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**PROJECT PERFORMANCE ASSESSMENT REPORT**

**ALBANIA**

**COMMUNITY WORKS PROJECT  
(CR. 3164)**

**SECOND COMMUNITY WORKS PROJECT  
(CR. 3805)**

**June 29, 2012**

**IEG Public Sector Evaluation**  
*Independent Evaluation Group*

## Currency Equivalents (annual averages)

Currency Unit = *Albanian Lek (ALL)*

1999	US\$1.00	ALL \$137.7	2005	US\$1.00	ALL \$99.9
2000	US\$1.00	ALL \$143.7	2006	US\$1.00	ALL \$98.1
2001	US\$1.00	ALL \$143.5	2007	US\$1.00	ALL \$90.4
2002	US\$1.00	ALL \$140.2	2008	US\$1.00	ALL \$83.9
2003	US\$1.00	ALL \$121.9	2009	US\$1.00	ALL \$95.0
2004	US\$1.00	ALL \$102.8			

## Abbreviations and Acronyms

ADF	Albanian Development Fund	LDP	Local Development Plan
ASET	Albanian Socio Economic Think Tank	LGU	Local Government Unit/Local Government
CAS	Country Assistance Strategy	LSMS	Living Standards Measurement Study
CEB	Council of Europe Development Bank	MIS	Management Information System
CWP I	Community Works Project I	MOI	Ministry of Interior
CWP II	Community Works Project II	MOP	Minister of Planning
CMG	Counseling and Monitoring Group	MPWTT	Ministry of Public Works, Transport and Telecommunications
DCA	Development Credit Agreement	MTPT	Ministry of Territorial Planning and Tourism
EC	European Commission	MTR	Mid-Term Review
EMP	Environmental Management Plan	O&M	Operations and Maintenance
EMMP	Environmental Monitoring and Mitigation Plan	PAD	Project Appraisal Document
EU	European Union	PIU	Project Implementation Unit
GRD	General Roads Directorate	PME	Participatory Monitoring and Evaluation
ICR	Implementation Completion and Results Report	PPAR	Project Performance Assessment Report
IDA	International Development Association	QAE	Quality at Entry
IEG	Independent Evaluation Group	QAG	Quality Assessment Group
IEGPS	IEG Public Sector Evaluation	RDP	Regional Development Plan
IFAD	International Fund for Agricultural Development	SWOT	Strengths, Weaknesses, Opportunities, and Threats
ISR	Implementation Status and Results Report	TOR	Terms of Reference
KfW	Kreditanstalt für Wiederaufbau		

## Fiscal Year

Government: January 1 – December 31

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This report was prepared by Soniya Carvalho, who assessed the project in July, 2009, together with Horst Wattenbach (CEB) and Nina Otto (KfW). The report was peer reviewed by Ridley Nelson and panel reviewed by Robert Lacey. Maria Margarita Sanchez provided research and administrative support. Marie-Jeanne Ndiaye provided support on earlier drafts.

## Principal Ratings

### Community Works Project I (Cr. 3164)

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Substantial	Substantial	————
Risk to Development Outcome	————	————	Moderate
Sustainability***	Likely	Likely	————
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

### Community Works Project II (Cr. 3805)

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Risk to Development Outcome	Moderate	Moderate	Moderate
Bank Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory

\*The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEG product that seeks to independently verify the findings of the ICR.

\*\*As of July 1, 2006, Institutional Development Impact has been discontinued.

\*\*\*As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

## Key Staff Responsible

### Community Works Project I (Cr. 3164)

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Sector Director</i>	<i>Country Director</i>
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Completion	Mark Woodward	Laura Tuck	Christian N. Poortman

### Community Works Project II (Cr. 3805)

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Sector Director</i>	<i>Country Director</i>
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**IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.**

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The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: <http://worldbank.org/ieg>).

**Outcome:** The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.



## Preface

This report is the Project Performance Assessment Report (PPAR) for two Community Works Projects in Albania – Community Works Project I (CWP I) and Community Works Project II (CWP II). CWP I was approved by the World Bank’s Board of Executive Directors on January 19, 1999, and was quickly followed by a Supplemental Credit approved roughly four months later, on May 28, 1999. The actual total project cost was \$17.4 million. The project closed on March 31, 2003. CWP II was approved by the World Bank’s Board of Executive Directors on June 24, 2003. The actual total project cost was \$25.9 million. It closed on September 30, 2008.

This PPAR was prepared by Soniya Carvalho, Lead Evaluator, Independent Evaluation Group (IEG). The report is based on a review of Bank reports (including, for example, country assistance strategies, credit agreements, and appraisal, supervision, and completion reports) as well as relevant non-Bank reports. A field visit was conducted from about July 27 to August 3, 2009 in a joint mission with Horst Wattenbach, Senior Evaluator, Ex-Post Evaluation Department of the Council of Europe Development Bank (CEB), and Nina Otto, Programme Manager, Evaluation Department of Kreditanstalt für Wiederaufbau (KfW) – CEB and KfW had provided parallel/other financing, thereby supporting similar subprojects as the Bank-supported Community Works Projects but in different parts of the country and with somewhat different objectives. The mission visited the following communes: Baldush (Tirana area), Maminas, Dermenas, and Portez (Fier area), and Shenkollë, Kolcë, and Dajç (Lezhe area). The mission met with key stakeholders, including central and local government officials, Albanian Development Fund (ADF) staff, project beneficiaries, Bank staff at headquarters and in the country office, other donor agency staff, and staff from local research firms. Road Mapping, whereby Google Maps was used to overlay the road segments rehabilitated by the two projects onto the 2007 road condition survey for the country, was undertaken by Artan Guxho, Senior Infrastructure Specialist, in the World Bank country office in Tirana. The cooperation and assistance of all stakeholders is gratefully acknowledged.

Following standard IEG procedures, a draft of the report was sent to the borrower for comments before being finalized. Comments were received from the borrower and are presented in Annex C.



## Summary

This Project Performance Assessment Report (PPAR) evaluates two Community Works Projects in Albania that aimed to rehabilitate small infrastructure by working through local governments, rather than bypassing them and working directly with local communities, as was the common approach up until that time. In the process, the two projects also aimed to build the capacity of local governments and communities.

The Community Works Project I, CWP I (1999-2003, \$17.4 million actual cost), aimed “to alleviate small infrastructure bottlenecks by rehabilitating small, sustainable, social and economic infrastructure according to the development priorities of local governments and communities, and to build the capacity of local communities and local governments to promote local economic development.” Roughly four months later, a Supplemental Credit was added “to provide emergency infrastructure support so as to prevent major collapse of infrastructure service and, wherever possible, contribute to supplementing the revenue of the population most affected by the inflow of refugees through their participation in the public works.”

The Second Community Works Project, CWP II (2003-2008, \$25.9 million actual costs), had similar objectives: “to alleviate local bottlenecks hindering development (including infrastructure and services) through processes of participatory local development as a result of: (a) improving access to quality social and economic infrastructure and social services through sustainable micro-projects; and (b) promoting institutional development at the local level.”

The first project financed 219 subprojects in 33 of the country’s 36 districts. The second project financed a total of 156 sub-projects covering all districts of the country. Both projects mainly supported rehabilitation, primarily of roads. Other types of infrastructure supported included water supply, sewerage, bridges/footbridges, schools, and social buildings/community centers. Both projects did well on their infrastructure objectives. The Road Mapping conducted for this report showed that for both projects about two-thirds of road subprojects for which information is available (amounting to roughly half of all roads subprojects) were in fair to good condition in 2007. Both projects also had local government and community capacity building objectives that were to be achieved mainly through learning-by-doing, although the second project introduced quite a few direct training activities as well. Design and implementation improvements in the second project led to progress in capacity building, especially at the local government level. Overall, however, the achievements of the capacity building objectives under both projects were modest.

The following issues arose in the two projects.

First, although the projects offered different types of subprojects from which to choose, roads subprojects were the ones most commonly requested and financed (accounting for 62 and 71 percent of investments financed under CWP I and II, respectively). Interviews conducted for this report confirmed the finding of the project completion report that the predominance of roads may have resulted from the “brand image” of the Albanian

Development Fund (ADF) as an institution that constructs mostly roads, rather than other social and economic infrastructure. Although better roads were much needed and were a community priority as indicated by beneficiary surveys, it is less clear that roads were the community's highest priority. Interviewed stakeholders, while accepting the need for road rehabilitation, wondered to what extent the voice of women (who are typically known to favor water or education for children) had been reflected in the choice of subprojects. The especially favorable views of women about the water supply systems provided are also suggestive of women's priorities – women said water supply systems had made their lives easier.

Second, greater progress was made on the capacity building objective under the second project, when capacity building was more explicitly pursued through specific measures, than under the first project.

Third, both projects suffered from a lack of clarity about the relative importance of their physical objectives versus their capacity building objectives. In the absence of such clarity, ADF focused on its area of traditional strength – physical infrastructure – drawing on a predominance of engineers among its staff, with much less emphasis on processes and staff skills-mixes conducive to capacity building.

Fourth, ensuring financial sustainability of the investments supported by the two projects proved to be a challenge, indicating that the sporadic financing of operations and maintenance was unlikely to solve recurrent cost problems in a sustainable manner.

Finally, the lack of a clear definition of roles and responsibilities between ADF and existing line ministries caused some confusion and institutional rivalry, and institutional considerations in the longer term delivery of roads and water remained insufficiently addressed.

The project Outcome rating of both projects is, overall, assessed as moderately satisfactory, as are Bank and Borrower Performance. Both projects had substantial achievements on their infrastructure objectives, but the achievement of the capacity building objectives was modest, due in part to lack of sufficient evidence of improved capacity outcomes. Useful lessons emerged from the first project and were incorporated in the design of the follow-on project, but with delays – important design refinements and their systematic implementation occurred only two years before closing of the second project, after its Mid-Term Review, and during its second phase (2006-08). The Road Mapping conducted for this report showed that the percentage of CWP II-supported roads in fair to good condition in 2007 was almost the same as for CWP I-supported roads. Risk to Development Outcome was moderate in both projects. Stronger and earlier efforts on the part of the Bank and the borrower (particularly with respect to ensuring the operations and maintenance of infrastructure, community participation, and capacity development in local governments and communities) might have led to better results for both projects.

There are five main lessons from the experience of the two projects:

- A demand-driven approach may not guarantee that the highest community priorities are met unless steps are taken to ensure a robust and inclusive participatory process and to prevent demand distortion that can result from, for example, requests for goods and services that are perceived to be easiest to obtain (e.g., roads in this case) rather than those most wanted.
- Capacity-building cannot be treated as a by-product; explicit mechanisms will generally be needed to build appropriate and lasting capacity.
- In projects with multiple objectives, each of which requires a different staff skill mix for its implementation, up-front clarity about the relative emphasis to be placed on the various objectives is critical.
- Sustainable operations and maintenance of project investments will rarely be achieved through ad hoc, short term fixes – more often than not, they will require a systemic solution, including budgetary reform to ensure sufficient and sustained recurrent cost financing.
- The roles and responsibilities of the various institutions that the project will relate to need to be clarified in project design itself, and project design also needs to envision and factor in the longer-term role of any autonomous project implementation unit vis-à-vis existing institutions, or alternatively the exit strategy for it.

Caroline Heider  
Director-General  
Evaluation



## 1. Introduction and Context

1.1 Albania, a small country of about 3 million people in 2011<sup>1</sup>, has historically suffered from insufficient or insufficiently maintained infrastructure, especially in mountainous rural areas where many villages suffer from lack of connectivity to economic centers due to the poor condition of roads. The unrest that accompanied the transition from the Communist regime to a democratic government in 1990-92, and that followed the collapse of pyramid schemes<sup>2</sup> in 1997, damaged the country's already weak infrastructure.

1.2 The Albanian Development Fund (ADF), an institution with legal and financial autonomy, was established in 1991 by Special Decree of the Council of Ministers, Government of Albania, to help rebuild the country. A Board of Trustees comprising ministers and high-ranking government officials, and chaired by the deputy Prime Minister, was to provide policy guidance and oversight to the ADF. In 1999, the government sought donor support to help rehabilitate small infrastructure works and enhance the involvement of local governments and communities in local economic development, culminating in the World Bank supported Community Works Project I (CWP I). ADF was chosen as the implementing agency for the project. At the time, ADF had already been the implementing agency for three other World Bank-supported projects (Rural Poverty Alleviation Project (1993-1995), Rural Development Project (1995-1999), and Urban Works and Microenterprise Pilot Project (1995-1999). It had also been the implementing agency for projects of several other donors as well – the Governments of Italy, France, Switzerland, Greece, and Japan, IFAD, Islamic Development Bank, and the European Community (See Annex B).

1.3 In 2003, a follow-on project, the Community Works Project II (CWP II), was approved by the Bank essentially to expand the work initiated under the first project. CWP II incorporated a number of design refinements (with respect, *inter alia*, to the subproject selection process, technical quality of works, O&M, community engagement, local government and community capacity building, and poverty targeting), although with delays – important design refinements and their systematic implementation occurred only two years before closing of the second project, after its Mid-Term Review, and during its second phase (2006-08).

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<sup>1</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/al.html>.

<sup>2</sup> In a typical pyramid scheme, a fund or company attracts investors by offering them very high returns; these returns are paid to the first investors out of the funds received from those who invest later. The scheme is insolvent—liabilities exceed assets—from the day it opens for business. However, it flourishes initially, as news about the high returns spreads and more investors are drawn in. Encouraged by the high payouts, and in some cases by showcase investments and ostentatious spending by the operators, still more people are drawn in, and the scheme grows until the interest and principal due to the early investors exceeds the money paid in by new investors. To attract new investors, a scheme may raise interest rates, but the larger interest payments soon force it to raise rates again. Eventually, the high rates begin to arouse suspicion or the scheme finds itself unable to make interest payments. When investors try to get their money out, they discover the truth about the scheme, whose demise is swift—and usually accompanied by acts of outright theft by the operators, if they are not caught first (Jarvis 2000).

1.4 The currently ongoing Secondary and Local Roads Project (approved in 2008 for \$20 million equivalent), which followed CWP II, targeted slightly bigger roads (secondary and local roads) instead of the smaller local roads targeted by CWP I and II.

## 2. Community Works Project I

### Objectives and Design

#### PROJECT DEVELOPMENT OBJECTIVES

2.1 The first Community Works Project (1999-2003) was approved on January 19, 1999 and funded by a \$8.4 million IDA Credit. It had the following objectives as stated in the Project Appraisal Document (PAD, World Bank 1998a, page 2):

- (a) “to alleviate small infrastructure bottlenecks by rehabilitating small, sustainable, social and economic infrastructure according to the development priorities of local governments and communities;” and
- (b) “to build the capacity of local communities and local governments to promote local economic development.”

2.2 The PAD statement of objectives was identical to that in the Development Credit Agreement (DCA), and forms the benchmark for evaluating the project.

2.3 As a result of the large number of Albanian Kosovars seeking refuge in Albania after the Kosovo crisis in 1999, a \$5 million Supplemental Credit was approved on May 28, 1999, roughly four months after CWP I approval, and a third objective was added to the project through a Memorandum of the President (World Bank 1998b, page 1)<sup>3</sup>:

- (c) “to provide emergency infrastructure support so as to prevent major collapse of infrastructure service and, wherever possible, contribute to supplementing the revenue of the population most affected by the inflow of refugees through their participation in the public works.”

2.4 The corresponding amendment to the DCA for the Supplemental Credit did not include any reference to objectives. Therefore, the objective as stated in the Memorandum of the President is assessed in this PPAR.

#### DESIGN

2.5 The project’s components were as follows:

- a. **Infrastructure Works** (estimated cost at appraisal \$18.47 million; actual cost \$15.10 million): This component was to support the financing and implementation of infrastructure subprojects (primarily roads, water-supply,

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<sup>3</sup> The addition of an objective through the Supplemental Credit is not deemed here to require the application of the disbursement-weighted restructuring formula for evaluation given the scope and special circumstances for the addition.

sewers, markets, and public buildings) based on the priorities of communities targeted according to a transparent methodology enabling ADF to carry out an infrastructure works program country-wide (36 districts).

- b. **Local Government and Community Building** (estimated cost at appraisal \$0.22 million; actual cost \$0.11 million): This component was to support training and technical assistance to local governments and communities.
- c. **Implementation Support** (estimated cost at appraisal \$2.1 million; actual cost \$1.56 million): This component was to support operational costs, training, and technical assistance for ADF. Monitoring and evaluation would be supported by an improved management information system and by beneficiary assessments.

## IMPLEMENTATION ARRANGEMENTS

2.6 In a departure from the common practice of the time wherein social fund agencies directly engaged communities bypassing local governments, local governments<sup>4</sup> were to be the focal point for the initial selection of subprojects to be financed by the project. Each local government would collect information in all its villages regarding the priorities of the villages. Then following the ‘one commune, one project’ rule, the local government would select, in the commune council meeting (also attended by ADF), the two or three most important subprojects to be proposed to ADF.<sup>5</sup> ADF social experts would then compile the list of proposed subprojects in a master list (“big book”) taking for granted a participatory process at the village level. ADF would undertake a feasibility study for subprojects in the “big book,” and if technically feasible, the ADF engineer (not local government staff) would fill out a subproject proposal which would include the principal elements of the subproject. Selection from among these subprojects by ADF would take place every six months based on technical feasibility (which would already have been verified), socio-economic criteria, and investment budget per district, although the ICR and interviewed stakeholders felt that, in practice, transparency needed improvement.<sup>6</sup> Once a subproject was selected, a program contract was signed between ADF and the local government. ADF would hire private contractors to implement the subproject and pay them based on certified invoices of completed infrastructure works upon Local Government Unit (LGU) sign-off – the money would not pass through LGU budgets. The IDA Credit would be passed from the Government of Albania to ADF as a grant.

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<sup>4</sup> The term local government is used synonymously with Local Government Units (LGUs). LGUs have two tiers: first level: communes (for rural areas) and municipalities (for urban areas); and second level—Region/Qark, which is an administrative-territorial entity that is comprised of several communes and municipalities. Albania has 373 Local Government Units in all – 65 are municipalities in urban areas and 308 are rural communes.

<sup>5</sup> More than one subproject was selected in case any turned out not to be technically feasible.

<sup>6</sup> World Bank 2009, page 5 noted “In Work Plan 1 [or in the first phase of the second project], local councils, communes, and qarks (i.e., regions) were involved in the selection process. In Work Plan 2 [or in the second phase of the second project], the process was enhanced through the application of clear criteria to enhancing transparency and minimize the perceived risk of political influence.” This is suggestive of transparency being an issue in the first project.

## Implementation

### DATES AND DISBURSEMENTS

2.7 The total project cost (actual) was \$17.4 million. The Bank Credit amount (actual) was \$13.2 million, including a Supplemental Credit of \$4.8 million. The Government of Italy provided co-financing of \$1.8 million equivalent (as opposed to the expected US\$2.4 million, mainly due to the depreciation of the Lira), while European Union (EU), Council of Europe Development Bank (CEB), Kreditanstalt für Wiederaufbau (KfW), and the Islamic Development Bank provided parallel/other financing. Government funding totaled US\$2.5 million.<sup>7</sup>

2.8 The Supplemental Credit was estimated to be \$5 million at appraisal. It turned out to be \$4.8 million (actual) at closure.<sup>8</sup> Subprojects included roads, water supply, sewerage, and social services such as rehabilitation of assets and organization of sports and cultural activities for poor children and youth.

### IMPLEMENTATION EXPERIENCE

2.9 ADF was staffed mainly by engineers and was known for the construction of physical infrastructure, mainly roads. Its roles and responsibilities vis-à-vis existing line Ministries were not sufficiently well-specified. For example, while local roads were the responsibility of the Ministry of Interior, the Ministry also responsible for overseeing LGUs, and the Ministry of Public Works had responsibilities with respect to water supply provision, CWP I and II also gave ADF some responsibilities for local roads and water resulting in some confusion and institutional rivalry in the perception of stakeholders.<sup>9</sup>

2.10 The project closed as scheduled and the Bank Credit was fully disbursed. The Mid-Term Review was undertaken in February 2001. The government counterpart funds provided for value-added tax (VAT) payments were at times insufficient to cover VAT payments and occasionally the VAT account was empty. However, the government finally covered all arrears under this project. An important factor affecting the project was the decision of the Prime Minister to accelerate disbursement in light of upcoming elections. As a consequence, the original Credit was fully disbursed a year sooner than envisaged.<sup>10</sup>

2.11 **Safeguard compliance.** The project was classified by the Bank as an environmental safeguard category “B” project since much adverse environmental impact was considered to be unlikely in view of the small-scale and mainly rehabilitation-focused nature of the

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<sup>7</sup> Adding up \$13.2m, \$1.8m, and \$2.5m gives \$17.5m rather than \$17.4 m due to rounding.

<sup>8</sup> The figures for the Infrastructure Works component above include the relevant portions of the Supplemental Credit. But the Supplemental Credit added a new component, Social Services Delivery, for which the appraisal amount was \$0.97 million and the actual amount was \$0.65 million. Adding these amounts and the amounts for price contingencies, which were \$0.63 million (appraisal) and 0.0 (actual), to the figures mentioned above, results in the figures cited in Annex A.

<sup>9</sup> See also World Bank 2004 for a general discussion of issues in the assignment of responsibilities across various Government institutions in Albania.

<sup>10</sup> World Bank 2002a.

subprojects financed under the project.<sup>11</sup> No other safeguards were mentioned in the appraisal document. QAG's Quality at Entry panel found that the project had ex-ante satisfactorily addressed the applicable safeguard policies. Analysis undertaken for the ICR concluded that the QAE assessment could be ex-post confirmed and that there had not been significant environmental concerns during the course of implementation.<sup>12</sup>

2.12 **Fiduciary compliance.** Internal Bank ratings given to procurement in the course of supervision were unsatisfactory in 2000 and 2001, but they were satisfactory for compliance with financial covenants. While a 2002 Independent Institutional and Managerial Review by Transtec Consulting highlighted some issues, no major financial issues were flagged.

## Relevance of Objectives and Design

### RELEVANCE OF OBJECTIVES

2.13 The relevance of project objectives to the Country Assistance Strategy (CAS) was *high* at appraisal and the outcomes achieved by the project also remained highly relevant at closing.

2.14 At project approval (1999), the project's first objective (to rehabilitate small infrastructure) was consistent with the IDA strategy outlined in the 1998 CAS, which emphasized the improved provision of infrastructure (World Bank 1998b). Most public infrastructure was in critical condition in Albania after years of lack of new investments and maintenance. Furthermore, in 1997, a population angry about the collapse of pyramid schemes, had demolished or damaged much public infrastructure. At project closing (2003), the outcomes achieved under the project continued also to be consistent with the 2002 CAS, which had retained the emphasis on infrastructure.

2.15 At project approval (1999), the project's second objective (to build capacity of local communities and local government) was also consistent with the Bank's 1998 CAS. The areas of focus in this CAS (page ii) included "building up the capacities of public institutions at the appropriate level and support for the devolution of responsibilities to the local levels especially for social services." Between 1998 and 2000, the country formally passed legal reforms for local self-government, further underlining the importance of strengthening local institutions. At project closing, the institutional strengthening outcomes achieved under the project remained consistent with the 2002 CAS (World Bank 2002b, page 11), which continued to support the government to: (i) improve governance and strengthen institutions by, inter alia, building efficient and inclusive public institutions, increasing transparency and accountability at all levels, and using community-based approaches that build institutions from the bottom up; and (ii) promote sustainable private sector growth by, inter alia, improving infrastructure and creating institutional environments conducive to infrastructure sustainability, especially through community or private sector participation.

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<sup>11</sup> Although the "FI" category was available at the time, this project was classified as "B." The follow-on CWP II project was categorized as "FI."

<sup>12</sup> World Bank 2002a, page 5.

2.16 The third objective (to provide emergency infrastructure and contribute to the revenue of affected populations in refugee areas), introduced in 1999 as part of the Supplemental Credit, was also highly relevant. Thousands of Kosovo Albanians crossed over within a few months into northeast Albania – the country’s poorest region – straining the already weak local infrastructure and resources such as sanitation and water supply.

2.17 The relevance of the project’s objectives to the government’s priorities both at appraisal (1998 Medium-Term Economic Agenda) and closing (2001 Growth and Poverty Reduction Strategy) was also high. The project’s objectives of infrastructure and capacity enhancement were fully in line with the latter’s emphasis on infrastructure and governance.

## **RELEVANCE OF DESIGN**

2.18 The relevance of the project’s design to achieving the project’s objectives was *modest*. While the project’s approach of working through local governments (rather than bypassing them and working directly with local communities) was the institutionally more sustainable one<sup>13</sup>, project design lacked explicit mechanisms to respond adequately to community priorities and build capacity of communities and local governments.

## **Achievement of the Objectives (Efficacy)**

### **ALLEVIATE SMALL INFRASTRUCTURE BOTTLENECKS BY REHABILITATING SMALL, SUSTAINABLE, SOCIAL AND ECONOMIC INFRASTRUCTURE ACCORDING TO THE DEVELOPMENT PRIORITIES OF LOCAL GOVERNMENTS AND COMMUNITIES. *Substantial***

2.19 *Quantity of rehabilitated infrastructure.* The project financed 219 infrastructure subprojects (including 32 subprojects through the Supplemental Credit) in 33 of the country’s 36 districts, primarily involving rehabilitation (with new construction undertaken mainly in the non-road subprojects, or roughly 5 percent of the cases, according to ADF). Roads accounted for 58 percent of total subprojects (or about 62 percent of total CWP I investment), water supply 21 percent, and sewerage 8 percent. The project had originally envisaged undertaking about 280 subprojects – the shortfall was because virtually all subprojects reached the cost ceiling, resulting in a higher average cost per subproject than anticipated at appraisal, and also because \$3.4 million of planned co-financing did not materialize.<sup>14</sup> Table 2.1 below shows types and quantity of infrastructure rehabilitated by the project.

2.20 Regarding service flows from the infrastructure built, a 2002 Beneficiary Assessment carried out by ADF found for roads and water supply subprojects (the two most commonly supported subprojects) that:<sup>15</sup>

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<sup>13</sup> See, for example, IEG 2002.

<sup>14</sup> The actual budgetary ceiling imposed on subprojects in rural areas was about \$151,300 and that in urban areas was about \$160,000.

<sup>15</sup> The Beneficiary Assessment was carried out by ADF in May 2002 over a (non-random) sample of 42 subprojects (about 20 percent of the total). The sample was “considered as a combination of those most positive cases without neglecting some typical problematic experiences.” A total of 405 community beneficiaries were interviewed, but it is not indicated how the interviewees were selected. Interviews and focus groups were held with different stakeholders.

- Roads have encouraged investments in businesses thereby increasing employment and self-employment opportunities, and have improved access to markets; and
- Water supply projects have led to modernization of the life in the village – the toilets are inside the house and more household appliances have been introduced. Women especially are very satisfied – they said water supply systems have made their lives easier. Water supply projects are also said by beneficiaries to have improved hygiene.

2.21 *Quality of rehabilitated infrastructure.* Evidence on the quality of the rehabilitated infrastructure is mixed. A 2002 evaluation of the infrastructure component noted that the quality of design and construction was generally good and improved substantially from the earlier Rural Development and Urban Works and Small Enterprises Development Projects (World Bank 2002c). According to ADF's 2002 Beneficiary Assessment, the quality of works was deemed very good by 32 percent of the interviewees, good by 55 percent, acceptable by 9 percent and bad by only 3 percent. However, as noted in the ICR, accelerated disbursements in light of upcoming elections may have weakened ADF's ability to control quality adequately.<sup>16</sup>

**Table 2.1 Infrastructure Rehabilitated by CWP I**

	<i>Number of Subprojects</i>			<i>Quantity of Infrastructure</i>			<b>UNITS</b>
	<b>RURAL</b>	<b>URBAN</b>	<b>TOTAL</b>	<b>RURAL</b>	<b>URBAN</b>	<b>TOTAL</b>	
Road	93	35	128	310	28.6	338.6	km
Water supply	40	5	45	174	11.3	185.3	km
Sewer	6	8	14	12.5	8.2	20.7	km
School & sporting field	6	5	11	3175	6495	9670	m2
Bridge	1	-	1	8	-	8	m
Footbridge	4	1	5	194	80	274	m
Market	-	4	4	-	4420	4420	m2
Social Building	-	4	4	-	1741	1741	m2
Health center	2	-	2	311	-	311	m2
Kindergarten	-	3	3	-	1072	1072	m2
Flood protection	1	-	1	500	-	500	m
Others	-	1	1	-	-	-	-
<b>Total</b>	<b>153</b>	<b>66</b>	<b>219</b>				<b>-</b>

Source: ICR, page 6. The units for Bridge, Footbridge, and Flood protection say 'ml' in the ICR.

2.22 *Sustainability of infrastructure.* Maintenance was widely believed to be a challenge, as noted in the ICR and by interviewed stakeholders.<sup>17</sup> According to the 2002 Beneficiary Assessment, 42 percent of beneficiaries said that there was no maintenance at all, identifying the main reasons for lack of maintenance as lack of funds (37 percent), lack of institutions (30 percent), and "not necessary" (10 percent). While User Committees were generally

<sup>16</sup> See also World Bank 2002a, page 11.

<sup>17</sup> World Bank 2002a had also noted "Maintenance is a real challenge for ADF activity," page 40.

established, the stipulated maintenance fund of 2 percent of the total cost, was rarely set up. And while a minimum of 5 percent of total subproject cost was to be provided for maintenance by direct beneficiaries, ADF indicated that the beneficiary contribution was below this level. ADF undertook significant steps after 2001, such as carrying out an evaluation of the degradation of past subprojects as well as defining annual needs estimates for completed subprojects.

2.23 The Road Mapping conducted for this report (Table 2.2) shows that about 65 percent of roads subprojects for which information is available (amounting to roughly half of all roads subprojects) were in fair to good condition in 2007, five to eight years after being rehabilitated. The considerable variation in road condition by province should, however, be noted. There is no information available for the remaining roads subprojects comprising mainly streets in the center of communes or towns and regional and secondary roads. The Road Mapping also shows that in 11 out of 12 Regions, the roads adjacent to CWP I-supported roads were in similar condition<sup>18</sup> indicating that the CWP I-supported roads were not orphan road sections, and that they were connecting to roads that were equally passable. Finally, for the same roughly half of roads with information, about 15 percent of CWP I-supported roads or adjacent sections were included in the ongoing Bank-supported Secondary and Local Roads Project (SLRP, approved in 2008) which followed CWP II, indicating that at least that proportion of the CWP I-supported roads was important for connectivity to the larger road network.

2.24 *Consistency of infrastructure with local priorities.* Based on the findings of the 2002 Beneficiary Assessment and other studies, it was clear that roads – the infrastructure type most commonly financed under CWP I – were a community priority. What is less clear is whether they were the community’s highest priority. Based on local government submissions, ADF social experts compiled the list of subprojects for possible financing in the “big book” taking for granted a participatory process at the village level.

2.25 This ‘taking for granted a participatory process at the village level’ combined with the following three points may have led to a less than a fully robust matching of investments with local priorities. *First*, the ICR noted, and the interviewed stakeholders confirmed, that there is a “brand image” of ADF as an institution that constructs mostly roads, rather than other social and economic infrastructure.<sup>19</sup> Roads were what local governments most often requested, believing that they were easiest to get. Stakeholders interviewed, while accepting the need for road rehabilitation, wondered to what extent the voice of women (who are typically known to favor water or education for children) had been heard in the subproject selection process.<sup>20</sup> The especially favorable views reported by women in the 2002 Beneficiary Assessment regarding the project’s water supply systems – women said water supply systems had made their lives easier – were also indicative of women’s priorities. *Second*, ADF staff was largely dominated by engineers with no specific training in basic

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<sup>18</sup> The 12<sup>th</sup> Region was Kukes for which this information was not available.

<sup>19</sup> See also World Bank 2002a, page 6.

<sup>20</sup> IEG 2002 had noted that in Albania or Bulgaria where local governments had played a key role in subproject selection, road and water subprojects had dominated.

social development skills and little experience with community participation. The situation was partly addressed by the recruitment by ADF of an increasing number of social experts – two were recruited in 2000, four in 2002, and six in 2009. However, even some of the social experts had an engineering background and their roles and responsibilities were not well-defined within ADF – it was found that the real impact of the social experts has been “in most instances, inferior to expectations” (World Bank 2002a, page 7). Stakeholder interviews conducted for this report indicated that the impact of social experts had improved over time, but there was still a long way to go. *Third*, the ICR noted that political interference may have taken away from community choice.<sup>21</sup>

**Table 2.2 CWP I Road Mapping**

<i>Province</i>	<i>Number of subprojects or adjacent sections included in SLRP</i>	<i>Number of subprojects in fair or good condition</i>	<i>Number of subprojects in bad conditions</i>	<i>Number of subprojects for which no data is available</i>	<i>Total</i>	<i>Road in fair to good condition as % of total roads for which information is available</i>	<i>Roads in bad conditions as % of total roads for which information is available</i>	<i>Roads included in SLRP as % of total roads for which information is available</i>
Berat	3	6	2	2	10	64.71	35.29	14.71
Dibra	1	1	1	5	7			
Durres	0	1	2	5	8			
Elbasan	2	fair/good/ v. good 5	7	8	20			
Fier	1	1	5	4	10			
Gjirokaster	0	3	1	11	15			
Korca	0	7	0	5	12			
Kukes	One road funded and it was the section within the city							
Lezhe	1	0	fair to bad 3	5	8			
Shkodra	1	5	fair to bad 2	8	15			
Tirane	1	7	0	1	8			
Vlora	0	8	fair to bad 1	4	13			
<b>Total</b>	<b>10</b>	<b>44</b>	<b>24</b>					

Source: The Road Mapping conducted for this report used Google Maps to overlay the road segments rehabilitated by the two projects under review onto the 2007 road condition survey for the country. This was a second-best solution in the absence of coordinates and a more recent survey. The methodology used was: (i) to identify in Google Maps the names of the villages featuring in the project documents, as well as the region, district or commune to which they belonged; (ii) to search the 2007 survey to see if the villages were included in it – if they were, then the 2007 survey results were used; (iii) for those villages that could not be found in the 2007 survey, to determine whether or not they were within a surveyed road section (for example, whether village C -- which did not feature in the survey -- was located within the surveyed road between villages A and B, both of which were included the survey); (iv) if village C was so located, to assume that the road condition in village C was of the same quality as that in villages A and B; and (v) for those villages which could not be found in the 2007 survey and were not located on a road section between two surveyed villages, to note that no data were available. Data were available for 68 of the 126 roads subprojects (or 54 percent) of CWP I-supported road subprojects.

<sup>21</sup> World Bank 2002a noted “Another possible explanation for the lack of involvement of local communities is the politicization of the project...” (page 7), and “in some cases there are faced political interventions” (page 38).

**BUILD THE CAPACITY OF LOCAL COMMUNITIES AND LOCAL GOVERNMENTS TO PROMOTE LOCAL ECONOMIC DEVELOPMENT. *Modest***

2.26 Capacity building in local government consisted mainly of the Regional Development Planning exercise carried out in four Regions/Qarks – Berat, Fier, Korce, and Lezhe. The exercise had a significant demonstration effect since under EC funding ADF continued to work with two of these Regions – Berat and Korce – to support the elaboration of full Regional (or Qark) development programs. Local government officials interviewed during the PPAR mission noted that the Regional Development Planning exercise had been beneficial in exposing them to the decentralization process. However, greater engagement of local governments by ADF in technical design, contractor hiring and payment, and overall subproject management could have resulted in more learning-by-doing among local governments. Systematic evidence on the extent of local government capacity enhancement is lacking.

2.27 At the community level, as noted in the 2002 Beneficiary Assessment, communities had traditionally come together when needs arose and agreed on the solutions for common issues, but their more formal participation in subprojects occurred only under CWP I. However, there was limited *direct* engagement of the project with communities – the participation of communities in the identification and prioritization of subprojects was routed through commune councils rather than occurring “at deep village base” (2002 Beneficiary Assessment, page 17). Furthermore, the limited integration of social experts into ADF as well as the lack of social development training for other ADF staff constrained ADF’s ability to reach out to local communities, at least initially. While this ability increased over the last year of the project as social experts improved their performance, systematic evidence on the extent of community capacity enhancement is lacking.

**PROVIDE EMERGENCY INFRASTRUCTURE SUPPORT SO AS TO PREVENT MAJOR COLLAPSE OF INFRASTRUCTURE SERVICE AND, WHEREVER POSSIBLE, CONTRIBUTE TO SUPPLEMENTING THE REVENUE OF THE POPULATION MOST AFFECTED BY THE INFLOW OF REFUGEES THROUGH THEIR PARTICIPATION IN THE PUBLIC WORKS. *Substantial***

2.28 As noted by the ICR, while the vast majority of Albanian Kosovar refugees returned to Kosovo in a relatively quick and unexpected fashion shortly after the end of the hostilities, they left behind impoverished communities that benefited from the additional support of the Supplemental Credit.<sup>22</sup> ADF data showed that the Supplemental Credit financed 32 subprojects covering roads and water supply/sewerage (75 percent), social services such as rehabilitation of assets and organization of sports and cultural activities for poor children and youth (16 percent), and other subprojects (9 percent) and that the project created nearly a million work days of employment. However, no evidence is available on the extent to which ‘revenue’ was increased for the refugee-affected population as a result.

2.29 Refugee areas appear to have been generally well-targeted. The project reached Fier, Shkoder, Vlore, Durres, Kavaje, Kurbin, Lezhe, Kruje, Elbasan, and Peqin. Data obtained from ADF for this report shows that in May 1999, the refugee population was highest in

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<sup>22</sup> World Bank 2002a, page 3.

Durres, Fier, and Kavaje (between 30,001 and 75,000), and next highest in the rest of the areas (between 10,001 and 30,000).

2.30 The quality of social service subprojects was quite poor, especially for the first social services subprojects – the overall stakeholder impression of these subprojects was that planning and supervision of works had been somewhat weak perhaps given ADF’s engineering orientation. However, the 2002 Beneficiary Assessment indicated that there was significant appreciation of the social services subprojects among beneficiaries.

## Efficiency

2.31 No economic analysis was conducted either at appraisal or closure. The PAD (page 9) promised that an *ex-post* economic analysis would be done on a sample of subprojects during the Mid-Term Review to confirm economic viability, but this was not done. While the value of CWP I-rehabilitated roads may be questioned on grounds that they comprised short sections of roads (often only a few kilometers long), the Road Mapping showed that of half the roads for which information was available, two-thirds were in fair to good condition in 2007.

2.32 Regarding overheads, ADF’s operating costs (estimated at 11 percent at appraisal) dropped from 9 percent in 1997 to 6.5 percent in 2001. The PPAR mission found that ADF prides itself on the relatively low overhead cost of its operations and this feeling is generally shared by all local stakeholders.<sup>23</sup> However, ADF had not produced typical unit costs for the most frequent of its subprojects, partly due to the incomplete functioning of the Management Information System (MIS). The Independent Institutional and Managerial Review carried out by Transtec Consulting in 2002, showed some very basic calculations that compared favorably the average unit costs of ADF works with similar works carried out by the Ministry of Public Works. But the ‘very basic’ nature of the calculations – ADF running costs and technical assistance costs were not included and there were also some encoding mistakes – argue for caution in using the figures, and for better measurement in the future. Efficiency is rated *modest*.

## Ratings

### OUTCOME

2.33 The project’s objectives were highly relevant to the Bank’s strategy in the country. The relevance of project design was, however, modest given that it lacked explicit mechanisms to adequately respond to community priorities and build capacity of communities and local governments. The project’s achievements with respect to the two objectives of small infrastructure and emergency infrastructure were substantial, as also suggested by the Road Mapping results, but lacking sufficient evidence are rated modest with respect to the capacity building objective. Efficiency was modest.

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<sup>23</sup> See also World Bank 2002a, page 9.

2.34 Project outcome is rated *moderately satisfactory* (as summarized in the Table 2.3 below).

**Table 2.3 Project Outcome Ratings Summary - CWP I**

	<i>Community Works Project I</i>
<b>Relevance of objective</b>	High
<b>Relevance of design</b>	Modest
<b>Efficacy</b>	
To alleviate small infrastructure bottlenecks by rehabilitating small, sustainable, social and economic infrastructure according to the development priorities of local governments and communities	Substantial
To build the capacity of local communities and local governments to promote local economic development	Modest
To provide emergency infrastructure support so as to prevent major collapse of infrastructure service and, wherever possible, contribute to supplementing the revenue of the population most affected by the inflow of refugees through their participation in the public works	Substantial
<b>Efficiency</b>	Modest
<b>Outcome</b>	Moderately Satisfactory

### **RISK TO DEVELOPMENT OUTCOME**

2.35 As noted earlier, maintenance was widely believed to be a challenge for ADF activities. On the positive side, ADF took significant steps after 2001, such as carrying out an evaluation of the present degradation of past subprojects as well as defining annual needs estimates for the past completed subprojects. In response, follow-up action appears to have been taken as indicated by the results of the Road Mapping conducted for this report, which showed that about 65 percent of roads subprojects for which information was available (amounting to roughly half of all roads subprojects) were in fair to good condition 5-8 years after they were rehabilitated (Table 2.2).

2.36 The Risk to Development Outcome is rated *moderate*.

### **BANK PERFORMANCE**

#### *Quality at Entry*

2.37 The project was highly relevant to the Bank's country assistance strategy and its focus on alleviating infrastructure bottlenecks through engaging local institutions was the institutionally more sustainable approach. Furthermore, ADF already had a track record in infrastructure delivery before this project was approved; Annex B lists all projects channeled

through ADF. However, the project's design relevance was modest – project design lacked explicit mechanisms to ensure that community priorities would be adequately addressed and that the capacity of local communities and local governments would be effectively strengthened. The chosen implementing agency, ADF, was staffed primarily by engineers and lacked the social orientation needed to address the project's non-physical objectives. Furthermore, project design did not address sufficiently the overlaps between the roles and responsibilities of ADF and the Ministries – in particular, overlaps remained between ADF and the Ministry of Interior with respect to roads and local government development, and between ADF and the Ministry of Public Works with respect to water supply provision. There were also M&E weaknesses, specifically related to the MIS but also the lack of attention in design to outcome monitoring. More proactive dialogue by the Bank on these issues could have led at least to some design enhancements. Quality at Entry is rated *moderately satisfactory*.

### ***Quality of Supervision***

2.38 The PPAR mission found that the Bank team had built a strong rapport with ADF. Many specialists were brought in to support supervision and implementation. However, the issue of infrastructure maintenance did not get early enough attention, despite Albania's historical neglect of infrastructure maintenance. Furthermore, problems with the MIS could also have been addressed more quickly and proactively in supervision. Procurement policies and procedures also needed greater and quicker Bank attention. There was lack of coordination among ADF's main donors causing confusion and procedural errors, and overburdening ADF with audits that were disruptive while not providing a clear picture of ADF's finances. However, the lack of donor coordination cannot entirely be blamed upon the Bank – other donors and Government would also have had a role. Quality of Supervision is rated *moderately satisfactory*.

2.39 Overall Bank Performance is rated *moderately satisfactory*.

## **BORROWER PERFORMANCE**

### ***Government Performance***

2.40 The direct role of the government during implementation was limited to providing counterpart funds and value added tax refunds. Albeit with some delays, particularly for tax refunds, the government complied with both requirements. The Independent Institutional and Managerial Review recommended revising the composition of the Board to achieve a better balance between the National Government and representatives from the local level. The ICR pointed out that “the ADF Board is currently dominated by the presence of national Ministries (nine) and there is an overall perception that political pressure is at times very strong, and rumors of corrupt practices are also frequent...Nonetheless, the Bank team as well as the numerous audits have never found substantiated evidence of corrupt practices on

the part of ADF staff (as opposed to among bidders).”<sup>24</sup> Government Performance is rated *moderately satisfactory*.

### ***Implementing Agency Performance***

2.41 The PPAR mission found that ADF enjoyed a generally solid and positive reputation among the government of Albania and donors, and that ADF had also established a strong reputation with local governments for the provision of small-scale urban and rural infrastructure.<sup>25</sup> ADF staff had also generally shown a high level of commitment to the project. However, given that the project objectives included addressing community priorities and building capacity – not just delivering infrastructure – more of an effort should have been made to ensure that ADF had a social orientation, not just an engineering one (both by hiring social experts, but also by training the engineers in social issues). Furthermore, since the MIS was an on-going problem from the time of project startup, more attention should have been given to improving it early on. Only towards project closure was ADF starting to put the MIS data to use, for instance to produce unit costs, financial forecasts, technical and operational forecasts and management tools (dashboards). Finally, as noted earlier, the internal Bank ratings given for procurement in the course of supervision were unsatisfactory in 2000 and 2001, although they were satisfactory for compliance with financial covenants.<sup>26</sup> Implementing Agency Performance is rated *moderately satisfactory*.

2.42 Overall Borrower Performance is rated *moderately satisfactory*.

## **M&E QUALITY**

### ***M&E Design***

2.43 The PAD (page 2) identified the key performance indicators as: (a) number, types, and physical outputs of subprojects financed; (b) number of subprojects that are operational and maintained one and two years after rehabilitation; (c) number of beneficiaries/users of improved infrastructure and their satisfaction level; and (d) increased effectiveness of local governments, increased capacity of communities, as measured by beneficiary surveys. While these indicators were appropriate overall, greater attention should have been given to measuring outcomes, especially the extent to which project processes ensured that local priorities were met and community and local government capacity was enhanced, using other instruments beyond beneficiary surveys. The instruments or methodologies through which the data would be collected were also not adequately spelled out, although the responsibility for data collection was specified (and lay with ADF).

### ***M&E Implementation***

2.44 The management information system (MIS) was an ongoing problem since project start-up. An international consultant with previous experience in creating MISs for social

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<sup>24</sup> World Bank 2002a, page 15. It was beyond the scope of the PPAR to assess the nature and extent of the problem.

<sup>25</sup> See also World Bank 2002a, page 13.

<sup>26</sup> See project ISRs over the project period, World Bank.

funds was hired to design the system, but the results were not satisfactory. The subsequent intervention of a local expert improved the situation. ADF is to be credited for overcoming the initial weaknesses in the MIS by commissioning a Beneficiary Assessment and other evaluations of various aspects of the project.

### ***M&E Utilization***

2.45 The MIS became functional only in 2001- early 2002, but after that ADF was able to put the MIS data to use and further exploit the system, for instance to produce unit costs, financial forecasts, technical and operational forecasts and management tools (dashboards).

2.46 Overall, M&E is rated *modest*.

## **3. Albania - Community Works Project II**

### **Objectives and Design**

#### **PROJECT DEVELOPMENT OBJECTIVES**

3.1 The Community Works Project II (2003-2008) was approved on June 24, 2003 and funded by a \$16.1 million IDA Credit. The project had the following objectives as stated in the PAD (World Bank 2003):

“to alleviate local bottlenecks hindering development (including infrastructure and services) through processes of participatory local development as a result of:  
 (a) improving access to quality social and economic infrastructure and social services through sustainable micro-projects; and  
 (b) promoting institutional development at the local level.”

3.2 According to the Development Credit Agreement (page 12), the objectives of the project were:

“to (a) assist the borrower to promote community development based on the development priorities of local governments and communities; and  
 (b) build the capacity of local communities and local governments to promote local economic development.”

3.3 While the two statements of objectives are generally consistent, the PAD statement of objectives is used as the benchmark for evaluation as it is more monitorable, especially since the Development Credit Agreement statement lacks an elaboration of “community development” (although the latter’s references to ‘developing the priorities of local governments and communities’ and ‘building the capacity of local communities and local governments’ provide more detail).

## DESIGN

3.4 The project had three components:

3.5 **Community Subprojects** (estimated cost at appraisal \$19.2 million; actual cost \$17.92 million): subprojects to improve infrastructure in local communities, including rural and suburban roads, water supply, sewerage, repairs in schools and community centers, and footbridges. In some cases, social service activities carried out in and around rehabilitated infrastructure were included.

3.6 **Capacity Building** (estimated cost at appraisal \$1.0 million; actual cost \$1.11 million): training and technical assistance to strengthen the capacity of local governments, communities, and Albania Development Fund (ADF) staff in local development planning and subproject planning and implementation. The component included three programs: capacity building for ADF staff; local government and community capacity building; and a pilot program that introduced methods of participatory local development planning in 13 communes.

3.7 **Project Implementation Support** (estimated cost at appraisal \$1.8 million; actual cost \$3.83 million): support for project implementation by financing a portion of ADF's operating costs and salaries paid to staff hired for purposes of the project.<sup>27</sup>

3.8 CWP II was designed to take account of the weaknesses of CWP I by, for example, improving ADF's ability to engage with communities and introducing explicit capacity building measures.

## IMPLEMENTATION ARRANGEMENTS

3.9 ADF continued to be the implementing agency for CWP II, as for CWP I. Subprojects under CWP II were to be rolled out in two phases: Work Plan 1 under which subprojects were initiated in early 2005, and Work Plan 2 under which subprojects were initiated in 2006 and 2007.

## Implementation

### DATES AND DISBURSEMENTS

3.10 The project was approved on June 24, 2003 and closed as scheduled on September 30, 2008. The Credit was fully disbursed. The Mid-Term Review was undertaken in April 2006. Actual borrower contribution, including VAT, was almost double what was planned. Actual cofinancing was about half of that expected – the Italian Ministry of Foreign Affairs provided \$2.4 million. The total project cost (actual) was \$25.9 million, including a Bank Credit amount (actual) of \$16.3 million. Other donors, including CEB and KfW, provided parallel/other financing.

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<sup>27</sup> The Project Preparation Facility and Physical Contingencies (appraisal amounts) add up to \$2.2 million giving a total project cost of \$24.2 million.

## IMPLEMENTATION EXPERIENCE

3.11 **Refinements in project design.** Several design refinements were introduced two years before project closing, after its Mid-Term Review, and during its second phase (2006-08)/Work Plan 2, as below:

- Stronger attention was paid to technical quality through introducing improved requirements for design, procurement, supervision of works, and operations and maintenance (O&M). This included clearer terms of reference for designers and supervisors, improved technical specifications and design standards, improved documentation, better training, and the contracting of a consulting firm to assist ADF in supervising the technical quality of subprojects.
- More transparent criteria were introduced for subproject selection. They were based on a comparative ranking procedure that assessed each subproject's expected social, economic, financial, and environmental impact as well as the technical merits and LGU poverty indices. In Work Plan 1 (2004-06), commune councils were involved in the selection process. In Work Plan 2 (2006-08), communities were to be engaged more directly.
- A comprehensive participatory process was introduced for identifying local investment priorities. Increased attention was given to deepening the quality of participation in subproject identification, implementation, and supervision. Social experts took on a more active role, and Counseling and Monitoring Groups (CMGs) received training to strengthen their role in monitoring procurement procedures and works.
- Greater attention was given to building ADF's institutional capacity by improving the transparency of its internal financial management processes and by establishing clearer roles for ADF staff, especially the social experts.

3.12 **Poverty targeting.** CWP II introduced more explicit LGU poverty indices as the basis for LGU-level targeting of its resources compared to CWP I. In CWP II, a larger percentage of project resources went to the poor – the 20 poorest and 50 poorest LGUs each obtained almost double the share of resources under CWP II compared to CWP I (15 percent compared to 8 percent, and 39 compared to 21 percent, respectively). However, even in CWP II, the share of resources going to the poorest LGUs was less than their share of the LGU population (see Table 3.1). Moreover, the richest 20 and 50 LGUs continued to get their previous shares. Alternatively, looking at the percentage of project resources reaching the 20 percent richest LGUs, they are 33.2 percent for CWP I and 22.6 percent for CWP II, and looking at the percentage of project resources reaching the 20 percent poorest LGUs, they are 13.2 percent for CWP I and 17.2 percent for CWP II.

**Table 3.1 Albania Poverty Targeting Table**

	<i>CWP I</i>		<i>CWP II</i>	
	<i>As percentage of all LGUs reached by the project</i>	<i>Percentage of the resources received</i>	<i>As percentage of all LGUs reached by the project</i>	<i>Percentage of the resources received</i>
20 richest LGUs	12%	21%	17%	20%
20 poorest LGUs	12%	8%	17%	15%
50 richest LGUs	30%	47%	43%	47%
50 poorest LGUs	30%	21%	43%	39%

Source: Based on: (i) ADF data on CWP I and II resource distribution by LGU; and (ii) LSMS 2002 data on poverty headcount by LGU. CWP I covered 167 LGUs and CWP II covered 117 LGUs.

**3.13 Safeguard compliance.** Although the Bank had given CWP I an environmental category “B,” it classified this project as “FI” (Financial Intermediary) on the grounds that the nature of the demand-driven subprojects were not known at appraisal.<sup>28</sup> According to the PAD, the following safeguards could potentially be triggered: Environmental Assessment (OP4.01), Natural Habitat (OP 4.04), Cultural Property (OP 4.11), and Involuntary Resettlement (OP 4.12).<sup>29</sup> As for the environmental safeguard, CWP II prepared an Environmental Management Plan (EMP) and an Environmental Monitoring and Mitigation Plan (EMMP). Environmental reviews found no significant negative environmental impacts, although some subprojects suffered some negative environmental impacts during operation that had not been identified in the EMMP. ADF pointed out to the PPAR mission that civil works involved rehabilitation of existing structures and, consequently, the need for land acquisition was minor with no displacement of people. Land issues were discussed as part of the public review of the subproject design and land was either donated voluntarily or compensation was paid by the benefiting local government. The technical specifications for contractors stipulated that there would be no removal of illegal structures.

**3.14 Fiduciary compliance.** The borrower was in compliance with project covenants and World Bank regulations and audit reports confirmed that financial management arrangements were generally satisfactory (World Bank 2009, page 6). Internal Bank ratings given to procurement and financial management in the course of supervision were Satisfactory and Moderately Satisfactory. The ongoing Bank supported Secondary and Local Roads Project (SLRP) uses financial management arrangements similar to CWP II finding them “acceptable.” SLRP also uses the existing internal control framework within ADF with some additional procedures and relies on ADF’s accounting system.

<sup>28</sup> The “FI” (Financial Intermediary) category was available at the time when CWP I was designed.

<sup>29</sup> According to the project team, the Cultural Property and Natural Habitat safeguards were not triggered.

## Relevance of Objectives and Design

### RELEVANCE OF OBJECTIVES

3.15 The relevance of project objectives to the CAS was *high* at approval and the outcomes were also highly relevant to the CAS at closing. At approval, the 2002 CAS (page 11) continued the focus on: (i) improving governance and strengthening institutions by building efficient and inclusive public institutions, increasing transparency and accountability at all levels, and using community-based approaches that build institutions from the bottom up; and (ii) promoting sustainable private sector growth by improving infrastructure and creating institutional environments conducive to infrastructure sustainability, especially through community or private sector participation. At project closing, the CAS for FY06-09 also emphasized infrastructure delivery and local development as part of its two pillars: (i) continuing economic growth through support to private sector development, including building infrastructure; and (ii) improving public service delivery, particularly in the social sectors, and at local levels (World Bank 2006).

3.16 The relevance of the project's objectives to the government's priorities both at appraisal (2001 Growth and Poverty Reduction Strategy, and 2001 National Strategy for Social and Economic Development) and closing (2008 National Strategy for Development and Integration (NSDI) for 2007-13) was also high. The project's objectives of infrastructure and capacity enhancement fit well with the latter's support of rapid and sustainable economic and social development.

### RELEVANCE OF DESIGN

3.17 The relevance of project design is rated *substantial*. At appraisal, but more so after the Mid-Term Review and during Work Plan 2, the project incorporated lessons learned from the first project, including measures aimed at improving the project's record on operations and maintenance, community engagement, and community and local government capacity building, thereby improving the causal link between the project's objectives and its components.

## Achievement of the Objectives (Efficacy)

**ALLEVIATE LOCAL BOTTLENECKS HINDERING DEVELOPMENT (INCLUDING INFRASTRUCTURE AND SERVICES) THROUGH PROCESSES OF PARTICIPATORY LOCAL DEVELOPMENT AS A RESULT OF: (A) IMPROVING ACCESS TO QUALITY SOCIAL AND ECONOMIC INFRASTRUCTURE AND SOCIAL SERVICES THROUGH SUSTAINABLE MICRO-PROJECTS. *Substantial***

3.18 This project supported a total of 156 subprojects (Table 3.2), of which roads accounted for about 69 percent (or 71 percent of total CWP II investment). As in CWP I, it primarily supported rehabilitation, with new construction undertaken mainly in the non-road subprojects, or in roughly 5 percent of the cases, according to ADF.

**Table 3.2 Distribution of Subprojects by Type, in Urban and Rural Areas**

<i>Type of subproject</i>	<i>Rural</i>	<i>Urban</i>	<i>Total</i>	<i>Total (percent)</i>
Roads	93	14	107	68.7
Bridges/Footbridge	6	0	6	3.8
Water supply system	23	2	25	16.0
Sewage system	3	1	4	2.6
Schools	3	1	4	2.6
Community Center	6	0	6	3.8
River Embankments	3	0	3	1.9
Buildings (Reconstruction of facades)	0	1	1	0.6
<b>Total</b>	<b>137</b>	<b>19</b>	<b>156</b>	<b>100.0</b>

Source: ADF.

3.19 There is some evidence that these subprojects were providing functioning services, as also confirmed by the PPR mission conducted for this report. An internal study undertaken by the Bank found that:<sup>30</sup>

- In the case of road subprojects, compared to the situation prior to the investment, access to markets, national roads, and urban areas increased by 30 percent, the time needed for traveling decreased by 76 percent, and the volume of traffic increased by 48 percent.
- In the case of water supply projects, both the duration of water supply and quantity of water available to residents increased substantially. Before the investments, residents typically received water for only 2 hours per day, but now have access for approximately 20 hours per day. The average quantity of water available has increased from 24 liters per person/per day to 131 liters per person/per day. In many communities, residents spent a substantial amount of time transporting water prior to the subproject; on average, it took 26 minutes a day to fetch water which caused a significant burden for women in these communities. By establishing an inner water network, this time has been reduced to zero.
- Regarding services, six community center subprojects were equipped and functional by September 2008. Demand for training at these centers was high and some local and international agencies used some of the facilities to implement training and development activities.

3.20 *Quality of infrastructure.* In 2009, the ICR reported that technical audits indicated that 90% of the sub-projects are of satisfactory or highly satisfactory technical quality, but noted that while the audits indicated that the overall quality of works was satisfactory, there were a few instances when Bank supervision missions raised the need for improvements (i.e.,

<sup>30</sup> The study was undertaken as part of the ICR mission and was based on a sample of 34 subprojects and included: (i) comparison of data from pre-feasibility and feasibility evaluations with data from the O&M evaluations to track changes in “access to service” before and after the project; (ii) collection of additional information on Local Development Plans; (iii) review of the technical quality and O&M of works through post construction visual inspections and document reviews; and (iv) triangulation of empirical information with on-site focus groups and interviews (World Bank 2009).

improving the design of drainage arrangements for gravel roads).<sup>31</sup> The earlier 2006 ADF/Urban Institute report (page 15) had pointed out “The quality of design needs to be improved and this can be achieved only by referring to Albanian Design and Construction Standards.” Also in 2006, an ADF audit of technical quality had noted that in general the works were satisfactory, however, there were weaknesses relating to the lack of terms of reference for design and supervision, works technical specifications, operations and maintenance plans, and Environmental Monitoring and Mitigation Plans.

3.21 *Sustainability of infrastructure.* Based on weaknesses found during the previous project, this project developed stricter maintenance guidelines and introduced post-construction O&M evaluations/audits. It also strengthened attention to O&M by introducing a longer defects-liability period before the final hand-over, formal monitoring of O&M post construction, and building capacity of local governments to prepare better O&M plans. Furthermore, it included the preparation of an O&M plan agreed with each local government. The O&M plans indicated the likely requirements for each type of subproject – typical tasks, frequency, human and material resources required, and costs. In Work Plan 2 (2006-08), O&M plans were more detailed and disaggregated into a plan for each of the first five years. Nevertheless, the 2008 Illyrian Consulting Engineers report noted (page 13) that “maintenance and operation plans exist as documents but their implementation still remains an issue to be solved due to the financial situation of the LGUs...Maintenance remains one of the weakest issues of the system. The investments need to be ensured in terms of maintenance. We suggest the introduction of the financial criteria of the LGU as selection criteria.” The ICR noted that the constrained financial capacity of LGUs presented an ongoing challenge.<sup>32</sup>

3.22 Nevertheless, the results of the Road Mapping conducted for this report presented in Table 3.3 indicate that about 65 percent of roads subprojects for which information was available (amounting to roughly half of all road subprojects) were in fair to good condition in 2007. It is somewhat surprising that this result is the same as for CWP I, despite the fact that the CWP I-supported roads were much older (having been rehabilitated between 1999 and 2003) compared to CWP II-supported roads (which were rehabilitated between 2003 and 2008), and despite the additional measures taken to ensure O&M under CWP II. As in the first project, the considerable variation in road condition by province should be noted. In addition, the Road Mapping also shows that in 11 out of 12 Regions, the roads adjacent to CWP II roads were in similar condition<sup>33</sup> indicating that the CWP II-supported roads were not orphan road sections and that they were connecting to roads that were equally passable. Finally, for the same roughly half of roads with information, about 22 percent of CWP II-supported roads or adjacent sections were included in the Bank-supported Secondary and Local Roads Project (SLRP) which followed CWP II, indicating that at least that proportion of the CWP II-supported roads were important for connectivity to the larger road network.

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<sup>31</sup> World Bank 2009, page 8.

<sup>32</sup> World Bank 2009, page 6.

<sup>33</sup> They were in worse condition in one of the 12 Regions, and some of roads in one of the other 11 Regions were also in worse condition but are now included in the Bank-supported Secondary and Local Roads Project (SLRP) which followed CWP II.

3.23 Regarding subproject selection meetings at the community level, the 2006 Albanian Socio Economic Think Tank (ASET) report noted that the meetings had been more informational in character for the community rather than inviting real beneficiary opinions. The report also noted that the level of community participation was low during the design, implementation, and maintenance phases. The investments most commonly financed by this project, i.e., roads, were clearly much needed in Albania, but, as in the previous project, it is less clear that they were the community's highest priority.<sup>34</sup>

**ALLEVIATE LOCAL BOTTLENECKS HINDERING DEVELOPMENT (INCLUDING INFRASTRUCTURE AND SERVICES) THROUGH PROCESSES OF PARTICIPATORY LOCAL DEVELOPMENT AS A RESULT OF: (B) PROMOTING INSTITUTIONAL DEVELOPMENT AT THE LOCAL LEVEL. *Modest***

3.24 *Processes of participatory local development.* Under the project, 2,521 Counseling and Monitoring Groups (CMGs) were established and played a key role in mobilizing communities in identifying priority investments and facilitating community participation in subproject design and implementation – 4,042 open meetings were organized in 2,386 villages (or 80 percent of the total number of villages in Albania) and 164 neighborhoods in 60 cities.<sup>35</sup> The focus on participation was stronger during Work Plan 2 (2006-08), when CMGs were assigned a bigger role in priority setting and in the implementation and monitoring of works, although the participation of women was not as high as expected.

3.25 The project introduced a participatory Local Development Plan (LDP) pilot in 13 communes – the methodology was initially tested in 5 communes, facilitated by an external NGO, and subsequently expanded to another 8 communes without external consultants. The LDP pilot was designed to be a learning process for all stakeholders (local governments, communities and ADF staff) in strengthening the inclusive and strategic approach to development planning at the commune level. The whole cycle of preparing the LDPs was designed as a capacity building process. Members of the LDP group were trained in topics such as local development planning, data collection and analysis, facilitation of Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, facilitation of community meetings, preparing project files, and budgeting. About 300 commune staff and community representatives were trained on these topics. As per the independent assessment (which was part of the 2009 Beneficiary Assessment<sup>36</sup>), 11 of the 13 LDPs were rated satisfactory or

<sup>34</sup> ADF 2008 noted “There should be considered a methodological element during the projects’ selection which would set the right balance between the different types of infrastructure, as it is seen that in the actual methodology the lack of such an instrument has brought about the domination of the road infrastructure objects over the rest” (pages 159-160), and Politecnica 2006 noted “Although we admit that roads constitute a major problem in Albania, and investment in the transport sector has always been given priority at National Government level since the very start of economic reform in Albania, the weight of the transport sector in the CWPII sub-projects seems excessive to us” (page 6). According to ADF, in addition to the very bad condition of rural roads, the focus on roads may be also be the result of roads being an exclusive function of Local Government Units as opposed to shared responsibilities in health, education, and the uncertainties of decentralization with respect to water supply functions. IEG 2002 had noted that in Albania and Bulgaria where local governments had played a key role in subproject selection, road and water subprojects had dominated.

<sup>35</sup> ADF data.

<sup>36</sup> The Beneficiary Assessment was conducted as part of the ICR. The sample included 14 communities across the different regions of Albania. 460 direct beneficiaries were surveyed and 6 focus groups were conducted. Thirteen in-depth key informant interviews and 2 detailed cases studies were also carried out as part of the assessment (World Bank 2009, page 28).

highly satisfactory in terms of levels of participation and the content and implementation of the plans.

**Table 3.3 CWP II Road Mapping**

<i>Province</i>	<i>Number of subprojects or adjacent sections included in SLRP</i>	<i>Number of subprojects in fair or good condition</i>	<i>Number of subprojects in bad conditions</i>	<i>Number of subprojects for which no data is available</i>	<i>Total</i>	<i>Road in fair to good condition as % of total roads for which information is available</i>	<i>Roads in bad conditions as % of total roads for which information is available</i>	<i>Roads included in SLRP as % of total roads for which information is available</i>
Berat	3	1 v. good 5	0	1	6	66.22	34.78	21.74
Dibra	1	fair 1	fair to bad 3	4	8			
Durres	0	good to v. good 3	0	1	4			
Elbasan	1	good to v. good 5	fair to bad 2	8	15			
Fier	1	good to v. good 3	2	4	9			
Gjirokaster	0	good to v. good 1	0	4	5			
Korca	1	2	1	4	7			
Kukes	2	0	4	2	6			
Lezhe	1	good 3	fair to bad 3	2	6			
Shkodra	0	fair to good 3	0	1	4			
Tirane	0	good 3	0	5	8			
Vlora	0	fair to good 1	fair to bad 1	1	3			
<b>Total</b>	<b>10</b>	<b>30</b>	<b>16</b>					

Source: The Road Mapping conducted for this report used Google Maps to overlay the road segments rehabilitated by the two projects under review onto the 2007 road condition survey for the country. This was a second-best solution in the absence of coordinates and a more recent survey. The methodology used was: (i) to identify in Google Maps the names of the villages featuring in the project documents, as well as the region, district or commune to which they belonged; (ii) to search the 2007 survey to see if the villages were included in it – if they were, then the 2007 survey results were used; (iii) for those villages that could not be found in the 2007 survey, to determine whether or not they were within a surveyed road section (for example, whether village C -- which did not feature in the survey -- was located within the surveyed road between villages A and B, both of which were included the survey); (iv) if village C was so located, to assume that the road condition in village C was of the same quality as that in villages A and B; and (v) for those villages which could not be found in the 2007 survey and were not located on a road section between two surveyed villages, to note that no data were available. Data were available for 46 of the 83 roads subprojects (or 55 percent) of CWP II-supported road subprojects.

3.26 The LDP pilots introduced innovative participatory tools such as village festivals and household interviews that allowed citizens to directly participate in priority setting, and around 3,000 people participated in this process across the 13 communes. Assessments of the pilot highlighted that both citizens and LGUs recognized that the LDP increased dialogue between local governments, local councils, and communities. Steps had also been taken to

institutionalize LDPs; in 12 out of the 13 pilot communes, the commune councils formally approved the LDP as a planning document.<sup>37</sup>

3.27 Improvements were made in the second phase of the LDP pilots with a focus on better geographic targeting and ensuring that the LGUs selected had enough of their own resources to fund some of the LDP priorities. The second group of LDPs were also based on a cluster approach to create a more integrated regional framework for economic development. The LDP assessment showed that the 4 communes that had a stronger economic base were already implementing many of the LDP priorities. Furthermore, according to the LDP assessment, the LDP methodology piloted in this project now serves as a guide for the government's competitive grants scheme (see Box 3.1) and has also been adopted in subprojects supported by other donors such as the Council of Europe and the Islamic Development Bank.

3.28 The 2006 ADF/Urban Institute report (pages 3-8) noted further benefits from the LDP exercise in Vithkuq and Xare where the Chiefs reported greater citizen input into budget discussions, and in Velipoje where the group said that they believed the process had taught them how to work in a group, to discuss, debate and arrive at consensus

3.29 However, the LDP process also suffered from some weaknesses. The 2008 ADF Evaluation report on the impact of the CWP II (page 161) noted that future improvements were needed in developing urban plans and undertaking feasibility studies, including by increasing the level of expertise from outside the community. The ADF/Urban Institute report noted that there was a concern that the subcontractor hired by ADF to assist local governments was participating directly in the development of the priorities and plans (as opposed to playing a facilitative role, ADF/Urban Institute 2006, page 10). It noted that in Xare, for example, the LDP Group had a hard time answering questions about local priorities and plans, and in Velipoje the LDP Group did not even know that it formed an entity called the LDP Group, and had not seen the final plan and seemed unaware of its content. According to ADF, the process has been improved.

3.30 These findings resonated with what the PPAR mission heard during its field visit. There was a general sense among the local government officials interviewed for this report that they were better able to respond to community priorities. While interviews with community members showed an overall favorable perception of CWP II investments, a strong endorsement of the robustness of the local participatory process per se was lacking.

3.31 *Local government capacity.* Progress was made on capacity building at the local government level through learning-by-doing during the LDP process. In addition, the project provided direct training to several stakeholders, cumulatively training 2,430 local government officials, local service providers, community members and ADF staff through 26 training. This included 139 LGU units and 68 commune technical staff.<sup>38</sup> Capacity building activities included: (i) training for local government technical departments, local service

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<sup>37</sup> ADF data.

<sup>38</sup> ADF data.

providers, and contractors to enable them to better monitor and manage subproject implementation, supervision, maintenance, and procurement issues; (ii) capacity building for local governments to strengthen participatory planning and resource management capacities; (iii) capacity building for community groups to improve processes of civic engagement; and (iv) training for ADF staff to improve their capacity in such areas as techniques of community development, supervision of tenders, new construction techniques, quality enhancement, subproject supervision, monitoring and evaluation, and the delivery of training (See Table 3.4).

### **Box 3.1. Albania's Competitive Grants Scheme**

Introduced in 2006, the competitive grants scheme is a scheme of the Albanian government to finance capital investments in infrastructure, health, education and water supply. Communes, Municipalities as well as Regional Councils can apply for competitive grants. If a project is awarded a grant, the project is implemented by the Local Government Units. The grants are awarded based on criteria such as the scale of expected impact on the economic and social development and the compatibility of the project with the regional/local and national priorities; the scale of the impact in the poverty reduction and increased access to basic services; and the number of direct and indirect beneficiaries from the investments. The Committee that makes the decisions for the distribution of grants comprises 2 members from the Ministry of Finance, 2 from the Ministry of Interior, and 2 from the Association of the Municipalities and the Association of the communes. In the case of local infrastructure the ADF together with the Ministry of Interior are the technical secretariat. As of 2010, the scheme was replaced by the Regional Development Fund with the aim of focusing more on bigger regional investments to promote regional development.

*Source: ADF.*

3.32 The 2009 Beneficiary Assessment reported that approximately 55 percent of the beneficiaries believed that local government performance had improved with respect to their interactions with communities. Local government capacities had also improved in the management of procurement and contracting as well as in O&M. But the Beneficiary Assessment also indicated that a key challenge in sustaining local government capacity was the fact that there was a turnover in personnel, in some cases following local elections. Also, local government capacity varied significantly across different parts of the country and communes with greater economic potential tended to have higher levels of financial and human resource capacity.

3.33 The ADF/Urban Institute report noted with respect to capacity building that the intention was always to build capacity of local participants to conduct the planning efforts – not to have ADF (or its subcontractor) do the plan for them. Most commune leadership and administrative staff believe that much more needs to be done in this area – more trainings, more presence by “trainers,” etc. Furthermore, it noted (page 9) that the subcontractor had not done a very good job with ongoing training and capacity building requirements that were already in the methodology and that a well functioning Participatory Monitoring and Evaluation (PME) Group was yet to be achieved.

3.34 *Community capacity.* The ICR noted that Counseling and Monitoring Groups (CMGs) had influenced community capacity positively by involving communities more in

the subproject identification, implementation, and monitoring process.<sup>39</sup> Community members interviewed for this report mentioned in general terms that CWP II had improved their capacity. However, no systematic studies that assess the enhancements in community capacity exist.

**Table 3.4 Capacity Building under CWP II**

<i>Objective of training</i>	<i>Beneficiaries</i>	<i>Number of beneficiaries</i>	<i>Period</i>	<i>Provider</i>
Regional workshops on information and explanation of ADF procedures for CWP II & brochure	LGU elected and technical staff, Representatives of Qark and Ministry of Local Government and Decentralization	710	June-July 2004	ADF & Mixtecnic & Local Environmental Consultant
Preparation for participatory identification of subprojects	LGU staff, CMG members	633	December-January 2004	Urban Research Institute
Facilitation of the LDP process in five pilot communes (Velipoje, Kastriot, Maminas, Vithkuq, and Xare)	LDP group members	110	April 2005-February 2006	Mixtecnic
Training for the design, implementation and maintenance of subproject	ADF and LGU staff and designer/supervisors	105	September 2006-February 2007	ADF specialists
Training for monitoring implementation, supervision, reporting and public communication	CMG members	115	September 2006-February 2007	ADF social inspectors
Training in the O&M standards	ADF and LGU staff	63	October 2007-February 2008	ADF
Facilitation of the LDP process in 8 communes (Shenkoll, Zejmen, Petrele, Berzhite, Baldushk, Dermenas, Topoje, and Qender)	LDP group members	208	May-September 2008	ADF LDP Unit

Source: ADF.

## Efficiency

3.35 Using the Roads Economic Decision Model (typically applied by the Bank to these kinds of investments), the *ex post* economic rate of return (ERR) of roads subprojects was 28 percent (World Bank 2009). There was no ERR estimate in the PAD. However, sensitivity

<sup>39</sup> World Bank 2009, page 10.

analysis was carried out in the ICR, reducing the traffic growth assumptions by 20 percent and the discount rate by 20 percent.<sup>40</sup> This gave ERRs of 26 percent to 27 percent, according to the ICR, suggesting robustness in the estimates and leaving room for reductions in other parameters such as the life of the roads (World Bank 2009). Although no evidence is available on the efficiency of subprojects other than roads, cost-effectiveness analysis for roads projects (amounting to 71 percent of the total investment) indicated that the unit costs of CWP II-financed roads were less than those for similar projects financed by the government (58 percent less per km) or other donors (18 percent less). The Road Mapping results showed that of half the roads for which information was available, two-thirds were in fair to good condition in 2007. On balance, efficiency is rated *substantial*.

## Ratings

### OUTCOME

3.36 The project's objectives were highly relevant to the Bank's country strategy. The relevance of the project's design was substantial given the design improvements introduced at appraisal based on lessons from the previous project, but more so after the Mid-Term Review and during Work Plan 2. The project's achievements with respect to the first objective were substantial. However, it was somewhat surprising that the Road Mapping conducted for this report showed that about the same proportion of roads under the first project and this project were in fair to good condition, despite the fact that the roads supported under the first project were much older (having been rehabilitated between 1999 and 2003) compared to those supported under this project (which were rehabilitated between 2003 and 2008), and despite the additional measures taken to ensure O&M under CWP II. With regard to the second objective, while this project took measures and made progress in building capacity, especially at the local government level, based on available evidence the overall achievement of the second objective is rated modest. Efficiency was substantial.

3.37 Outcome is rated *moderately satisfactory* (as summarized in the Table 3.5 below).

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<sup>40</sup> It is assumed that in the sensitivity analysis the 20% discount rate reduction was applied to the NPV and was not part of the ERR analysis other than as an opportunity cost of capital comparator. See World Bank 2009 for the sensitivity analysis.

**Table 3.5 Outcome Ratings Summary - CWP II**

<i>Community Works Project II</i>	
<b>Relevance of objective</b>	High
<b>Relevance of design</b>	Substantial
<b>Efficacy</b> To alleviate local bottlenecks hindering development (including infrastructure and services) through processes of participatory local development as a result of:	
(a) improving access to quality social and economic infrastructure and social services through sustainable micro-projects	Substantial
(b) promoting institutional development at the local level	Modest
<b>Efficiency</b>	Substantial
<b>Outcome</b>	Moderately Satisfactory

**RISK TO DEVELOPMENT OUTCOME**

3.38 The sustainability of the subproject investments is primarily dependent on the technical sustainability of subprojects as well as the institutional and financial capacity of beneficiary communities and local governments to operate and maintain them. In addressing risks associated with *technical sustainability*, several steps were taken to ensure stronger attention to O&M, such as the requirement to prepare specific O&M plans, the introduction of strict maintenance guidelines, and the introduction of post-construction O&M evaluations/audits. In addressing the risk to *institutional sustainability*, the project enabled some improvements in the capacity of local governments to plan and execute small infrastructure investments and to a somewhat lesser extent to reach out to communities. However, ensuring the *financial sustainability* of subprojects presented a greater challenge, particularly for the smaller local governments. Assuring long term financial sustainability will require broader recognition on the part of the government to accelerate the ongoing fiscal decentralization reforms that will allow local governments to raise sufficient revenue to cover O&M expenditures.

3.39 Risk to Development Outcome is rated *moderate*.

**BANK PERFORMANCE*****Ensuring Quality at Entry***

3.40 While the design of CWP II incorporated some design refinements based on lessons learned in CWP I, further design refinements were needed and were only introduced later, during supervision. Moreover, while M&E in this project was much stronger compared with the first project, there were still a number of areas for improvement – insufficient efforts

were made to systematically assess the participatory process and capacity building outcomes despite the latter being part of the objectives. Quality at entry is rated *moderately satisfactory*.

### ***Quality of Supervision***

3.41 The Bank fielded 9 supervision missions during the project's 5 years of implementation. Despite the fact that there were two changes in task team leadership over the course of the project, the team developed and maintained a strong and constructive relationship with ADF. In supervising the project, the task team worked closely with ADF to introduce improvements in technical quality and maintenance of works, ensure greater transparency in subproject selection, strengthen the local government planning process through LDPs, and strengthen the participatory processes at the community level, including through the new Operations Manual prepared during the first two years of CWP II implementation.

3.42 However, greater proactivity in supervision could have resulted in making at least some of these design refinements more quickly – in the event, important design refinements and their systematic implementation occurred only two years before project closing, after the Mid-Term Review, and during Work Plan 2. Earlier efforts could also have been made to help address the financial issues for sustainable O&M and plug the weaknesses in the M&E system especially with regard to assessing participatory processes and capacity building.

3.43 Overall Bank Performance is rated *moderately satisfactory*.

## **BORROWER PERFORMANCE**

### ***Government Performance***

3.44 The government maintained a good relationship with the Bank and provided counterpart financing on schedule. It also agreed to a change in the composition of the ADF Board towards greater local representation. However, assuring sustainable recurrent cost financing also remained an issue. The government could also have given greater attention to clarifying the roles and responsibilities of ADF vis-à-vis existing government bodies. The extent to which political interference existed and was addressed is not clear. Government Performance is rated *moderately satisfactory*.

### ***Implementing Agency Performance***

3.45 ADF enjoyed a strong reputation in the country, further strengthened by improvements undertaken under Work Plan 2, and managed numerous government and donor-financed projects – it was also chosen as the implanting agency for the Bank's ongoing Secondary and Local Roads Project. ADF's strong technical and engineering expertise was supplemented over time by more transparent subproject selection criteria and better community mobilization and local development planning capabilities – all important steps towards a more open system – although further improvements were still needed in light of the emphasis of the project's stated objectives on processes of participatory local development and local capacity building. ADF monitored physical works on an ongoing

basis and also commissioned a relatively large number of beneficiary assessments and technical studies. Implementing Agency Performance is rated *satisfactory*.

3.46 Overall Borrower Performance is rated *moderately satisfactory*.

## **M&E QUALITY**

### ***M&E Design***

3.47 Based on the lessons from the first project, the M&E system aimed to enhance the Management Information System (MIS) and introduce a participatory monitoring and evaluation pilot (under the local development planning pilot of the capacity building component). However, the project's performance indicators continued to insufficiently reflect the project's participatory and capacity strengthening objectives.

3.48 During project design, it was expected that an ex-post impact evaluation would draw on Living Standards Measurement Study (LSMS) data to supplement project monitoring. However, contrary to expectations, the sampling strategy of the LSMS did not cover a sufficient number of subprojects. Thus, there was insufficient overlap between the LSMS survey sample and project communities to draw robust conclusions.

### ***M&E Implementation***

3.49 While insufficient baseline data and the complicated design of the Participatory Monitoring and Evaluation (PME) Group remained problems to the end of the project, progress was made in several other areas. As noted earlier, physical works were monitored on an ongoing basis by ADF's social experts and technical inspectors, and ADF commissioned a relatively large number of beneficiary assessments and technical studies on a periodic basis. The MIS system was strengthened; over time it used a more robust database technology platform with stronger data quality controls to facilitate project management. M&E capacity was also strengthened through recruitment of new personnel and staff training. The PPAR mission was impressed by ADF's responsiveness to data requests and its ability to promptly answer questions.

### ***M&E Utilization***

3.50 M&E data, despite their weaknesses, were used to the extent possible in informing decision-making related to resource allocation as well as maintaining civil works procurement and cash flow plans.

3.51 Overall, M&E Quality is rated substantial.

## **4. Lessons**

4.1 ***A demand-driven approach may not guarantee that the highest community priorities are met unless steps are taken to ensure a robust and inclusive participatory process and to prevent demand distortion that can result from, for example, requests for***

***goods and services that are perceived to be easiest to obtain (e.g., roads in this case) rather than those that may be most wanted.***

4.2 In the case of CWP I and II, there was a "brand image" of ADF as an institution that constructed mostly roads, rather than other social and economic infrastructure. Roads were what local governments most often requested, believing that they were easiest to get. Furthermore, ADF staff was largely dominated by engineers with no specific training in basic social development skills and little experience with community participation, limiting its ability to promote inclusive community identification of priority needs. While road rehabilitation was much needed, interviewed stakeholders wondered to what extent the voice of women (who are typically known to favor water or education for children) had been heard in the subproject selection process.

***4.3 Capacity building cannot be treated as a by-product; explicit mechanisms will generally be needed to build appropriate and lasting capacity.***

4.4 The experience of CWP I and II shows that capacity building requires explicit measures aimed at it and working through local entities, including by delegating tasks to them, can generate learning-by-doing benefits in local governments, with direct training being a useful supplement.

***4.5 In projects with multiple objectives requiring different staff skills-mixes for their implementation, up-front clarity about the relative emphasis to be placed on the various objectives is critical, especially in capacity-constrained contexts.***

4.6 Trade-offs among objectives need to be watched closely, and addressed. Building capacity in local governments and communities is time- and human resource-intensive, making disbursements potentially slower and less predictable than when infrastructure delivery is the primary focus. The performance incentives, staffing, and skills-mix of the project implementation unit will need to match the project's primary focus. In the case of Albania, ADF maintained an engineering orientation in its staffing and processes, building infrastructure much more successfully than building capacity.

***4.7 In projects with multiple objectives, each of which requires a different staff skill-mix for its implementation, up-front clarity about the relative emphasis to be placed on the various objectives is critical.***

4.8 CWP II addressed the need for improved technical quality through several measures – preparing clearer terms of reference for designers and supervisors, improving technical specifications and design standards, providing technical assistance to the implementing agency, and providing better training. With regard to institutional sustainability, the project enabled ADF to assist local governments in planning and executing small infrastructure investments and strengthened its capacity in community mobilization and participatory local development planning. Ensuring financial sustainability, however, proved to be a greater challenge, particularly for the many smaller local governments that participated in the project. In the Albania context, addressing this challenge will require broader recognition on the part of the government to accelerate the ongoing fiscal decentralization reforms that will

allow local governments to raise sufficient revenue to cover O&M expenditures. When a project is engaged on a large scale over a long period in rehabilitating existing infrastructure rather than engaging in new construction, it risks becoming an expensive substitute for adequate budgetary provision for ongoing maintenance of public facilities, especially in cases where new construction may be more cost-effective.<sup>41</sup>

**4.9 *The roles and responsibilities of the various institutions that the project will relate to need to be clarified in project design itself, and project design also needs to envision and factor in the longer-term role of any autonomous project implementation unit vis-à-vis existing institutions, or alternatively the exit strategy for it.***

4.10 The roles and responsibilities of semi-autonomous bodies, their relationship with line ministries and local authorities, and the options of their permanence or exit need to be considered upfront, even if fine-tuned later in light of experience. Negative effects for public sector processes have been reported for some long-standing autonomous or semi-autonomous agencies that have allocated a significant share of public expenditure or taken-over other responsibilities in sectors or activities for which line ministries or local governments are accountable.<sup>42</sup> In Albania, as noted by stakeholders interviewed for this report, overlaps existed between ADF and ministerial roles and responsibilities for roads and water, causing some confusion and institutional rivalry. The long-term vision for ADF has not yet been determined although there has been some discussion of options. It would be useful if this discussion could focus on clarifying ADF's roles and responsibilities vis-à-vis other public institutions in the context of Albania's larger institutional architecture, rather than exclusively on its function as a potential conduit for donor funds.

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<sup>41</sup> See, for example, IEG 2002.

<sup>42</sup> Ibid.

## Annex A. Basic Data Sheet

### Community Works Project I (Cr. 3164)

#### Key Project Data (amounts in \$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	17.4*	17.4*	100.0
Credit amount	14.0	13.2**	94.3
Cofinancing	2.4***	1.8	75.0
Borrower contribution	1.1	2.5	227.2
Cancellation	-	0.004	-

\* Totalling the actual credit amount, cofinancing, and borrower contribution give \$17.5 million due to rounding.

\*\* Includes the Supplemental Credit amount (actual) of \$4.8 million (appraisal amount \$5 million).

\*\*\* Other donors were to contribute \$3.4 million, but this did not materialize.

#### Cumulative Estimated and Actual Disbursements

	<i>FY99</i>	<i>FY00</i>	<i>FY01</i>	<i>FY02</i>	<i>FY03</i>	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY08</i>	<i>FY09</i>
Appraisal estimate (US\$M)	0.5	3.0	5.5	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Actual (US\$M)	0.0	3.0	11.3	12.8	13.2*	13.2	13.2	13.2	13.2	13.2	13.2
Actual as % of appraisal	0.0	100.0	205.5	160.0	146.7	146.7	146.7	146.7	146.7	146.7	146.7
Date of final disbursement	03/28/2002										

\*Cumulative disbursements for initial credit and supplemental credit.

#### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Note Review	11/12/1997	11/12/1997
Negotiations	12/04/1998	12/04/1998
Board approval	01/19/1999	01/19/1999
Signing	NA	02/01/1999
Effectiveness	NA	07/14/1999
Mid-Term Review	02/2001	02/2001
Closing date	03/31/2003	03/31/2003

**Staff Inputs**

	<i>Actual/Latest Estimate \$ ('000)</i>
Identification/Preparation	182.6
Supervision	443.4
<b>Total</b>	<b>626.0</b>

**Task Team Members**

	<i>Date (month/year)</i>	<i>No. of persons</i>	<i>Specializations represented</i>
Identification/ Preparation	04/20/1998	2	TTL (1); Microcredit Specialist (1)
Appraisal/ Negotiations	07/13/1993	4	TTL (1); Microcredit Specialist (1); Cooperative Bank Specialist (1); Project Officer (1)
Supervision	11/05/1998	2	TTL (1); Microcredit Specialist (1)
	08/29/1999	1	Civil Engineer
	11/05/1999	5	New TTL (1); Participation (1); Previous TTL (1); Res Mission Support (1); Supplemental Credit (1)
	03/31/1999	7	TTL (1); Participation (1); Project Officer (1); Field Office Support (1); Social Funds (1); Procurement (1); Engineer (1)
	06/18/2000	2	TTL (1); Project Officer (1)
	10/24/2000	3	TTL (1); Social Scientist (1); Project Officer(1)
	11/20/2001	2	Task Team Leader (1); Project Officer (1); Project Officer (1)
	03/24/2001	3	Soc. Dev. Op. Spec. (1); Task Manager (1); Project Officer (1)
	05/31/2002	5	Task Manager (1); Soc. Dev. Op. Sp. (1); Sr. Procurement Sp. (1); Op. Officer (1); Civil Engineer (1)
Completion	11/05/2002	1	Operations Specialist (1)

## Community Works Project II (Cr. 3805)

### Key Project Data (amounts in \$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	24.2	25.9*	107.2
Credit amount	15.0	16.1**	108.5
Cofinancing	4.2	2.4	56.4
Borrower contribution	2.9	5.3*	183.3
Local communities	2.1	1.9	95.2
Cancellation	-	0.2	-

\*Includes VAT of \$3.13 million.

\*\*This is according to internal budget records. The ICR reported it as \$16.28 million.

\*\*\* Cofinancing was received from the Government of Italy.

### Cumulative Estimated and Actual Disbursements

	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY08</i>	<i>FY09</i>
Appraisal estimate (US\$M)	0.7	5.6	10.3	14.8	15.0	15.0
Actual (US\$M)	0.9	3.5	9.9	11.6	15.1	16.1
Actual as % of appraisal	128.6	62.5	96.1	78.4	100.7	107.3
Date of final disbursement: 10/10/2008						

### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	02/25/2003	02/25/2003
Negotiations	05/12/2003	05/15/2003
Board approval	06/24/2003	06/24/2003
Signing	NA	07/24/2003
Effectiveness	03/04/2004	03/04/2004
Mid-Term Review	04/2006	04/2006
Closing date	09/30/2008	09/30/2008

**Staff Inputs**

	<i>Staff Weeks</i>	<i>USD Thousands (including travel and consultant costs)</i>
<b>Lending</b>		
FY03	36	143.27
<b>Total</b>	<b>36</b>	<b>143.27</b>
<b>Supervision/ICR</b>		
FY04	35	93.59
FY05	31	101.84
FY06	32	102.55
FY07	28	72.71
FY08	25	97.25
FY09	8	42.00
<b>Total</b>	<b>159</b>	<b>509.94</b>

**Task Team Members**

<i>Names</i>	<i>Title</i>	<i>Unit</i>	<i>Responsibility/Speciality</i>
<b>Lending (from Task Team in PAD Data Sheet)</b>			
Bribosia, Olivier	Consultant	ECSSD	Institutional Assessment
Chase, Robert	Senior Social Development Economist	SDV	Social
Christensen, Olav	Senior Financial Management Specialist	ECSPS	Financial Management
Dade, Drita	Projects Officer	ECSSD	Operations
Dean, Paul	Consultant	ECSSD	Civil Engineer
Funahashi, Junko	Senior Counsel	LEGEM	Legal
Galliano, Elena	Consultant	ECSSD	Social Scientist/Community Development
Gomart, Elizabeth	Consultant	ECSSD	Participatory M&E
Hackaj, Ibrahim	Operations Officer	ECSSD	Operations
Khan, Naushad	Senior Procurement Specialist	ECSSD	Procurement
Korreshi, Belita	Team Assistant	ECSSD	Procurement
Marc, Alexandre	Sector Manager	ECSSD	Social Development
Mehta, Rohit	Senior Finance Officer	LOAFC	Finance
Owen, Dan	Senior Development Specialist	SDV	Social Development
Poggi, Patricia	Social Development Specialist	ECSSD	Social Development

<i>Names</i>	<i>Title</i>	<i>Unit</i>	<i>Responsibility/Speciality</i>
Rana, Sheetal	Consultant	ECSSD	Social Scientist (Safeguards)
Srinivasan, Radhika	Senior Social Scientist	ECSSD	Social Development
Tadesse, Hiwote	Senior Program Assistant	ECSSD	Operations
Warren, David	Senior Social Protection Specialist	HDN	Social Development
Wellens, Francis	Consultant	ECSSD	Civil Engineer
Woodward, Mark	Senior Social Development Specialist	ECSSD	Task Team Leader

**Supervision (from Task Team Members in all archived ISRs)**

Arisoy, Elmas	Senior Procurement Specialist	ECSSD	Procurement
Christensen, Olav	Senior Financial Management Specialist	ECSPS	Financial Management
Clert, Carine	Senior Social Development Specialist	ECSSD	Task Team Leader
Dade, Drita	Projects Officer	ECSSD	Operations
Dean, Paul	Consultant	ECSSD	Civil Engineer
Deane, Arsala	Consultant	ECSSD	Social Development
Gjika, Elona	Financial Management Specialist	ECSPS	Financial Management
Herzog, Andre	Consultant	SDV	Local Governance
Manka, Belita	Procurement Analyst	ECSSD	Procurement
Marginean, Diana	Consultant	ECSSD	Social Development
Murphy, Daniel	Consultant	SDV	Social Development
Srinivasan, Hiwote	Senior Program Assistant	ECSSD	Operations
Woodward, Mark	Senior Social Development Specialist	ECSSD	Task Team Leader

## Annex B. Development Projects Channeled through the Albanian Development Fund

<i>No.</i>	<i>Name of Project/Program</i>	<i>Duration</i>	<i>Donor</i>	<i>Amount</i>
1	Rural Poverty Alleviation Project	1993-1995	World Bank, UNDP, European Community, Italian Government, French Government	\$8 million
2	Rural Development Project	1995-1999	World Bank, Italian Government, European Community, Swiss Government, Japanese Government	\$9.28 million
3	Urban Works and Microenterprise Pilot Project	1995-1999	World Bank, Swiss Government	\$3.98 million
4	Rural Development of Northeastern Areas Project	1994 - 2001	IFAD, Islamic Development Bank	\$15 million
5	Local Communities Development Project: PHARE I, II, III, IV	1997 – 2001	European Community	23,7 million EURO (8.5 million + 5 million + 3 million + 7,2 million)
6	Cross Border Project	1999 – 2002	European Community, Italian and Greek Governments	5, 45 million EURO
7	Community Works Project I	1999 – 2002	World Bank, Italian Government, European Council Bank	\$17. 4 million
8	Supplemental Credit—Community Works Project I (Kosovo Emergency)	1999 – 2003	World Bank	\$5 million
9	Community Works Project II	2004-2008	World Bank, Italian Government	\$24. 2 million
10	CARDS 2001, 2002, 2003	2003 – 2007	European Community	16, 1 million EURO (8,6 million + 6,2 million + 1,3 million)
11	Rural Infrastructure Project	2000 – 2006	Islamic Development Bank	\$6. 9 million
12	Social Investment Funds I, II, and III	1999 – 2006	Kreditanstalt für Wiederaufbau (KfW)	9,45 Euro

Source: ADF data; project names and dates for the World Bank-supported projects are from the World Bank's databases.

## Annex C. Borrower Comments

Translation provided by Albania Country Office

**100 Years of Independence**

(Emblem)

**REPUBLIC OF ALBANIA  
MINISTRY OF FINANCES  
DIRECTORATE GENERAL OF DEBT MANAGEMENT  
Department of Registration and Salaries**

Reg. No 10279

Tirana, 22 June 2012

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To: **Mrs. Kseniya LVOVSKY**  
**Country Manager**  
**World Bank Office, Tirana**

Re: **Opinion on the Performance Assessment Report on the *Community Works* Project I (Loan 3164-ALB) and II (Loan 3804-ALB)**

The following comments are made by the Ministry of Finances and the Albanian Development Fund with reference to your note of 6 June 2012, whereby seeking an opinion on the assessment report on the *Community Works* Project I and II.

### **I Ministry of Finances**

After having reviewed the Performance Assessment Report on the *Community Works* Project I (Loan 3164-ALB) and the *Community Works* Project II (Loan 3804-ALB), [the Ministry] considered that one of the points, which needs to be cautiously looked at is ‘Borrower performance,’ and in concrete terms, ‘Government performance,’ which have been assessed to be ‘Moderately satisfactory.’

With reference to point 2.39 on page 13, we have the following to say:

- Under the agreement, the role to be directly played by the Government concerns precisely *the ensuring of the counterpart funds and the funding of VAT, which have not been an issue.*
- We share the opinion that the phrase ‘Political interference was reported from time to time’ does not stand.

## II Albanian Development Fund

### General comments

The Albanian Development Fund is not of the opinion that the overall low assessment being made of the *Community Affairs* Project II in the Performance Assessment Report on the *Community Works* Projects I and II, is a justifiable decision. A reading of the document shows some difference in the text between *Community Affairs* Project I and *Community Affairs* Project II, and yet, the assessment made is the same. Implementation of the *Community Works* Project II is an important cornerstone for the organisational development of the Albanian Development Fund. The project management improved noticeably, as is also confirmed by the World Bank Missions in their reports, and as a number of internally and externally conducted researches confirms. In the ADF's view, which is what a number of reports and the text itself of the Project Performance Assessment Report confirm:

- A good standard has been applied in the civil works; the standards of the technical projects and the operations and maintenance plans have significantly improved.
- Procurement and financial management has been arranged in an orderly fashion.
- The good standard of transparency in the selection process introduced by the CWP II was captured by an all-inclusive process combined with strict objective, technical and social-economic criteria, thus making of ADF the agency having leadership in the evaluation of projects, with such capability being immediately made use of by the Government of Albania with regard to the competing grants schemes. We do not understand the reference made to political interference at the end of the report, whereas such a thing is not mentioned in the text.
- With reference to capacity building, it could be said that, under CW II, a lot of improvements were brought about by virtue of the continual official training for the local government unit staff and the community groups. Moreover, such Project paved the way for the preparation, testing, and dissemination of such methodology for the drawing up of the Local Development Plans against the background of an all-inclusive approach.

All the afore-mentioned results laid the foundation conducive to the dissemination of the ADF-led activities on a larger scale. All the results have been maintained. ADF has already become a reference agency concerning decentralisation and regional development across the country. It has maximised the budget, the number of the implemented projects, and the number of donors it cooperates with. Likewise, ADF has become part and parcel of the Government's strategies for the sub-national development. Technical experience gained under CW II has been an important factor in the decision of the Government to choose ADF as the agency to carry out the Secondary and Local Roads Project, with support being also provided by the World Bank and seven other international financial bodies. The *Community Works* Project II, supported by the Council of Europe Development Bank, was drawn up based on the best practice from CW II, and it has had a very good impact to this date.

On the hand, the capacity building events have been accommodated in the ADF's day-to-day activities. A source centre has been set up, so as to help merge all the components contained

in the different capacity building projects into a beneficiary solid experience based on knowledge sharing.

Moreover, ADF has already worked out a strategy to help fine-tuning its future, and all the objectives of such strategy are carefully being tracked.

ADF believes that CWP II was a highly successful project, with such result being achieved through numerous efforts put through by the Government, the Bank, and ADF itself. This is why we are surprised at the conclusions drawn in the Performance Assessment Report on CWP I and II, which we find unsatisfactory and based on inaccurate perceptions, or on sentences and paragraphs pulled out of reports and inappropriately contextualised.

### **Specific comments**

- ❖ Page IX of the Summary: Maintenance of the investments was a challenge, although a road mapping exercise revealed that two-thirds of the road sub-projects were in fair to good condition in 2007, five to eight years after they were rehabilitated.

Comments: The road mapping exercise has been used as a gauge of road maintenance, but references and explanations on the accuracy of the methodology employed are required to that end.

- ❖ Page IX of the Summary: Systematic evidence on the extent of local government capacity enhancement is lacking; the concentration of technical and management responsibilities in the Albanian Development Fund may have led to fewer opportunities of learning-by-doing for local governments.

Comments: Throughout CW I and CW II, the concentration of technical and management responsibilities in ADF has been evident. However, this concerned the fact that, mainly in the course of CW I, the local government units did not have the adequate capacities for resuming the technical and managerial responsibilities to carry out a project. Anyhow, the local government units have been active at every implementation phase of the project, through their representation in the selection of the sub-projects, procurement, implementation, and operations-maintenance. In this regard, significant achievements have been attained in the course of CW II.

- ❖ Page X of the Summary: Interviews conducted for this report found that the predominance of roads resulted mainly from the "brand image" of the Albanian Development Fund (ADF) as mainly a road-building agency staffed predominantly by engineers and that constructed mostly roads rather than social infrastructure or other types of economic infrastructure.

Comments: The predominance of roads in the selection of sub-projects under CW I and CW II has arisen in consequence of the local communities' demand and necessity, so as to help meet their needs for more access to health and educational services, and the markets. The

perception gained from the interviews conducted for the purpose of such report, with regard to the brand image of ADF as a road-building agency, is not a convincing argument for the issue in question. Selection of sub-projects has been a process driven by methodologies consulted with and approved by the World Bank.

In the beginning of CW II, a large-scale nationwide campaign to identify projects with large participation was conducted. The results that came in from across the country included mainly road-building projects to be followed up on by the water utilities, as is the case with the investments under CW II. Besides being in a very bad shape, with this being a real hindrance to any kind of development, the rural roads were under the exclusive administration of the local government units, unlike what was the case with the separate responsibilities exercised by the health and educational services and water utilities, to some extent, on account of the allocation of responsibilities through the decentralisation process.

- ❖ Page X of the Summary: Third, both projects suffered from a lack of clarity about the relative importance of their physical objectives versus their capacity building objectives – in the absence of such clarity, ADF focused on its area of traditional strength, physical infrastructure, drawing on a predominance of engineers among its staff, rather than reorienting its processes and staff skills-mix towards capacity building.

Comments: CW II reflects significant improvements compared to CW I, with the activity and the staff being oriented towards capacity building.

Under CW II, an important initiative was taken with regard to the more official processes of capacity building. This included the employment of the social inspectors, the official processes for training for the local government unit staff, the representatives from the counselling and monitoring groups, and the preparation of the local development pilot plans, which targeted over 30 local government units across the country.

- ❖ Page X of the Summary: Finally, the lack of a clear definition of roles and responsibilities between ADF and existing line ministries caused some confusion and institutional rivalry, and institutional considerations in the longer term delivery of roads and water remained insufficiently addressed.

Comments: ADF's responsibilities and role were well-defined. In the course of the implementation of CW I and CW II, no issues indicative of any confusion or institutional rivalry between ADF and the line ministries surfaced.

- ❖ Page XI of the Summary: A demand-driven approach may not automatically guarantee that the highest community priorities are met unless steps are taken to ensure a robust and inclusive participatory process and to prevent demand distortion that can result from, for example, requests for goods and services that are perceived to be easiest to obtain (e.g., roads in this case) rather than those most wanted.

Comments: ADF is not of the opinion that the local government units and the local communities have had difficulty in selecting any type of sub-project. In every case of selection (a number of reasons have been given above), such sub-projects have of very high priority.

- ❖ Page XI of the Summary: Capacity-building cannot be treated as a by-product; explicit mechanisms will generally be needed to build appropriate and lasting capacity.

Comments: Under CW II, ADF built the appropriate capacities in line with the objectives, which were subsequently carried on under other projects with other donors (namely, CW III supported by CEB), and is actually working on their formalisation in a more consolidated periodic practice.

- ❖ Page XI of the Summary: Sustainable operations and maintenance of project investments will rarely be achieved through ad hoc, short term fixes – more often than not, they will require a systemic solution, including budgetary reform to ensure sufficient and sustained recurrent cost financing.

Comments: Along with the efforts made by ADF for addressing the operations and maintenance process with regard to training, the Government of Albania has over the years increased considerably the amount of unconditional funds earmarked for the local government units.

- ❖ Page 8 Table 2.2: CWP I Road Mapping

Comments: The methodology employed for CWP I Road Mapping may reveal inaccuracies whether the roads constructed under CWP I do not have accurate geographical coordinates to be superimposed on the Google Map [loose Albanian – translator's note]. More explanations could be given on this use.

- ❖ Page 9: *First*, the PPAR mission for this project found ADF privileged roads sub-projects over others (such as schools and markets). There is "brand image" of ADF as mostly a road-building agency. So roads are what local governments most often requested, believing that they were easiest to get.

Comments: The predominance of roads in the selection of sub-projects under CW I and CW II has arisen in consequence of the local communities' demand and necessity, so as to help meet their needs for more access to health and educational services, and the markets. The perception gained from the interviews conducted for the purpose of such report, with regard to the brand image of ADF as a road-building agency, is not a convincing argument for the issue in question. Selection of sub-projects has been a process driven by methodologies consulted with and approved by the World Bank.

- ❖ Page 17: CMG Community Monitoring Group

Comments: CMG Counselling and Monitoring Group

- ❖ Page 17 Table 3.1: Albania Poverty Targeting Table

Comments: The poverty targeting table has been taken from LSMS 2002 (World Bank)

- ❖ Page 21: 3.20 Sustainability of infrastructure. Maintenance remains one of the weakest issues of the system. The investments need to be ensured in terms of maintenance. We suggest the introduction of the financial criteria of the LGU as selection criteria.” Stakeholders also mentioned the constrained financial capacity of local governments as a challenge.

Comments: Definitely, ensuring investments in terms of maintenance is a challenge [a word for word translation of the Albanian version would read: definitely, maintenance of investments remains a challenge – translator’s note]. However, ADF has taken important steps forward, so as to help build of the local government units’ capacities to improve O&M planning. Moreover, the central government has nearly doubled the amount of unconditional funds that may be used by the local government units for their functions, including operations and maintenance.

- ❖ Page 21: 3.22 Sustainability of infrastructure. Regarding subproject selection at ADF, the 2008 Illyrian Consulting Engineers report pointed out that Work Plan 1 (2004-06) had continuing problems with lack of transparency in the subproject selection process. It noted (page 7) that the selection process of the 120 projects out of 746 priority ones was not very clear – the Consultant requested information for the selection methodology for the Work Plan 1 (2004-06), but these were not made available from ADF on the time of auditing.

Comments: The selection methodology for CW I was based on the ‘Big Book,’ identified earlier on, and was followed by feasibility studies, combining interventions with other donors according to the rule of one project per local unit.

- ❖ Page 23: Paragraph 3.30: However, the LDP process also suffered from some weaknesses. The 2008 ADF Evaluation report on the impact of the CWP II (page 161) noted that future improvements were needed in developing urban plans and undertaking feasibility studies, including by increasing the level of expertise from outside the community. The ADF/Urban Institute report noted that there was a concern that the subcontractor hired by ADF to assist local governments was participating directly in the development of the priorities and plans (as opposed to playing a facilitative role, ADF/Urban Institute 2006, p. 10). It noted that in Xara, for example, the LDP Group had a hard time answering questions about local priorities and plans, and in Velipoja the LDP Group did not even know that it formed an entity called the LDP Group, and had not seen the final plan and seemed unaware of its content.

Comments: The process for the drawing up of LDP-s was a process piloted in five communes, and it was expected that lessons would be learned from such process. This was the whole idea behind such testing. The process was improved when ADF succeeded in assisting eight other communes (under CW II) without help from outside consultants, and went on with *Community Affairs* III (CEB provided support for the drawing up of LDP-s for another 15 communes).

- ❖ Page 30: Lessons. In the case of CWP I and II, ADF had privileged certain types of subprojects (e.g., roads) over others. There was a "brand image" of ADF as an institution that constructed mostly roads, rather than other social and economic infrastructure. So roads were what local governments most often requested.

Comments: The predominance of roads in the selection of sub-projects under CW I and CW II has arisen in consequence of the local communities' demand and necessity, so as to help meet their needs for more access to health and educational services, and the markets. The perception gained from the interviews conducted for the purpose of such report, with regard to the brand image of ADF as a road-building agency, is not a convincing argument for the issue in question. Selection of sub-projects has been a process driven by methodologies consulted with and approved by the World Bank.

- ❖ Page 31: Lessons. In the case of Albania, ADF maintained an engineering orientation in its staffing and processes, building infrastructure much more successfully than building capacity.

Comments: Capacity building has been an integral part of the project implementation. However, special importance was devoted to such component, in particular, under CW II.

- ❖ Page 32: Lessons. The long-term vision for ADF has not yet been determined although there has been some discussion of options.

Comments: ADF has a clear vision of its future in the mid and long term, which is also reflected in the mid-term strategy of such institution.

Thanking you for your cooperation,

Ridvan BODE

---

MINISTER  
(signature)

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ADF. 2008. Evaluation report on the Impact of the Community Works Project II.

\_\_\_\_\_. Beneficiary Assessment, Community Works Project, May 2002.

ADF/Urban Institute. 2006. Participatory Local Development Planning/Monitoring and Evaluation: Assessment of ADF's Pilot Project in Five Communes, Report of the ADF with Urban Institute.

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