

Albania

Programme for Sustainable Development in Rural Mountain Areas

Project Completion Report Digest

Albania - Programme for Sustainable Development in Rural Mountain Areas

Item	Assessment Remarks	
Country & Project Name	Albania - Programme for Sustainable Development in Rural Mountain Areas (SDRMA)	Ratings
Loan No.:	684-AL	
Project Id.	1339	
Board Date	13 December 2005	
Entry into Force	14 February 2007	
Completion Date	31 March 2013 (Original: 31 March 2012)	
Final Closing Date	30 September 2013 (original: 30 September 2012)	
Total Project Cost US\$(M)	24.25	
IFAD loan& Grant US\$(M)	8.00	
Cofinanciers (if any)	CEB: US\$5.00; OFID: US\$4.51; Government: US\$5.01; Beneficiaries: US\$1.74	
Cooperating Institution	IFAD/IFAD	
Implementing Agency	Ministry of Economy	
Principal Components	SDRMA would have four components, three to be realized through Mountain Areas Development Agency (MADA) and the fourth through Mountain Areas Finance Fund (MAFF). The three MADA-related components would be: (a) regional programme development; (b) private-sector development; and (c) field implementation and testing of investment approaches. The MAFF-related component would consist of the conversion of MAFF into a fully-fledged rural commercial bank.	
Project Performance		
Relevance	SDRMA was in line with the Government of Albania (GoA's) National Strategy for Socio-Economic Development and with IFAD's 2005 COSOP. SDRMA's goal to increase household incomes in Albania's mountain areas, particularly among the poorer rural population, has been highly relevant to the needs of the rural poor. Given the country's location, limited natural resource base and stagnation in traditional growth areas, the SDRMA was conceptualized in the wake of a compelling need to shift the productive structure of the economy in the mountain areas to a rather limited number of underdeveloped value chain subsectors but with high growth potential, that represent strategic areas for the poor and disadvantaged groups to improve their economic opportunities, income and well-being. The Programme has been formulated, also, in consideration of the experience of the three previous IFAD-funded projects in the country, and it was in line with the IFAD country strategy in supporting projects and programmes driven by beneficiary participation both in design and implementation. The goal of SDRMA has been highly relevant to: (a) GoA's policy commitments to eradicate poverty in mountain areas and achieve social and economic cohesion through private-sector development and decentralization; (b) IFAD corporate, regional and country strategies; and (c) EU's evolving financial policies for regional development agencies. At the same time, some design deficiencies were encountered mostly related to: i) the possibilities of MADA (Mountain Areas Development Strategy) into developing into a specialized regional organization, and MAFF (Mountain Areas Finance Fund) developing into a full-fledged commercial bank; ii) some organisational arrangements which happened to be overly complicated and without clear delineation of responsibilities leading to unintended and counterproductive working environment; iii) the human resource constraints, particularly, in the programme M&E function that resulted in, practically, no measurement of programme outcomes and impact. (CPM's comment: MADA developing into developing into a specialized regional organization and MAFF into a full-fledged commercial bank were two major objectives and these were not achieved.)	4
Effectiveness	Due to a poor M&E system, there has been no measurement of Programme outcomes. However, it seems that several positive achievements were attained. With concern to the Regional Programme Development component, the Programme was effective in establishing MADA as well as 21 Mountain areas FORA with 653 members. These have been instrumental for the implementation of 40 micro-projects. There were also set up a Mountain Areas National Forum and 97 commune LAPs/SDPs. A number of 167 commune and local government staff were trained in planning and drafting development strategies and plans. With regard to the Private Sector Development component, 17 SIPs were effectively implemented in 8 value-chains (1 chestnuts, 2 fruits, 4 grape production and wine processing, 2 vegetable production including potatoes, 3 livestock and milk/meat processing, 2 bee-keeping and honey processing, 2 medicinal/aromatic plants and mushrooms, and 1 tourism). 1618 individuals/businesses participated in 79 MADA promotional activities and 681 owners and business employees (40.8% women) were trained in 39 capacity building courses. In the context of the 17 SIPs, 123 mini-grants (average USD 5,173) and 41 TIGs (average USD 13,092) were disbursed. In the context of the brucellosis control, 5,625 stock owners vaccinated 306,622 small ruminants in 4 districts. In the context of SSEI (Small Scale Economic Infrastructure), there were built 10 irrigation schemes covering 820 ha; 1 water supply scheme; 20 water points; 12 rural roads; 1 bridge. Concerning MAFF transformation and expansion	4

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	component, 8775 loans were disbursed totalling US\$53.05 million (average loan size US\$6,046) of which 18.6% to women. Non-performing loan (NPL) portfolio amounted to 17.8% with 17.1% for SME portfolio and 32.9% of individuals' portfolio. On the less positive side, Programme's effectiveness has been affected by the failure to institutionalize MADA in the foreseen fashion, as well as the MAFF/FAF-DC (First Albanian Financial Development Company) delayed privatisation. With regard to the latter, since the original envisaged transformation of MAFF into a fully-licensed rural commercial financial institution proved to be unfeasible, FAF-DC was licensed by the Central Bank of Albania (CBA) as a financial non-bank rural commercial institution. However, under its license, FAF-DC is not authorized to mobilise savings and deposits from the public, which has limited its growth to yearly earnings and new grants and loans.	
Efficiency	SDRMA effectiveness lag stood at 14.3 months, which is longer than the IFAD global average of 12.3 months. The actual programme costs amounted to US\$23.35 million, accounting for 92% of the revised programme funds (US\$25.38 million) and 96.3% of the original appraisal cost estimates (US\$24.25 million). The overall disbursement of IFAD loan amounted to 97%. Overall, programme efficiency is moderately satisfactory with unit construction costs for the implemented SSEI in line with the market prices in Albania. However, there seems to have been too many uncoordinated layers of supervision of works, which led to faulty civil works design (e.g. reservoirs) and costly repairs. The assignment of programme implementation responsibility to existing structures, MADA and FAF-DC, and the use of existing facilities and expertise resulted in efficiency gains in terms of costs and smooth implementation. Nevertheless, the 12-month extension of the programme closing date, inevitably had a bearing on implementation intensity and efficiency. The cost of the brucellosis control sub-programme reflects a high level of efficiency, with US\$57 per household and US\$1.05 per ruminant. At design level, the EIRR was estimated at 19%. MADA has not calculated the actual economic rate of return, based on production increases in fruit, vegetable, crops, livestock and value chains that benefited from programme interventions. However, the PCR infers that crop, livestock and rural enterprises that have potential as market-oriented activities could be viable and would give acceptable returns to farmers and entrepreneurs.	4
Project Performance		4
Partner Performance		
IFAD	IFAD has been effective in distilling the lessons learnt from three relevant previous interventions and in taking them into consideration at design and during implementation for ensuring the consistency of the Programme with the GoA's poverty reduction strategy and IFAD country strategic objectives. There has been an intensive and persistent follow-up by the IFAD Country Programme Manager (CPM), who liaised intensively with GoA and other stakeholders to put the Programme in the right implementation track and maintain the pace of implementation at a rather high level until its successful completion. As of mid-2007, IFAD assumed the responsibility of direct supervision of the Programme and has been effective in providing the necessary supervision support on a yearly basis and timely resolution of disbursement issues. In total, IFAD fielded 5 Supervision and 10 Implementation Support /Follow-up missions. However, contrary to the programme loan agreement, it failed to field a Mid-Term Review Mission. Furthermore, as stated in the PCR, IFAD should have provided a larger degree of support to resolve the poorly performing M&E system and ensure better quality of the baseline and impact surveys.	4
Cooperating Institution	As of Mid-2007, the SDRMA has been under IFAD's direct supervision and implementation support.	n.a
Government	The Government remained committed and supportive throughout programme implementation. It has met all its financial obligations and demonstrated a strong ownership of the Programme's goal and objectives, which was enhanced by the Programme's alignment with government policies and the government's involvement as a co-financier. The Programme Board of Directors provided relevant support and guidance to Programme implementation and ensured that its portion of the funding was available, albeit at times cumbersome bureaucratic procedures.	4
NGO/Other	The Programme has contracted several public and private service providers to implement various activities, including: (i) 73 individual consultants (32 for brucellosis control, 33 for FORA and SIPs implementation and 8 for infrastructure supervision and support); (ii) 6 companies for conducting SSEI feasibility studies; (iii) 50 companies for the technical design and supervision of the SSEI; (iv) 19 companies for the execution of the SSEI civil works; (v) 7 companies for supporting FORA and implementing micro projects; (vi) NGOs Albanian Organization for Sommeliers (OSHS) and Regional Center for Integrated Development (QRZHI) for training and technology transfer; and (vii) Tirana Regional Development Agency (RDA) for the baseline study and the Albanian Center for Economic Research (ACER) for the impact assessment study. By and large, the service providers delivered their products in a satisfactory manner. (CPM's comment: As regards NGO's the project only cooperated with 3 NGO's – who were in fact not much more than apex organizations or consultancies with whom they had a contractual relationship for delivering certain services – to me it thus remains hard to assert that they have been effective in linking up with civil society organizations and increasing the likelihood of sustainable development processes.)	4

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Cofinancier(s)	There is no information available on cofinanciers' performance.	n.a
Combined Partner Performance	<i>It seems that the relationships between did not face particular challenges.</i>	
Rural Poverty Impact		
Household Income and Net Assets	The assessment of project's impact has been hindered by the lack of a baseline as well as a poor M&E system, as there has been no measurement of Programme outcomes and impact. It has thus been based on several surveys and interviews with stakeholders. Hence, what it is presented here it's just an indication of impact. Within these limitations, it seems that SDRMA has had a positive impact on improving rural households' access to financial resources for investment in starting or expanding their agricultural business. The availability of agricultural loans increased in the programme area and borrowing conditions improved. FAF-DC lending have contributed to positive changes at the level of HH's income; increased assets; changes in enterprises profits and enterprises assets. Moreover, the establishment of vineyards and orchards, access to improved crop and vegetable varieties and the increase in farm productivity and income have enhanced farmers' ability to generate financial resources to improve their livelihoods, pay off the investment loans and contribute to a sustainable financial viability at the farm level. The FAF-DC survey found that 60% of respondents had an increase in household income, 55% of the loan beneficiaries acquired a plot of land over the past 12 months, 39% acquired refrigerator and television set, 61% repaired or improved their homes and 22% purchased a house. At the enterprise level, 21% of the enterprises invested in small accessories, 19% in major tools, 15% in transportation means, 12% in storage capacity, and 68% of the respondents reported an increase in enterprise profits. The survey calculated, also, that each FAF-DC loan was instrumental for the creation of 1.72 new full-time jobs. The ACER (Albanian Center for Economic Research) survey also reported that there have been positive changes in physical assets, particularly grapes and horticulture, livestock (sheep, goats and bees), joint ownership of agricultural machinery, handicraft factories and other type of trade. The 41 Technology Innovation Grant (TIG)-supported enterprises increased their average net profit by US\$13,489, from US\$6,952 (before investment) to US\$20,441 three years after the investment.	4
Food Security	Little information is available on this domain. It seems that the achievements in agricultural productivity have positively affected beneficiaries' food security. Increased beneficiary income resulting from improved employment has also had a positive contribution to food security.	4
Ag. Productivity	Despite a complete absence of data on incremental agriculture/livestock production, revenue and income, the MADA impact assessment survey, based on respondents' answers, concludes that there has been an increase in agricultural and livestock production and productivity (vineyards and wine, fruit trees, vegetables, fodder, livestock) due to investments in new technologies, processing, equipment and machinery, irrigation, processing, cold stores that led to increases in food security. Part of the production is used for home consumption and there is a greater part for the market, thus increasing beneficiary incomes. Through the 44 implemented small-scale economic infrastructure projects (12 rural roads, 1 bridge, 10 small irrigation systems, 20 water points and 1 water supply system), the Programme contributed to improved production as well as to reduced losses from rejected products. The survey reported a 30% increase in the production of fruits and 34% in vineyard yields. Some 72% of the respondents of the MADA impact assessment ascribed the increase in production to the new technologies and irrigation. The control of brucellosis increased livestock production as a result of reduced reproduction losses and improved growth of animals and increased milk yields.	4
Agricultural Productivity and Food Security		4
Natural Resources and Environment	Five environment management plans in five communes raised people's awareness on protecting natural resources and the environment, and contributed to building smallholders' capacity in the integration of various natural resource management modalities and in using existing natural resources more efficiently. Furthermore, the stress of the Programme on promoting diversity of livelihoods enables the target group to respond more resiliently to challenges of climate change.	4
Human, Social Capital and Empowerment	The impact surveys revealed that beneficiary trainings have built capacities, enhanced skills and knowledge of FORA members, farmers, processors, owners/managers of SMEs, and employees and impacted on interpersonal skills and self-confidence, which in turn contributed to increasing beneficiary employment. The 44 implemented small-scale economic infrastructure projects (12 rural roads, 1 bridge, 10 small irrigation systems, 20 water points and 1 water supply system), have also led to further benefits in terms of improved source of drinking water to humans and livestock and better social conditions for rural households. Mountain areas FORA development activities strengthened communities and contributed to increasing social capital, empowerment and motivation. Commune development activities resulted in a gradual build-up of confidence and trust between beneficiaries, ability to resolve conflicts, empowerment and motivation. Empowered mountain FORA have developed partnerships with local and regional institutions and have been	4

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	instrumental for the implementation of projects for sustainable economic development.	
Inst. & Policies	The Programme supported and strengthened 21 mountain areas FORA to serve the interests of the communes in a collective fashion. Through the FORA, responsibility has been devolved to the communes and thereby the role of rural institutions in planning and managing development initiatives has been strengthened and the communes empowered for self-reliance. These institutions have derived enriching experiences with the implementation of the SDRMA and acquainted themselves with new approaches, which they have put in good use in new projects as well as in the discharge of their daily business. However, the transformation of MADA into the National Agency for Regional Development using EU funding appears questionable. The previous GoA, which left office last September, intended to merge MADA with Ministry of Agriculture, Food and Consumer Protection's (MoAFCP's) Paying Agency for IPARD (Instruments for Pre-Accession Assistance for Rural Development). As mentioned in the PCR, the intentions of the newly formed Government are not yet known and thus the future of MADA is not clear. With concern to MAFF, the privatisation of FAF-DC was part of the project design report target and despite two attempts, the privatisation has not been successful.	4
Markets	By supporting the 17 Strategic Investment Programmes (SIPs) in 8 different value chains and by building capacities of farmers, processors, entrepreneurs and of the 21 Mountain Areas FORA, SDRMA has positively addressed the key core economic constraints, linking producers with processors and markets and strengthening the institutional value chain set up (vertical and horizontal value chain integration). As a result of SDRMA's intervention, enterprise competitiveness has increased, as the industry integrated vertically in a win-win fashion and processors innovated in product quality and hygiene practices; it was also captured a market share with better marketing practices. The MADA survey reported that 58% of the respondents had an increase in the volume of the products sold, and 33% and 56% of the respondents had increases in wine and raki sold, respectively. The Programme has implemented, also, small-scale economic infrastructure, such as roads, bridges and domestic water supply systems, which contributed to access to markets and services and lower transportation cost, particularly for perishable livestock / agricultural products. However, SDRMA it seems that project's intervention has been more on the production side, while future development interventions should stress market linkages within the value chain approach with private sector focusing more on assessed market opportunities, including food safety standards (HACCP), to strengthen investment sustainability.	4
Project Impact	<i>M&E function remained weak. No quantitative data were available on actual adoption of technologies, actual changes in crop/livestock and enterprise production or actual changes in enterprise revenues and HH's income. A baseline survey, commissioned by MADA, was conducted by the Tirana Regional Development Agency (RDA) during April to August 2008, but failed to establish the situation of households at Programme start. The impact studies do not link their data to the baseline study and any reference to impact is mostly based on opinions expressed by respondent beneficiaries.</i>	4
Overarching Factors		
Innovation	The SDRMA has brought about a number of innovative approaches for rural investments in Albania, whereby the major initiatives have been endorsed by the rural groups and poor households themselves, with the GoA playing a supportive and catalytic role. Such initiatives included: i) the development of mountain areas FORA as an advocacy instrument and promoter of the interests of the target groups; ii) the use of SIPs in each of the 8 supported value-chains; iii) the use of matching grants (MGs, TIGs) that have provided a complementary platform for investments in the supported value chains and transfer of knowledge, skills, new technologies and financial resources to the rural poor in the context of the SIPs/SEIP mechanism; iv) Local Action Plans /Strategic Development Plans (LAPs/SDPs) that have culminated in significant donor financing for the rehabilitation of rural small-scale economic infrastructure.	5
Replicability and Scaling-up	The project's innovative mechanisms and approaches have been replicated by GoA to promote nationwide development of fruit trees, vineyards, livestock, dairy plants, cold storage, fruit processing and small-scale economic infrastructure and the technologies have been adopted by individual farmers on a wider scale. MADA has claimed that every on-farm investment supported by the Programme resulted in about 8 adoptions /replications by neighbour farmers.	5
Innovation, Replicability and Scaling-up		5

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Sustainability and Ownership	The sustainability of programme investments is secured from the profitable commercial activities undertaken by rural entrepreneurs producing quality products, as well as processors and traders participating profitably in processing and in local and export markets for value added products. The matching funding of activities ensured beneficiary ownership that resulted in additional investments to further improve/expand human capital and enterprises, contributing to long term sustainability. Sustainability is further ensured by strengthening the smallholder capacity in the integration of various natural resource management modalities, which makes smallholders use the existing natural resources more efficiently. The long term sustainability of the mountain areas FORA may be strengthened through their transformation into LAGs and their linking and possible training by the GIZ-financed IPARD like project in the preparation of proposals for financing under the IPARD. The training of staff of the key implementing agencies was carried out not only to increase their technical competence in implementing SDRMA activities but also in providing effective services to the target group after programme completion. FAF-DC has developed into a strong institution which is sustainable over the next 10 year without external capitalisation. The level of institutional strength is better manifested by generation of some of the best performing indicators within the banking sector. In terms of institutional sustainability, MADA was supposed to be transformed into the National Agency for Regional Development and FAF-DC would be privatized. At the time of PCR, the intentions of the new Government were not yet known and thus, the original objective for MADA of keeping the focus on the mountainous areas was at stake.	4
Targeting	At design level, there has been a clear definition of the programme main target groups, i.e. underemployed and unemployed rural men and women, economically active farmers, rural entrepreneurs engaged in and benefiting from a potentially wide range of businesses, agro-processors and traders. Thus, emphasis was placed on the poor, more vulnerable members of these populations. At implementation level, actual data to support the effectiveness of the programme targeting has been missing. Circumstantial evidence emanating from the fact that 76.5% of the total FAF-DC loans were less than USD 5,000 and 18.9% was between USD 5,000 and USD 20,000 (the two small-loan categories represent 95.4% of total loans) points to substantial targeting of poor farmers and entrepreneurs by credit investments. However, the June 2012 IFAD Supervision Mission assessed that most poor among the poorest only benefited indirectly by obtaining job and increasing self-employment through collection of forest products and estimated that the resource poor comprised 31%, compared to a potential of 51%, of the total number of people reached by the Programme.	4
Gender	Programme strategy aimed at gender mainstreaming into all anticipated programme activities and outputs. Furthermore, Programme design has set targets for women at 20% as savers, borrowers, client/shareholders of MAFF, and at least 20% of SIPs and 20% participants in district and national mountain area FORA. During implementation, SDRMA had mainstreamed gender into all anticipated programme activities and outputs and women had equal opportunity for access to the knowledge/technology disseminated and to the programme resources. Available data indicates that women comprised: (i) 30.5% of the total training and capacity building activities; (ii) 34.9% of participants in the 79 promotional activities under the Business Promotion and Financial Linkage sub-component; (iii) 40.8% of trainees under the Workforce Capacity Building sub-component; (iv) 26% of mini grant and 12% of Technology Innovation grant beneficiaries; and (v) 18.6% of the FAF-DC portfolio, however 90% of the loans are signed by both husband and wife. This relatively high percentage of women participation in programme activities reflects the intentional efforts made by SDRMA, as well as the prevailing situation in the country where women are highly active in the daily running and the survival of the households.	5
Overall Performance		4
Estimated number of beneficiaries		
PCR Quality		
Scope	The PCR is mostly in line with 2006 Guidelines for PCR Preparation.	6
Quality	There has been an effort to present a comprehensive picture of the project's main achievements and shortcomings. However, as assessed in the same PCR, the analysis of the project's main achievements has been hindered by a very weak M&E system. With the exception of financial management, rural financial services and small-scale economic infrastructure, the Programme's M&E system remained weak throughout programme implementation. This has severely affected the possibility to fully grasp Programme's main achievements, mostly in terms of impact.	5
Lessons	It seems that few efforts have been made to reflect upon the main lessons learned generated by project's implementation.	3
Candour	The PCR is honest, providing an overall objective assessment of project's main strengths and weaknesses.	5