



1. Project Data:		Date Posted : 07/30/2001	
PROJ ID: P008260		Appraisal	Actual
Project Name: Durres Water Supply	Project Costs (US\$M)	19.5	17.2
Country: Albania	Loan/Credit (US\$M)	11.6	11.4
Sector(s): Board: WS - Water supply (91%), Sewerage (9%)	Cofinancing (US\$M)	0.3	0.3
L/C Number: C2610; CP749			
	Board Approval (FY)		94
Partners involved :	Closing Date	12/31/2001	10/05/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
Klas B. Ringskog	George T. K. Pitman	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
To eliminate water shortages and associated health risks to the existing population in the project area and to establish a strong local institutional framework for the provision of water supply and sewerage services so that improvements will be sustainable.			
b. Components			
(A) Rehabilitation of one pumping station and of well fields to improve the Durres District water supply and transmission;			
(B) Rehabilitation of the distribution networks in Durres City, Durres Beach, Shkozet and Shijak;			
(C) Implementation of a water loss and demand management program;			
(D) Critical repairs to the wastewater collection system in Durres City, Durres Beach and Shijak;			
(E) Institutional strengthening of the Durres District Water Works (DDWW); and			
(F) Institutional strengthening of the Durres District Sewerage Works (DDSW).			
c. Comments on Project Cost, Financing and Dates			
Total project costs came in at US\$ 17.2 million as compared to appraisal estimates of US\$ 19.5 million. IDA financed US\$ 11.4 million or close to the appraisal estimate of US\$ 11.6 million; the Government financed US\$ 5.5 million, similarly close to the appraisal estimate of US\$ 5.6 million; while the utility, DDWW did not contribute anything as compared to the appraisal estimate of US\$ 2.0 million because it failed to generate a cash surplus which could have been applied to the project investments. The Bank canceled the credit 14 months before the closing date, two months after it had suspended disbursements over the borrower's failure to take the necessary measures to comply with the agreed financial performance.			
3. Achievement of Relevant Objectives:			
The general project objectives were not met since (1) water shortages actually grew worse during the course of project implementation; (2) since the associated health risks were not reduced in the face of more severe rationing; and (3) since the local institutional framework did not improve since DDWW continued losing cash with a working ratio(cash operating costs/cash operating revenue) which remained around 150% throughout project implementation.			
In particular, execution of the six project components was as follows :			
(A) The pumping station and well fields were rehabilitated;			
(B) The distribution networks in the project areas were rehabilitated;			
(C) The implementation of the water loss and demand management program was not implemented as planned;			
(D) The critical repairs and rehabilitation of the wastewater collection system were completed;			
(E) The institutional strengthening of DDWW was only partially implemented and the total result was unsatisfactory; and			
(F) The institutional strengthening of DDSW was only partially implemented and the major segment, the preparation of a Sewerage Master Plan, was not implemented.			
4. Significant Outcomes/Impacts:			

The physical components of the project were largely implemented but proved insufficient to improve service to consumers because of the country's political and economic crisis . In particular, the opening of the closed economy drastically reduced commercial and industrial consumption due to industry closings . The collapse of a pyramid scheme in 1997 caused severe civil unrest and weapons warehouses were plundered . The generalized possession of firearms and the breakdown of civic discipline made it still more difficult to control illegal connections and bill and collect for water consumed . As a result water billed was only 27% of water produced and the percentage collected dropped from about 90% prior to the project to 60%, making financial viability of the utility non-viable. Finally, the 1999 Kosovo crisis produced an influx of refugees into Albania which further strained the supply situation .

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

Project quality was unsatisfactory . In particular, demand and financial projections were flawed and over -optimistic. It should have been possible to foresee that industrial demand was not going to increase in the face of severe restructuring of the economy . In the event, commercial and industrial consumption accounted for 18% of total consumption at project closing as compared to the forecast 75%. As a result, the financial situation of the utility could not be salvaged.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Modest	Negligible	The ICR in the text section rates the IDI as " negligible".
Sustainability :	Unlikely	Highly Unlikely	It was extremely challenging to create a civic culture which would allow a financially sustainable utility to exist in the face of the breakdown of civil society in the country.
Bank Performance :	Unsatisfactory	Unsatisfactory	
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 project experience confirms that demand projections in restructuring formerly planned economies, need to anticipate dropping demand, and especially dropping industrial demand .;
- (2) The lack of sector analysis preceding project preparation produced a failure to identify key weaknesses of the sector and failure to design a project that could have addressed them; and
- (3) The planned utility improvements proved impossible to achieve for lack of institutional autonomy that in turn was impossible to attain in the face of complete lack of financial autonomy .

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The ICR is informative and provides an entirely credible account of the reasons for the failure of the project to achieve its objectives.