



1. Project Data:		Date Posted : 08/13/2001	
PROJ ID: P035787		Appraisal	Actual
Project Name: Agroprocessing Development	Project Costs (US\$M)	7.1	5.8
Country: Albania	Loan/Credit (US\$M)	6.0	4.8
Sector(s): Board: RDV - Micro- and SME finance (95%), Agro-industry (5%)	Cofinancing (US\$M)	1.0	0.8
L/C Number: C2795; CP933			
	Board Approval (FY)		96
Partners involved : Netherlands	Closing Date	06/30/1999	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components			
a. Objectives			
To support the development of the Albanian agro -processing sector and to help improve the conditions for financing its restructuring through the financial sector in order to improve the marketing of farm outputs and the availability of farm products to the urban population .			
b. Components			
The project had two components :			
(a) Investment Component (\$5.0 million): To provide a line of credit for on-lending by the Rural Commercial Bank (RCB) at market rates to private agricultural enterprises, farmers, and private farmers' associations for long -term loans (including incremental working capital) for production, processing, marketing, distribution, and service activities.			
(b) Entrepreneurs Support component (\$2.1 million): Provision of technical assistance, training, and equipment to assist:			
i. private agricultural enterprises, entrepreneurs, farmers, and farmers' associations in the implementation of sub-projects;			
ii. the technical support unit (TSU) in the Agro-Processing Department in the Ministry of Agriculture and Food, and local technical institutions (Food Research Institute, Agriculture and Food Design Institute, the Albanian Dairy Association, and the Quality Control Laboratories) to strengthen their institutional capacity to provide technical services and to enforce quality control laws;			
iii. the RCB in the appraisal and supervision of sub -projects.			
The investment component was restructured in January 1998 due to the insolvency of the government -owned Rural Commercial Bank. Instead, three private financial intermediaries (PFIs) were selected as intermediaries for the investment component.			
c. Comments on Project Cost, Financing and Dates			
At appraisal, IDA was to provide the entire line of credit of \$ 5.0 million, \$0.8 million for equipment, and \$0.2 million for TA and training. The Netherlands was to provide \$0.9 million for TA and training, and 0.1 million for equipment. At closing, both IDA and the Netherlands had disbursed 81% of appraisal estimates. The Government of Albania contributed \$0.22 million to the project compared to \$0.1 million at appraisal. About \$1.6 million of the line of credit was utilized by the RCB prior to restructuring, \$2.4 million by the PFIs after restructuring, and \$ 1.0 million remained unutilized.			
3. Achievement of Relevant Objectives:			
The project was adversely affected by the 1996-97 civil crisis associated with the collapse of the pyramid schemes . In spite of substantial TA under this project and under the Agricultural Sector Adjustment Credit, the attempt to establish the RCB as the centerpiece of a new, commercially oriented rural financial system failed . After the RCB's board and management spent one year preparing for the privatization of the RCB, the government blocked the privatization in August 1995, contrary to the agreement reached during the negotiations of the credit . After the civil crisis, IDA and the newly elected government had little option but to liquidate the RCB and to restructure the			

Investment component. While some subcomponents of the Entrepreneurs Support component met their objectives, OED concurs with the ICR that the overall outcome was unsatisfactory .

4. Significant Outcomes/Impacts:

- (a) The Institute for Food Research and the Institute for Veterinary Research strengthened their capacities in food quality control and training, and are likely to become self-sustaining institutions.
- (b) The Institute of Agriculture and Food Design was successfully privatized, from which four private consulting firms have emerged in its place.
- (c) The District Food Laboratories in Durres and Vlora were established and equipped, but are still not fully operational due to lack of adequate staff and training .

5. Significant Shortcomings (including non-compliance with safeguard policies):

- (a) The TSU -- which was the project implementation unit -- failed to become a sustainable institution and had to be closed.
- (b) While the Albanian Dairy Association was established, it did not achieve self-sustainability. Private Farmers' Associations were not established, as had been planned .
- (c) While one of the three selected PFIs -- the Federation for Enterprise Finance and Development -- became very active in on-lending about \$2.3 million of project funds, it provided mostly working capital loans rather than investment loans as had originally been envisaged .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Modest	Modest	
Sustainability:	Likely	Likely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- (1) The World Bank should not provide lines of credit to be on-lent through state-owned banks. These are subject to too much political interference, and lack the same incentives as private banks to appraise and supervise loans adequately.
- (2) Institution-building, such as establishing a new project management unit (the TSU), is very difficult. Success depends on quality leadership, dedication of key staff, and building appropriate incentives within the organization to achieve its stated objectives .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR was satisfactory. It provided a complete description of the outputs of the project . But the assessment of institutional development impact on page 8 was very weak.