

Albania

Programme for Sustainable Development in Rural Mountain Areas

Supervision report

Main report and appendices

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Abbreviations and acronyms

CBA	Central Bank of Albania
CEB	Council of Europe Development Bank
EC	European Commission
EIA	Environmental Impact Assessment
EU	European Union
FAF-DC	First Albanian Financial Development Company
GoA	Government of Albania
HMP	Herbs and Medicinal Plants
IFAD	International Fund for Agricultural Development
LAG	Local Action Group
LAP	Local Action Plan
MADA	Mountain Areas Development Agency
MADP	Mountain Areas Development Programme
MAFCP	Ministry of Agriculture, Food Consumer Protection
MAFF	Mountain Areas Finance Fund
MANF	Mountain Areas National Forums
MAPG	Mountain Area Parliamentary Group
MG	Mini Grant
MOF	Ministry of Finance
NPL	Non-Performing Loans
OPEC	Organization of Petroleum Exporting Countries
PBAS	Performance Based Allocation System (IFAD)
QTTB	Center for Agricultural Technology transfer
RASP	Rural Association Support Programme
SDP	Strategic Development Plan
SDRMA	Sustainable Development in Rural Mountain Areas
SIP	Strategic Investment Programme
SME	Small and Medium Enterprise
SSEI	Small Scale Economic Infrastructure
TIG	Testing of Investment Grant
UNDP	United Nations Development Programme
VCF	Village Credit Fund

A. Introduction¹

1. An IFAD mission visited Albania from 3 to 29 June 2012 to supervise and provide implementation support for the Programme for Sustainable Rural Mountain Areas (SDRMA). The main objective of the mission was to take note of Programme implementation progress and advise on future directions for programme implementation. In Tirana, the mission met with Professor Genc Ruli, Minister of Agriculture, Food Consumer Protection (MoAFCP), Dhiogjen Kristo, Executive, Mountain Association National FROA (MANF), Mr. L Lazar Korra, Desk Officer for Agriculture, EU Delegation, Mr. Roland Cela, Deputy Team Leader, GIZ IPARD like Project, key officials of the Mountain Areas Development Agency (MADA) as well as officials from the First Albanian Financial Development Company (FAF-DC, ex Mountain Areas Finance Fund - MAFF). Field visits were undertaken to nine participating districts – Puke, Shkoder, Kukes, Tropoje, Gjirokaster, Elbasan, Pogradec, Korce, and Librazhd where the mission met with local authorities, MADA field officers, MADA clients, farmers, both women and men, agro-processing enterprises, service providers, for officials and contractors. During its field visits, the mission reviewed investments and activities pertaining to the Programme.

2. This Aide Mémoire reflects the mission's main findings and recommendations, and records the agreements reached with the concerned Government authorities and MADA. The key issues and recommendations were discussed and agreed during a Wrap Up meeting on 26 June 2012 with Professor Genc Ruli, Minister, MoAFCP and on 28 June 2012 with Nezir Haldedaj, Deputy Minister of Finance. This document is subject to confirmation by IFAD. The mission would like to express its appreciation for the close cooperation and hospitality extended by MADA and FAF-DC.

B. Overall assessment of programme implementation

3. The SDRMA aims at increasing household incomes in Albania's mountain areas particularly among the poorer rural population. The project is financed by IFAD (USD 8 Million); the OPEC Fund for International Development (OFID, USD 4.5 million), the Government of Albania (GoA, USD 3 million), The Council of Europe Development Bank (CEB, parallel financing of EUR 5 million / USD 6.5 million) and other financiers including programme beneficiaries (USD 4.7 USD). The SDRMA entered into force on the 14th of February 2006 and the extended completion and closing dates are 31 March 2013 and 30 September 2013 respectively. As of Mid-2007, the SDRMA has been under IFAD's direct supervision and implementation support.

4. Five and a half years have elapsed since effectiveness (97% of implementation period) and disbursement under the IFAD, OFID and CEB loans amount to USD 6.9million (87% of approved financing), USD 3.2 million (71% of approved financing) and USD 4.2 million (65% of approved financing), respectively. The CEB loan, only covers lending activities under FAF-DC. Overall, Programme implementation is satisfactory. During the period under review the programme investments implemented through MADA, funded under IFAD and OFID have proceeded mostly in line with the 2011 and 2012 AWPBs within the SDRMA design framework. The total disbursement for 2011 reached a satisfactory level of 83.5%. The disbursement as of 31 May 2012 had reached 89% and with present commitments the cumulative disbursement by the closure of 2012 will reach 94% or just 3% short of the elapsed implementation period. It is anticipated that the IFAD loan will be exhausted by closing completion date 31 March 2013. The closing date for the OFID loan has been extended to 30 September 2013 as a result of the reallocation of USD 753 000 from FAF-DC to MADA's infrastructure component.

¹ Mission composition: Mr. Jens Kristensen, Mission Leader, Rural Business Specialist, IFAD Consultant; Mr. Samvel Ghazaryan, Irrigation and Rural Infrastructure Engineer, TCIN/FAO; Mr. Thierry Mahieux, Rural Finance Specialist, IFAD Consultant and Mr. Mikael Andersson, Finance Officer, CFS, IFAD. Mr. Abdelaziz Merzouk, NEN/IFAD Country Programme Manager for Albania, and Ms Dina Saleh, NEN/IFAD, CPM and Portfolio Advisor participated in the mission from 4 June, 2012 to 8 June 2012 and from 25 June 2012 to 29 June 2012. A team from MADA led by Mrs. Brunhilda Stamo, Director, MADA participated in the Mission and a Team from FAF-DC led by Mr. Bajram Korsita, Director, FAF-DC also participated in the Mission.

5. A total of 6 Leader type projects under fora have been undertaken over the past 12 months and completes the support provided under SDRMA for developing fora. A recent (2011) assessment of the performance of fora and development towards EU LEADER Local Action-type Groups suggest that additional training will be needed in order for this to be achieved. It is the mission's assessment that 17 of the 21 fora can develop into LEADER Local Action Groups type institutions and play a relevant role in directing local investments under the forthcoming implementation of the EU/IPARD similar to the programme financed by GIZ.

6. A total of 20 matching grants were implemented during the past 12 months completing the grant activities under the programme reaching a total of 115 grants and 41 TIGs. The MoAFCP has used the approaches and systems developed by MADA for scaling up matching grants by around 8 000 between 2008 and 2012 amounting to approximately USD 44.7 million financed by the GoA budget. The scaling-up activity is being implemented by MoAFCP Rural Development Agency.

7. An independent assessment of the completed brucellosis control for small ruminants in the region of Korce, finalized in February 2012, showed that a total of 306 622 small ruminants belonging to 5 625 households were vaccinated and ear tagged. The preliminary outcomes include reduced numbers of people hospitalised for treatment against brucellosis from 395 in 2010 (before vaccination) to 25 in 2011 (after vaccination). Another outcome is reduced reproduction losses, improved growth and milk production. The approaches and system used have been scaled up by the MoAFCP to cover the entire country financed by GoA and EU as part of Albania's accession process for EU membership.

8. Implementation of infrastructure investments has accelerated over the period under review including completion of 3 road rehabilitations totalling 6.5 km, rehabilitation of 7 irrigation schemes covering an area of 540 ha and 5 livestock water points. The 2012 independent partial impact assessment of SDRMA/MMP and FAF-DC and reconfirmed by a follow up evaluation conducted by MADA in April 2012 show that irrigation, water points lead to benefits in planted land surface, additional numbers in livestock and increased yields, improving profits, income and living standards. Infrastructure measures in roads, bridges and retaining walls lead to improved transportation condition and transportation volume, improving profits, income and living standards of people within the catchment area of the investment.

9. FAF-DC issued a total of 1 099 loans during 2011 valued at USD 9.9 million, 13% higher than planned. As at May 2012, loan disbursement for 2012 has reached 30% of the planned value. Cumulative lending during the Programme lifetime amount to over USD 48.0 million and has reached 8 122 borrowers. Loan analysis by loan size and category and field visits confirm that FAF-DC's lending has significantly contributed to rural economic growth addressing the Programme's target group, resulting in positive changes at the level of households' income; increased assets; changes in enterprise profits, and enterprise assets. These findings have been confirmed by the above mentioned impact assessments.

10. A preliminary impact assessment of the SDRMA/MMP conducted by an independent consultant provides evidence that SDRMA is generating the envisaged result outcome and contributing to the long term impact. A detailed impact assessment needs to be conducted, to support the undertaking of the Programme's completion report in view of the impending Programme completion. This requires management attention and additional data collection and analysis by MADA and FAF-DC.

Agreed action	Responsibility	Agreed date
Prepare a detailed impact assessment, including a detailed economic and financial analysis allowing extrapolating results into total outcome and impact and also allowing for the analysis of the economic multiplier effect and its wider implication for the rural economy	MADA and FAF-DC	To be completed no later than February 2013.

C. Outputs and outcomes

Component 1: Regional Programme Development

11. The aim of the component is to develop participatory regional development programming and planning processes for Albania's mountainous areas. The component consists of 3 sub-components: (i) Networking and Promotion; (ii) Studies, Analysis and Policy Research; and (iii) Strengthening Communities. The respective objectives of these sub-components are to: (i) establish MADA as a specialised organisation dealing with regional development in less favoured areas; (ii) establish the knowledge base necessary for MADA to gradually develop into the national authority on mountain areas regional development, and; (iii) strengthen advocacy and participation of key stakeholders in mountainous areas and build capacities of local Government and local communities, particularly in relation to resource mobilisation and utilisation.

12. **Networking and Promotion** (sub-component 1). The activities undertaken, over the past 12 months, include publication of 1 leaflet, 1 brochure, 2 bulletins, notebook and a dossier distributed in conjunction with a promotional campaign in the programme areas promoting MADA's available services and products. Activities have been completed and supported by the publication of 5 different technical books, 22 different leaflets and 12 brochures dealing with different subjects. The informational services of MADA's activities have also been supported by a total of 9 promotional campaigns attended by 361 participants. A total of 12 MADA staff participated in capacity building activities on regional/rural development and in national (9) and international (3) events related to rural/regional policy and institutional development. The publications are made available to the target group through: (i) workshops; (ii) training activities; (iii) MADA's regional offices; (iv) Technical publication are also available on MADA's web site. The site is presently being updated to include all relevant documents produce by MADA.

13. The above promotional activities continue to make development partners aware of MADA's activities and related achievements, which have led to the establishment of 21 formal partnership agreements. Out of these, 6 partnerships were concluded during the period under review with: (i) Heifer Albania, for supporting families (27), in Pukra district with equipment for beekeeping (19), and goat keeping (8) and a total of 60 person benefited from training; (ii) Center for Agricultural Technology transfer (QTTB), study the cultivation of blue berry in Shkoder region; and (iii) Rural Association Support Programme (RASP) preparation of Environmental Development Plans for Tropoje and Kukes regions. These plans will identify sectors with investment potential having a natural or positive impact on the environment; SNV and USAID, technical assistance and co-financing of collection centre for Herbs and Medicinal Plants (HMP) in M. Madhe district; SNV, grants for small dairy processing in the district of M. Madhe; and MOA, providing support to regional fairs. Co-financing through these new partnerships amount to around USD 0.25 million bringing the total estimated cumulative value of co-financing to USD 4.45 million, in addition to the co-financing stated in the Programme Design.

14. **Analysis and Policy Research** (sub-component 2). During the past 12 months the following activities were completed: (i) partial/indicative assessment study² of the effectiveness of MADA's and FAF-DC's finalised interventions related to grants, infrastructure and loans. The overall result of the study gives a good indication that planned outcomes are being attained and that envisaged impacts are also emerging; (ii) an assessment of the performance of fora and their needs for further strengthening and development towards EU LEADER Local Action Groups (LAG) type institutions has been completed³ for 21 regional based fora and the Mountain Areas National Forums (MANF) based in Tirana. The assessment recommends that the best *foras* should receive additional training to fully transform into LAGs.

² "Outcomes and Impact Assessment Report for the Programme for Sustainable Development in Rural Mountain Areas and the Mountain to Market Programme", Tirana, May 2011

³ "Supporting the development of LEADER – LIKE organizations (FORA) in Mountain Areas in Albania", Tirana, October 2011

15. Review of the fora performance and meeting with MANF⁴ suggest that if the 17 fora legally registered are trained in the IPARD procedures they will be able to provide assistance to farmers and agro-processors in preparing applications for grant financing under the EU-IPARD. It is MANF's opinion that 4 of the 17 fora would need further training/guidance in addition to what is offered by IPARD which would be undertaken by the MANF. During a meeting with Mr. Llazar Korra, Desk Officer for Agriculture, EU Delegation, the mission⁵ was informed that the IPARD would commence operation in October 2012 (pre financed under GIZ) and that a number of training courses would be organised for interested service providers. The courses will be related to procedures involved in preparing grant proposals and linking these to the financial sector and subsequently presenting them to the IPARD Paying Agency for finance consideration.

16. To capitalise on investments made in developing the fora and in the light of MADA having exhausted all its funds allocated to support them, the Mission recommends that MADA formally agrees with MANF to take the lead in coordinating the participation of local fora in the IPARD training. SNV have also expressed an interest in providing training to the fora in Shkoder, Kukes and Diber. MANF should also assist the respective members to formalising this arrangement.

17. **Strengthening Communities** (sub-component 3). During the period under review it was envisaged that three activities would be completed, including: (i) an award Leader type project to be prepared and implemented by fora; (ii) Mountain Area Parliamentary Group (MAPG) would formally be institutionalised through official registration as a mountain elected association; (iii) formalise collaborations between the MAPG, MoAFCP, and National Agribusiness Council.

18. The completion of the 6 Leader-type projects under fora is the last activity to be undertaken under this sub-component before completion of the programme, bringing the total number of socio-development initiatives implemented by the fora to 34 (30 under SDRMA and 4 under MMP). These include: (i) awareness raising on local development opportunities; (ii) the preparation of a programme for tourism development in the district of Kukes in collaboration with UNDP and the Commune of Petran (Permet); (iii) evaluation of the socio-economic impact of the Durres-Kukes road in the communes of Mirdita and Kukes districts; and (iv) rehabilitation of the Iballe-Fushe-Arres (Puka) rural road. The fora of Permet, Korce, Diber, Kukes, Shkoder, Librazhd, Pogradec, Gramsh and Mirdite have developed partnerships with local and regional institutions and are involved in the direct implementation of projects for sustainable economic development at the local level. The process used in choosing the type of socio-development activities includes the following: (i) the commune requests the local fora for assistance; (ii) the fora organises a project identification workshop for local stakeholders (staff of the commune, private enterprises and youth representatives etc); (iii) the fora prepares the draft socio-development investment proposal and organises a workshop for local stakeholders for approval of the draft, and (iv) the fora prepares the final proposal and presents it to the commune stakeholder during a workshop. According to MADA, a total of 102 workshops were conducted with 2 986 local stakeholders participating in the process.

19. The activities related to the MAPG were not executed due to an unfavourable political climate. The MANF is already engaged in various lobbying activities and it is the mission's opinion that the MANF is well positioned to undertake the activities foreseen under the MAPG. It is therefore recommended that any additional support to MAPG be discontinued. This view was shared with MANF's executive director.

20. In addition to the 37 communes where SDP/LAPs have been prepared with direct assistance by MADA, most of the other 180 communes within the programme area have also developed SDP/LAPs based on the guidelines prepared by MADA. The preparation of these SDP/LAPs has either been financed by the commune or by other donors, especially UNDP, SNV, ADF and GoA/agencies. Neither GoA/agencies nor its development partners including MADA are making local investments which are not based directly on SDP/LAP findings or on a special study originating from the SDP/LAP. MADA has implemented programme activities in 12 programme communes where the SDP/LAPs were

⁴Dhiogjen Kristo, Executive, MANF

⁵ Mr. Llazar Korra, Desk Officer for Agriculture, EU Delegation

prepared by communes alone or with the support of SNV, UNDP and ADF. Overall, the performance of the Regional Programme Development component is rated satisfactory.

Component 2: Private Sector Development

21. The aim of the component is to enhance private sector investment opportunities through: (i) Strategic Investment Programmes (SIPs); (ii) Business Promotion and Financial Linkages, and; (iii) Workforce Capacity Building. The SIP subcomponent aims at developing SIPs in support of key value chains in the mountain areas. Activities under the Business Promotion and Financial Linkages sub-component will promote linking potential beneficiaries to financial institutions and business development agencies. The Workforce Capacity Building subcomponent supports vocational training to develop qualified labour for emerging mountain area enterprises.

22. **Strategic Investment Programmes** (Sub-component 1). Over the past 12 months additional 20 MGs have been carried out using the existing 16 SIPs as the framework for planning the activities. The mission visited 3 TIGs, 2 wineries and 1 vegetable producer and 2 MG, 1 for drip irrigation of hazelnuts and 1 for establishment of 0.5 ha of modern wine orchard with drip irrigation. Field visits confirmed that SIPs are effective and efficient in addressing constraints and opportunities within value chains and in addressing these through TIGs, MGs, WCB and ISSE.

Table 1: Strategic Investment Plans and Upgrading Support

Increment. Past 12 Months and Cumulative	# of SIPs	# of Districts	# and Type of Market Related Support				# and Type of Primary Related Support				Total
			TIG	MG	WCB	Total	TIG	MG	WCB	Total	
12 months	4	4	0	7		7	0	13	0	13	20
Cumulative	16	54	39	38	14	91	2	77	10	89	180

Source: MADA

23. **Business Promotion and Financial Linkages (Sub-component 2)**. During the past 12 months, 13 incremental activities have been implemented with a total participation of 229 businesses of which 60 (26%) were operated by women. This brings the sub-component to its completion totaling 77 activities, reaching 1 587 individuals/businesses of which 556 (35%) were women. The mission's visit to both MGs and TIGs showed that after receiving the grant beneficiaries continue to invest in expanding their enterprises, either using own or borrowed funds. In this respect FAF-DC and BESA has debt financed a total of 36 investments (31% of total grants) for expanding enterprises initially financed through matching grants. Presently, information from other financial institutions involvement in debt financing is not available, but will be examined during the impact assessment.

24. Under this sub-component MADA has also prepared a list of quality clients and made it available for consideration by financial institutions involved in the credit guarantee scheme under the MMP.

Table 2: Business Promotion and Financial Linkage

Year	Type of Intervention	No. of Interventions	No. of Participants	Women	Men
	Wine Related Study Tours	4	41	6	35
	Wine testing	6	106	29	77
	Cheese testing (Shkoder)	3	54	16	38
	Fairs Promoting Mountain Areas Products	19	541	194	347
Total	FORA SIP Meetings	42	760	279	481
Programme	Business and Financial Linkage Promotion	3	85	32	53
Total Programme		77	1 587	556	1 031

25. **Workforce Capacity Building (sub-component 3)**. The participants of the activities under this sub-component included owners of businesses, their existing employees and a new intake of employees. The capacity building was in the form of training courses offered based on the need identified by the SIPs. The sub-component was completed during the period under review with

6 incremental activities. This brings the total capacity building training course to 39 and benefiting 681 individuals/businesses. Upgrading the capacity of existing employees accounted for 461 persons (191 women and 270 men) and building the capacity for new employees accounted for 231 persons (87 women and 144 men) representing 34% of total. The mission's visit to a winery (see below sub-component for TIG) clearly showed the importance of training in terms of modern winery management including the operation of a laboratory. Overall, the performance of the Private Sector Development component is rated satisfactory.

Component 3: Field Implementation and Testing of Investment Approaches

26. The aim of the Field Implementation and Testing of Investment Approaches component is to support the practical testing and demonstration of institutional and technical mechanisms. The component supports: (i) competitive matching grants investments associated with product quality and quality control, food hygiene and safety, branding and marketing; (ii) co-ordination and delivery of public veterinary services dealing with brucellosis control in small ruminants, and (iii) SSEI through contributory grants for the renovation/construction of small-scale rural infrastructure constraining business development. With respect to competitive contributory grants, MADA has three different technology transfer tools: MGs; TIGs, and Natural Resources Management Grants. MGs finance technology transfers valued up to USD 5 000, but not exceeding more than 60% of total cost of the intervention. TIGs finance technology transfers valued up to USD 15 000, but not exceeding more than 70% of total cost. Natural Resources Management Grants cover interventions valued up to USD 25 000, but not exceeding 80% of total cost.

27. **Grants.** During the period under review a total of 20 MGs were financed and implemented bringing the cumulative number to 115. The mission's field visits to MGs showed continued strong impact.

Table 3: Numbers of Mini Grants

		Value (USD '000)			% of Total	
	#	Total Investments	Client Co-financing	SDRMA Co-financing	Client Co-financing	SDRMA Co-financing
Cumulative	115	3,025	2,464	561	81	19%

Source: MADA

28. **TIGs.** After visiting 2 of the 41 finalised TIGs, the mission reassesses findings from previous mission's that the TIG sub-component is contributing to the programme outcome envisaged in the Appraisal Document and towards the wider economic development impact of the rural areas of Albania. For example the 2011 impact assessment of SDRMA/MMP showed that 7 cold storages financed under the TIG programme resulted in 20 other enterprises investing in cold storage facilities for fruit with a total capacity of 10 000 Mt. Although the backward linkage to poor small holder of 0.2-0.5 ha of orchard was not measured it could be as many as 500- 1 000 poor smallholders supplying the cold storages. The backward linkage effect will be examined during the upcoming impact assessment.

29. **Brucellosis Control (sub-component 2).** An assessment of the completed brucellosis control activity for small ruminants in the four districts of Korce, Erseka, Pogradec and Devoll has been completed in October 2011 by a local consultant. The assessment established that a total of 306 622 small ruminants have been vaccinated and ear tagged. The animals belonged to 5 625 households, each averaging 55 animals. The total cost of the programme amounts to USD 320 765 including training of 88 private veterinarians hired by the programme to undertake the vaccination, public awareness campaign (1 000 posters, 3 000 leaflets, 3000 guidelines and use of radio, TV), vaccination, ear tagging, registration of animals in the regional and national databases and registration of the benefiting 5 625 households. The final average programme cost per household is USD 57 and USD 1.05 per ruminant, which is very reasonable and reflects a high level of efficiency. It is assessed that the cost will be easily recovered during the first 12 months after the eradication as a result of reduced reproduction losses, improved growth and milk production. Based on the modalities

used and refined during the implementation of the activity, the MoAFCP with EU support began the planned nationwide brucellosis eradication programme end of 2011, and planned for completion in 2014.

30. Overall the result outputs and outcomes of the components have contributed to the programme objective through improved safety and quality of products, increased production/processing capacity due to new technologies, machinery, and equipment and storage rooms have been achieved. Increased transport volume and number of selling markets, positively improved by investment in infrastructure. The level of programme contribution to the reduction in the central part of the country will be examined during the forthcoming impact assessment of the programme. Likewise apparent lack of programme contribution to poverty reduction in the remote mountains will also be examined.

31. **SSEI (sub-component 3).** Total contracts under the SSEI sub-component as of 1 June 2012 amount to approximately USD 4.75 million⁶, of which approximately USD 4.35 million for civil works including one civil works contract pending IFAD no-objection, and approximately USD 0.39 million for infrastructure support. Of these amounts approximately USD 3.24 million and approximately USD 0.35 million represent OFID commitments for construction and infrastructure support, respectively.

32. Total allocated funds for the SSEI sub-component as per the amended OFID Loan Agreement is USD 4.513 million including USD 3.98 million for Civil Works and USD 0.533 million for Technical Support for Infrastructure. Thus, the outstanding balance of funds under SSEI sub-component as of 01 June 2012 amounts to about USD 0.91 million, of which USD 0.74 million for civil works and USD 0.17 million for design and infrastructure support.

33. **Civil Works.** Twenty one civil works contracts have been completed in 9 Programme area districts. They consist of eight roads with total length of about 24.4 km, ten small-scale irrigation systems covering a command area of about 819 ha, and 14 water points. The aggregate cost of these investments is approximately USD 3.52 million including VAT, of which 75% was financed by loan funds 15% financed by GoA, and the remaining 10% by communities. As of 1 June 2012, actual payments to contractors had reached 96.5% of total contracts' value. These investments benefit over 5 000 households (21,750 inhabitants).

34. Three infrastructure contracts (one rural road of 3.3 km length, a bridge and 6 livestock water points) are currently at various stages of execution in 3 districts. Tendering for 3.1 km rural road in Fshat Memaliaj commune, Tepelene district has been conducted and is pending an IFAD "no-objection".

Table 4: Physical and Financial Progress as of 01.06.2012

Scope of Contracts	Operational Stage				Cost and Financing (ALL)			
	Completed	Ongoing	Tender	Total	Loan	Gov. (VAT)	Community	Total
Rural Roads	8	1	1	10	140,166,245	31,527,585	17,471,682	189,165,512
Irrigation	10	0	0	10	111,706,961	25,067,446	13,630,267	150,404,674
Water Points	3	1	0	4	65,271,062	14,504,681	7,252,340	87,028,083
Bridge	0	1	0	1	9,584,450	2,066,890	750,000	12,401,340
Total	21	3	1	25	326,728,718	73,166,602	39,104,289	438,999,609

35. **Community Contribution.** Average contribution for the completed and on-going contracts is 10.6%. In 3 cases the contribution is exceeding the minimum required amount of 10% (one proposal with 13% and two proposals with 15% each).

36. **Construction costs.** A general review of the construction cost implemented so far shows that the average per kilometer costs of road rehabilitated is around USD 55,600 with an average cost for asphalt paved roads and for gravel/macadam roads at respectively USD 74,400 and USD 51,300. For

⁶ Exchange rate USD 1.00 = ALL 100.84 as per the 2012 AWPB.

irrigation, the average per hectare investment is USD 1,827. For the construction of new concrete lined water points, the average cost per unit is around USD 42,900. Comparison of unit costs of major works in the BoQs showed that they generally coincide with the current market prices in Albania.

37. **Achievements of Results.** The anticipated outputs from the SSEI interventions include: (i) improved irrigation for about 820 ha vs. 4 470 indicated in the Project Design Report or 18.3%; (ii) about 27.5 km of rehabilitated rural roads vs. 75 km in Project Design Report, thus only 36%; (iii) construction of 1 bridge; (iv) construction of 20 livestock water points vs. 100 in the Project Design Report; and (v) 2 water supply systems vs. 1 in Project Design Report. The reason for not achieving the projected physical targets for irrigation rehabilitation is that most of the proposals approved were in such a bad state of disrepair that it required new construction of entire systems including intake structures, siphons, aqueducts, division boxes, outlets, replacement of existing earth canals with pipeline and rerouting of the lined canals, resulting in significant increase in per hectare cost, while the Project Design Report estimation was only for rehabilitation of existing schemes.

38. The total number of sub-projects anticipated to be implemented in Project Design Report under the SSEI activities was 50 reaching directly around 25,000 beneficiaries. The actual achievements consist of 36 sub-projects or 72% of the Project Design Report target (including water points for 15 villages to be considered as separate sub-projects, though implemented under 4 civil works contracts) directly reaching over 27 500 beneficiaries (see Table 10, Annex IIb).

39. Based on the recent experience of other institutions in Albania (Albanian Development Fund, Ministry of Agriculture, etc.), MADA has suggested to introduce in the future bids an additional qualification requirement of ISO Certification (for the nature of proposed works) for successful bidders. The mission concurred with the proposal and it was agreed to amend the relevant sections of the Standard Bidding Documents for the future bids. Overall, the performance of the Field Implementation and Testing of Investment Approaches component is rated satisfactory.

Agreed action	Responsibility	Agreed date
Standard Bidding Documents are amended to introduce requirement for ISO Certification for successful bidders.	MADA/Engineers/Procurement Officer.	To be introduced starting from the next bid.
Impact assessment for SSEI investments completed before January 2010 completed and reported.	MADA/Engineers/M&E Officer.	31.12.2012.

Component 4: Transformation and Expansion of MAFF/FAF-DC

40. The objective of the Component is to convert MAFF into a fully-licensed rural commercial financial institution providing appropriate financial services in rural communities and channelling financial resources to promote investments and economic growth in rural areas on a sustainable basis. The component has three sub-components: (i) Ownership and Governance structure dealing with MAFF's conversion to a company and subsequent privatisation; (ii) Development of FAF-DC outreach, and (iii) Human resources, products, and systems development.

41. **Ownership and Governance Structure (sub-component 1).** FAF-DC was licensed in March 2009 by the Central Bank of Albania (CBA) as a financial non-bank company, with the GoA represented by the MoF owning 100% of the company's share capital. Under its current license, FAF-DC is not authorized to mobilise savings and deposits from the public. Since 2010 with a view to sustainably anchor FAF-DC in the Albanian financial landscape, the GoA has sought to attract strategic private investors to acquire a majority position in FAF-DC share capital. Despite two attempts, the privatization process of FAF-DC has failed. On the one hand, the attractiveness of FAF-DC lies in its geographical location and outreach in a widely unbanked market as well as in its capacity to mobilize cheap financial resources from international agencies. On the other hand, several factors appear to negatively impact on FAF-DC attractiveness: a) the international financial crisis that continues to affect banks and financial institutions performances and lending activity; b) the operational constraints imposed by the GoA on FAF-DC operations; and c) the impossibility to mobilising savings and deposits.

42. A cash-flow projection of FAF-DC's operation for the next decade shows continued financial sustainability even without a strategic investor capitalising FAF-DC. The cash flow includes an anticipated loan from IDB (presently being negotiated) amounting to USD 5 million. The delay in privatisation should be used to further improve FAF-DC attractiveness and facilitate its privatisation such as an authorisation to hedge against exchange risks through specific financial instruments (FAF-DC has recorded an exchange rate loss in 2011 for an amount of USD 181 000 i.e. 100% of 2011 net profit). The MoF has expressed its renewed interest to sell at least 51% of FAF-DC share capital to private investor(s) but has kept its requirements in terms of maintaining MADA's branch network in the rural area however without restricting a new strategic shareholder to open branches in other part of the country and engage in financing trade.

43. **Development of FAF-DC outreach (sub-component 2).** FAF-DC has a total of 26 branches covering more than 1 300 villages. FAF-DC remains the financial institution with the second largest rural outreach in Albania after Raiffeisen Bank.

44. For the year 2011, FAF-DC has extended 1 099 loans amounting to ALL 1 065 million (against a target of 927 million i.e. an achievement of 114.9%). During that same period, loans to SMEs amounted for ALL 1 015 million (against a budget of ALL 874 million + 16.2%) while loans to individuals amounted to ALL 50 million (against ALL 53 million – 5.7%). Achievements against budget for the year 2011 ranges among FAF-DC 26 branches from 17.1% to 162.5%. Necessary support has been provided in 2012 by FAF-DC Headquarters to branches where the 2011 budget has not been achieved (training, mentoring.) The total number of cumulative borrowers is 8 100 compared to the Project Design Report target of 10 000 borrowers. The value of the loans for the 8 100 borrowers is USD 48 million (average loan size of USD 5 925) compared to the Project Design Report target of USD 40 million for 10 000 borrowers (USD 4 000 in average.) The average loan size reflecting the demand emanating from the programme target population and the costs of goods financed has increased from USD 4 250 to USD 8 271 (in 2012.).

45. FAF-DC lending by financiers is presented in Table 5 together with the cumulative lending during the Programme lifetime, amounting to USD 48.0 million, an increase of USD 8.5 million compared to the previous supervision mission. Reportedly, as at end-May 2012, the programme records a financial delivery rate of 36.3% against the 2012 budgeted activities (in volume.) Target for 2012 loan disbursements has been set at ALL 912 million (SMEs and individual loans respectively at ALL 829 million and ALL 83 million) while loans disbursed as at May 2012 amount to ALL 331 million.

Table 5: Loan Disbursement by Financier (in USD '000)

Indicator	2007	2008	2009	2010	2011	2012 (5 months)	Total
Number of Loans Disbursed by Financier							
FAF-DC own funds	2,303	1,624	1 207	978	740	343	7,195
IFAD		243	3	165	0	0	411
CEB			3	87	359	48	516
Total	2,303	1,867	1 213	1 230	1 099	391	8,122
% of Total	28.4%	23.0%	14.9%	15.1%	13.8%	4.8%	
Value of Loans Disbursed by Financier							
FAF-DC own funds	9,790	6,750	7 055	6,039	6,503	2,558	38,695
IFAD		1,343	35	1,710	0	0	3,088
CEB			128	2,038	3,407	676	6,249
Total	9,790	8,092	7 219	9,786	9,910	3,234	48,034
% of Total	20.4%	16.8%	15.0%	20.4%	20.6%	6.7%	

Source: FAF-DC

46. The increase in the volume of loans disbursed has been limited during the year 2011 (1.4%), following the trend globally observed in the formal financial sector. As far as commercial banks are concerned, 2011 has witnessed a slowdown in the lending activity and a substantial increase in savings and deposits. These commercial banks have also suffered from a worsening of their portfolio performance with a NPL ratio increasing from around 18-20% in 2010 to 27% in 2011. The trend doesn't reverse during 2012 with some commercial banks having a NPL ratio close to 50%.

47. In terms of size, a total of 6,376 loans within the range up to USD 5,000, representing 78.5% of the total, and of 1,416 loans between USD 5,000 and USD 20,000, representing 17.4% of total, have been issued over the lifetime of the Programme. These two loan categories represent small loans extended to IFAD's target group. Cumulatively, they represent 95.9% of the total number of clients and 60.9% of the loan volume. The remaining 4.1% of loans extended falls within the category USD 21,000 to USD 150,000 and represent 39.1% of total lending by value. These are for a large part used for investments in trade and processing with strong backward linkages absorbing primary produce from agriculture and possibly creating a significant number of jobs. The yearly FAF-DC impact assessment is not oriented towards quantifying backward linkages as well as quantifying number of jobs created per activity. The recommendation of the mission, accepted by FAF-DC, is to ensure that the 2013 impact assessment will collect the necessary data to assess both backward linkages and jobs created per loan size and per activity financed. However, discussions with loan beneficiaries have shown anecdotal evidence with regards to effective backward linkages and number of permanent and part-time jobs created. Women represent 18.4% of the borrowers, but only 15.1% of the value of the cumulative loan portfolio. However, 90% of all loans are signed by both husband and wife. Around 50% of the borrowers/enterprises are based in rural/peri-urban areas representing 50% of the loan portfolio value. The remaining 50% of the borrowing SMEs are rural based.

48. For the period June 2011 to May 2012, 1 015 loans have been extended for an amount of USD 8.5 million. 955 loans were of less than USD 5 000 (94.1% of the total number of loans extended); 41 loans between USD 5 000 and 20 000 (4%) and 19 loans between USD 20 000 and 50 000 (1.9%) confirming and reinforcing the trend observed the previous years.

49. The structure of the loan portfolio by type of investments indicates the predominance of marketing of agri-products (33.7%), followed by livestock/dairy farming (13.7%), non-agricultural investments (12.0%), agriculture machinery (11.9%), viticulture/pomiculture (11.3%), agro-based processing plants (7.5%), other agro-activities (7.3%), and vegetable production (2.6%). The investment pattern shows a good balance between investment in primary agriculture and marketing and processing of agriculture produce. For loans extended during the year 2011, the distribution of loans extended by type of investments shows very little differences: agricultural machineries (18.8%), irrigation and vegetable production (8.5%), and non-agricultural investments (4.5%).

50. As at December 2011, the total amount of the non-performing loan (NPL) portfolio has significantly increased from USD 1.66 million (9.6% of the total loan portfolio) to USD 2.57 million (12.7% of the total loan portfolio.) SMEs NPLs represent 11.4% of the SMEs loan portfolio (against 7.8% as at December 2010) while individuals NPLs amounts to 33.3% of the individuals loan portfolio (against 25.7% in December 2010) with SMEs and individuals loan portfolio representing 94% and 6% of the total loan portfolio respectively. In number, NPLs have increased from 776 to 1 035. However, loans in arrears have decreased from USD 1.58 million (9.1% of the total loan portfolio) to USD 1.33 million (6.6% of the total loan portfolio.) The implementation of the new management information system has enabled FAF-DC to better monitor its loan portfolio and undertake immediate actions for loans in arrears. However, the economical situation of FAF-DC clients worsened by the crisis has undermined FAF-DC's efforts to improve its recovery rate and reduce its NPL ratio. Further attention has been given in 2012 by FAF-DC with regards to the management of arrears and NPLs. It has to be noted that the average NPL ratio for the formal financial sector reaches 27% as at December 2011, in that respect, FAF-DC performance is way above that of most of commercial banks as well as other non-bank financial institution. In 2011, FAF-DC loan loss ratio was around 2.03% down from 2.6% in 2010.

51. Operational self-sustainability stands at 105.1% while gross result for the year 2011 stands at USD 217 000 (5.5% of total income) after recording exceptional losses amounting to USD 415 000 (exchange losses and loans written-off that should have been recorded in 2010 as per auditor's recommendations). Despite a worsening portfolio performance mostly due to external factors beyond reasonable FAF-DC control, the mission considers portfolio management and the financial performance to reflect an efficient and well managed operation.

52. FAF-DC has intensified its efforts to recover written-off loans in general and more specifically those inherited from the Village Credit Funds (VCF) of previous World Bank and IFAD-supported projects by involving private bailiffs. However, the approval process and delivery mechanism of these VCF loans as well as an absence of proper documentation constitute a serious hindering factor for recovery. In 2011, recoveries on VCF loans amounted to ALL 1.87 million (against USD 3.61 million in 2010.) Globally, recoveries on loans written-off amount to ALL 12.5 million in 2011 down from ALL 17.2 million in 2010. This slowdown in recoveries derives from the worsened economic situation in the country affecting SMEs and individuals rather than from loose procedures. In that respect, the introduction of the new banking software in each FAF-DC branch is considered to have significantly improved the loan portfolio management and the recovery of arrears.

53. **Human Resources, Products and Systems Development (sub-component 3).** During the past 12 months, 36 FAF-DC personnel attended international and national trainings on: microfinance; Micro and SME (MSME) financing; marketing research; equity investment; procurement and financial management; lending methodology and portfolio monitoring, and anti money laundering. With regard to the new banking software installed at headquarters and all branches, FAF-DC staff has been trained in loan portfolio management and monitoring; accounting; fixed assets management; and inventory. In addition, a specific training has been provided to FAF-DC technical staff at headquarter to enable them to assist and train technical staff at the level of branches (training of trainers.).

54. Four new credit officers have been recruited in 2011 (58 in total as at December 2011). In average each credit officer manages a loan portfolio of 80 loans amounting to USD 0.38 million. The introduction of salary per objectives for credit officers has also contributed to the increased focus on quality of portfolio.

55. Field visits to 4 branches (Elbasan, Pogradec, Korce, and Librazhd) and to FAF-DC borrowers have confirmed the achievements of the project in terms of increased income, creation of jobs, and sustainability of businesses financed. To further measure the impact of the loan on the financial situation of the individual or SME borrowing, the mission recommends to elaborate a database for each different activity financed. This database could be used to measure effective achievements against business plans in a dynamic way and to assess the quality and reality of new business plans submitted to FAF-DC. In addition, the mission recommends that a more precise analysis be carried out within the 2012 Impact Assessment with regards to: a/ jobs creation for SMEs (both permanent and part-time) per type of activities financed and by size of loans extended, and b/ backward linkages per type of activities.

56. FAF-DC lending activities continue to significantly contribute to SME development (increased profit that is mainly reinvested in productive assets, increased number of employees either permanent or part-time as indicated in the FAF-DC impact assessment (comparing a treatment group of FAF-DC loan beneficiaries with a control group of non-FAF-DC borrowers) and households improved livelihood (higher capacity to save, increase number of assets owned by households.) The FAF-DC impact assessment being a qualitative one and not a quantitative, actual figures in terms of the effective monetary impact of FAF-DC loans cannot be determined. Overall, the performance of the Transformation and Expansion of the MAFF/FAF-DC component is rated moderately satisfactory.

Agreed action	Responsibility	Agreed date
Further focus on loan recovery and on follow-up of NPLs	FAF-DC	Immediately
Collect dynamic data to constitute a proper database to be used to assess future loan applications against and to facilitate impact assessment.	FAF-DC	Immediately
Carry out a more precise analysis on a/ jobs created per size of loans and type of activities financed, and b/ backward linkages per activities financed.	FAF-DC	During Impact Assessment 2012

D. Programme implementation progress

57. **MADA Board of Directors and Management (BoD).** MADA is a foundation governed by a Board of Director comprising 9 members and chaired by the Ministry of Agriculture. During the period under review, the BoD has met twice, in November 2011 and March 2012. Minutes of BoD meetings are kept by MADA which functions as the secretary to the BoD. During the early part of 2012 MADA experienced change in management. The Executive Director, Dr. Shkelzen Marku resigned in March 2012 and Mrs. Brunhilda Stamo, Deputy Director of MADA was appointed as the new Executive Director. The transition has been smooth and did not affect programme implementation. The Market Business Officer resigned in March and MADA are in the process of hiring a new person for this position. Overall, the quality of project management is rated satisfactory.

58. FAF-DC is a Non-bank Company governed by a Board Directors comprising 8 members and chaired by MoF and meets at least twice a year. FAF-DC convenes monthly staff meetings either at headquarter or at one of its branches. Staff assessment is an ongoing process with a formal assessment at the end each year.

59. The MADA expenditure budget for 2012 amounts to USD 1.72 million of which USD 0.14 million (8%) is to be financed under the IFAD loan; USD 1.1 million (63%) under the OFID loan; USD 0.27 million (16%) by GoA; and USD 0.24 (14%) million by programme beneficiaries. Expenditures for the period 1 January-31 May 2012 amount to 0.35 million or 20% of planned expenditures. With the current pace of implementation and pending payments (USD 624 000 as at 31 May 2012) it is anticipated that the disbursement rate will reach 94% by the end of 2012, against elapsed implementation period of 97%.

60. **MADA Exit Strategy.** To capitalise on MADA's experience and human resources the GoA intends to merge MADA with MoAFCP's Paying Agency for IPARD. The details of the merger would be developed by a taskforce which GoA considers to form in September 2012 and be composed of representatives from the Ministry of Finance and MoAFCP. The eventual merger would require MADA to downscale its human resources and it has therefore been proposed that the vacant post of Deputy Director will not be filled and the contract of 5 staff members will not be extended. This will reduce the present staff complement of MADA from 27 to 22. MADA is also in the process of preparing a job performance assessment of each staff member in order to determine training needs to consolidate staff capacity ready for merger with the Paying Agency. The assessment will also guide additional downscaling of MADA if deemed necessary by the Agency. The Head of Market and Business Section is vacant and MADA's management is in the process of advertising to fill the position, the mission concurs with this decision. The Mission noted improvements in terms of increased speed in preparing financial reports and tracking disbursements under each activity. Nevertheless, the mission recommends a clearer segregation of duties and responsibilities between MADA's Financial Manager and Accountant. MADA should also develop the capacity of the Accountant to provide for back-up functions in the absence of the Financial Manager. MADA should assess the need for the Internal Auditor and if found necessary the management should make sure that a clear internal audit work plan is prepared and approved by the Executive Board of Directors.

61. **Monitoring and Evaluation (M&E).** The M&E officer is presently undergoing training in M&E methodologies with the support of an international consultant funded under the CEVALL grant. The result of the training is manifested by considerable improvements in performance of the M&E section which has led to the preparation of RIMS performance indicators, 2012 impact assessment survey and analysis of collected data. The M&E has also prepared an M&E plan for the remaining implementation duration of the MMP. The preliminary findings from the M&E provide a good indication that the programme is generating its foreseen result outputs and outcomes which are contributing to the long term of impact of the programme objective. The M&E is on the right track and will be able to deliver the outputs mentioned in the Project Design Report if continued support is provided by CEVAL. However the M&E unit is not sufficiently staffed to carry out the forthcoming detailed impact assessment and it will therefore be necessary for MADA to hire consultants to assist undertake this assignment. The M&E performance is assessed to be moderately satisfactory.

62. **Infrastructure impact assessment.** The 2011 impact assessment of MADA and an impact evaluation carried out in April 2012 by MADA/M&E showed that infrastructure interventions in irrigation and water points led to benefits in planted land surface, increase in livestock and yields, improving profits, income and living standards of farmers in programme areas. Infrastructure measures in roads, bridges and retaining walls lead to improved transportation conditions and transportation volume, improving profits, income and living standards of people in programme areas. The mission's field visits confirmed these findings. It was agreed with the mission that the baseline data collected during the feasibility study stage should be reviewed, updated and analysed by MADA and the impact of rural infrastructure at the local level in terms of livelihood improvement identified. This post improvement M&E activities shall be undertaken and direct and indirect benefits of SSEI interventions identified and documented not later than February 2013.

63. **FAF-DC impact assessment -** For the past two years, FAF-DC has conducted an impact assessment of its lending activity through a sample of 150 loan beneficiaries whether individual or SME loan recipients. The results of the impact assessment shows that individuals and SMEs having accessed a loan from FAF-DC have globally improved their financial situation (profit for SMEs and income for individuals) but also, in the case of SMEs, have improved the situation of their immediate environment (permanent and part-time jobs creation; increase in wages and salaries paid; outreach increase).

64. For enterprises, the main achievements of FAF-DC loans include: a/ a significant increase in assets; b/ an average creation of 1.72 permanent job (which lead for 2011 to the creation of around 1 900 permanent jobs); c/ an average creation of 1.34 part-time jobs equivalent (leading to the creation of around 1 475 part-time jobs equivalent); d/ a significant improvement in the financial position and in the results of SMEs, and e/ the possibility to improve their production in both quality and quantity by accessing loans to purchase equipment and raw materials of higher quality.

65. For individuals, the main achievements of FAF-DC loans include: a/ substantial increase in savings to offset against future expenses (60% of loan beneficiaries interviewed (treatment group) indicates a level of savings that has increased during the last period under review against 60% of control group members for whom the level of savings has remained the same), and b/ improvement in the social position within the community (especially for women). For the four indicators measuring empowerment i.e. confidence in the future, self-esteem, respect from third parties and participate in local community, the treatment group shows an average level of 4.2 out of 5 (max.) while the control group shows an average level of empowerment of 3.0. Although not directly measured in the FAF-DC impact assessment, coping strategy in case of emergency shows a significant difference between the treatment group (more than 60% relying on income and savings) and the control group (only 12%.) This proxy indicator tends to demonstrate that FAF-DC borrowers have ways to finance emergencies and crises without resorting to costly financial solutions, thus indicating probable lift from poverty.

66. The analysis of FAF-DC loan portfolio also indicates the level of satisfaction of beneficiaries: a/ from FAF-DC financial products as more than 60% of FAF-DC beneficiaries are repeat borrowers, and b/ from the overall project as more than 15% of the MADA mini-grants and TIGs beneficiaries have obtained a loan from FAF-DC to further develop their activity primarily financed through MADA's grant instruments. FAF-DC is in the early stages of preparing an elaborated impact assessment to detail economic and financial analysis allowing extrapolating results into total outcome and impact and also including an analysis of the economic multiplier effect and its wider implication for the rural economy. The outcome of this undertaking should feed into the overall impact assessment of the SDRMA.

67. **Gender focus.** The Project Design Report foresaw that the participatory approach of developing SIPs would identify the needs of both women and men. This indirect targeting has resulted in 35% of participants under the Business Promotion and Financial Linkage sub-component were women, Workforce Capacity Building 41% and for mini grants 29% beneficiaries were women. The gender focus has been good though not fully balanced with that of men. The overall project performance in terms of gender focus is rated moderately satisfactory.

68. **Poverty focus.** The Project Design Report foresaw that the investment tools (SDP/LAP, special studies and SIPs) would priorities the poor people. The most effective mechanisms to ensure poor people benefiting from the programme was infrastructure, job opportunities in the form of full or part time jobs and increased self employment opportunities as a result of improved markets. The forthcoming impact assessment will attempt to measure the indirect as well as the direct benefits for poor people. To accomplish this in a professional and timely manner MADA will engage a consultant and enumerators to assist in conducting the impact assessment. The overall project performance in terms of poverty focus is rated moderately satisfactory.

69. **Effectiveness of targeting approach.** The programme uses six targeting approaches for reducing poverty: (i) focus on poverty reducing impact in the context of sustainable commercial viability in a privately owned market economy; (ii) comprehensive beneficiary participation in investment planning and implementation to assure relevance; (iii) regional orientation to enable identification of strategic investment opportunities; (iv) combine a full range of technical financial measures to realistic identified investment on the ground; (v) promote capacity and competitiveness for providers of goods and services to reduce outreach and cost; and (vi) strengthening key institutions to meditate the approach. It is the mission's assessment that the targeting approaches were effective in addressing key elements in building the rural economy for active poor people with productive assets. However most active poor among the poorest only benefited indirectly by obtaining job and increasing self employment through collection of forest products. Based on the Project Design Report and 2011 impact assessment of MADA, the mission estimated the resource poor people, which could have been realistically reached through the programme. Presently, data available suggests that 31% of the total number of people reach are from the resource poor target group compared to a potential of 51%. The forthcoming impact assessment will validated/adjusted actual poor reached. The Project Design Report also foresaw that the effect related to uptake of new technology, expansion of investment would also have an effect on poverty, the effect therefore need to be investigated during the impact assessment. The overall project performance in terms of effectiveness of targeting approach is rated moderately satisfactory.

Table 6: Estimated Resource Poor People Reach Compared to Total

Target Group Category	Appraisal Targeted number of People Reached	Total Cumulative Number of Persons Reached
Backwards link to poor suppliers for TIGs (estimated by mission)	3 990	
Backwards link to poor employees for TIGs (estimated by mission)	68	
Backwards link to poor suppliers for MG (estimated by mission)	2100	
Backwards link to poor employees (estimated by mission)	110	
Brucellosis mainly targeting the resource poor	5 625	5 625
People benefiting from infrastructure	25000	27 500
Poor people benefiting from infrastructure (poor in the area is between 13%-25%) ⁷	4 750	5 250
Total persons reach ⁷	27 450	23 724
	5 490 (23 880)	10 234 (44 517)
Households (4.35 person/HH) ⁸		
Grand total reached	32 940	33 958
Women of total	5 490	4 957
Total estimated poor which could realistically have been reached	16 643	
% Resource poor reached	51%	31%

70. **Knowledge management.** MADA has undertaken preparation of knowledge products including a wider range of studies, prepared technical books, Strategic Investment Plans, guide lines,

⁷ Rims indicators prepared by MADA/M&E and validated by IFAD

⁸ Rims indicators prepared by MADA/M&E and validated by IFAD

brochures, and leaflets. These publications have been disseminated through workshops, training courses, to recipients of grants, government officials, FAF-DC's branches and government's extension services. Activities supported by the programme e.g. training, workshops, capacity building, infrastructure, grant have also been documented and published. The publication is also available on MADA web site. The web site is presently undergoing upgrading allowing MADA staff to upload new documentation. MADA's knowledge management is rated satisfactory. The planned impact assessment will provide a comprehensive picture of lessons learned from technologies, delivery mechanism, institutional systems used and the synergy among these and their individual and combined impact on rural economic development.

71. FAF-DC is producing promotional material based on M&E data which is published using the Yellow Pages of Albania, periodical reports, handout of folders, leaflets, brochures to potential clients, advertisement of new branches using the mass media, statistical information required by the Mixed Market, bill boards, publishing on FAF-DC's web site and also using MFC for advertising. FAF-DC's knowledge management is satisfactory.

72. **Partnerships.** The Programme has established 21 formal partnerships with GoA and other development partners. The partnership has led to technical collaboration and co-financing of activities. The partnership arrangements under SDRMA are rated satisfactory.

Agreed action	Responsibility	Agreed date
The vacant post of the Market Business Officer needs to be filled as soon as possible.	MADA	Immediate
Conduct a detailed impact assessment, including a more detailed economic and financial analysis allowing extrapolating results into total outcome and impact and also including an analysis of the economic multiplier effect and its wider implication for the rural economy.	MADA	Before February 2013

E. Fiduciary aspects

73. **Financial management. MADA.** The capacity MADA's financial management and accounting staff is adequate and consists of a Financial and Administrative Manager (F&AM) assisted by an accountant and a Procurement and Legal Specialist (P&LS). The P&LS is under the overall supervision of MADA Director. Nevertheless, the mission recommends to further segregation of duties and responsibilities between MADA's Financial Manager and Accountant, with the Accountant focusing more on accounting and the Financial Manager on higher level financial management functions such as control, review and approval. It is also recommended that MADA further develops the capacity of the Accountant as to provide for back-up functions in the absence of the Financial Manager.

74. MADA prepares its financial statements on Cash basis of accounting. MADA procured and installed a new accounting software in 2011/2012. The new accounting software represents a significant improvement in report generation. The new accounting software is able to produce the following financial reports: i) Sources and uses of funds by financier, ii) project balance sheet, iii) uses of funds by project activity/component and by category, planned against actual expenditures, use of petty cash and a special account statement. At the time of the mission, the configuration of the system is still being finalised and it is foreseen that before end 2012 the software will be able to produce withdrawal applications and to include a register of contracts, which would separate the on-going contracts from the completed ones. To date all financial data related to MMP has been migrated under the new software and the data for SDRMA is in the final stages of being migrated. The new software does not contain a fixed asset register, which is maintained in excel and consolidated annually with the physical assets. The annual fixed assets inventory report is signed by a commission assigned for this task.

75. **Financial Management, FAF-DC.** FAF-DC has adequate internal controls and segregation of duties. In 2011 FAF-DC procured and installed new accounting software, Aspekt greatly improving the financial reporting and monitoring the information flow. The new software connects FAF-DC headquarters and its regional branches in real time, enabling an adequate audit trail, reducing the risk of errors and improving the generation of financial reports. Aspekt includes a loan portfolio module, accounting module and a fixed assets register. Under the loan module FAF-DC is able to track detailed data by individual loans and by loan portfolio. FAF-DC financial statements are prepared in accordance to International Financial Reporting Standards (IFRS) using accrual based accounting.

76. **Flow of Funds.** Under the SDRMA MADA has opened and maintains a separate designated account for the IFAD loan and the OFID loan and two operating accounts in a commercial bank, one in LEK and one in USD. FAF-DC also maintains a designated account for the IFAD-loan in the central bank and two operating accounts, one in LEK and one in USD in a commercial bank.

77. **Expenditures & Counterpart Funds.** Under the IFAD Loan, MADA has incurred expenditures up to USD 3.5 million; yielding a disbursement rate of 90% while FAF-DC has incurred expenditures up to USD 3.4 million; yielding a disbursement rate of 83%. Under the OFID-loan the total amount of expenditures amount to USD 3.2 million; yielding a disbursement rate of 71%. Co-financing has been provided within the framework stipulated in the loan agreement as client co-financing and GoA contributions for operating costs and refunds for VAT.

78. **Reallocation of Funds.** It is foreseen that both MADA and FAF-DC need to reallocate a small part of the funds among expenditure categories in order to ensure an efficient use of IFAD funds. The MADA reallocation would approximately cover a transfer of USD 120 000 (SDR 80 000) from category II and VII to categories III, IV and V as presented in the table below.

Table 7: MADA proposed budget reallocation for SDRMA

Category	Original	Proposed	Difference (SDR)	Difference (USD)
	Allocation (SDR)	Allocation (SDR)		
I A. Civil works: MADA Infrastructure support	105 000	105 000	0	0
I B. Civil Works Buildings/office refurbishment	15 000	8 000	-7 000	-10 000
II A. Goods, Equipment and Vehicles MADA	190 000	190 000	0	0
III TA and Professional Services MADA	620 000	634 000	14 000	20 000
IV A. Training, networking and Workshops				
MADA	95 000	115 000	20 000	30 000
V Matching Grants/ SIPS MADA	785 000	831 000	46 000	70 000
VII Recurrent Cost MADA	870 000	797 000	-73 000	-110 000
Total	2 680 000	2 680 000	0	0

79. **FAF-DC** is planning to reallocate unused IFAD funds, USD 30 000 from the training, networking and workshop category to the Incremental Credit category as presented in the table below. The final need for the reallocation will become clear in September 2012 depending on plans for privatisation of FAF. It is important that FAF-DC and MADA agrees with IFAD on the reallocation of funds in a timely manner in order to ensure a full and efficient use of the loan proceeds in accordance with the timelines stipulated in the loan agreement and the general conditions.

Table 8: FAF proposed budget reallocation for SDRMA

Category	Original	Proposed	Difference (SDR)	Difference (USD)
	Allocation (SDR)	Allocation (SDR)		
Goods, equipment and vehicles (FAF)	250 000	250 000	0	0
Training networking and workshops (FAF)	255 000	235 000	-20 000	-30 000
Incremental credit (FAF)	2 315 000	2 335 000	20 000	300 000
Total	2 820 000	2 820 000	0	0

80. **Withdrawal Applications** for MADA and FAF-DC were submitted to IFAD in compliance with IFAD procedures; their overall quality is satisfactory. Both MADA and FAF-DC already started the

recovery of the initial deposit of the IFAD loan. MADA has provided updated specimen signatures to IFAD to reflect the change in the management of MADA.

81. The mission reviewed samples of SOEs both at MADA and FAF-DC and observed that documentation was well archived and readily available.

82. **Petty Cash.** MADA attempts to keep the use of petty cash to the minimum. The necessary petty cash is managed by the accountant and recorded in the accounting software. Money is deposited in a safe and the accountant is the only holder of the keys. All petty cash payments must be approved by the F&AM. FAF-DC does not use petty cash with IFAD funds; all transactions are made through banks.

83. **Procurement.** Procurement documents related to 5 Consultancy Contracts⁹ for a total of USD 47 480 which includes 1 International TA for USD 13 481 were reviewed and found to be in order. The processes followed were deemed compliant with IFAD Procurement Procedures.

84. **Programme implementation Manual (PIM).** FAF-DC has adopted complete internal regulations in line with IFAD requirements. The financial management manual was updated in 2011 to reflect the new accounting software as well as up to date accounting and financial reporting regulations. The new financial manual entered into force the 1st of January 2012.

85. Since the last IFAD supervision mission MADA has updated its Financial Management Manual to include more detailed instructions regarding the new accounting software as well as processing and approval of payments. The updated Financial Management Manual was approved by MADA's Board in March 2012. As the Financial Management Manual is only available in Albanian the mission recommends that an English version of the manual is provided to IFAD for easy access.

86. **Annual reports and Progress reports.** For 2011 both MADA and FAF-DC annual reports were submitted on time. The mission wishes to stress the importance of timely submission of progress reports.

87. **AWPB** and procurement plans. SDRMA 2012 AWPB and procurement plans were approved by IFAD in February 2012. The mission wishes to point out that a draft AWPB must be submitted for IFAD's no objection no later than 30 days before the beginning of the relevant project year.

88. **Annual Financial Statements and Audit reports.** In accordance with the loan agreement and the IFAD general conditions, the borrower is to provide IFAD with annual financial statements within three months of the end of the fiscal year and an audit report within six months after the end of the fiscal year. Audit reports under SDRMA are provided separately for FAF-DC and MADA.

89. **In 2010 the audit of FAF-DC** was carried out by KPMG in accordance to International standards on Auditing (ISA). The audit reports submitted to IFAD comprised of an overall financial audit of FAF-DC and a programme specific audit. The auditors issued a qualified opinion in the overall audit while the IFAD project specific audit contained an unqualified opinion. The auditor's qualification in the 2010 audit has been fully addressed by FAF-DC in its response in the management letter to the audit company and the necessary adjustment has been recorded in the institution's 2011 financial statements. The main internal control issues have been fully addressed by FAF-DC. The 2011 audit TORs were approved by IFAD and the bid was awarded to KPMG that received IFAD's no objection in late May. FAF-DC has signed the contract with KPMG and the audit report is expected to be submitted to IFAD in late July.

90. **The 2010 audit of MADA** carried out by Ficadex Albania in accordance with International Standards on Auditing (ISA) issued an unqualified opinion. The management letter highlighted the need to upgrade the existing accounting software, Alpha PMR. MADA procured a new accounting software in 2011/2012. The 2011 MADA audit is currently underway by Deloitte Albania, based on

⁹ Contract numbers reviewed: 2011/36, 2011/37-1, 2011/37-2, 2010/89 and 2010/91

TORs approved by IFAD. A draft audit report was shared with the mission and the final report is anticipated to be submitted to IFAD by 2 July 2012.

91. So far the auditors of MADA have been selected on an annual basis. The mission recommends that MADA would in the future contract the selected auditors for a period up to three years this would allow for some efficiency gains as well as cost savings.

92. **Project completion** In accordance with IFAD Loan agreement and general conditions all project activities must have ended by the project completion date of 30 March 2013. It is important to note that activities that have continued after the completion date are not considered eligible for IFAD financing. Nevertheless, after the completion date but no later than the closing date, 30 of September 2013 for OFID loan, IFAD allows expenditures to be incurred related to winding up activities of the programme, provided that these expenditures are determined as eligible in the financing agreement and that these expenditures can be covered from the available balance.

93. **MADA and FAF-DC** are required to provide the following documents to IFAD before the project closing date (30 September 2013) in order to ensure a timely closure of the loan: i) confirmation of last withdrawal application, ii) Final Audit Report and iii) Project Completion Report (PCR) acceptable to IFAD. It is important to note that the Final Audit Report must cover the final project year up to the final expenditures.

Agreed action	Responsibility	Agreed date
Develop the capacity of the accountant to allow better segregation of duties and back up in the absence of the Financial Manager	MADA	Immediate
Letter to IFAD requesting the necessary reallocation of Funds	MADA/FAF/IFAD	ASAP
To develop a better understanding for the Financial Manager and Accountant of the new accounting software in order to produce Withdrawal applications and to include a register of contracts which could separate the on-going contracts from the completed ones	MADA	Immediate
Further develop the fixed asset register by integrating it into the new accounting software and by developing a tagging system of assets.	MADA	Immediate

F. Sustainability

94. **Empowerment.** As a result of MADA's training and capacity building activities and demonstration of new technologies through the matching grants beneficiaries under both MADFA and FAF-DC have increasingly improved their skills and know-how which has resulted in improved integration into value chains either as employees, supplier, processors and advisors. The matching funding of activities under the programme ensures beneficiaries ownership of co-financed investments for vocational training, capacity building for women, matching investment grants for enterprises and infrastructure. The high return from these co-financed interventions has also resulted in additional investment to further improve/expanding human capital and enterprises. This indicates strong ownership contributing satisfactorily to long term sustainability. For obvious reasons FAF-DC's borrowers are 100% committed and the impact assessment of results strongly indicate a high degree of success and satisfaction by beneficiaries.

95. **Economic sustainability.** The combination of improved beneficiary skills and know-how with the infrastructure investments have led to increased market present for a number of products ranging from tourist services, food and beverage and handicraft. The increased market present include both domestic and markets abroad. The strengthened value chains have also led to increased demand for improved business development service, input supply ranging from packaging/labelling, improved planting material, financial services and transport. Programme interventions have resulted in the adoption of food safety and quality compliant with Albanian standard which in most cases is in readiness to comply with HACCP standard in accordance with upcoming EU requirements. The probability of long term sustainability is satisfactory.

96. **Scaling-up.** The approaches developed by MADA have been up-scaled by GoA in the case of matching grants 8 000 have been implemented by the MoAFCP and GoA has planned 500 small infrastructure investments to be financed during 2012 and implemented by communes. Large scale TIG-like grants have also been scaled up by the government for dairy plants, cold storage and fruit processing. The investment cost was financed by GoA budget amounting to approximately USD 44.7 million. The targeting mechanisms for rural mountainous areas developed by MADA have also been adopted by the GoA and the international donor community. FAF-DC approach of advertising its service widely has resulted in significant lending activities to SMEs relevant for rural economic growth contributing to reducing poverty.

97. **Institutional sustainability /Exit strategy.** The Project Design Report foresaw that (i) MADA would be transformed into the National Agency for Regional Development; and (ii) FAF-DC would be privatized. The transformation of MADA will not materialise and instead the GoA intends to merge it with MoAFCP Paying Agency. IPARD focus is very similar to that of MADA and it is assessed that the merging is in line with the original objective for MADA, ensuring that focus on the mountainous remains strong. Furthermore, the upcoming financing under the IPARD like project (financed by GIZ) provides the possibility of 17 of the 20 fora to continue to provide service to its stakeholders, if trained in the procedure on how to prepare proposals for financing under the IPARD, which will ensure long term sustainability of fora. FAF-DC has developed into a strong institution which is sustainable over the next 10 year without external capitalisation. Two attempts for privatization failed, however the MoF has expressed renewed interest to sell at least 51% of FAF-DC share capital to private investor(s), requiring that FAF-DC's branch network in the rural is maintained but without restricting a new strategic shareholder to open branches in other part of the country and engage in financing of trade. The level of FAF-DC institutional strength is manifested by generation of some of the best performing indicators within the banking sector. Until MADA has been merged with the Paying Agency its institutionalisation is rated moderately unsatisfactory and FAF-DC is also rated moderately unsatisfactory until privatised.

G. Impact

98. **Physical and financial assets.** The recent SDRMA/MMP and FAF-DC preliminary outcomes/impact assessment provided evidence of increased assets in the form of machinery, equipment, storage facilities, renovation of orchards, renovations of accommodations for tourist, public and economic infrastructure. Envisaged generation of additional physical and financial assets by increasing number of debt financed investment by FAF-DC is positive and will continue to contribute to long term sustainability and overall impact of the programme. The impact of physical and financial asset generation is therefore rated satisfactory.

99. **Increase in income and other impacts.** The 2012 impact assessment of SDRMA/MMP and FAF-DC provide evidence of increased profits, revenues and income, increased employment, especially for seasonal workers but also for full time workers which are the poor target group of the programme. Reduced depopulation of remote mountain areas, improved living standards, improved livelihood and reduced poverty. In particular, MADA infrastructure investments in irrigation and livestock water points has led to increases in farmed areas, increases in livestock numbers, increased productivity, profits, and income particularly among poor rural people. Infrastructure investments in roads and bridges led to improved transportation conditions and increased transportation volume. Adaptation of Food security and quality is increasingly improving Albanian product competitiveness on the domestic market and emerging present in the international market.

H. Conclusion

100. With the exception for savings under FAF-DC and fewer infrastructure investments than envisaged in the Project Design Report, it is the assessment that most of the result outputs and

outcome have been achieved in relation to loan outreach. If FAF-DC had been allowed to mobilise saving it would have been more attractive for a private investor to buy FAF-DC. However availability of savings deposit has not affected the outreach of loan volume and value and the development impact. The result outputs for infrastructure will not reach the level envisaged in the Project Design Report because the infrastructure investments selected under the programme had deteriorated to a point where reconstruction was needed instead of rehabilitation increasing price and therefore reducing number of investments. However the total number of persons benefiting areis above what was envisaged and it is anticipated that the outcomes will largely be achieved.

101. Management should closely monitor the implementation progress for the remaining period of SDRMA to ensure that the programme achieves its objective by committing all IFAD funds by project completion date.

102. A programme impact assessment should be conducted in conjunction with MMP and completed before February 2012. The findings will provide input for the preparation of RIMS, completion report and GoA policy decisions making process regarding further scaling up of activities. The impact assessment should include all components financed under MMP and SDRMA for MADA and FAF-DC.

103. The vacant position of the Strategic Investment Officer in MADA should be filled as soon as possible.

104. Prepare MADA for merging with the MoAFCP Paying Agency in regards to downscaling and consolidation of human capital.

105. The mission would appreciate the timely action on the recommendations made and the agreements reached.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Albania			Project ID	1339	Loan/DSF Grant No.	684
Project	Programme for Sustainable Development in Rural Mountain Areas					Supp. Loan/DSF Grant	
Date of Update	16-Jul-2012					Financing terms	HC
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	5	No. of Implementation Support/Follow-up missions	7				
Last Supervision	29-Jun-2012	Last Implementation Support/Follow-up mission	15-Nov-2010				

USD million Disb. rate %						
Approval	13-Dec-2005			Total costs	24.25	
Agreement	20-Jun-2006	Effectiveness lag	14.3	IFAD Total	8.00	
Effectiveness	14-Feb-2007	PAR value	-----	IFAD loan	8.00	89
MTR				DSF grant		
Current completion	31-Mar-2013	Last Amendment		IFAD grant		
Current closing	30-Sep-2013	Last Audit	09-Jul-2012	Domestic Total	6.74	
No. of extensions	1			Beneficiaries	1.74	0
				Government (National)	5.01	0
				Cofinancing Total	9.51	
				CEB	5.00	65
				OFID	4.51	71

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	5	5
2. Acceptable disbursement rate	6	5	2. Performance of M&E	4	4
3. Counterpart funds	4	5	3. Coherence between AWPB & implementation	4	3
4. Compliance with loan covenants	5	5	4. Gender focus	5	4
5. Compliance with procurement	5	5	5. Poverty focus	4	4
6. Quality and timeliness of audits	5	4	6. Effectiveness of targeting approach	4	4
			7. Innovation and learning	5	5

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Physical/financial assets	5	5	1. Institution building (organizations, etc.)	4	3
2. MADA Organisation & Management (20%)	5	5	2. Empowerment	4	4
3. Regional Programme Development (7%)	4	5	3. Quality of beneficiary participation	4	4
4. MAFF Transformation and Expansion (51%)	4	4	4. Responsiveness of service providers	5	4
5. Private Sector Dev./Field Impl. & Test. (22%)	5	5	5. Exit strategy (readiness and quality)	5	3
			6. Potential for scaling up and replication	5	4

B.5 Justification of ratings

The downgrading of B.1.2 is the result of extension of closing date. The downgrading of B.4. 5 is because of no progress related to MADA and FAF-DC's exit strategy.

Overall Assessment and Risk Profile

		Last	Current
C.1	Physical/financial assets	4	4
C.2	Food security	4	4
C.3	Overall implementation progress (Sections B1 and B2)	5	5
Rationale for implementation progress rating The assessment under C1 remains unchanged until the impact assessment has quantified and qualified the impact on the primary beneficiaries. Overall rating remains rated 5 and the project is anticipated to be completed within the extended date 31/03/2013.			
C.4	Likelihood of achieving the development objectives (section B3 and B4)	5	5
Rationale for development objectives rating Despite MADA not being institutionalised in the foreseen fashion, and FAF-DC delayed privatisation it is the assessment that the development objective will be achieved. This is confirmed by a recently conducted outcome impact assessment of MADA and FAF-DC and reconfirmed by recent impact evaluation by MADA (April 2012) on the secondary beneficiaries and early impact assessment undertaken by FAF-DC.			
C.5	Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability		
	Fiduciary aspects	Minor issues which are not likely to put at risk the achievement of development objectives are being addressed.	
	Project implementation progress	Consolidation of MADA needs to be completed before closure of MMP to ensure a smooth merger with MoAFCP Paying Agency. GoA needs to re-advertise the sale of FAF-DC.	
	Outputs and outcomes	The reduction in infrastructure investment might affect the outputs and outcomes of the programme. The forthcoming impact assessment of SDRMA/MMP will assess to what extent the reduced number of infrastructure investment has affected overall envisaged outputs outcomes mostly on the poorer strata of the targeted rural population.	
	Sustainability	Instability of the political environment and the risk of discontinuity in policies at the central and local government levels may affect the longer term sustainability of the Programme.	

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Pace of civil works implementation.	Close attention to programme implementation ensuring commitment of all loan funds in order to maximise development impact. Acceleration of infrastructure investments.	March 2013	Ongoing.
Monitoring and Evaluation	More elaborate dimension of economic and financial analysis for MADA and FAF-DC impact assessments.	2012 reporting	Ongoing.

Additional observations

-The forthcoming impact assessments should include a more elaborated dimension of economic and financial analysis for extrapolating results into total outcome, impact and including an analysis of the economic multiplier effect and its wider implication for the poorer strata of the targeted rural population.

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Verifiable Indicators (gender differentiated)	Means of Verification	Assumptions/Risks
Goal			
Income of households in mountain area communes increased.	<ul style="list-style-type: none"> Reduction in percentage of rural poor people living on USD 2/day. Increase in ownership of household assets. Reduction in the prevalence of chronic malnutrition for children under five (stunting, i.e., height for age). 	LSMS and/or DHS data, disaggregated by district. Baseline and Impact assessment surveys. INSTAT (Albanian Institute of Statistics) studies. National Human Development Report	
Purpose/Objective			
Sustainable regional development programme implemented for the mountain areas that accelerates poverty-reducing economic growth.	<ul style="list-style-type: none"> % of costs of development/local plans financed by national government, other investors. Increase of # communes and municipalities which receiving funds for local development projects by third party Increase of # communal and municipal productive and commercial investments in mountain area % of SEIP participants with increased revenue Volume of commercialised products in SIP increased # of business operational after establishment and support by MADA (by type of business). # of full-time equivalent jobs created in new businesses # of new businesses established in 21 districts (by type of business) Increased %of working age population employed, particularly vulnerable groups in 21 districts Infrastructure operational and maintained after investment. Increase of# and type of infrastructure financed other than by SDRMA Increase in utilisation of business development services in mountain areas Increase in % of loan approvals by financial institutions for mountain area enterprises 	Information by local government (Survey, Focus group discussions) Local government budgets. Comparison of local investment strategy with actual investments Periodic Assessment by MADA Regional Manager Rapid surveys of SIP (producer and processors and other) Focus group discussions with SIP participants Periodic Assessment by MADA Business Promoter Rapid surveys of business supported by MADA Baseline, Mid term and completion impact survey on SME Periodic Assessment by MADA Infrastructure Department Reports by Communes on status of Infrastructure Local government budget Baseline, Mid term and completion impact survey Data from Financial Institutions Local Government budget INSTAT employment data, studies. INSTAT Structural Business Surveys.	Macro economic and political stability.

Outputs	Verifiable Indicators (gender differentiated)	Means of Verification	Assumptions/Risks
1. MADA operates as a regional development agency capacitating local governments, civil society (including private sector) to plan development and to prioritise and implement investments.	1.1. MADA restructured to be a EU type Regional Development Agency that explicitly takes into account the needs of the rural poor 1.2. # of development plans defined and published with participation of FORA for districts in line with overall mountain area programme framework 1.3. All professional staff trained on regional and rural development topics according to Agency needs	Reports on Consultancy Services Annual Assessment of MADA Local government development plans. Local government budgets. Training reports Assessment of Human Resource Development Plan	Adequate professional capacity present in respective organisations to implement activities and for analysis and decision-making. Confidence in business environment sustained or increased among investors in mountain areas. No political interference in selection/ location of supported infrastructure.
2. Communes and municipalities strengthened in local and national planning process	2.1. # of communes and municipalities with defined development strategies supported by LAP 2.2. # of staff trained in local management and governance to attract community based investment 2.3. # of request presented by FORA for local investments approved by local government 2.4. # community priority investments granted	Survey of communes and municipalities Staff survey Focus group discussions with local authorities FORA discussions and assessments Documentations of approvals	
3. Management and technical skills of mountain area private sector enhanced.	3.1. # of SEIP with x no of producer with y no of processor implemented according to design criteria 3.2. # producer and No processor receiving a loan with the amount of y 3.3. # of producer, no processor, trained in (type) activities 3.4. # of farmers tracing and vaccinating cattle against brucellosis in Korca region 3.5. # of participants in SEIPs taking up new approaches, by commodity/value chain 3.6. # of full-time equivalent jobs in SEIP process created 3.7. # of beneficiaries benefiting from Technology Innovation Grant and amount/benef.	Business development services' records (SBCA records and analysis) SIP surveys SIP Record sheets of producer and processor Focus group discussions with SIP participants MADA Networks' case studies (Business Specialist/Business Promoters) Records of vet services by Min Agr. MADA Baseline, Mid-term and Completion survey INSTAT Structural Business Surveys	
4. Small-scale economic infrastructure investment for business and local economic development implemented	4.1. Area (ha) of irrigated land specified by crop rehabilitated or established 4.2. Total water delivered in season correspond to water request 4.3. # of livestock water points constructed/rehabilitated 4.4. # of (Drinking) water systems rehabilitated 4.5. # of beneficiaries benefiting by type of infrastructure	Reports of contractors Report of Regional Officers Assessments of WUAs Case studies of infrastructure investors Field visits of Regional Officers Observation and reports by Local government	

Appendix 3: Summary of key actions to be taken within agreed timeframes

Area	Recommendation and Action Required	By whom	By when
A. Programme Management and Administration			
M&E	Prepare a detailed impact assessment, including a detailed economic and financial analysis allowing extrapolating results into total outcome and impact and also allowing for the analysis of the economic multiplier effect and its wider implication for the rural economy.	MADA and FAF-DC	To be completed no later than February 2013.
Management	The vacant post of the Market Business Officer needs to be filled as soon as possible.	MADA	Immediate
	Commit all IFAD funds by project completion date.	MADA/FAF-DC	30-Mar-13
	Develop the capacity of the accountant to allow better segregation of duties and back up in the absence of the Financial Manager.	MADA	Immediate
	Letter to IFAD requesting the necessary reallocation of Funds.	MADA/FAF/IFAD	ASAP
	To develop a better understanding of the new accounting software in order to produce Withdrawal applications and to include a register of contracts which could separate the on-going contracts from the completed ones.	MADA	
	Further develop the fixed asset register by integrating it into the new accounting software and by developing a tagging system of assets.	MADA	Immediate
	Further develop the fixed asset register by integrating it into the new accounting software and by developing a tagging system of assets.	MADA	Immediate
B. Review of Project Components – (i) Rural Market Intelligence and Investment Strategy			
CSFRB/management	Modify Manual of Procedures to reflect on: a/ cancellation of fees to be paid by participating financial institutions, and b/ changes in registration requirement for eligibility to CGF.	MADA	Immediately
CSFRB/management	Investigate the possible collaboration with the EU Guarantee Facility (and possible termination of the IFAD-funded CGF).	MADA	Immediately
B. Review of Project Components – (ii) Strategic Investment in Market Entities			
SSEI/procurement	Standard Bidding Documents are amended to introduce requirement for ISO Certification for successful bidders.	MADA/Engineers/Procurement Officer.	To be introduced starting from the next bid.
SSEI/procurement	Impact assessment for SSEI investments in conjunction with the overall impact assessment of SDRMA/MMP activities under MADA and FAF-DC to be completed before January 2010 completed and reported.	MADA/Engineers/M&E Officer.	31.12.2012.

Status of Last Mission's Recommendations

Area	Recommendation and Action Required	By whom	By when	Status
A. Project Management and Administration - MADA				
Project Management	Submit request to OFID for reallocation of loan funds and extension of the closing date.	GOA	Immediately	Undertaken
Project Management	Expand the quantitative analysis for inclusion into to impact assessment of the programme.	MADA M&E Officers	Update ready by March 2012	Initiated
Project Management	MADA should evaluate whether to seek IFAD support for the replacement of its accounting software or procure a new accounting software.	MADA	Nov-11	Undertaken
Project Management	Develop the capacity of the Accountant for back-up functions in the absence of the Financial Manager.	MADA/IFAD	Immediate	More is needed
Project Management	Submission financial and physical progress reports to IFAD within the timeframe stipulated in the Loan Agreement.	MADA	15-Aug-11	Late
A. Project Management and Administration - FAF-DC				
Management	Expand the quantitative analysis for inclusion into to impact assessment of the programme	FAF-DC M&E Officers	Update ready by March 2012	Initiated
B. Review of Project Components – (i) Regional Programme Development				
Communities strengthening	Accelerate initiatives concerning fora strengthening and MADA's exit strategy.	MADA/TA	End 2011	Accomplished
B. Review of Project Components – (ii) Private Sector Development				
Up-scaling	Organise field visits to programme interventions for key stakeholders from non-programme rural areas.	MADA	As soon as possible	Not undertaken
Investments	Prepare a directory containing relevant addresses for technical information related to existing and potential rural investments together with contacts of agents dealing in appropriate equipment needed for expansion and upgrading of supported value chains/SIPs.	MADA	Immediately	Not undertaken
B. Review of Project Components – (iii) Field Implementation and Testing of Investment Approaches				
SSEI	Finalise the revised design for the bridge in submit variation order for IFAD review and approval.	MADA/Engineers	15.07.2011	Undertaken
SSEI	Bidding for development of design documents for 3 additional infrastructures from the list of pending proposals.	MADA	15.07.2011	Undertaken
B. Review of Project Components – (iii) Field Implementation and Testing of Investment Approaches				
Investments' co-financing	TIG activities be up-scaled for support of the tourist value chain and other relevant value chains (including agricultural based value chains) in the remote tourist mountainous areas.	MADA	ASAP/possibly under MMP.	Undertaken
Investments' co-financing	TIG activities for non-traditional and non-agricultural value chain be up-scaled in the area of Shkoder, Kukes, Diber, Lezhe, Korce and Gjirokaster.	MADA	Subject to identification of co-financing	Undertaken

Area	Recommendation and Action Required	By whom	By when	Status
Investments' co-financing	Identify other additional income generating/economic diversification activities to enable household earning sustained income.	MADA	Subject to identification of co-financing	Undertaken
B. Review of Project Components – (iv) Transformation and Expansion of MAFF				
Outreach sub-component	Explore the possibility of introducing new financial products, including leasing and equity using financing sourced from the commercial banking sector. Introduce insurance products in collaboration with local strategic partner.	FAF-DC's executive management	Nov-11	Not undertaken
Outreach sub-component	Pursue GoA and BoA to allow FAF-DC to accept deposit for financing of its lending programme.	FAF-DC's executive management	Ongoing	Not undertaken
Outreach sub-component	FAF-DC prepare proposals to its BD for the introduction of leasing, equity and insurance products.	FAF-DC's executive management	Oct-11	Not undertaken

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Table 1a: MADA's First Level Result Indicators

		Period ending:		% of AWPB	Cumulative		% of Appraisal	Sum of actuals of previous years
		31-Mar			Appraisal	Actual		
Outreach indicators	Unit	AWP&B	Actual					
Communities receiving project services	number	9	9	100%	71	134	181%	125
Groups receiving project services	number	6	6	100%	3478	122	4%	116
Households receiving project services	number	2,004	1,850	92%	5490	10,234	186%	8384
Individuals receiving project services(men)	number	6,923	6,473	93%	21960	18,767	85%	12294
Individuals receiving project services(women)	number	3,100	2,780	90%	5490	4,957	90%	2177
Individuals receiving project services(men/women)	number	10,023	9,253	92%	27,450	23,724	86%	14471
Component Name								
business development								
Enterprises accessing facilitated financial services	number	0	0		200	193	97%	193
Enterprises accessing facilitated non-financial services	number	21	21	100%	600	703	117%	682
People receiving vocational training(men)	number	30	10	33%	148	57	39%	47
People receiving vocational training(women)	number	60	54	90%	52	62	119%	8
People receiving vocational training(men/women)	Number	90	64	71%	NA	119		55
People trained in business/entrepreneurship(men)	number	50	33	66%	NA	1,126		1093
People trained in business/entrepreneurship(women)	Female	15	7	47%	NA	106		99
People trained in business/entrepreneurship(men/women)	number	35	40	114%	500	1,232	246%	1192
Staff of service providers trained(men)	number	0	0		NA	40		40
Staff of service providers trained(women)	number	0	0		NA	7		7
Staff of service providers trained(men/women)	number	0	0		50	47	94%	47
Effectiveness of creation of employment opportunities	rating		3		NA			
Effectiveness: improved access of the poor to financial services	rating		4		NA			
Effectiveness: improved performance of service providers	rating		4					
Likelihood of sustainability of enterprises	rating		4					
Likelihood of sustainability of improved performance of financial institutions	rating		4					
land improvement								
Groups involved in NRM formed/strengthened	number	0	0	0%	NA	3		3
Households receiving facilitated animals health services	number	125	125	100%	1200	5,625	469%	5500
Land under improved management practices	ha	0	0		1200	90	8%	90
Land under irrigation scheme constructed/rehabilitated	ha	560	560	100%	4470	854	19%	294
Livestock water points constructed/rehabilitated	number	4	4	100%	100	20	20%	16
Marketing groups formed/strengthened	number	0	0		0	0		0

Outreach indicators	Unit	Period ending:		Cumulative				Sum of actuals of previous years
		31-Mar		% of AWPB	Appraisal	Actual	% of Appraisal	
		AWP&B	Actual					
NRM groups with women in leadership positions	Female	0	0		0	0	0%	0
People in NRM groups formed/strengthened(men)	Male	0	0		0	78	0%	78
People in NRM groups formed/strengthened(women)	Female	0	0		0	14		14
People in NRM groups formed/strengthened(men/women)	Number	0	0		0	92		0
People trained in crop production practices and technologies(men)	Male	7	7		NA	999		992
People trained in crop production practices and technologies(women)	Female	3	3	100%	NA	79		76
People trained in crop production practices and technologies(men/women)	Number	10	10	100%	600	1,078	180%	1068
People trained in livestock production practices and technologies(men)	Male	7	7	100%	NA	727		720
People trained in livestock production practices and technologies(women)	Female	4	4	100%	NA	56		52
People trained in livestock production practices and technologies(men/women)	number	11	11	100%	600	783	131%	772
Effectiveness of NRM & conservation programmes	rating							
Effectiveness of productive infrastructure- irrigation schemes	rating		5					
Effectiveness of productive infrastructure- livestock water points	rating		5					
Likelihood of sustainability of NRM groups	rating							
Likelihood of sustainability of groups managing infrastructure formed/strengthened	rating		5					
Likelihood of sustainability of productive infrastructure- irrigation schemes	rating							
Likelihood of sustainability of productive infrastructure- livestock water points	rating							
local capacity building								
Apex organizations formed/strengthened	number	0	0		0	5		5
Community groups formed/strengthened	number	10	10	100%	21	49	233%	39
Community groups with women in leadership positions	number	0	0		4	3	75%	3
Community workers/volunteers trained(men)	number	0	0		320	1,063	332%	1063
Community workers/volunteers trained(women)	number	0	0		80	291	364%	291
Community workers/volunteers trained(men/women)	number	0	0		0	0		0
Government officials and staff trained(men)	number	0	0		320	0		0
Government officials and staff trained(women)	number	0	0		80	0		0

Outreach indicators	Unit	Period ending:	31-Mar	Cumulative				Sum of actuals of previous years
		AWP&B	Actual	% of AWPB	Appraisal	Actual	% of Appraisal	
Government officials and staff trained(men/women)	number	0	0		NA	0		0
People accessing development funds(men)	number	140	133	95%	1328	1,122	84%	989
People accessing development funds(women)	number	35	35	100%	272	189	69%	154
People accessing development funds(men/women)	number	168	168	100%	NA	1,311		1143
People in community groups formed/strengthened(men)	number	140	133	95%	1328	1,831	138%	1698
People in community groups formed/strengthened(women)	number	40	35	88%	272	347	128%	312
People in community groups formed/strengthened(men/women)	number	180	168	93%	NA	2,178		2010
People trained in community management topics(men)	number	0	0		NA	2,670		2670
People trained in community management topics(women)	number	0	0		NA	532		532
People trained in community management topics(men/women)	number	0	0		NA	3,202		3202
Village/community plans formulated	number	0	0	0%	42	47	112%	47
Effectiveness of community development	Number	6	6	100%	NA	6		
Likelihood of sustainability of apex organization	rating							
Likelihood of sustainability of community groups formed/strengthened	rating							
market infrastructure								
Drinking water systems constructed/rehabilitated	number	1	1	100%	1	1	100%	0
Groups managing productive infrastructure formed/strengthened	number	9	9	100%	50	48	96%	39
Groups managing productive infrastructure with women in leadership positions	Female	0	0		8	2		2
Marketing groups formed/strengthened	number	0	0		NA	19		19
Marketing groups with women in leadership positions	number	0	0		8	4	50%	4
Other social infrastructure/facilities constructed/rehabilitated	number	0	0		4	2	50%	2
People in groups managing productive infrastructure(men)	Male	15	15	100%	450	602	134%	587
People in groups managing productive infrastructure(women)	Female	3	3	100%	50	39	78%	36
People in groups managing productive infrastructure(men/women)	Number	18	18	100%	NA	641		623
People in marketing groups formed/strengthened(men)	number	0	0		NA	133		133
People in marketing groups formed/strengthened(women)	number	0	0		NA	40		40
People in marketing groups formed/strengthened(men/women)	number	0	0		NA	173		173
People trained in income generating activities(men)	number	0	0		NA	1,681		1681

Outreach indicators	Unit	Period ending:	31-Mar	Cumulative		Sum of actuals of previous years	
		AWP&B	Actual	% of AWPB	Appraisal	Actual	% of Appraisal
People trained in income generating activities(women)	number	0	0		NA	116	116
People trained in income generating activities(men/women)	number	0	0		2450	1,797	73%
People trained in post-production, processing and marketing(men)	number	23	23	100%	480	1,352	282%
People trained in post-production, processing and marketing(women)	number	12	12	100%	120	80	67%
People trained in post-production, processing and marketing(men/women)	number	35	35	100%	NA	1,432	1397
Processing facilities constructed/rehabilitated	number	7	7	100%	40	68	170%
Roads constructed/rehabilitated	km	15	15	99%	75	30	40%
Storage facilities constructed/rehabilitated	number	3	3	100%	NA	14	11
Effectiveness: producers benefiting from improved market access	rating		4				
Likelihood of sustainability of market, storage, processing facilities	rating		5				
Likelihood of sustainability of marketing groups	rating						
Likelihood of sustainability of roads constructed/rehabilitated	rating		4				

Table 1b: FAF-DC First Level Result Indicators

FAF-DC operational efficiency 20.13%;	20.19%
FAF-DC operational self-sustainability 110.31%;	105.13%
FAF-DC profit margin of 9.35%.	4.88%
Active borrowers (men)	3,565
Active borrowers (women)	810
Active borrowers (men and women)	4,375
Staff of financial institutions trained (men and women)	90
Value of gross loan portfolio (All '000)	225,937
Portfolio @ risk (90 days)	12.70%
Number of branches	26

Table 1c: MADA Rating of Second Level Indicators

Results	Rating
Effectiveness of productive infrastructure - Irrigation schemes	5
Effectiveness of productive infrastructure - Livestock water points	5
Effectiveness of social infrastructure - Drinking water systems	4
Likelihood of sustainability of productive infrastructure - Irrigation schemes	4
Likelihood of sustainability of productive infrastructure - Livestock water points	4
Likelihood of sustainability of social infrastructure - Drinking water system	5
Effectiveness: producers benefiting from improved access to markets	4
Likelihood of sustainability of roads constructed/rehabilitated	4
Likelihood of sustainability of processing facilities	5
Likelihood of sustainability of marketing facilities	5
Likelihood of sustainability of storage facilities	5
Likelihood of sustainability of enterprises	4

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier

Financier	Approval	Expenditures (USD '000)	Per cent
	(USD '000)		
IFAD loan	7 951	6921.5	87.1
Government	2903	1857.1	64.0
Co- Financiers (OFID, CEB, including beneficiaries)*	12 731	6134.3**	48.2
Total	23 585	14 912.9	63.2

*FFEM parallel financing was transferred under MMP

**Expenditures under the CEB financing not included

Table 5B: Financial performance by financier by component (USD '000) as at 31/05/2012

	IFAD			OFID			GoA (including taxes and duties)			BENEFICIARIES			TOTAL		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Regional Development component	542	283	52.2	0	0	0	33	6	16.9	0	0	0.0	574	288	50.2
Private Sector Development	96	77	80.5	0	0	0	1	0	0.0	8	3	42.7	104	80	76.9
Field Testing and Implementing MADA Program	1 704	1 599	93.9	4 513	3 204	72.3	1 524	918	60.2	3 520	3 049	86.6	11 260	8 770	77.9
Management	1 545	1 543	99.9	0	0	0	984	934	94.9	0	0	0.0	2 529	2 476	97.9
MADA TOTAL	3 886	3 502	90.1	4 513	3 204	71.0	2 542	1 857	73.1	3 527	3 052	86.5	14 468	11 615	80.3
Goods, equipment and Vehicles	362	358	98.9	0	0	0.0									
Training, networkings and Workshops	370	236	63.9	0	0	0.0					846*				
Incremental Credit	3 345	2 826	84.5	0	0	0									
FAF-DC Transformation															104.
Total	4 077	3 420	83.9	0	0	0					846		4 077	4 266	6
TOTAL	7 963	6 921	87	4 513	3 204	71	2 542	1 857	73	3 527	3 898	111	18 544	15 881	85.6

Table 5C: IFAD loan disbursements (SDR, as at 31st May 2012)

Category	Allocation	Disbursement	Balance	Per cent disbursed
I A. Civil works: MADA Infrastructure support	105 000	79 963	25 037	76.2
I B. Civil Works MADA Buildings/office refurbishment	15 000	4 759	10 241	31.7
II A. Goods, Equipment and Vehicles MADA	190 000	146 281	43 719	77.0
II B. Goods, Equipment and Vehicles FAF	250 000	180 073	69 927	72.0
III Technical Assistance and Professional Services MADA	620 000	573 739	46 261	92.5
IV A. Training, net workings and Workshops MADA	95 000	91 183	3 817	96.0
IV A. Training, net workings and Workshops FAF	255 000	109 492	145 508	42.9
V Matching Grants/ SIPS MADA	785 000	672 075	112 925	85.6
VI incremental Credit FAF	2 315 000	1 848 153	466 847	79.8
VII Recurrent Cost MADA	870 000	767 227	102 773	88.2
Initial deposit FAF		192 303	-192 303	
Initial deposit MADA		223 732	-223 732	
Total	5 500 000	4 888 980	611 020	88.9

Table 5D: Financial Performance of the OFID loan - OFID 11 21 P (USD as at 31 May 2012)

Field Impl. & Testing of Inv. Approaches	Allocation	Revised Allocation	Expenditures	Balance	Financial Performance (%)
Civil Works Construction	3 380 000	3 980 000	2 877 109	1 102 891	72.3
Civil Works Support	380 000	533 000	326 609	206 391	61.3
MADA Organisation and Management	753 000				
Total	4 513 000	4 513 000	3 203 718	1 309 282	71.0

Appendix 6: Compliance with legal covenants: Status of implementation

Section/Covenant	Target/ Action Due Date	Compliance Status/Date	Remarks
Section 2.03/04 Borrower to open and maintain Special Accounts A and B	14 March 2007	Compliance	
Section 3.02 MADA and FAF-DC to submit draft AWPB to IFAD	1 December 2011	AWPB submitted late (February 2012)	Draft AWPBs should be submitted for IFAD's no objection within the timeframe stipulated in the Loan Agreement.
Section 3.03 (a) MADA to open Programme Accounts	14 March 2007	Compliance	
Section 3.03 (c) FAF-DC to open Programme Accounts	14 March 2007	Compliance	
Section 3.04 Borrower to make loan proceeds available to the Lead Programme Agencies		Compliance	
Section 3.05 Borrower to make available to the Lead Programme Agencies additional resources and counterpart funds		Compliance	
Section 3.06 Procurement to be carried out in accordance with Schedule 4		Compliance	
Section 4.01 MADA and MAFF to Establish M&E systems	14 July 2007	Compliance	MADA's M&E system requires improving.
Section 4.02 MADA and MAFF to submit semi-annual and annual progress reports		Compliance	
Section 4.03, Schedule 3A.3 A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD	February 2010	N/A	
Section 5.01 MADA and MAFF to prepare and deliver to IFAD consolidated annual financial statements	31 March 2011	FAF Non- Compliance MADA compliance	To date the FAF-DC financial statements have only been prepared for the Albanian Government. IFAD has been provided with the audited financial statements only.
Section 5.02 (c) Borrower to submit audit reports to IFAD	30 June 2011	Partly compliance	Audit reports should be submitted to IFAD within the timeframe stipulated in the Loan Agreement. Minor delays expected with regards to the Audit of FAF-DC.
Schedule 3.A.1 The MADA Executive Board shall be reconstituted under the Chair of the Minister of Economy, Trade and Energy, or such other Chair as notified by the Borrower and approved by the Fund.	As soon as practicable.	Non-compliance	On 7 April 2010, the Council of Ministers amended the statute of MADA and reconstituted the MADA Executive Board under the Chair of the Minister of Agriculture. The Borrower is expected to notify IFAD of this change as soon as practicable.
Schedule 3A.1 Programme parties to maintain appropriate Pest Management Practises		Compliance	
Schedule 3A.2 MADA and MAFF to insure key Programme personnel		Compliance	
Schedule 3A.4 Gender mainstreaming in Programme implementation		Compliance	

Appendix 7: Knowledge management: Learning and Innovation

Learning

Learning takes place through workshops, vocational training courses, exchange visits, participation in agriculture fairs, study tours, studies and through technologies introduced by the grants. The knowledge gained during these learning processes are all well documented in reports and published. The publications are made available to relevant stake holders through workshops, MADA's regional offices, regional offices of the MoAFCP, FAF-DC branches and on MADA's web site. The knowledge management have made other development partners aware of MADA's activities which have led to various different types of partnerships. GoA has also adopted that approaches in scaling up the matching grant programme and investment support to small infrastructure in rural mountainous areas. The leaning and knowledge management is rated satisfactorily.

MADA's wide involvement of stakeholders in preparing SDP/LAPs and SIPs has resulted in a down-up generation of knowledge. MADA has also been agile in continuously update the knowledge used in formulation of activities implement under the programme. The knowledge generated has been distributed to a wide audience both to development partners and to stakeholders within the programme area. It is assessed that the approach of generating and managing the knowledge has greatly contributed to the success of the programme. The effect of MADA's knowledge management will be further examined during the impact assessment of the programme.

In the context of Albania and IFAD's investments in the country, the SDRMA is introducing new concepts and strengthening implementation structures. The process for the development and implementation of SIPs as practised by MADA represents a holistic approach to private sector development and poverty reduction. The instruments tested by MADA are being replicated by Government and technologies introduced are being adopted by farmers on a wider scale. The impact of the programme and its interventions will be examined during a forthcoming impact assessment of the programme. The impact on enterprises supported by investments through FAF-DC's lending will also be examined by the impact assessment of the programme.

Innovation: Describe any interesting innovation noted during supervision

Market opportunities as the starting point for support to farmers, SIPs and subsequent contributory grants for SIP implementation are innovative features in Albania. Likewise the support to LAPs and Fora represents innovative capacity building initiatives at the local level as a precursor to EU type rural/territorial development initiatives. The experience gained during implementation of these activities are in the process of being documented and could potentially be up-scaled in the context of the forthcoming EU IPARD programme.

Appendix 8: Audit Log

Audit Table for MADA 2007-2011

Financial year	Class: Serious/general	Audit observation	Total Amount per Observation (BDT)	Action taken by the project /PMU(Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/outstanding (BDT)	Remarks
December 31, 2011	General	No matte have come to the auditors attention					
December 31, 2010		Considering the fact that the ALPHA software used by MADA is very old (1992) and not able to integrate information with other type of information relevant to output monitoring and procurement it is recommended that MADA consider introduction of a more appropriate accounting software.		MADA in discussion with IFAD has planned to introduce new accounting software allowing for integration of accounting functions with other functions as procurement register, progress and output monitoring and production of withdrawal applications.	Settled		
December 31, 2009	General	No matte have come to the auditors attention					
December 31, 2008		It was noted that MADA has not set up separate projects in its accounting system. This may cause delays during preparation of financial reporting and cause mistakes due to time pressure and human errors		For several years MADA has used the integrated accounting system using ALPHA accounting software rather than having separate accounting systems for each individual project. The integrated accounting system allows production of appropriate accounting information, clear identification of all incomes and expenditures and their linkage with the respective bank accounts and with the respective donors. MADA is continuously make efforts in improving the capacity of the finance administration staff on better use of this system to avoid potential technical and human mistakes.			

Financial year	Class: Serious/general	Audit observation	Total Amount per Observation (BDT)	Action taken by the project /PMU(Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/ outstanding (BDT)	Remarks
December 31, 2007 for SDRMA and MADP project for March 31, 2008	Serious	<p>During auditors test it was noted that the State Directorate for High Control (KLSH) has audited the construction activities of the programme and imposed penalties in respect of alleged construction cost over-runs, on the basis that budget and contracted costs were considered excessive. In the majority of cases the penalties were deducted from the 10% retention guarantee held by MADA for a period of one year after completion of the construction project before final payment is made to the sub-contractor.</p> <p>Without proper segregation of duties between engineers responsible for preparing the cost estimate and the engineers responsible for evaluating the value of construction cost incurred represents an opportunity for misappropriation of project funds and reduction of funds available for other construction.</p> <p>In March 2008 MADA introduced strengthened internal controls by segregating the responsibilities of the engineers, one engineer prepare the costing and another engineer prepare the contracts and a third certify that the value of the interim and final payment including release of the 10% retention fund 12 months after project completion.</p> <p>In addition to above action already taken by MADA it is recommended that legal advice</p>		<p>The KLSH's audit results penalties were imposed to six construction firms and not to MADA. The penalties were deducted by MADA in the final payment to the firms.</p> <p>After analysis of the situation the procedures was strengthening by dividing the role of the designer from eh role of field supervision. For each construction site there is now 1 site supervisor responsible for the day to day supervision and a periodical supervision done by the designer to ensure that the design in followed correctly. Improvement of the role of the overall supervision done by MADA's engineer. In addition several improvements were made in terms of contract management by strengthening the role of finance, legal review and control and internal audit functions within MADA.</p>	Settled		

Financial year	Class: Serious/general	Audit observation	Total Amount per Observation (BDT)	Action taken by the project /PMU(Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/outstanding (BDT)	Remarks
	General	Operation of a single bank account for FFAM and two additional contract makes it difficult to perform reconciliations of cash programme revenue and cost incurred. Separate accounts should be established for different funding of FFAM activities.		The use of a single account for FFAM was with the consent of the donor as the additional two contracts were considered additional funding under the overall FFAM programme proceeds allocated to Albania.	Settled		
	General	Co-financing between MADA and beneficiaries should be supported by a written agreement	LEK 660,610	Finance agreement between MADA and beneficiaries establish for all co-financed activities	Settled		
	Sub Total:		524,719			0	

Audit Table for FAF-DC 2009-2010

Financial year	Class: Serious/general	Audit observation	Total Amount per Observation (BDT)	Action taken by the project /PMU(Reply of para wise)	Present status (Auditors Validation Result)	Total amount not settled/ outstanding (BDT)	Remarks
December 31, 2011		No qualified opinion					
General Audit ending	Serious	Continued recommendations to discontinue the use of excel and instead install appropriate software able to track transactions and produce the required reports according to CBA has not been implemented.	10866000	FAF is familiar with this situation and is in the final stages of tendering for new software.		10866000	
		This has resulted in FAF not being able to confirm how credit for other debtors of LEK 25,183,000 were recorded. The above recommendation is repeated.	25183000	Other debtor 23 183 000 are partly accrued in current year, related to adjustment of interest accrued from loans over 90 days. During first 6 months of 2011 FAF collected some of these debtors and pursuing legal action for these debtors.		25183000	
	Serious	FAF is not implementing processes and controls relevant to measure due day past as recommended previous year. It was also noted that FAF did not clarify loans of same credit category in the same risk category. It is not material but not compliant with CBA. FAF should comply with all CBA requirements.		In 2010 credit risk is assessed in accordance with CBA issued on March 2010. The risk assessment is reviewed quarterly by the credit department and internal auditor. The new software is able to automatic measure day past due for each loan as well as credit risk			

	Serious	<p>Below was mentioned previous audit but not resolved. Faf did not identify account numbers and balances for accounting purposes.</p> <p>FAF did not follow up accounts defined closed at the end of the reporting period.</p> <p>In addition FAF did not recognise accrued interest relating to deposit balances. However these amounts are not material.</p>	<p>During the audit FAF clarified all debtors and creditors and provided a list of the auditors.</p> <p>The new software will eliminated repeat of this situation</p>	
Year ending December 31, 2009	General	<p>Discontinue the use of excel and instead install appropriate software able to track transactions and produce the required reports according to CBA has not been implemented.</p> <p>As at 31 December 2009, the Company did not reconcile all financial information presented by branches to its supporting evidence, such as movement in the loan loss provision and written off loans, debtors, creditors' lists etc. As a result the Company failed to present correctly the movements in the loan loss provisions and identify if records for provision expenses amounting to Lek 10,886 000 were properly included in the income statement.</p>	<p>The provider of BOS was not able to make it work. The process of sourcing a new system has been initiated.</p> <p>With regard to the amount of Lek 10,886,000, we believe this difference resulted from deducting liabilities for penalties from the provision fund. The difference will be clarified and adjusted in 2010.</p>	<p>Settled</p> <p>10866000</p>

FAF is not implementing processes and controls relevant to measure due day past as recommended previous year.

It was also noted that FAF did not clarify loans of same credit category in the same risk category. It is not material but not compliant with CBA. FAF should comply with all CBA requirements.

Credit classification is performed in accordance with the regulation No. 52 dated 14 July 2004, amended by decision No. 121 dated 27 December 2009 "On credit risk management", considering days in past due and the partial payments made by clients. The Bank of Albania regulation focuses on delays in clients' repayments and does not specify other practices. The Company is familiar with the new regulation of Bank of Albania on non-banking financial institutions and already started implementation in all branches. Reporting forms in compliance with the new regulation are prepared starting from the first semester of 2010. Furthermore, in the future, the Company will work to adapt its policies with the new approved standards.

The Company manages its bank transactions through several accounts opened in two banks. We noted cases where the Company did not properly identify the Company accounts' numbers and balances for accounting purposes. In some cases the Company did not follow up accounts defined as closed at the end of the reporting period in order to ensure completeness of bank balances. Some of these accounts were confirmed by the banks as at 31 December 2009 with nil or insignificant balances. In addition, the Company has not recognized accrued interest relating to deposit balances with banks. However this amount is not material to the financial statements for the year ended 31 December 2009.

On 26 January 2009 the Company sent formal requests (recorded as No. 10, 11, 12, 13, 18 and 19) to all banks to transfer all balances of MAFF bank accounts to FAF bank accounts and further close all accounts with nil balance. We provided you with copies of this requests.
However, we will follow up closing of requested accounts with banks shortly.

<p>As at 31 December 2009, the Company did not reconcile all financial information presented by branches to its supporting lists for debtors and creditors. Creditors balances held in branches mainly relate to utility payables. Debtors mainly arise in relation to bailiff fees paid by the Company to recover loan losses from collaterals and penalty income recognized in cases defaults in loan repayments.</p> <p>We understand that the payments made by bank are centralized and monitored by the head officer; however management of debtors and creditors is not monitored as diligently by the Head Office.</p> <p>As at 31 December 2009 the debtors balances included grant receivables of Lek 4,029,000 inherited from MAFF, which we believe should have been expensed in prior years. The Company adjusted this amount as an expense during 2009.</p>	4029000	<p>During the audit process, we worked and clarified all debtors and creditors lists, and provided you with such lists. However, following to IFRS requirements, especially IAS 39, we will continuously monitor such balances. We believe that the implementation of the new system will solve such matter.</p>	4029000
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Appendix 9: Persons met

Tirana

State Officials

Professor Genc Ruli, Minister, Ministry of Agriculture, Food Consumer Protection
Mr. Nezir Haldedaj, Deputy Minister, Minister of Finance

EU Officials

Mr. Lllazar Korra, Desk Officer for Agriculture, EU Delegation

GIZ Officials

Mr. Roland Cela, Deputy Team Leader, GIZ IPARD like Project

MANF Officials

Mr. Dhiogjen Kristo, Executive Director, Mountaine Associaton National *FROA* (MANF)

MADA's External Auditors

KPMG

FAF-DC's External Auditors

Deloitte Albania

MADA Head Office Officials

Mrs. Brunhilda, Executive Director
Ms. Natasha Hoda, Finance & Adminis. Manager
Ms. Mirela Pecani, Accountant
Mr. Lllir Sallaku, Infrastructure Specialist
Qinami, Infrastructure Specialist
Ms. Mejvis, Institutional Devel.Gender Specialist &translator
Ms. Blerina Doracaj, Procurement &Legal specialist
Mr. Ronal Bardhi, Policy&Reg.Devel Manager
Mr. Lllir Shordja, Information Analist&IT specialist. IT
Ms. Flutra Ndreu, Technology Innov.&Testing specialist
Ms. Mardena Disho, Business Service Specialist
Ms. Manola Bele, M & E & Public Relation Manager
Ms. Marjana Hoxha, Internal Audit
Ms. Bruneta Alija, Administrative Assistance
Mr. Adi Garuce, Reg.Programmer
Mr. Banush Nora, Reg.Programmer
Mr. Dhimiter Papamihali, Reg.Programmer

MADA Beneficiaries

Mr. Mark Gjergji, owner of a winery, Shkodra district. Matching grant for modern equipment for wine production
Mr. Kristan Jakaj, owner of a nursery for certified tree nuts, Shkodra district. Matching grant for climate room and equipment for grafting walnuts
Mr. Kujtime Tokaj, collector and trader of forest products, Shkodra district. Matching grant for cold storage

Mr. Besim Muriqi, owner of nursery for nut tree and pomegranate, Shkodra district. Matching grant for green house

Mr. Nazi Kanosh, owner of winery, Shkoder district. Matching grant for modern equipment for wine production and a laboratory serving the neighbouring wineries and grape orchards.

Deputy commune mayor and farmers benefiting from a road build through a matching grant, Shkoder district

Owner of a dairy plant, Shkoder district. Expansion of the production facilities through a loan supported by CGF.

Mr. Hajredin Selimaj, owner of a farm house accommodating tourist, Tropoje district. Matching grant for rehabilitating additional rooms for tourist accommodation

Mr. Kol Jubani, owner of a farm house accommodating tourist, Tropoje district. Matching grant for building wood cabins for tourist accommodation

Mr. Afrim Hysaj, owner of tourist accommodation, Tropoje district. Matching grant for a dining hall and renovation of kitchen

Mr. Ilirjan Lamthi, team leader of a local NGO undertaking an environmental assessment of the tourist carrying capacity in Vaalbone commune, Troppje district. Environmental grant to Valbone

Mr. Avdi Selimaj, owner of tourist accommodation, Troppje district. Matching grant for expanding tourist accommodation.

Mr. Hysni Selimaj, 1 of the 50 owners of the 30 ha receiving irrigation from a matching grant infrastructure investment, Valbone village, Troppje district

Representative of Construction firm and Head of the commune. Construction of water supply system and irrigation scheme, Troppje district.

Mayor of Valbone Village

Mr. Lefteri Basha, owner of a hazelnut orchard, Gjirokaster district. Matching grant for installation of drip irrigation

Chairman of Andon Poc vilage of Odrie Comune, Gjirokaster district. Matching grant for infrastructure of establishing an irrigation dam and canals.

Mr. Anastas Xherahu, owner of grape orchard, Gjirokastra District. Matching grant for drip irrigation

Deputy mayor and farmers of Lunxheri commune, Gjirokastra District. Matching grant for rehabilitation of rural road

Deputy mayor and farmers of Stajke village of Bushat Commune , Shkodra District. Matching grant for rehabilitation of rural road

Head of the commune and farmers of Odrie Commune, Gjrokastra District. Matching grant for Rehabilitation of the irrigation canal in Odrie

Mr. Lulezim Vata, owner of a milk processing facility, Kukes district. Matching grant for procurement of milk processing equipment to expand the business

Mr. Hekuran Keçi, owner of a mixed farm, Kukes district. Matching grant for drip irrigation for vegetables, fruit trees and plastic tunnel.

Mr. Hajrije Sopaj, owner of winery and raki distillery, Kukes district. . Matching grant for separator of stems and grape and a berry churcing machine.

Mr. Muhamet Muja, tailor hired to train young women to be seamstress, Kukes district

Construction firms Representative and mayor of TopoJan Commune, Kuksi district. Rehabilitation of the RR TopoJan Xhaferaj

Construction firms Representative and mayor of Çinamak village of Surroj Commune, Kuksi District. Rehabilitation of the Irrigation Canal Qinamak, Surroj

Mr. Naim Pacara, FORA chairperson, Kukes district.

Mr. Fran Kacorraj, owner of a winery exporting to USA, Mirdita district. Matching grant for modern equipment for wine production. HACCP and ISO certified.

FAF-DC Headquarters Officials

Mr. Bajram Korsita, Director
Ms. Luiza Shehu, Head of Legal and HR Department
Mr. Idriz Bylyku, Head Of Credit Department
Mr. Deshir Tuda, Head of Financial Department
Ms Trendafile Korbi, Finance Specialist, Department of Finance
Ms. Flutura Vishe
Mr. Aelita Mani, Head of Marketing Department
MR. Forcim Kola, M&E
Mr. Arben Suxhuku, Head of Risk Section
Ms. Mirjeta Hasani, Head of Internal Audit Section
Mr. Dorian Kamberi, Head of IT Section
Mr. Dorina Kardhashi, Credit Register Specialist, IT Department

FAF-DC Branche Officials

Mr. Remzi Tocilla, Branch Manager, Kukes
Ms. Anila Demushi, Branch Manager, Tropoje
Mr. Klevis Hida, Branch Manager, Elbasan
Mr. Bilal Nogu, Branch Manager, Librazhd
Mr. Arben Berberi, Branch Manager, Pogradec
Mr. Robert Bregu, Branch Manager, Korce

Beneficiaries of a FAF-DC loan

Mr. Suhat Yzellari, owner of a nursery, Pogradec, District. Expanded through a loan from FAF-DC
Mr. Kastriot Capo, owner of a restaurant, Pogradec, District. Expanded through a loan from FAF-DC
Ms. Petrit Loshi, owner of a bakery, Pogradec, District. Expanded through a loan from FAF-DC
Mr. Mustafa Shehu, owner of a beef fattening enterprise, Elbasan District. Expanded through a loan from FAF-DC
Ms. Mimoza Moli, owner of livestock enterprise. Elbasan District. Procurement of semen through a loan from FAF-DC
Mr. Xhevat Ferhati, Owner of a mixed farm. Elbasan District. Procurement of machinery and equipment through a loan from FAF-DC
Mr. Lefterie Rira, owner of a agriculture trading company, Librazhd district. Procurement of land and rehabilitation of storage buildings through a loan from FAF-DC
Mr. Eduart Bajramasi, beekeeper, Korçë district. Procurement of additional beehives through a FAF-DC loan

Appendix 10: Summary of Implementation Support Provided by IFAD

The supervision mission assisted MADA and FAF-DC with preparation of ToRs (ANNEX IV) for impact assessment of SDRMA and MMP. The mission also explained to the FAF-DC M&E officer how to collect information for the calculation of economic multiplier effect of investments in various value chain, examples was also provide to the FAF-DC's M&E office.