



## 1. Project Data

**Project ID**  
P130492

**Project Name**  
ENVIRONMENTAL SERVICES

**Country**  
Albania

**Practice Area(Lead)**  
Environment, Natural Resources & the Blue Economy

**L/C/TF Number(s)**  
IBRD-84010,TF-18238,TF-B2002

**Closing Date (Original)**  
30-Sep-2019

**Total Project Cost (USD)**  
20,862,805.78

**Bank Approval Date**  
08-Jul-2014

**Closing Date (Actual)**  
31-May-2021

	<b>IBRD/IDA (USD)</b>	<b>Grants (USD)</b>
Original Commitment	10,000,000.00	9,960,000.00
Revised Commitment	19,870,000.00	9,660,034.81
Actual	17,999,079.90	9,660,034.81

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**Project ID**  
P128412

**Project Name**  
ENVIRONMENTAL SERVICES ( P128412 )

**L/C/TF Number(s)**

**Closing Date (Original)**

**Total Project Cost (USD)**  
2863725.88

**Bank Approval Date**

**Closing Date (Actual)**



08-Jul-2014

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	0.00	2,880,000.00
Revised Commitment	0.00	2,863,725.88
Actual	0.00	2,863,725.88

## 2. Project Objectives and Components

### a. Objectives

The Project Development Objective (PDO) was to “support sustainable land management practices and increase communities’ monetary and non-monetary benefits in targeted Project areas which are mainly in erosion prone rural upland areas” (Loan Agreement dated July 25, 2014, Schedule 1, page 5). The formulation of the PDO was identical to that in the Grant agreement with the Global Environment Facility dated July 25, 2014 (Schedule 1, page 6) and the Grant Agreement for Swedish Trust Fund dated October 10, 2014 (Article II, page 3).

For the purpose of assessing the extent to which the PDO was achieved, Section 4 of this review will consider the two parts of the PDO separately as follows. The two parts will be referred to as Objectives 1 and 2.

Objective 1: Support sustainable land management practices in targeted project areas which are mainly in erosion prone rural upland areas

Objective 2: Increase communities’ monetary and non-monetary benefits in targeted project areas which are mainly in erosion prone rural upland areas

### b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

Yes

**Date of Board Approval**

30-Sep-2019

### c. Will a split evaluation be undertaken?

No

### d. Components



**Component 1. Strengthening Institutional Capacity to improve environmental services from integrated landscape management** (estimated: US\$9.8 million; actual: US\$9.21 million) intended to build a stable institutional environment that facilitates sustainable upland management, thereby improving environmental service provision. The component intended to strengthen institutional capacity for Forest and Pasture Management by: (i) preparing and rolling out the National Forest Inventory for ten years; (ii) supporting forest management planning in the State-managed production forests; (iii) establishing the Albania Forest Information System; (iv) supporting newly established Regional Forest Directorates; and (v) registering forest and pasture lands transferred from the State to Local Government Units. The component also intended to empower beneficiaries by: (i) supporting gender targeted efforts and mainstreaming; (ii) creating Local Action Groups, which adopted a rural development approach called Links Between Actions of Rural Development (LEADER: Liaison Entre Actions de Développement de l'Economie Rurale), development strategies, and pilot grants; (iii) strengthening capacities of the Local Government Units and the Forest and Pasture User Associations; and (iv) conducting value chain analyses and developing forest products processing and marketing plans.

**Component 2. Planning and Provision of Instrument of Pre-Accession and Rural Development (IPARD)-like Grants to improve land management** (estimated: US\$8.44 million; actual: US\$ 10.00 million) intended to improve land management by: (i) preparing Forest and Pasture Management Plans and planning guidelines; (ii) providing IPARD-like forestry grants through a competitive mechanism aligned with EU IPARD requirements for individuals and private beneficiaries as well as for the Forest and Pasture User Association and the Non-Governmental Organizations; and (iii) strengthening the capacity of Agency of Rural Development and Agriculture, the Ministry of Tourism and Environment (formerly Ministry of Environment), state inspectors, and applicants to administer, implement, and manage grant schemes.

**Component 3. Introducing Payment for Environmental Services (PES)** (estimated: US\$ 1.36 million; actual: US\$0.62 million) intended to initiate the PES by: (i) developing Carbon Projects including studies and assessments for participation in carbon markets; (ii) developing Payments Mechanism for Watershed Services including an appropriate payment plan and arrangements to assist farmers in switching to eligible SLM practices; and (iii) piloting Payments for Watershed Services in areas surrounding Bovilla and Ulza Reservoirs.

**Component 4. Supporting Project Implementation** (estimated: US\$ 1.24 million; actual: US\$1.02 million) intended to support the project management team within the implementing agency (i.e., the Ministry of Environment, which was later restructured to form the Ministry of Tourism and Environment) to manage and coordinate project implementation. The component also supported Agricultural and Rural Development Agency to manage IPARD-like forestry grants.

**e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Cost:** At appraisal, the original cost estimate was EUR 16.815 million (PAD, para 34), which was equivalent to US\$ 20.84 million (ICR, page 48). During implementation, the cost estimate was revised to US\$ 22.84 million with additional financing of US\$2 million (ICR, page 48). The actual cost was US\$20.86 million (ICR, page 48). The difference between the cost estimates and the actual cost was due to the changes in the exchange rates between Euros and US dollars from appraisal to project closing.

**Financing:** At appraisal, the project was expected to be financed by the International Bank for Reconstruction and Development (IBRD)'s loan of EUR 7.3 million, the Swedish Government's grant of



EUR 7.3 million, and the Global Environment Facility (GEF)'s grant of EUR 2.215 million (PAD, para 34). During implementation, the Swedish Government provided an additional financing of US\$2 million grant. The actual cost was financed by the IBRD loan of US\$8.34 million, the Swedish Government's grant of US\$9.66 million, and the GEF grant of US\$2.86 million (ICR, page 2).

**Dates:** The project was approved on July 8, 2014, and became effective on January 29, 2015. The project underwent two Level 2 Restructurings.

The first restructuring (September 30, 2019) included: (i) revisions to PDO indicator and targets and introduction of new intermediate indicators; (ii) reallocation of loan proceeds assigned for afforestation in the PES pilots under Component 3 to the IPARD-like forestry grant program under Component 2; and (iii) extension of the closing date from September 30, 2019 to September 30, 2020 to ensure sufficient time for the completion of activities under the Additional Financing (AF), which aimed to: (i) scale up forest management planning under Component 2; and (ii) support additional forestry grants under Component 2. The AF grant of US\$2 million from the Swedish Government was approved by the Bank on May 28, 2019, but became effective only on October 15, 2020 (ICR, para 20), due to delays in the Government's processing of the grant (ICR, para 74).

The second restructuring (August 15, 2020) included (i) an eight-month extension of the original closing date of September 30, 2020 to May 31, 2021 to ensure completion of project activities; (ii) changes to targets in the Results Framework; and (iii) an increase of US\$0.56 million under the Swedish Government's Grant.

The project was closed on May 31, 2021, which was a year and 8 months after the original closing date of September 30, 2019.

IEG concurs with the ICR team (page 21) that a split evaluation is not deemed necessary; because, the scope of Component 2 was expanded by the additional financing and the targets of the PDO indicator 1 and the sub-indicator (i) of the PDO indicator 2 were increased in terms of their level of ambition. Though the sub-indicator (ii) of the PDO indicator 2 was dropped at the restructuring in 2019, the overall project scope and ambition was not reduced.

### 3. Relevance of Objectives

#### Rationale

**Country and Sector Context:** Since mid-2011, Albania's external economic environment deteriorated, resulting in an increase in poverty rate to reach 14.3 percent (PAD, para 1). The Government identified agriculture, rural development and tourism among its main priorities for the period 2013-2017, with forestry holding potential to support economic growth, rural employment, and environmental conservation. Albania was also among the most vulnerable countries to climate change in Europe and Central Asia due to its steep topography, heavily populated low-lying coastal zones, and reliance on water for energy and agriculture. Even though Albania had a high percentage of forest cover in mid-2011, most of the forests and pastoral lands were in poor condition (PAD, para 5).



The Government initiated a reform in the forestry sector and transferred approximately sixty percent of state-owned forests and pasture lands to be under the ownerships of local or municipal governments, which was expected to improve conditions of forests and pastures (PAD, para 5). According to the PAD (para 5), with community management, the annual volume of growth of improved coppice forests can reach 3 cubic meters per hectare (m<sup>3</sup>/ha), doubling the national average of 1.3 m<sup>3</sup>/ha. On the other hand, registrations of the forests and pastoral lands transferred to the ownership of Local Government Units (LGUs) lagged behind (PAD, para 6). Consequently, local communities were managing the transferred lands based on customary rights, which are traditionally linked to men's rights and controls over land resources (PAD, para 6). In addition, sustainable land management (SLM) practices were undermined by: (i) a lack of forest management planning along with unclear tenure for forest users; (ii) marginalization of women's roles; and (iii) a lack of financing for addressing land degradation as noted in the list of challenges and assumptions for the project's Results Chain to be achieved (ICR, Figure 1, page 8).

The Bank project team advised IEG that while the Bank had been engaged with the government in sustainable landscape management for the two previous decades, earlier engagement had been with the responsible central ministry and its district offices, which had the responsibility to manage forest and pasture lands. After achieving broad political consensus on territorial reform (foreshadowed in paragraph 6 of the PAD and mentioned in the ICR in paragraph 23) that consolidated 371 local government units into 61, the government approved in December 2015 the Law on Self Government which transferred responsibilities of forest and pasture management to municipalities. Previous central government structures in districts were consequentially abolished. However, municipalities did not have the required capacities to fulfil their new responsibilities and obligations. Hence, as the first Bank project after the reform, supporting new institutions was a fundamental next step, a challenge addressed by this project

**Relevance to Government Strategies:** At appraisal, the PDO was in line with one of the key objectives of Albania's forest sector strategy, which sought to transfer state-owned forests and pastoral lands to Local Government Units (ICR, para 4), as well as rural development policies aimed at increasing agricultural productivity and competitiveness to reduce rural poverty and sustain the natural resource base, especially forest resources (PAD, para 2). The National Strategy for Development and Integration for 2007-2013, the latest available national development strategy at appraisal, included an Environmental Cross-cutting Strategy that called for more investments in activities such as raising the capacities of LGUs and pastoralists associations for financial management and revenue generation to improve forests (ICR, para 7). At project closing, the PDO was aligned with the National Strategy for Development and Integration for 2015-2020, which aimed at the sustainable use of natural resources and EU accession in the long-term. The project's objectives were also relevant to the National Strategy on Climate Change for 2019-2030 which included a focus on forestry and land use (ICR, para 32).

**Relevance to the World Bank's Assistance Strategies:** At appraisal, the Objective 1 in the PDO ("Support sustainable land management practices in targeted project areas which are mainly in erosion prone rural upland areas") was partially aligned with "Improved conservation, management and efficient use of Albania's water resources" under Strategic Objective 3: "Reducing Albania's vulnerabilities to climate change" in the Country Partnership (CPS) FY11-14 (CPS, page 41), which focused on climate change mitigation through water resources management. At project closing, Objectives 1 and 2 were congruent with the then contemporary FY15-19 (CPF which stated, inter alia, that 'Enhancing land productivity and maximizing sustainable use of Albania's natural endowments will boost farming income thereby generating regional growth and job opportunities for the bottom forty percent of the population' (p 31).



**Prior Sector Experience:** The World Bank has been working with the Government, Global Environment Facility, and the Swedish International Development Cooperation Agency (Sida) to finance a series of operations on forestry and natural resources management since 1995 (ICR, para 8). Most of the operations prior to this project focused on forests used by local communities, leaving more remote forests, which remained under the direct management of the state forestry authorities, to receive only ad-hoc management without sufficient investment (PAD, para 15 and ICR, para 8). Building upon the lessons from the prior projects and the strong partnership with Sida, according to the ICR (para 9), this project aimed to “maximize the provision of environmental services whilst contributing to the economic development of communities dependent on local environmental resources for their livelihoods” and also to “build capacities to access precursors to EU funding.” The sources of funding included the Instrument of Pre-Accession and Rural Development (IPARD) (ICR, para 9). Through this tool, the EU provides the beneficiaries with financial and technical help with the aim of: (i) making their agricultural sector and rural areas more sustainable; and (ii) aligning them with the EU's common agricultural policy (European Commission's website, [https://ec.europa.eu/info/food-farming-fisheries/farming/international-cooperation/enlargement/pre-accession-assistance/overview\\_en](https://ec.europa.eu/info/food-farming-fisheries/farming/international-cooperation/enlargement/pre-accession-assistance/overview_en), hereafter, EC's website). As of 2020, Albania had received €71 million from IPARD (EC's website). The government was expected to make a contribution to the objectives of IPARD.

**Conclusion.** The project's objectives were well aligned with government strategy and World Bank assistance strategies. The relevance of this project's objectives is therefore rated substantial.

## Rating

Substantial

## 4. Achievement of Objectives (Efficacy)

### OBJECTIVE 1

#### Objective

Support Sustainable Land Management (SLM) practices in targeted project areas which are mainly in erosion prone rural upland areas

#### Rationale

**Theory of Change (TOC):** Objective 1's TOC envisioned that project activities such as updating the national forest inventory, conducting studies on mechanisms of Payment for Environmental Services (PES), providing technical support for planning and implementing measures for sustainable management of forest and pasture areas would result in outputs such as communal registration and management of the forest and pasture



areas, new knowledge and skills on sustainable land management among the government staff and community members, participatory planning processes for forest and pasture areas management, and implementation of PES pilots, would contribute to outcomes such as improvements in environmental conditions (e.g., soil, pasture, and forests) in erosion prone rural upland areas, carbon sequestration, and resource mobilization for continuing SLM practices after project closure.

Critical assumptions included: (i) a participatory approach would ensure involvement of women and ethnic minorities in decision making; and (ii) political, economic, and legislative environments were ready for implementation of the PES.

**Outputs** (based on the ICR, paragraphs 33 to 48 and Annex 1):

- Forest and pasture areas of 1,083,871 hectares (ha) were registered under the ownership of the municipalities following transfer from the State, almost achieving the revised target of 1,100,000 ha. At project closing, forest and pasture lands registered to municipalities covered approximately 35 percent of the country (ICR, para 42).
- Land management specialists and users numbering 2,143 people were trained, meeting the revised target of 2,000 people. Of the total, 811 land management specialists and users were women, meeting the revised target of 800 people.
- Forest Pasture Users' Associations (FPUA) members numbering 1,405 people were trained, not meeting the original target of 2,000 people. Of the total, 685 trained members of the FPUA were women, not meeting the original target of 800 people.
- Individual farmers numbering 307 people were trained, meeting the revised target of 300 people. Of the total, 173 farmers were women, meeting the revised target of 165 people. According to the Final Social and Beneficiary Survey (2021), the percentage of beneficiaries who acquired knowledge on at least one new SLM practice was 25 percent, being higher than 20 percent in non-beneficiaries (ICR, para 47).
- Ministry staff numbering 241 people were trained, not meeting the original target of 700 people. This indicator was not achieved because an institutional restructuring reduced the number of staff at the level eligible for the training.
- Beneficiaries participating in project consultation activities during implementation were 624 people, exceeding the revised target of 350 people. Of the total, 126 beneficiaries were women, exceeding the target of 100 people. Topics such as land registration, forest inventory, Forest and Pasture Management Plans (FPMPs), and the Links Between Actions of Rural Development (LEADER: Liaison Entre Actions de Développement de l'Economie Rurale) for Local Action Groups (LAG) were covered in consultations between the central and municipal government staff and community members.
- Pasture area of 29,781 ha was brought under management plans, not meeting the revised target of 90,000 ha. The target was not achieved because the estimated pasture area at appraisal was found to be inaccurate (ICR, page 38).
- Forest area of 165,285 ha was brought under management plans, not meeting the revised target of 180,000 ha. The target was not achieved due to the delay in approval of the AF and difficulties in procurement.
- Percentage of FPUAs reporting that forest and pastures management plans represented the views of the community was 82 percent, meeting the original target of 80 percent, according to the Final Social and Beneficiary Survey in 2021.



- Percentage of estimated sediment delivery to reservoirs in pilot areas covered by PES was 0 percent, not meeting the original target of 10 percent. The target was not achieved because no PES pilot was implemented although two PES pilots were planned, i.e., one with a hydro-electric power (HEP) producer using Ulza Reservoir and another with a Tirana's public water utility directorate (UKT) using Bovilla Reservoir. The first did not proceed due to the bankruptcy of the HEP producer's parent company. The second was almost ready to be implemented but UKT made a last-minute decision not to participate due to the existing legal frameworks which would not enable it to continue the schemes after project closure.

In addition to the outputs defined in the Results Framework, the ICR reported on the following achieved outputs which did not have any formal targets.

- Six Forest and Pasture Management Plans (FPMPs) were developed by municipalities in line with a guideline that was developed by the project (ICR, page 38), covering 191,066 ha (ICR, para 41). The ICR did not mention whether or not the FPMPs were implemented. Some of the measures outlined in the approved FPMPs were expected to be implemented by municipalities with their annual budgets for 2022 (based on advice during IEG's meeting with the World Bank's project task team, hereafter, Bank project team). The approved FPMPs were requirements to access the IPARD funding (ICR, para 41).
- The Albania National Forest Inventory (ANFI) 2018 was established, which provided data for planning, monitoring, evaluation, and research on SLM and environmental services (ICR, para 40). The Forest Law published in 2020 showed the Government's commitment to a rolling update of the NFI (ICR, para 40). However, the future support for the National Forest Agency, which was responsible for managing the NFI, was to be decided by the new Government elected in September 2021 (ICR, para 89).
- The Albanian Forest Information System (AIFIS) was established, which supported forest and pasture management through creation and maintenance of forest cadastral parcels and sub-parcels, creation of FPMPs, monitoring and reporting, as well as managing information on relevant interventions and events (ICR, para 43).

**Outcomes** (based on the ICR, paragraphs 33 to 48 and Annex 1):

- Land area where SLM practices were adopted as a result of project was 12,320.80 hectares (ha), exceeding the revised target of 9,000 ha. This was a World Bank corporate indicator for sustainable land management practices in combination with at least two SLM practices. In this project the SLM practices were forestation/reforestation, forest improvement, pasture improvement including water points, and others (check dams, tourist trails, irrigation channels. Forest and pasture improvement were by far the most important. (ICR, Table 2).

In addition to the outcome defined in the Results Framework, the ICR reported on the following achieved outcome which did not have any formal target, nor was any evidence provided regarding the expected benefits.

- Carbon dioxide equivalent of 811,262 tons were expected to be reduced over 20 years by project activities, enhancing carbon sequestration and improving soil conditions (ICR, para 36).

On balance, the efficacy with which Objective 1 was achieved is rated substantial.



## Rating

Substantial

## OBJECTIVE 2

### Objective

Increase communities' monetary and non-monetary benefits in targeted Project areas which are mainly in erosion prone rural upland areas

### Rationale

**Theory of Change (TOC):** Objective 2's TOC envisioned that project activities such as preparing Forest and Pasture Management Plans (FPMPs), providing technical and financial support for forming the Local Action Groups (LAGs) for the Links Between Actions of Rural Development (LEADER: Liaison Entre Actions de Développement de l'Economie Rurale) program, strengthening the capacity and gender equality of the Forest and Pasture User Association (FPUAs), and strengthening the capacity of Agency of Rural Development and Agriculture (ARDA) as the Paying Agency of the grants would result in outputs such as qualified grant applications and disbursed grant budgets, contributing to an outcome equivalent to increased monetary and non-monetary benefits of the communities.

Critical assumptions included: (i) the communities were willing to participate in the grant programs and adopt the SLM practices; and (ii) the participation in the grant programs would enable the communities to increase monetary and non-monetary benefits in the long-term.

**Outputs** (based on the ICR, paragraphs 33 to 48 and Annex 1):

- Percentage of grant applications which fulfilled the requirements to receive the grants (i.e., the forestry grants modeled after the EU's Instrument of Pre-Accession and Rural Development (IPARD) grants or the rural development grants for the LAGs under the LEADER program) was 56 percent, not meeting the original target of 60 percent.
- Percentage of the grant budget disbursed was 100 percent, meeting the original target of 100 percent. Of the total, 14.3 percent of the grant budget was disbursed to women, not meeting the original target of 15 percent. Of the total, 5 percent of the grant budget was disbursed to farmers, not meeting the revised target of 10 percent. Of the total, 99 percent of the grant budgets was disbursed to Forest and Pasture Users Associations (FPUAs), exceeding the revised target of 82 percent. Overall, US\$ 5 million were disbursed as grants. Almost all the grant budgets were awarded to FPUAs, as individual farmers were not keen to apply because of the limited privately held forest land and the difficulty in meeting land security requirements for eligibility.

**Outcomes** (based on the ICR, paragraphs 33 to 48 and Annex 1):

- The number of people in forests and adjacent community who received monetary and non-monetary benefits was 3,858, exceeding the revised target of 3,000. Of the total, 1,095 people were women, meeting the original target of 1,000 people. Of the total, 71 people were ethnic minorities or indigenous people (e.g., Roma, Greek), exceeding the original target of 10 people. Although this



indicator was designed as a PDO Outcome indicator, the number of direct beneficiaries that received monetary benefits from the project (ICR, page 32) was not sufficient to measure a project outcome.

In addition to the outcome defined in the Results Framework, the ICR reported on the following achieved outcomes which did not have any formal targets.

- Almost all participants in the focus groups and the interviewees in the Final Social and Beneficiary Survey acknowledged the positive monetary and non-monetary benefits from the project (ICR, page 69). The project had a positive impact on securing employment for rural communities and consequently income for area inhabitants employed in project activities. All grantees claimed that the grants component increased the well-being of residents, through their seasonal employment while the non-monetary benefits were related to mitigating and preventing erosion, rehabilitating and afforesting degraded lands, improving forests and pastures, and expanding biodiversity (ICR, Annex 11, page 69). On the other hand, the monetary benefits from labor payments were expected to be short term, as employment for water pipes construction and forest cleaning and improvement lasted only for approximately 3- or 4-months during project implementation (ICR, page 69). The benefits of fruit and nut planting activities were expected to be realized after several years when the harvest would start generating incomes (ICR, para 46).

While the communities acknowledged monetary and non-monetary benefits from the project, no data were collected to assess the extent to which their monetary and non-monetary benefits were increased. In addition, the monetary benefits from the labor payments were temporary and none were claimed to be the result of participating in sustained land management (SLM) programs. The ICR (para 48) mentioned that the infrastructure and equipment provided by the grants contributed to increased productivity (e.g., increased forest products, provision of water for irrigation and livestock) but without evidence.

Overall, the efficacy with which Objective 2 was achieved is rated modest.

**Rating**  
Modest

## **OVERALL EFFICACY**

### **Rationale**

The achievement of Objective 1 is rated substantial because the project has indeed achieved the objective to “support sustainable land management (SLM) practices in targeted project areas.” Support for SLM practices was provided and it is expected that erosion of upland areas will be reduced as a result of this project. The achievement of Objective 2 is rated modest because there is no evidence that an “increase in communities’ monetary and non-monetary benefits in the targeted project areas” occurred in a lasting manner during implementation due to the introduction of SLM. However, as in the case of Objective 1 (support for SLM), there are expectations that in the medium to long term measurable benefits will occur for communities in the target areas due to the sustained enhanced forest and pastoral conditions and the harvested fruits and nuts. Therefore,



this review rates overall efficacy as marginally substantial on the basis that Objective 1 was achieved and that monetary and non-monetary benefits for communities (Objective 2) are expected to be achieved.

### Overall Efficacy Rating

Substantial

## 5. Efficiency

**Economic Analysis:** At appraisal, an Economic Internal Rate of Return (EIRR) was estimated at 21.9 percent, and the project's Net Present Value (NPV) was estimated at EUR 10.4 million with a discount rate of 12 percent over 40 years (PAD, paras 59-60). The ex-ante NPV was equivalent to US\$ 11.93 million (ICR, para 52). At project closing, the EIRR was 16 percent and the NPV was US\$4.31 million, also with a discount rate of 12 percent over 40 years (ICR, para 51). However, the ex-ante and ex-post EIRRs were not directly comparable for the following reasons. First, the ex-post analysis removed from the calculation the direct economic benefits from the PES component that were assumed in the ex-ante analysis. Second, the ex-post analysis removed the net benefit of IPARD projects that was assumed by the ex-ante analysis to reach US\$1.47 million by year six and remain at that level until the end of the project. Instead, the ex-post analysis used an estimate of the unit area benefits of afforestation, forest and pasture improvement as multipliers against the funded project activity areas (ICR, Table 3. Summary Table Ex-post, Annex 4, page 51). Information on benefits including estimated yields and market prices of forest and pasture produce which were determined by verifying previously collected information through interviews and compiling information during the last missions of the project (ICR, Annex 4, page 51). According to the ICR, assumptions were made conservatively in general for both for inputs and outputs (ICR, Annex 4, page 51).

Third, the ex-post analysis included the annual value of carbon sequestration revealed using the Food and Agriculture Organization's Ex-Ante Carbon-balance (Ex-Act) tool was modelled starting from year five and using a carbon value of US\$ 21 per ton. The ex-post analysis used the lower bound of the social cost of one ton of carbon dioxide equivalent varying from US\$21 to over US\$300 (Mackie et al. 2014, referenced in ICR, Table 3. Ex-post estimation of incremental value of natural capital, Annex 4, page 52). Estimation of values from ecosystem services related to flood protection and reduced sedimentation used the same approach as the ex-ante analysis.

**Aspects of design and implementation that affected project efficiency:** The land registration activities were delayed due to the institutional changes of consolidating the Local Government Units into 61 municipalities, that were started by the Government in February 2015 (ICR, para 68). The ICR noted that approving the boundaries of the new municipalities by the Government was a lengthy process, followed by issuing a set of Council of Ministers Decrees to transfer land to the individual municipalities to prepare for the registration processes. The delay in registering private lands continued to pose challenges throughout the project implementation period.

Though the estimated EIRR at the project's close of 16 percent was lower than the estimate EIRR of 21.9 percent at appraisal, as noted above, the two figures were not directly comparable due to changes in assumptions for calculation of the EIRRs. According to information provided to IEG by the Bank project team the ex-ante EIRR for this project was approximately at the same level for similar projects in other countries, such as



15 percent in Mexico (P121116), 15 percent in Armenia (P008334), and 13 percent in Bosnia and Herzegovina (P129961).

### Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	21.90	0 <input checked="" type="checkbox"/> Not Applicable
ICR Estimate	✓	16.00	0 <input checked="" type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

### 6. Outcome

The relevance of objectives is rated substantial because the PDO was well aligned with government and Bank development strategies for Albania. The project's overall efficacy is rated marginally substantial on the basis that Objective 1 was achieved and that monetary and non-monetary benefits for communities (Objective 2) are expected to be achieved in future. The project's efficiency is rated substantial, as the ex-post EIRR was considered to be at a substantial level based on reasonable assumptions regarding the value of productivity increases and the value of carbon sequestration. Overall, there were minor shortcomings in the project's relevance, efficacy and efficiency and therefore its outcome is rated moderately satisfactory.

#### a. Outcome Rating

Satisfactory

### 7. Risk to Development Outcome

**Financial Risk:** Public financing for forest and pasture management was anticipated to remain low, as the municipalities' forest revenue generation was limited by the logging moratorium and the adoption of the PES schemes were subject to technical and economic justifications (ICR, para 88). A lack of financing would adversely affect the sector at all levels, including preparation and implementation of Forest and Pasture Management Plans. Some interventions financed through IPARD-like afforestation grants might not be sustained by the FPUAs and other recipients, as the replacement costs of saplings were not covered by the grants (ICR, para 90). As a measure to mitigate the risk, resources were expected to be mobilized for sustaining the SLM practices, after the expected approval of the Instrument of Pre-Accession and Rural Development (IPARD) III Program for 2022-2027 by the European Commission (EC) around September



2022 (Bank project team). The forestry measure was included in IPARD III Program and its associated accreditation package that was presented to the EC for their review in September 2021 (ICR, para 39). Upon approval, the IPARD III Program would provide approximately EUR 6 million for the forestry sector, which would be combined with EUR 1 million national contribution (ICR, para 39), in order to support the Agricultural and Rural Development Agency to launch the forestry measure as planned (Bank project team). As reported by this project's beneficiaries, the experience and skills gained and SLM practices implemented were critical to ensure that the measure and accreditation package received government support and met IPARD requirements (ICR, para 39). Inclusion of the Links Between Actions of Rural Development (LEADER: Liaison Entre Actions de Développement de l'Economie Rurale) measure under IPARD III, was also expected to supplement support for SLM. Funding was expected to be available for the Local Action Groups (LAGs), including three established under this project, that have demonstrated effectively how to support environmental conservation as part of their local development strategies. Moreover, the project supported a cost comparison of current guidelines and lower-cost alternatives to improve efficiency in planning. Still, the remaining challenge on financing for implementation persisted at project closing. The replacement costs, which were small amounts in general, were included in the IPARD III forestry measure submission.

**Technical Risk:** There is a risk that the benefits of the Albania National Forest Inventory (ANFI) and the Albania Forest Information System (AFIS) will not be fully realized unless there is permanent, sufficient and qualified data analysis capacity in the National Forest Agency (NFA), and support to the municipalities. To mitigate the risk, the project ensured the government's commitment to adoption of AFIS and provision for a rolling update of the ANFI. Future support for the NFA was to be determined after the election in September 2021 (ICR, para 89).

## 8. Assessment of Bank Performance

### a. Quality-at-Entry

Gender aspects were well considered, as the Gender Action Plan was developed to mainstream gender into all the project components (PAD, para 23) with an aim to strengthen the role of women in land and forest management. Poverty, environmental, and social development aspects were adequately considered. Institutional capacity risk that was rated substantial at preparation was tried to be mitigated by establishing a core Project Management Team (PMT) before project effectiveness. The PMT also received technical support from the government staff with expertise on the forest sector and environment planning. On the other hand, the mitigation measures against the institutional capacity risk were not sufficient to prevent delays in procurement processes in early stages, in terms of evaluation, acceptance of deliverables, and selection of items (ICR, para 82). Technical aspects, as well as legal, political, and economic risks were not thoroughly considered at the preparation stage (ICR, para 66), as the time required to conduct technical studies for piloting the PES was underestimated, resulting in the cancellation of the planned pilots (ICR, para 83). The strategic relevance and approach were not adequate, as described in Section 3. Overall, the quality at entry is rated moderately satisfactory.



## **Quality-at-Entry Rating**

Moderately Satisfactory

### **b. Quality of supervision**

According to the ICR (para 84), the Bank team's supervision inputs and processes were adequate in general. The implementation support missions were conducted bi-annually, and the technical support was provided between the missions. The Bank team provided regular oversight on safeguards aspects. Performance reporting was completed in a timely manner. The Aide Memoires and the Implementation Support and Reporting (ISRs) were detailed with recommendations and agreed actions that were monitored. Based on the Mid-Term Review, the Bank team supported the Ministry of Tourism and Environment (MTE) that was established by a merger of Ministries of Environment and Tourism in September 2017, to change the project's authorizing officials. It contributed to improving the Implementation Progress rating in the ISR. On the other hand, the Bank team's support on fiduciary aspects was not sufficient to cover the initial inexperience of the PMT on the Bank's fiduciary management (ICR, para 82) and the unexpected change of internal government procedures for approval of legal agreements (Bank project team). The process of getting clearances from line ministries and the Prime Minister's Office was restarted and there were internal differences over who would co-sign the draft approval decree before submission to the Council of Ministers for approval (Bank project team). As a result, delays in procurement and approval of the Additional Financing agreement which could not be controlled by the Bank led to the cancellation of procurement of the technical assistance for additional areas for Forest and Pasture Management Plans (FPMPs) in two municipalities (ICR, para 25). The planned activities for expanding areas under the municipalities' FPMPs were replaced by the activities aimed at building capacities related to the preparation of FPMPs in the central and municipal governments (ICR, para 25).

Overall, the quality of supervision is rated satisfactory.

## **Quality of Supervision Rating**

Satisfactory

## **Overall Bank Performance Rating**

Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

Data collection methods to measure changes in beneficiaries' social situations and perceptions were adequate, as three Social and Beneficiary Surveys were designed to measure baseline, mid-term, and final results. On the other hand, the Theory of Change was not soundly established during preparation, thus not well reflected in the Results Framework. The Results Framework was revised at the restructuring in 2018 with an aim to better reflect the objectives and improve data disaggregation. However, the revised PDO indicators continued to be focused on output-level results and thus not designed to present outcome-level evidence. The M&E design of the latter part of the PDO was unclear regarding the definition and



measurement methods of “non-monetary benefits” (ICR, para 76). The Results Framework was also not updated in a timely manner to incorporate responses to institutional changes.

## **b. M&E Implementation**

The indicators in the Results Framework were measured and reported. The agency responsible for M&E ensured attention to effective M&E implementation. A project management information system was established and managed by a specialist, enabling the Implementing Agency’s Project Management Team to track implementation progress against the indicators. The semi-annual progress reports were submitted in a timely manner, referring also to the results measured by the GEF Land Degradation Tracking Tool. All the planned Social and Beneficiary Surveys were conducted. On the other hand, the lack of clarity in the M&E design of “non-monetary benefits” was not resolved through the restructurings. Although the survey methodology in the final survey in 2021 was improved by using a control group, the methodologies of the former surveys were not sound, hence the three survey results could not be compared for the monitoring or evaluation of the project’s progress (ICR, para 78). It was uncertain to what extent the Albania National Forest Inventory and the Albania Forest Information System were likely to continue functioning after project closing, due to the lack of technical capacity within the National Forest Agency, as described in Section 7 of this review.

## **c. M&E Utilization**

According to the ICR the M&E data were used to inform decisions on project management and revisions in the Results Framework. The findings from the final Social and Beneficiary Surveys conducted provided some evidence on outcome-level achievements.

Shortcomings in the M&E design remained after the project's restructurings, negatively affecting the M&E implementation. Overall, the quality of the M&E is therefore rated modest.

### **M&E Quality Rating**

Modest

## **10. Other Issues**

### **a. Safeguards**

**Environmental Safeguards:** The project was classified as category B and triggered the following policies: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP 4.04), Pest Management (OP 4.09), and Forestry (OP 4.36) (PAD, paras 41-46) at appraisal and throughout implementation (ICR, para 80). However, the policy on Projects on International Waterways (OP 7.50) was not triggered at appraisal (PAD, para 47) and throughout implementation; because the project activities were small-scaled and did not affect international rivers and lakes and the surrounding communities (Bank project team). The Environmental and Social Management Framework (ESMF) was developed in line with Bank’s safeguard policies and Albanian environmental legislation. The ESMF included a Pest Management Plan (PMP), based on the project design that planting of fruit trees and orchards was included as one of the erosion controls measures.



During implementation, it turned out that there was no activity involving pest management, thus no mitigation measures relevant to the PMP or OP 4.09 was necessary (Bank project team). An Environmental Management Framework (EMF) was developed to screen the activities supported by the grants provided by the project to find any activities that would fall under Category A. Under the EMF, a screening mechanism and site-specific environmental due diligence were prepared. The Bank's Environmental Safeguards Specialist was based in the region and participated in regular project supervision. Training was organized for the recipients. Regular reporting on environmental compliance was submitted. At project closing, an Environmental Audit confirmed that all ESMF provisions were met, but there was no explicit statement on compliance with environmental safeguards.

**Social Safeguards:** No social safeguards policies were triggered given the project's participatory and voluntary nature (Bank project team). Applications for the IPARD-like grants were not eligible for funding if they included conditions that would trigger social safeguards. A complaint redress mechanism was established for applicants.

## b. Fiduciary Compliance

**Financial Management (FM):** In general, the FM, funds flow, and disbursement arrangements for the project were adequate and in compliance with Bank requirements (ICR, para 81). FM specialists supported the Bank's supervision and observed generally good compliance with respect to financial reporting and disbursement requirements. Though the PMT's challenges in managing multiple sources of financing and currencies and concerns around funds availability and contract monitoring data were observed, the concerns were resolved by project closure. The external audits confirmed that the Agricultural and Rural Development Agency's grant administration systems and control framework functioned appropriately, and reported no significant issues and conditions. All the audit reports covering up to 2019 were unqualified (Bank project team). On the other hand, the audit for the project covering 2020 and January to September 2021 had not been finalized; because, the Ministry of Finance delayed the hiring of the independent audit company for all World Bank funded projects (Bank project team).

**Procurement:** In May 2021, a review on procurement that was conducted in a virtual basis found that the Project Management Team (PMT) had generally followed the Bank's procurement rules and procedures. The procurement plans were regularly updated and disclosed. The PMT benefited from same procurement specialist from preparation to completion. In the early stages, there were delays in procurement processes, particularly in evaluation, acceptance of deliverables, and selection, as the MTE staff and the evaluation committees lacked appropriate experience and qualifications. The Bank supported the PMT to provide guidance and support on procurement to potential Local Action Groups. Support from the Bank was reported as prompt and constructive. As a result, no procurement issues arose with both rounds of the IPARD-like grants.

## c. Unintended impacts (Positive or Negative)

The project supported the National Authority for Geospatial Information (ASIG) to develop the National Spatial Data Infrastructure, which was an integrated geospatial data system with layers of data from various sources including the registered forest and pastureland data from the State Cadaster Agency and



the forest data from the Albania Forest Information System (ICR, page 75). The project also applied the latest remote sensing technology that measures distance by illuminating a target with a laser and analyzing the reflected light (called LiDAR), and equipped the ASIG with the hardware, software, and technical skills. This had a direct and practical impact on delivering the project outputs related to the Albania National Forest Inventory and the Forest Pasture Management Plans under the COVID-19 restrictions.

**d. Other**

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**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Moderately Satisfactory	One dimension of Bank performance was moderately satisfactory
Quality of M&E	Substantial	Modest	The M&E quality is rated modest, as shortcomings in the M&E design remained after the restructurings, negatively affecting the M&E implementation.
Quality of ICR	---	Substantial	

**12. Lessons**

The ICR provided five lessons. Some of them are summarized below because they may provide lessons of interest for other environmental services projects.

**Ensuring buy-ins for piloting Payment for Environmental Services (PES) schemes require careful preparation.** While two PES pilots were prepared by this project, their implementation was delayed because of the lack of preparation regarding three necessary conditions, namely: (i) time for the required technical and socioeconomic studies to be conducted; (ii) commitments from the service users to pay for the environmental services; and (iii) identification of a champion within the Government (ICR, para 92).

**Designing a project component aligned with an existing grant scheme such as the EU’s Instrument of Pre-Accession and Rural Development (IPARD) can provide opportunities for resource mobilization for congruent practices.** This project modeled the IPARD-like grant program after a previous similar program in Montenegro. Capacities of the government agencies and the grant recipients were built through “learning-by-doing” under the grant program. In particular, the Agricultural and Rural Development Agency strengthened its capacity and reputation as the administrator for the anticipated IPARD forestry measure through experience with this project (ICR,



para 94). As a result, the accreditation package with a forestry measure was successfully submitted and is being reviewed for IPARD III funding for 2022-2027.

### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The ICR provides a comprehensive overview of the project. It is generally aligned to the project's development objectives although the analysis in the ICR of the relevance of objectives and the considerable change in institutional arrangements for natural resource management in 2015 could have provided more detail. The report generally follows OPCS guidelines and tries to triangulate data to reach conclusions. The ICR's lessons are clear and based on evidence outlined in the ICR. There are references to the project's theory of change (ICR, Figure 1, page 8), but the causal links between outputs and outcomes are rather aggregated and not analyzed in detail. The quality of evidence and analysis is generally aligned with the conclusions of the ICR. In addition, since discreet outcomes from SLM are long term the ICR usefully provided some substantive explanations behind the apparent satisfaction so far of the project's beneficiaries in paragraphs 46 to 48.

Comments on the compliance with the safeguard policy OP 4.09 and on the timeliness of project's external audits and whether the external auditor's opinions were qualified were not explicitly made in the ICR, although the relevant information was provided to IEG at a meeting with the Bank project team. Some data provided in the ICR were inconsistent with the data from other sources. For example, the ICR (para 80) stated that the safeguard policy on Projects on International Waterways (OP 7.50) was triggered, which was inconsistent with the PAD (para 47). According to the information provided to IEG by the Bank project team, OP 7.50 was never triggered. The duration of the first National Strategy for Development and Integration was stated 2014-2020 in the ICR (para 32), while it was stated as 2015-2020 in the website of the Ministry for Europe and Foreign Affairs of the Albanian Government. The ICR provided information and analysis in general, while some of the shortcomings in data were rectified during IEG's meeting with the Bank project team.

On balance, and despite some shortcomings, the quality of the ICR is rated substantial.

#### a. Quality of ICR Rating

Substantial

