost could be justified if sustainable capacity development is being promoted and the experiences can be scaled up with lower unit costs. The component is assessed as having been efficient making good use of the resources.

77. The overall assessment of MADP's efficiency is rated as moderately inefficient (3), with substantial variations across the programme's portfolio of interventions.

#### **IV. RURAL POVERTY IMPACT**

78. Despite recent efforts by MADP (and MADA in particular), impact has generally not been consistently and robustly monitored which has posed some challenges for this evaluation, especially in the case of vaccination where government complementary actions were needed, but often failed to materialise, undermining impact. However, this does not imply that the impact of the programme has been negligible; indeed it is arguably quite substantial especially within the new components introduced after 2003 (the private sector development and institutional building components). Paradoxically, these new components have hitherto had very limited reach in terms of total numbers of direct beneficiaries but the long-term impact is possibly greater than those interventions reaching many thousands households (e.g. irrigation, user associations and vaccinations).

79. Generally speaking, MADP programme interventions have not taken place where the poor are located, but have largely been concentrated in the substantial richer southern mountain areas, allocating only around 27 per cent of all funds (and only 16 per cent of MADA's investment funds,

whereas MAFF had a more balanced allocation) to northern ones. While there were (and are) obviously still considerable 'pockets' of poverty in southern Albania, the depth and severity of poverty were – and still are - significantly worse in northern Albania.<sup>74</sup> The evaluation mission was unable to find credible technical arguments explaining this imbalance. Thus the evaluation believes that the programme could have achieved more poverty reducing impact by having a more balanced geographical approach.

80. Problems in evaluating impact are compounded by the external factors that occurred during the project's implementation and that positively affected the improvement of the living: the country experienced a general strong economic growth in mountain areas and most beneficiaries received substantial remittances from abroad.

81. **Physical assets.** The implementation of the SIPs strongly contributed to the improvement of physical assets by allowing beneficiaries to increase investments in their capital stock (e.g. machinery, processing equipment owned by the beneficiary) and subsequently generating employment, income and profits. In addition, through the support to forest and pasture management, rural communities were provided with access to physical assets such as water points for livestock, tree planting and seedlings. Even though these assets have not been directly targeted to the poorest, it seems that the impact has benefited all groups poor as well as non-poor. Although indirectly, the credit component catalysed positive changes in the physical asset position of beneficiaries, as manifested primarily in: possession or assured use of perennial crop plantations such as grapes, and homestead horticultural trees; ownership of livestock - especially sheep but also cattle, goats, and bees; individual or, in the case of group or cluster associations, shared ownership of agricultural machinery, craft workshops and other trading. The evidence suggests that at least 50 per cent of the credit beneficiaries would be enjoying one or more of these tangible livelihood gains.

82. **Food security.** Although being the key indicators for programme achievement at programme start, food security and nutritional standards improved very rapidly after programme formulation. Luckily for the beneficiaries, food security for all socio-economic groups is generally no longer considered a relevant indicator for living standards in Albania due to the abundance of food.<sup>75</sup> Hence, it seems that this would have anyhow occurred without any MADP interventions, given the rapid and broad based economic growth in mountain areas. For this reasons, food security as an impact domain and has not been included into the final rating for Rural Poverty Impact. The evaluation found that a marginal and temporary increase in food security occurred among 3 500 beneficiaries as a result of improved irrigation schemes, mainly accruing from a 15 per cent increase in agricultural productivity. However, most schemes showed a very short economic life, which will undermine this achievement.

83. **Environment and common resource base.** Some of the forest and pasture management plans have assisted in the protection and rehabilitation of natural resources and the environment, by promoting sustainable use of common resources. However, the medium to long term impact of these plans is often reduced due to lack of enforcement and limited post-programme activity by the user associations. Major negative environmental impacts have not been registered, but they may occur once intensification of agricultural production and commercialisation among beneficiaries accelerate. Irrigation schemes generally aimed at rehabilitating former irrigation schemes and their beneficiaries were primarily older people not infrequently viewing agriculture more as a recreational rather than a commercial activity. Such beneficiaries are not likely to apply new and more intensive fertiliser and pesticide regimes, thus avoiding any negative environmental impact. In relation to the SIPs, one of these has the explicit objective to develop better environmental protection and conservation activities

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<sup>74</sup> See e.g. the Living Standard Surveys. The incidence of poverty is highest in the north-eastern districts of Kukes and Dibra, where almost half of the population is poor and 80 per cent of families' income comes from social protection schemes, economic assistance and disability payments (IFAD 2007). Also northern Albania has seen double as many people are emigrating to the coastal/central region compared to southern Albania. See INSTAT: Internal Migration in Albania' 2004.

<sup>75</sup> See World Bank and INSTAT (2006): 'Trends in Poverty'. Also World Food Programme closed its Albanian office in 2006 due to the significant improvements in malnutrition rates and in the high degree of food security.

of native species and is thus likely to actively improve the environment and preserve the common resource base. On the other hand, some SIPs are likely to result in agricultural intensification and increased use of inputs such as fertiliser, pesticides and chemicals.

84. **Human assets.** MADP has supported a number of trainings, study tours and demonstrations, which improved human assets, potentially raising incomes and improving livelihoods. This potential has been realised most directly where the beneficiaries had a strong personal incentive to apply the new knowledge, most notably in the SIPs and MADA-FERT collaborations. These activities allowed beneficiaries to gain mastery over new production, processing and marketing technologies, which then increased productivity, incomes and profits in the target area. Conversely, in other cases (e.g. the agricultural extension activities, water user associations and many of the forest and pasture user associations) the considerable training to user associations had a disappointing long-term impact, as there was only a limited demand by the beneficiaries and few personal incentives to apply the new knowledge once external support was terminated. At present, a key challenge would be to ensure even more widespread dissemination of the results from the SIPs and MADA-FERT interventions by e.g. including more farmers in the value chains (both forward and backward) and by ensuring that they get access to the new technologies and practices.

85. **Social capital and empowerment.** Most investments in developing social capital were directed towards the WUAs, which were seen as a potential instrument for advancing collective interests and empowering water users. However, such top-down social engineering attempt failed to establish viable and demand-driven groups, not least because existing group dynamics (to the extent these existed) were not considered. A similar analysis can be applied also to the VCFs under the credit component and to many of the pasture and forestry user associations. It seems that for such groups/associations to function, members would have needed a strong incentive to participate. Recent work on supporting smaller and more commercially coherent groups based on profitable investments in the SIPs has showed a promising potential. Again, the key challenge is now to extend the concepts and disseminate the technologies and modalities to a wider audience.

86. With regard to the Mountain Fora, these have had the potential to enhance social capital and empowerment in rural areas by promoting the rights and voices of the poor and thus facilitating more equitable and informed interaction with policy makers. However Fora's potential has not fully been exploited, as the poor (or alternatively their representatives) were not included or directly empowered and they had only marginal influence and representation. The medium to long term impact is somewhat uncertain as most of the Fora are still largely perceived as donor creations requiring donor funding to continue operations, despite concerted efforts by both MADA and its implementing agency to combat such perceptions.

87. **Agricultural productivity.** The overall programme had a positive impact on the mountain area agriculture production although most of the increase in production was for either home consumption (wheat, fruits and vegetables) or the production of fodder for livestock feeding (maize, alfalfa, and other fodder crops) with few beneficiaries aiming at commercial and market-oriented production. Generally, most of the farmers continued to grow the same crops, undoubtedly with a higher yield, but without modifying their farming practices. Also, some of the agricultural productivity improvements derived from the irrigation rehabilitation proved to be short lasting as most of the investments made were unsustainable and based on flawed design. More positively, through the SIPs and MADA-FERT collaboration, crucial agriculture technologies for seed potato, milk processing and vineyard and wine production were introduced, the result being a positive trend for commercialisation of agriculture and facilitating increased productivity. This has impacted positively not only on the directly targeted beneficiaries but also on other producers, processors and supplier, thus strengthening and extending the value chains.

88. A large number of beneficiaries were able to increase their production capacity in agriculture and livestock through their involvement in the rural credit component. This is especially evident in the case of grape and other fruit growers and also of those who increased their herd of animals, especially goats and sheep. These producers are tied up with wine/raki producers and also dairy production units that have benefited both from the SIPs and the SME loan schemes. The contractual agreements that the

wine and the dairy producers have with the growers of grapes and dairy farmers enable the latter to get a regular and better income for their produce.

89. The vaccination of small ruminants and of young replacement breeding stock may lead to progressively increasing proportions of immune individuals in target population, with a positive step forward on brucellosis eradication in the mountain area. The expected benefits of such processes include the reduction of abortion rates, improved reproductive performance in small ruminants and improved potential to select breeding replacement stock. However, impact remains thoroughly unsubstantiated and subject to intense disputes<sup>76</sup> which is rather unfortunate given the substantial funds that have been invested in the vaccination programme by both MADA and GoA.

90. **Institutions and services.** Both the Mountain Fora and the local area partnerships clearly had an impact on the existing institutions, by playing an advocacy role and strengthening planning and budgeting capacity of the pilot communes. The expected impact could have been more precisely (and more pro-poor) defined at design stage, as many uncertainties about the Fora's exact mandate, role and relations to especially government institutions were – and to a certain degree remain – unclear. In this context, there still room for improvements, as these Fora are rather elitist, being dominated by either government or business representatives.<sup>77</sup>

91. At national level, the creation of the two apex institutions MAFF and MADA has been a significant achievement in terms of delivering tangible benefits to the target groups (e.g. financial services and technology through SIPs). MADA, being explicitly charged with poverty reduction in mountainous areas, has also managed to put this issue on the public agenda. However, the lack of continued and intense pressure by e.g. MADA and the national Fora on central government budget priorities probably prevented any substantial impact. At local level, given that almost all the concerned local governments' budgets are already devoted to mountain areas, the key issue is whether the lobbying efforts resulted in more effective allocation of resources in particular in relation to the poorest. Unfortunately, no conclusive evidence was produced by MADA. Anecdotal evidence from the evaluation mission suggests that some lobbying efforts<sup>78</sup> have promoted business development by e.g. pressing for physical infrastructure to facilitate market access. However, most of these efforts appear to have been driven by the interests of the individual members or the organisations/businesses they represent, and the degree to which their interests are identical to the community in general and the poor in particular obviously vary.<sup>79</sup>

92. **Financial assets.** The rural credit component had a substantial impact on the beneficiaries' access to financial services. Continuing access to credit provides members with the confidence and scope to expand their activities in a more strategic manner. They are now able to increase investments and smooth their consumption patterns, thus reducing exposure to e.g. seasonal or unforeseen downturns in the economy. Moreover, by promoting individual and SME loans following a strict commercial approach, the component helped restore a healthier and more sustainable credit culture in the country. As a result of borrowings for on-farm (e.g. grape cultivation, medicinal herbs, sheep

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<sup>76</sup> This calls for strong impact monitoring and evaluation to be in-built in such interventions, preferable using government systems, as they will continue to need tools and information on the effectiveness and impact of their programmes.

<sup>77</sup> Obviously the local elite may in many instances have shared interests with the poor, but this cannot be assumed a priori. Stronger inclusion of the poor and their representatives may have facilitated that only such shared interests were promoted.

<sup>78</sup> International experiences suggest that lobbying efforts can produce welfare enhancing outcomes by informing policy makers, provided that these have sufficient autonomy from the lobbying groups (e.g. that they are not identical or 'captured') and that such lobbying efforts are balanced by similar lobbying efforts from other interested parties with other perspectives and interests. Such conditions do not seem to be fully in place yet and more efforts are arguably needed to promote more balanced and inclusive advocacy efforts, representing the diversity of rural mountainous areas.

<sup>79</sup> In Korca for example, lobbying from fora representatives from remote mountainous areas succeed in allocating more capital expenditures for schools and primary health care, which will probably benefit both poor and non-poor in that area.



rearing, etc.) and non-farm development (wine production, shoe manufacture, beauty salons, trading, etc.) substantial improvements have taken place in beneficiaries' living conditions. MAFF made a very rigid assumption that each individual loan creates one place of employment while a SME loan creates three places.<sup>80</sup> The evaluation team has no reasons to doubt that the SME loans have also been effective in creating employment opportunities, but it does not find the analysis made by MAFF fully convincing, as hard data supporting these assertions are not available. It is hence suggested that MAFF conducts a thorough impact assessment documenting and quantifying the successes and calculates the multiplier effects.

**Case story on how Mr. Qamili expanded livestock production through credits.**

I have a family of six members: my wife, two sons and two daughters. Two of the children are still studying while the other two have finished school and are helping me in the agricultural and livestock activities in which my family is involved. I have land and also inherited land from my parents. On my land I grow cereals that are sufficient for my family consumption. In year 1991 I obtained a small loan from the Agricultural Bank to purchase some pigs. That was my first experience of borrowing. I started growing grass on my lands and also purchased 20 sheep. I have a horse for haulage. Subsequently, the district fund (MAFF) approached me and offered me a loan to expand my sheep rearing. In March 2007, I obtained a loan of Lek 2 000 000 (app. US\$22 000) and bought another 200 sheep to add to my herd. The loan payable in ten years has a rate of interest of 19 per cent. I kept my land (1.9 ha) as collateral to obtain the loan. It took about 15 days for me to receive the loan. As a result of the increase in the number of sheep and sale of sheep milk, wool leather I am in a position to have an enhanced monthly net income from sheep of about Lek 70 000. All in all, I could accumulate about Lek 700 000 for a period of three-four months. I keep this money with me at home. My future plans are to increase the herd of sheep to about 500 and also lease additional land in order to grow grass required to feed the animals. I am certain that I will be able to pay back the loan from the Fund which I borrowed for a period of ten years in a much shorter time of about three years. Although I am quite satisfied with the services of MAFF, I wish to state that the interest rate offered by the Fund is quite high.

93. **Markets.** The road construction is the most direct manifestation of MADP's support to increasing access to markets. While a few have been somewhat misplaced (perhaps due to political pressure) most have proved to have a strong and positive impact on the communities they serve, even though the impact has been reduced by the low level of effectiveness in reaching the initial objectives and also construction quality may in several instances undermine sustainability and thus reduce long-term impact.

94. Within the context of SIPs and most MAFF loans, efforts were made to widen and expand agribusiness value chains. This holds the potential to include more sectors of the rural economy into the commercial markets, impacting positively on farmers' incomes. With this being a market driven process, there is the risk that only the successful farmers could benefit, whereas some of the poorest farmers could become even more marginalised and would eventually exit agricultural production, taking up employment in e.g. the booming agribusiness, industry or service sector. However, there could be also many benefits to poor people, partly indirectly through lower food prices from increasingly efficient markets, but also more directly, through new kinds of growth linkages associated with a prosperous commercial and market-oriented farming sector. Thus, IFAD is increasingly supporting such processes in which the best strategy for reducing poverty becomes exiting agricultural-based livelihoods seeking alternative employment mainly in the rural non-agricultural market.

95. **Impact ratings.** Based on the above analysis, the evaluation team has made the following ratings for each of the impact domains and has given an average impact rate of 4.

<sup>80</sup> See e.g. MAFF: Self-evaluation, June 2007.

**Table 7. Overall MADP Impact Ratings**

Physical Assets	4
Environment and Common Resource Base	4
Human Assets	3
Social Capital and Empowerment	2
Agricultural Productivity	4
Institutions and Services	3
Financial Assets	5
Markets	5
<b><i>Rural Poverty Impact</i></b>	<b>4</b>

96. It should be noted that such a snapshot does little to inform readers about the dynamic changes made to MADP which has clearly seen impact improving through time, upon which the successor programme SRDMA builds.

## **V. OVERARCHING FACTORS**

### **A. Sustainability**

97. At institutional level, MADA has become a more sustainable market-supporting centre of excellence for mountain areas development and now it aims at developing into a regional development agency as seen in other European countries. MADA's sustainability prospects are clearly improving but will continue to depend on both the legitimacy it is gaining among stakeholders in the mountain areas as well as the degree to which GoA is willing to continue supporting the agency. So far indications are largely positive, as the government is considering devolving substantially more legal authority to MADA. However, it will probably need support from external development partners for a number of years.

98. With regard to MAFF, sustainability prospects appear bright, provided MAFF is given the full ability to compete on equal terms with the growing competition. Privatisation will probably be the only long term sustainable solution.<sup>81</sup> The graduation and implicit building of credit histories of both individual and SME borrowers is seen as an important factor in ensuring sustainability. There is a clear demand by the villagers for continuing financial services. The obstacle for reaching some of the most difficult areas is the collateral, which is usually the land for which about 50 per cent of farmers do not carry a title deed so far. However, the government expects to expedite the process of land titling in the near future, which will pave the way for those who want to have easy access to credit from MAFF.

99. As for the support to Fora at both district and national levels, these are also experiencing some problems, having hitherto derived most of the income and funding for activities from MADA. With the end of MADA funding, the level of activity has consequently dropped substantially, with the result that many Fora have either turned largely dormant, or sought other donor assistances for a variety of purposes and at times somewhat opportunistically without strong strategic guidance; the consequence being a limited political and social sustainability. Going forward it will be important for the Fora to improve their legitimacy and representativeness both towards their members but also in relation to policy making bodies. If, for example, the Fora gain formal representation in public policy bodies, both political and social sustainability could probably improve. As for the local area partnerships, these are targeting institutions (i.e. communes) that are legally enshrined in the law and hence both politically and socially sustainable as such. The support granted has assisted in preparing high quality local development plans and generally improved local capacity sustainably. Going forward, a crucial step will be to upscale the support.

100. As for the specific interventions, an important determining factor for sustainability seems to be the degree to which individuals, companies or cohesive (socially and/or commercially) groups of

<sup>81</sup> The strategy for MAFF's transformation and privatisation was approved by Council of Ministers in February 2005.

individuals have a clear and direct incentive to continue the activity after support is withdrawn. Perhaps the most powerful incentive is the profit motive combined with private ownership of productive assets, which explains the significantly higher degree of sustainability of e.g. SIPs compared to various donor-established user groups/associations, such as WUAs and forest and pasture management user associations. For this latter, the 100 per cent donor financing may have further limited the ownership of the interventions.

101. With regard to the rural irrigation subcomponent (the single biggest sub-component), the economic and financial sustainability of the irrigation schemes is low due to inadequate planning of irrigated farming as a 'package' that would include optimal selection of crops, selection of appropriate irrigation technology, improved irrigation efficiency and adequate market information and access. Most importantly, there is limited evidence to suggest that the productivity gains achieved through the irrigation schemes will be maintained for more than a few years as the physical quality of the constructions, combined with virtually non-existent O&M systems, will soon render most schemes ineffective again. The technical sustainability of most schemes is also doubtful, as the low level of income generated by crops under irrigation does not allow financing the further rehabilitation which is necessary. Finally, from a social point of view, investments in irrigation are not sustainable due to the fact that no young people have been involved in irrigation schemes, as often they go to work abroad or in Tirana and send remittances to sustain their parents' needs to pay for irrigation water.

102. With regard to the technical sustainability of the rural roads this has been found to be less than should have been expected due mainly to the weaknesses in design and implementation of road drainage systems. In terms of ownership, the entire process for implementation of the infrastructure component has been mainly supply-driven with limited participation by the benefiting communities.

103. Conversely, the sustainability of the private sector support that started with SIP grants and FERT technology is assured by the specific (self) interest of the directly involved beneficiaries. Indeed, many of them have seen a rapid expansion of activities, new investments generating higher employment- and profit-levels. The key factor here obviously has been the substantial economic sustainability, coupled with a policy framework which allows for economic expansion.

104. The sustainability of support to private and public veterinary services is uncertain. In the endemically infected zones, a programme of mass vaccination for a minimum of four years is recommended to replace the current strategy of vaccinating remounts. Experience from the last three years of vaccination indicates that issues such as quality assurance of the vaccine, a reliable cold chain, adequate supervision of field operations and technical monitoring must be guaranteed to have a sustainable progress in brucellosis control. The large degree of variability observed in 2006 is particularly disturbing as it could indicate the use of immunologically inactive batches of vaccine during the previous campaigns. Irrespective of the cause of the poor results, it is clear that improvements must be made in all aspects of vaccine production, distribution, administration as well as increasing the level of supervision and technical monitoring of the private operators in future campaigns. This is clearly the responsibility of the government without which the sustainability of previous MADA efforts will be jeopardised. In addition the inability/unwillingness of the government (indicating limited political sustainability) to pay compensation for culling infected animals has undermined the sustainability in many districts.

105. Based on the above observations and in-dept component specific sustainability analyses, the assessment for sustainability at aggregate level is judged to be moderately not sustainable (3), with substantial and important variations between components and over time. This rating does thus not fully capture the dynamics of MADP and its successor programme, which have seen clear sustainability improvements, but the substantial early investments had very limited sustainability.

## **B. Innovation, Replicability, and Scaling-Up**

106. The two major institutional innovative features of MADP have been the establishment of MADA and MAFF. MADA has clearly been an innovation in the Albanian context, although a quite normal phenomenon in other countries. MAFF is also an innovative feature, although much of the

initial portfolio was inherited from previous projects, inducing the somewhat misguided innovation of VCFs. MAFF itself has produced innovative products such as flexible repayment regimes for its credits which have been well received among its customers.

107. At institutional level, the introduction of Fora at both district and national level represents a quite innovative element in MADP's context, both as for their 'non-productive' focus as well as for being less directly involved in poverty reduction activities. This feature marked a departure from what can be considered IFAD's traditional areas of support, towards more general public sector management strengthening and advocacy efforts. The local area partnership also contained some innovative elements, especially the linking to Fora support. Still the question of IFAD's comparative advantage vis-à-vis e.g. bilateral donors, UNDP and World Bank in offering support in such sectors lingers.

108. The potential to replicate and up-scale the main innovative concept of Fora still remains to be fully tested. On the one hand, well-entrenched and formally granted representation in public policy bodies, combined with stronger connections with its members, would arguably increase the potential for replicability. However there may be an important dilemma in strengthening the mandate and strategic focus of the Fora if this is coupled with a broader membership base by including the poorer segment of society. It is not self-evident that such broadening of the member-base would be consistent with improving focus and strategic clarity as different groups (e.g. businessmen and the poor) may have different priorities and interests. This dilemma is probably most pronounced at local level (prefecture and municipality/commune) where most of the lobbying will be concerned about allocation within mountainous areas. The evidence from the evaluation sample suggests that without continued donor funding most of these local level fora will not be replicated on a significant scale. In contrast, lobbying at national level may focus more on increasing attention and budget allocations from coastal to mountainous areas, which may pose fewer inherent conflicts for the National Forum.

109. The decision to make SIPs a central pillar in the private sector development component was a pro-active and well-designed innovation that capitalised on - and supported - the then nascent economic recovery in the mountain areas. Through the introduction of SIPs, focus was redirected from supporting essentially economically doomed small-scale subsistence farmers, towards strengthening commercial farmers with a strong potential to up-scale. Often SIPs have catalysed the realisation of this potential. This is arguably also rather innovative in relation to IFAD's more traditional approach to poverty reduction, which tends to argue for continued support to small-scale farmers' agricultural production. The SIP-concepts and whole programme's strategic reorientation are the strongest candidates for replication and up-scaling especially in circumstances where widespread dissemination of benefits can be ensured. Applying a rigours value chain analysis should assist in identifying such opportunities.

110. The overall rating for innovation, replicability and up-scaling is moderately satisfactory (4) as some initial interventions, especially concerning the rural infrastructure component, aimed at preserving old structures with no scope for up-scaling. Conversely, other interventions mostly introduced after 2003 had stronger innovative features and have the potential to be up-scaled and replicated.

## **VI. PERFORMANCE OF IFAD AND ITS PARTNERS**

111. IFAD played a crucial role in design, building from the experiences of IFAD's two previously supported projects. However, MADP's design several some structural flaws and was partly based on unconvincing assumptions, which were not fully analysed neither by IFAD nor government. IFAD responded well after the 2003 Mid-Term Review, when the much needed reorientation of the programme took place, although it did not include quantifiable indicators (incl. gender related ones) against which programme's progress could be measured. In other interventions, IFAD played a supportive role by providing TA mostly in a timely and appropriate fashion also by participating in subsequent supervision missions. However, since mid-2005 IFAD/UNOPS did not facilitate enough

follow-up to ensure the full implementation of earlier made recommendations<sup>82</sup>, partly due to the fact that no budget was made available in the approved IFAD/UNOPS work programme and budget. The decision to make SIPs a central pillar in the private sector development component was a pro-active and well-designed innovation.



**Goriza Irrigation Scheme: Corn cultivation in the irrigated field.**  
*Source: Stefano Grego, Evaluation Mission 2007*

112. The decision by both IFAD and GoA to create a financial institution exclusively aimed at mountain areas (MAFF), seemed courageous and appropriate, and IFAD provided MAFF with continued support during the formative and operational stages. However, more efforts could have been invested in preparing exit strategies. Most importantly, IFAD strategically used MADP as a policy platform for advancing the dialogue on mountain areas development, which catapulted the issue to the agenda of policy-makers and ensured stronger government commitment. IFAD also played a major and positive role in promoting capacity development of local governments, thus

enhancing domestic ownership and increasing the likelihood for sustainability. However, while playing a catalysing and subsequent supportive role in promoting institutional development, IFAD could have ensured a stronger focus on promoting the interests and voice of the poor and their representatives, especially with regard to Mountain Fora where IFAD should have promoted a more inclusive approach. Finally, in relation to the massive vaccination programme that IFAD supported, mainly by funding MoAF's campaign, IFAD should have insisted on more robust mechanisms to continuously monitor and document real effectiveness and impact. The overall assessment for IFAD performance is moderately satisfactory (4) with a strong improving tendency over time.

113. Government of Albania has been the key domestic partner providing a generally enabling legislative framework for e.g. MAFF, but also private sector development in general. However, macro political changes seem at times to have impacted on the frequency and appointment of senior management positions, thus generating delays and some loss of institutional memory. In addition, the appointments made by GoA may have impacted on geographical distributions of benefits partly inconsistently with intentions and agreements at programme start. At implementation level some of the needed and agreed complementary actions (such as compensation for culled livestock) have not fully materialised potentially jeopardising part of the investments. In addition, GoA has not convincingly established a robust M&E system that could inform policy-makers about the impact of e.g. the vaccination programme, which is a serious omission.<sup>83</sup> Finally, the choice of MoAF as key partner

<sup>82</sup> For example, all review missions emphasized the need for the preparation of a design manual for irrigation schemes and a number of subsequent missions by the IFAD irrigation engineer attempted to facilitate the preparation of such a manual. Nevertheless, to date there is no design manual in effect.

<sup>83</sup> As stated previously IFAD should arguably have insisted on having such credible M&E system in place prior to commencement of the campaign. However neither such preconditions nor analysis of the M&E issue was made in the appraisal report and loan agreement.

ministry gradually seems to have become inappropriate as the programme increasingly focussed on non-agricultural issues partly outside MoAF's mandate<sup>84</sup>.

114. At local government level, the policy decision to decentralise user rights to forest and pasture resources to communities has obviously been instrumental for facilitating the activities within this sub-component. However, lack of non-donor resources (e.g. from local governments) prevented most forest and pasture user associations to continue their work, and local governments have been unable to facilitate other sustainable revenue streams.<sup>85</sup> On the other hand, local governments have participated enthusiastically in the strategic development planning exercises piloted under the local area partnership sub-component.

115. The rating for GoA performance at both levels is moderately unsatisfactory (3), with appointment delays and lack of complementary actions reducing performance.

116. UNOPS performed its supervision duties with a reasonable degree of responsibility, proportional to the resource allocated, alerting stakeholders to possible problems and providing part of the remedial resources such as technical inputs. In strong partnership with IFAD, UNOPS clearly played a decisive role in attempting to direct the programme into more pro-poor activities both thematically and geographically, but unfortunately it did not always succeed. UNOPS conducted its last supervision mission in May 2005. However, further supervision missions would have been beneficial for some of the components (such as rural infrastructure and rural credit), but this was prevented by lack of sufficient budgeted resources in the approved IFAD-UNOPS work programmes and budgets. UNOPS performance has thus been satisfactory (5).

117. DFID provided technical assistance to a number of activities, including overall programme management, SIPs and local partnership initiatives. Clearly the produced outputs testify a relatively high quality of the assistance, but concerns by the beneficiaries have been voiced about the degree of local involvement, capacity development and ownership. In the future, it may be necessary to emphasise a more demand driven and facilitatory role of TA.

118. Both the Italian Cooperation and the Dutch SNV have also been co-funders. In MADP's initial phase, the Dutch SNV provided TA to the forest and pasture management associations; these inputs have been appreciated as they facilitated the implementation of important activities such as the private sector development activities and tree planting. The Italian Cooperation has primarily provided funds in a timely manner, apart from the last instalment, which was delayed due to the SDRMA programme's late approval. Through the Italian funding a number of workshops with a wide range of stakeholders have been held at the district, regional and national level with the aim of developing a common vision for mountain area development.

119. The communities (as defined and often created by MADP) were not appropriate instruments for achieving impact and more efforts should arguably have been made from the MADP to utilise existing community institutions rather than establishing new ones. The communities participated in a number of contexts from water user associations to fora development and forest and pasture user associations with reasonable dedication, at least as long as they derived direct programme benefits. However, very few honoured the commitment to provide user/community contributions and all displayed challenges in operation and maintenance. In addition, some of the communities were only 'on paper' community associations and most proved to be unsustainable. Many 'community leaders' made their request for irrigation rehabilitation not on the basis of the whole community's needs and aspirations but often following political and personal preferences and priorities.

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<sup>84</sup> In most countries the Ministry of Agriculture is IFAD's partner of choice, but in the MADP successor programme, SRDMA, the Ministry of Economy is the key partner.

<sup>85</sup> At appraisal the sustainability of the associations were expected to be derived from user fees and through the establishment of a partnership with the local communes. However, many associations failed to collect sufficient user contributions to maintain activity levels, and the 'partnerships' with local communes rarely translated into monetary benefits.

## VII. CONCLUSIONS AND RECOMMENDATIONS

### A. Conclusions

120. As a result, overall assessment for MADP's performance is assessed as partly successful (4).<sup>86</sup> When interpreting the performance ratings, the context during which MADP was designed and subsequently implemented is important. The severe political and economic disruption caused by the collapse of the pyramid schemes and the Kosovo crises clearly reduced focus on long-term sustainability issues and the need to foster structural change in the mountain areas.

121. In addition, there seems to have been considerable project inertia, with many modalities and concepts being somewhat uncritically inherited from previous projects. This led to the design of interventions with only limited impact and sustainability, often being supply driven and with a poor monitoring and supervision system. Exacerbating the supply driven approach was the 2 years delay in project start-up due to disagreements on senior staff appointments.

122. To the credit of IFAD, UNOPS and partly also GoA, during the Mid-Term Review remedial and drastic actions and strategic reorientations were proposed, in order to restore relevance and improve impact and sustainability. Moreover, MADP has also both supported and benefited from the economic revival in mountain areas that have occurred during the programme period. On aggregate the welfare consequences are highly positive but, while MADP has been refocused to directly support potential winners in expanding production and generating employment (also benefiting the poor), more efforts could arguably have been invested in assisting the losers in finding alternative livelihoods. Such an emphasis is not a call for a return to the old approach of providing incremental productivity improvements but rather to step up efforts in findings ways by which the poor can take full advantage of the new opportunities emerging, most of which are outside the agricultural sector.

123. The MADP interventions in rural areas have also been instructive for all partners and competitors, as the MAFF experience testifies. By demonstrating that the poor households in mountain areas are bankable, it has spurred increasing competition for customers and has increased the products available also by driving down prices.

124. The single largest achievement of MADP is the establishment of the two core institutions of MADA and MAFF that played a crucial role in raising the profile of the mountain areas on the policy agenda. The general knowledge of the specific needs and problems, but also opportunities and investment potentials of these areas are now significantly enhanced among the public and policy-makers. However, both institutions could have performed even better had they been subject to less political interference and more robust impact monitoring and evaluation systems.

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<sup>86</sup> This assessment is made on the basis of six performance indicators (Relevance, Effectiveness, and Efficiency, whose arithmetical average leads to Project Performance; Rural Poverty Impact; Innovation and Sustainability). Performance of Partners is not included in the final rating for Overall Project's Achievement.



**Table 8. Overall MADP Achievement<sup>87</sup>**

	MADP
Relevance	5
Effectiveness	3
Efficiency	3
<b><i>Project Performance<sup>88</sup></i></b>	<b>4</b>
Rural Poverty Impact	4
Sustainability	3
Innovation	4
<b><i>Overall Project Achievement<sup>89</sup></i></b>	<b>4</b>
<b>Partner Performance</b>	
IFAD	4
Government of Albania	3
UNOPS	5

## B. Recommendations

**125. Accelerate the strategic shift supporting a private sector led structural transformation.** This should form the backbone of the mountain areas growth and poverty reduction strategy. However, all partners should remain clear that this process will produce both winners and short-term losers. In the agricultural sector, this new strategic direction will entail support to land concentration, commercialisation and industrialisation, a process that is likely to temporarily marginalise the least resourced farmers, as they cannot meet the increasingly demanding standards of modern agriculture. This process is likely to be intensified as Albania seeks EU approximation to food safety standards (in particular SPS and HACCP), which in turn will force farmers to meet quantity, quality, timeliness and traceability requirements of new supply chains. Small scale, under-capitalised and often under-educated farmers have only limited prospects in this scenario, even with IFAD's assistance. This links to the next recommendation.

**126. Increase the poorest labour market mobility enabling them to exploit emerging non-agricultural opportunities.** Perhaps too often IFAD (both in Albania and globally) has attempted to improve existing, mostly agricultural, livelihoods of the poorest. Thus initial emphasis in MADA was to improve - marginally – the productivity of small-scale farmers by e.g. irrigation. As argued above, this strategy is likely only to delay an inevitable process. More efforts should be made to complement the above mentioned private sector led growth strategy with targeted efforts aimed at improving the poorest people's skills and competencies, in order to give them the opportunity to keep up with the new opportunities lying outside the agricultural sector.

**127. Increase the voice of the poorest mountain people in policy making and allocations of importance to them.** At the moment the key vehicles for promoting voice and accountability - the Fora - are not representing the rural poor, and there is the risk that attempts to broaden Fora membership will undermine cohesiveness and sustainability. Going forward, IFAD and MADA may need to devote more resources in analysing how to better ensure the representation of the poor in lobbying efforts, perhaps by supporting CSOs and other more pro-poor groups directly, as a complement to Fora support.

<sup>87</sup> The ratings are based on the OE's six-point rating system: Highly Satisfactory (6); Satisfactory (5); Moderately Satisfactory (4); Moderately Unsatisfactory (3); Unsatisfactory (2); Highly Unsatisfactory (1).

<sup>88</sup> As per OE's Methodology, the Project Performance rating is the arithmetical average of Relevance, Effectiveness and Efficiency.

<sup>89</sup> As per OE's Methodology, the Overall Project Achievement is a composite assessment of the six evaluation criteria: relevance; effectiveness; efficiency; rural poverty impact; innovation and sustainability.



128. **Prioritise districts with higher than average poverty rates.** It is unacceptable that MADA has focussed efforts on relatively rich areas, leaving out poorer and more deserving ones. This needs to be corrected and will have to entail more investments in northern mountain areas. IFAD should closely monitor spatial disbursement patterns and should not allow a repetition to occur.

129. **Make a clear, sequenced and time specific privatisation plan for MAFF.** While there was an argument for using public funds (IFAD and government) for reaching poor mountain households when the programme started, this argument is now starting to lose validity. Commercial banks are, partly taking their cue from MAFF, investing heavily in mountain areas, and MAFF should be given the full operational and management freedom needed to remain competitive, as only a full privatisation process could offer. In this process MAFF should be assisted to define its unique selling proposition, which is probably still related to the less affluent market segment in the mountain areas.

130. **Ensure more realistic analysis of incentives and political economy issues in the design of similar programmes.** The MADP experience testifies to the need to critically analyse both economic and political incentives of all stakeholders (including possible losers) especially when designing interventions based on collective approaches, be it credit, infrastructure or natural resource management. The MADP experiences also suggest that there are significant dangers in following donor fashions as the evidence from irrigation, forest management and micro-credit testify. Too often such approaches have been used as a blue-print that have had relevance in another context, but not in Albania. Interventions relying on the establishment of new groups and associations need to be carefully evaluated, utilising both insight from the political economy of collective action and more simple incentive analysis.



## Original Logical Framework 1999

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
<b>Programme Goal</b>			
Sustainable long-term economic growth and development achieved in the mountain areas.	Achievement of programme objectives <ul style="list-style-type: none"> <li>• NDRDP</li> <li>• SSIRP</li> <li>• Mountain Areas Development Programme</li> </ul>	Evaluation reports Country portfolio review	
<b>Programme Purpose</b>			
Standard of living of 37 500 poor mountain area households raised.	Nutrition improved <ul style="list-style-type: none"> <li>• Height for age</li> <li>• Weight for age</li> <li>• Increased incomes</li> <li>• Nature of expenditures</li> </ul>	Nutrition surveys (MADA) MADA reports Baseline and repeater surveys	The Government's continued commitment to market economy and reform. Good governance.
<b>Programme Outputs</b>			
<ul style="list-style-type: none"> <li>• MADA established and implements a resource-efficient programme that meets expressed needs of beneficiaries.</li> <li>• Sustainable financial institution (MAFF) established for the disbursement of credit to rural mountain area clients.</li> <li>• Sustainable on-farm irrigation provided.</li> <li>• </li> <li>• </li> <li>• </li> <li>• </li> <li>• Quality and quantity of agricultural production improved.</li> <li>• </li> <li>• </li> <li>• </li> <li>• </li> <li>• </li> <li>• </li> <li>• Increased commercialization of mountain area agriculture.</li> </ul>	<ul style="list-style-type: none"> <li>• Client (beneficiary) satisfaction evidenced by continued participation in MADA initiatives.</li> <li>• Rate of arrears below 5%.</li> <li>• Financial ratios remain within levels acceptable to the Bank of Albania and IFAD.</li> <li>• Annual water delivery per hectare improved.</li> <li>• No. of irrigations per crop increased.</li> <li>• Ratio of water charges collected to water charges due improved.</li> <li>• Crop yields/ha improved.</li> <li>• Cropping intensity increased.</li> <li>• Increased off-take.</li> <li>• Liveweight of animals increased.</li> <li>• Milk yields increased.</li> <li>• No. of private veterinarians operating in mountain areas.</li> <li>• No. of farmers that continue to vaccinate animals.</li> <li>• % of marketed output increased.</li> <li>• Sales of agricultural inputs increased.</li> <li>• No. of km of roads maintained by communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Contract monitoring</li> <li>• Client focus groups/key informants</li> <li>• MAFF reports</li> <li>• Audit reports</li> <li>• SSIRP progress reports</li> <li>• MOA reports</li> <li>• MADA reports</li> <li>• MOA reports</li> <li>• Government of Albania (GOA) statistics office reports</li> <li>• MADA surveys/reports</li> <li>• GOA statistics office reports</li> <li>• MOA reports</li> </ul>	<ul style="list-style-type: none"> <li>• No disruptions from social unrest.</li> <li>• Macroeconomic environment remains stable.</li> </ul>

Narrative Summary		Verifiable Indicators		Means of Verification		Assumptions
<ul style="list-style-type: none"> <li>Programme activities</li> <li>Development initiatives prepared, appraised, funded and monitored by MADA, with full participation of the beneficiaries.</li> <li>MIS systems for quality control, measurement of progress and impact assessment implemented.</li> <li>Programme for mountain areas drafted.</li> <li>MADA district/field offices established.</li> </ul>		<ul style="list-style-type: none"> <li>1.1. No. of contracts with implementing agencies disaggregated by type of agency and purpose of contract.</li> <li>1.2. MIS system established in PY1.</li> <li>1.2. Needs assessment/baseline survey carried out in PY1.</li> <li>1.3. Draft programme available in PY1.</li> <li>1.4. Two field offices established in PY1, two more by PY4.</li> </ul>		MADA reports Beneficiary monitoring		<ul style="list-style-type: none"> <li>Effective technical, financial and managerial support provided by MADA.</li> <li>MADA created by order of GOA.</li> <li>Subsidiary agreement concluded between MAFF and the Ministry of Finance (MOF).</li> </ul>
<ul style="list-style-type: none"> <li>MAFF established as non-banking financial foundation licensed by the Bank of Albania.</li> <li>Credit resources made available for productive purposes in mountain areas, including to: VCFs, traders, small specialist producers and processors.</li> </ul>		<ul style="list-style-type: none"> <li>2.1 License obtained for MAFF by 1 Dec 1999.</li> <li>2.2 Lending to 180 VCFs by PY6, amounting to ALL 725 million disaggregated by: number and type of loans made and gender.</li> <li>2.2 Lending to traders, small producers and entrepreneurs reaches ALL 500 million by PY6 disaggregated by: number and type of loans made and gender.</li> </ul>		Certificate submitted by the Government MAFF records and financial reports Audit reports		<ul style="list-style-type: none"> <li>Subsidiary financing agreement concluded between MAFF and MOF.</li> <li>Initial subscribed capital paid in accordance with regulations of Bank of Albania.</li> </ul>
<ul style="list-style-type: none"> <li>Small-scale irrigation schemes rehabilitated with full participation of farmers.</li> <li>Sustainable management structures put in place.</li> <li>Training provided for WUAs/FWUAs.</li> </ul>		<ul style="list-style-type: none"> <li>3.1 6 400 ha rehabilitated by PY6.</li> <li>3.2 140 WUAs formed by PY6.</li> <li>3.3 20 FWUAs formed by PY6.</li> <li>3.3 700 WUA/FWUA members trained as leaders.</li> <li>3.3 9 000 WUA members trained</li> </ul>		SSIRP progress reports Beneficiary monitoring		<ul style="list-style-type: none"> <li>No disputes over land titles/ownership.</li> <li>Schemes turned over to WUAs prior to rehabilitation.</li> </ul>
<ul style="list-style-type: none"> <li>Community pasture and forest management plans implemented.</li> <li>Re-seeding, fencing, reforestation, planting and water source improvement completed.</li> <li>Private veterinary services established.</li> <li>Livestock vaccinated against endemic diseases.</li> <li>Demand-driven agricultural extension system put in place.</li> </ul>		<ul style="list-style-type: none"> <li>4.1 Ten commune management plans developed, covering 100 villages</li> <li>4.1 300 000 ha rehabilitated/improved by PY6.</li> <li>4.2 300 villages covered and some 180 000 animals treated</li> <li>4.2 No. of head vaccinated increased</li> <li>4.2 No. of head tested for disease: positive destroyed (decreased)</li> <li>4.3 420 on-farm demonstrations by PY6.</li> <li>4.3 No. of farmers attending field days.</li> <li>4.3 No. of extension staff trained both in technical aspects as well as participatory methodologies</li> <li>4.3 No. of requests for TA financed by MADA, by type of request.</li> </ul>		DoE Reports (MOA) MADA reports Beneficiary monitoring		<ul style="list-style-type: none"> <li>User rights transferred to communities.</li> <li>Farmers willing to pay for private services, veterinarian and technical.</li> </ul>
<ul style="list-style-type: none"> <li>Selected rural infrastructure rehabilitated.</li> </ul>		<ul style="list-style-type: none"> <li>5.1 120 km of roads upgraded.</li> <li>5.1 No. and type of community projects carried out.</li> </ul>		MADA reports ADF reports Beneficiary monitoring		<ul style="list-style-type: none"> <li>Conclusion of contract with ADF.</li> </ul>
<ul style="list-style-type: none"> <li>Inputs</li> <li>Civil works</li> <li>Contracted services</li> <li>Vehicles and equipment</li> <li>Technical assistance</li> <li>Training</li> <li>Incremental credit</li> <li>Recurrent expenditures</li> <li>Total</li> </ul>		<b>USD ('000)</b> 7 712 2 701 1 916 1 773 1 035 1 000 7 009 23 146		<b>Financing</b> <b>(USD '000)</b> 13 227 440 717 386 4 224 1 241 2 911 23 146		<ul style="list-style-type: none"> <li>IFAD Board Approval in Dec 1999.</li> </ul>

## Revised Logical Framework 2003

<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Means of Verifications</i>	<i>Assumptions</i>
<b>Programme Goal</b> Sustainable long term economic growth and development achieved in mountain areas of Albania.	Achievement of programme objectives.	Evaluation reports. Country Portfolio Review	
<b>Programme Objective</b> Standard of living of the population of mountain area households raised through capacity building of local private and public institutions, the establishment of an enabling framework for private sector development and increased public and private investments.	<p>Increase in allocation of PIP and other resources for mountain area communities supporting social/economic infrastructure and environmental conservation.</p> <p>Increase in income per capita for mountain area rural population.</p> <p>Number of new agricultural related enterprises established.</p> <p>Number of new employment opportunities created in the areas targeted by the MADP programme.</p>	<p>Public Statistics.</p> <p>MADA monitoring and periodic surveys/ evaluation reports.</p> <p>MAFF data on clients.</p> <p>MADA and MAFF databases and surveys.</p> <p>GOA Reports, MAFF and MADA databases.</p>	<p>No abrupt changes in the macroeconomic and policy environment.</p> <p>No day-to-day interference by Government in MADA and MAFF operations.</p>
<b>Programme Outputs</b> 1. MADA restructured to deliver a resource-efficient programme focusing on strategic and emerging investment opportunities.	<p>Revised organizational structure of MADA approved by its Board and IFAD.</p> <p>TOR for new positions within MADA approved and qualified staff employed.</p> <p>Monitoring for impact system in place within the MADA structure by mid 2004.</p> <p>Key investment opportunities identified by MADA and reflected in AWPB 2004.</p>	<p>MADA monitoring reports</p> <p>Six month progress for MADA</p> <p>Audit report.</p> <p>AWPB 2004</p>	



<i>Narrative Summary</i>	<i>Verifiable Indicators</i>	<i>Means of Verifications</i>	<i>Assumptions</i>
2. Sustainable rural finance services provided by MAFF and its successor organization forging linkages between markets and producers and complementing interventions supported by MADA.	Financial ratios for MAFF remain within levels acceptable to the Bank of Albania and IFAD Rate of arrears for MAFF below 8%. Number of loans extended by MAFF.	MAFF annual/quarterly/ monthly reports.	
3. Quality of services for mountain farmers and rural entrepreneurs in terms of technical support and market linkages improved	Increased profitability for crops/livestock sub-sectors targeted by MADA investments/MAFF loans. Number of linkages established with MADA/MAFF assistance Number of entrepreneurs who have received a technical and financial assessment of a proposed investment.		
4. Sustainable rural and agricultural infrastructure investments provided.	Number of investments which de facto are maintained and operated by users.	MADA/MAFF monitoring reports.	
5. Local & national fora for mountain area advocacy, policy development and resource allocation established.	Number of investment proposal generated by local fora.	MADA and user group records.	
6. Support for local administrative entities and common resource groups for planning, implementation and maintenance of investment programmes provided.	Number of communes/districts generating "new generation" investment plans. Number of common resource groups operating an investment programme.	MADA records.	

<i>Narrative Summary Programme Activities</i>	<i>Verifiable Indicators</i>	<i>Means of Verifications</i>	<i>Assumptions</i>
1.1. MADA HQ & Regional Offices restructured. At HQ three departments private sector, rural infrastructure and local institution building will be established. Five regional offices restructured to focus on private sector development and institutional capacity building.	MADA restructuring completed by 15 February 2004, including filling of vacancies at all levels on a competitive basis.	MADA records.	
1.2. Key investment areas in terms of sub-sectors, geographical focus and vertical integration identified by MADA in collaboration with MAFF and other partners.	Six key investment areas identified by March 2004.	MADA Records.	
1.3. Grant window established within MADA to support strategic investment areas.	Grant window in MADA to be accessed on a competitive basis established by March 2004.		
2.1. The mid-term strategy and business plan for MAFF for organizational restructuring completed by mid 2004.	Government and IFAD approval of business plan implementation obtained by June 2004.	MAFF Records.	
2.2. Credit and other rural financial services for productive purposes in mountain areas covering all links in the production/market chain delivered by MAFF and its successor organization.	Please insert MAFF/successor key targets for 2004, e.g. Number of different clients and products by assumed date.	MAFF Records. Local Chambers of Commerce Records.	
3.1. Technical services contracted by MADA for the provision of improved planting material, studies of crop and enterprise profitability, quality improvement and market linkages.	Number of contracts concluded by MADA with service providers. Number of clients adopting recommendations from studies. Profitability of primary production improved by ____%.		
3.2. Following agreement with MOA a three year small stock brucellosis vaccination programme for small ruminants implemented in 17 mountain districts.	Number of head vaccinated annually. Vet Review Report Indicators	MOAF records MADA records	
3.3. Support by MADA for the strengthening of private veterinary and other related livestock services targeting areas of high potential.	Increased off take Vet Review Report Indicators	MADA records	

<i><b>Narrative Summary</b></i>	<i><b>Verifiable Indicators</b></i>	<i><b>Means of Verifications</b></i>	<i><b>Assumptions</b></i>
4.1. Rapid rural appraisal and feasibility studies commissioned by MADA for irrigation and other infrastructure schemes linking such investments to other MADP activities.	Number of studies completed.	MADA Records	
4.2. Feasible infrastructure schemes, procured, supervised and quality assured by MADA.	Completed 8-2002 irrig. schemes; 5-2004 new; 5 ex SSIRP; 5 road/water supply schemes	MADA Records	
5.1. Support provided by MADA for the establishment six fora in six districts and a national forum for mountain area development.	Number of fora established Number of local investment plans/proposals generated by local foras.	MADA Records	
5.2. Draft Vision for Mountain Area Development validated at local and national level.	National Forum signs off on the Vision for Mountain Areas Development.		
6.1. In depth support for two districts/communes commissioned by MADA for planning, resource allocation and mobilization in line with the Vision for Mountain Areas.	Transparent investment plan produced for two local public entities. Percentage of additional resources mobilized by two local public entities from PIP and other sources.	MADA Records	
6.2. Technical and institutional support commissioned/provided by MADA to operate, maintain local infrastructure schemes.	Number of infrastructure investment schemes operated and maintained by local organizations.	MADA Records	
6.3. Technical support and investment commissioned/provided by MADA to local communities to manage, operate and protect, pasture, soil and water resources.	Number of mini projects implemented. FPUA contributions paid.	MADA Records	



### List of Persons Met during the Evaluation

Adem Palamam, Agronomist, Burrel Office.

Adriatic Dokollari, Hudenisht Irrigation WUA Chairman.

Agim Halilas, Loan Officer, Kukes Office Agriculture.

Ahmet Kuka, Economist, Burrel Office.

Alban Hoxha, engineer of municipality.

Albert Thomani, District Official, MAFF Permet.

Alexander Lleshaj, chairman of WUA.

Ali Dalilai, Chairman, Suke Commune.

Alma Gjoni, Programme Associate, UNDP Albania.

Arben Hoxha, Tepelene Center Commune Technician.

Arben Qesku, Deputy Programme Manager, DfTD.

Arjan Baci, Loan Officer, Erseke Office.

Arjan Jera, Chairman, Tepelene Center Commune.

Artan Hoxha, President, Institute for Contemporary Studies, (private organization).

Artur Galanxhi, Executive Director, ERDI Solutions.

Asquri Hoda, Chairman of Kurvalesh Commune.

Bajram Korsita, Executive Director, Mountain Area Finance Found, Tirana.

Bedri Lopaj, Secretary of Kurvalesh Commune.

Bilal Nogu, Loan Officer, Librazhd Office.

Bofhijar Muhoj, SME loan for Dairy processing.

Dashnor Hyseni, SME loan for Carpentry shop.

Doruka Prendo, Economist, Rreshen Office.

Eleina Qirici, Lecturer of Tourism, Faculty of Economy, University of Korça.

Fatos Cocoli, Advisor, Private Sector Development, PR, Civil Society, Networking, SNV, Netherlands.

Ferdinand Aliu, Private farmer, orchards.

Flavio Lovisolo, Director, Development Cooperation Office, Italian Embassy.

Fran Kaccori owner of winery in Rrechen, Mirdite.

Gasper Topallaj, coordinator Mountain Forum.

Gezin Como, Executive Director, Irrigation Rehabilitation Foundation (private organization).

Guiseppe G. Masala, MD., Health Adviser, Development Cooperation Office, Italian Embassy.

Hafuz Domi, director of development of mountain areas at FERT.

Halil Yseberi, farmer in Kukes, fruit trees.

Hekuran Nur-e-dini, Water Master.

Ibrahim Haçkaj, Sr. Operational Officer, ECSSD, The World Bank.

Ibrahim Qamili, SME loan for Sheep rearing.

Idriz Bylyku, Chief Credit Officer, MAFF.

Ifran Tarelli, Director, Natural resources management and services provision, Ministry of Agriculture and Food.

Ilir Broko, past MADA engineer (2004-2005).

Jolanda Lipe, Loan Officer, Permet Office.

Kastriot Sadikaj, WUA member.

Kujtim Kaso farmer on Gorica Irrigation Scheme.

Kujtim Muca, Executive Director, Agricultural Services Project (ASP), UNDP/Ministry of Agriculture.

Lambi Leka, SME loan for Aluminium fabrication.

Lavdie Leka, Loan Officer, Librazhd Office.

Liliana Esaku, coordinator FERT projects.

Luciano Leonotti, Chief Technical Advisor, Agricultural Production Support in Albania, FAO.

Mikael Sotiri, Chairman of Kaluth Irrigation, WUA, Kaluth Commune.

Molileni Duraham, SME loan for Furniture manufacture.

Moshe Finkel, rural infrastructure specialist.

Muharem Isufi, WUA council member.

Myrdash Kamberi, villager.

Myslim Osmani, Director, Agricultural Policies, Ministry of Agriculture.

Nadisum Ademoj, Loan Officer, Kukes Office.

Namik Hajro, Winery owner, Libonik village, Korce.

Nasto Stefaniri, Distric Official, MAFF Permet.

Nexhip Bacelli, Chairman Voskopoja Commune.

Niko Shupo, Chairman of Petran Commne.

Patricku Guyver, Director, Prorustica.

Paulo Viviani, Team Leader, Small Ruminants Project, Agrotec.

Pellumb Gjini, Chairman of Stebleve Commune Council.

Pemzi Jossilo, Economist, Kukes Office.

Perlat Sula, Chief Finance Officer, PSHM – Opportunity International Network.

Peter Kampen, Portfolio Coordinator, Senior Advisor, Collaborative Forest Management, SNV – Netherlands Development Organisation.

Philip Peirce, UNDP Deputy Resident Representative, UNDP, Albania.

Robert Breju, Loan Officer, Korce Office.

Robert V. Hart, C.E.O., PSHM – Opportunity International Network.

Sami Kertuka, Loan Officer, Burrel Office.

Samvel Ghazaryan, Irrigation/Institutional Consultant, IFAD/UNOPS consultant.

Sarath Mananwatte, credit specialist.

Sherefedin Shehu, Deputy Minister and Chair, MAFF Board of Directors, Ministry of Finance.

Sherif Laci, head of Bardhoc village.

Shkelzen Marku, Executive Director, Mountain Area Development Agency, MADA.

Simon Armstrong, Senior Expert, UNDP Consultant, Pohl Consulting & Associates.

Slipfem Hyseillovi, Loan Officer, Pogradec Office.

Stephan Cocco, Project Officer, Development Cooperation Office, Italian Embassy.

Teki Kaso Chairman Gorica WUA.

Thorma Nosto, Loan Officer, Permet Office.

Tom Shpolshi, Loan Officer, Rreshen Office.

Vagn Rasmussen, Consultant, MAFF.

Vasil Nicolas, Facilitator, Forum for rural development, Permet.

Victoria Matovu, IFAD evaluation manager.

Weyrus Tosuni, Loan Officer, Erseke Office.

Xhavit Borici, Chairman Stebleve Commune.

Xhorxhi Kaso wife of farmer on Gorica Irrigation Scheme.

Ylli Pema, M&E Officer, MADP.



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