



1. Project Data:		Date Posted : 10/25/2004	
PROJ ID: P051602		Appraisal	Actual
Project Name: Private Industry Recovery	Project Costs (US\$M)	20.95	10.72
Country: Albania	Loan/Credit (US\$M)	10.25	4.45
Sector(s): Board: PSD - General industry and trade sector (98%), Banking (2%)	Cofinancing (US\$M)	10	0
L/C Number: C3038			
	Board Approval (FY)		98
Partners involved :	Closing Date	01/31/2003	05/01/2003
Prepared by :	Reviewed by :	Group Manager :	Group:
Jorge Garcia-Garcia	Asita R. De Silva	Kyle Peters	OEDCR
2. Project Objectives and Components			
a. Objectives			
To foster a speedy revival of the private manufacturing sector after its collapse as a consequence of the recent political instability (caused by the collapse of the pyramid scheme).			
b. Components			
1. Start up <i>capital</i> of the Albanian Guarantee Agency (AGA), a government agency set up to manage the political risk guarantee facility (PRGF);			
2. Start up <i>operating costs</i> of AGA. IDA credit would contribute to pay part of AGA's incremental operating costs, cost for goods, and consulting services; and			
3. Guarantee facility. IDA credit funds would be used to back up obligations assumed under guarantees covering certain non-commercial risks to foreign entities with a financial exposure related to a productive activity in Albania .			
c. Comments on Project Cost, Financing and Dates			
At appraisal total project costs were estimated at close to US\$ 21 million, but actual projects costs reached US\$ 4.81 million. The expected co-financing of US\$ 10 million never materialized. Part B of Schedule 2 of the credit agreement, dealing with a guarantee facility not supported directly by IDA, was deleted from the agreement after IDA concluded that AGA could not implement facilities of greater complexity than the political risk guarantee facility . The ICR has two different closing dates, January and May 2003.			
3. Achievement of Relevant Objectives:			
The project supported the revival of activity in the private sector by providing political risk guarantees for financiers of productive transactions.			
4. Significant Outcomes/Impacts:			
AGA issued 24 political risk guarantees for a total value of \$ 8.7 million. The enterprises receiving the guarantee more than doubled their production and employment; some of this increase was due to the rapid recovery of the economy .			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
AGA issued about one third of the value of the guarantees expected at appraisal . Some of the guarantees were issued to non-manufacturing companies, not part of the project's objectives The project did not achieve the objective of creating an export credit and guarantee agency to carry out actions in support of Albanian exports.			

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	The demand for the value of the guarantees was one third of the appraisal estimate, and as a result the expected benefits of the project fell short of its appraisal estimates.

			The expected evolution of AGA into an export credit agency did not happen
Institutional Dev .:	Modest	Modest	
Sustainability :	Likely	Non-evaluable	While the benefits of the guarantees provided may last, it is not possible to say that AGA will be a self-sustaining institution for two reasons. First, revenues from guarantees fell below operating expenses. Second, the demand for future guarantees that can help make AGA self-sustaining is uncertain .
Bank Performance :	Satisfactory	Satisfactory	Performance was marginally satisfactory . During the design phase the Bank missed the opportunity of having AGA become an export credit agency without restructuring it at mid-term of project life
Borrower Perf .:	Satisfactory	Satisfactory	Performance was marginally satisfactory . The government maintained as head of AGA someone unsuitable for the job . Besides his failures as manager that person failed to carry out the work needed to convert AGA into an export credit agency .
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:

Commitment to macroeconomic stability and structural reform can help reduce political risks and, as a result, the demand for political risk guarantees, making it unnecessary to maintain organizations set up especially to insure those risks.

8. Assessment Recommended? Yes No

Why? Any assessment of this loan would have to be done as part of a cluster of this type of loans . It may be useful to assess the benefits that such projects brought to the countries that borrowed to establish political risk guarantee insurance.

9. Comments on Quality of ICR:

The ICR provides sufficient information to judge project performance . ICR could have provided some indication of the magnitude of the project's impact and relevance; for example, the proportion of AGA guaranteed investment to total investment could have provided one measure . Section 4.3 of ICR directs the reader to Annex 3 to get information on the economic rate of return of the project, but the reader ends up disappointed; Annex 3 falls short of the minimum standards for a reasonable discussion of benefits and costs . ICR could have explained why MIGA was not considered a viable alternative to ensure political risks in Albania .