



1. Project Data:		Date Posted : 01/13/2005	
PROJ ID: P008271		Appraisal	Actual
Project Name: Albania Forestry Project	Project Costs (US\$M)	21.6	21.5
Country: Albania	Loan/Credit (US\$M)	8.0	8.0
Sector(s): Board: RDV - Forestry (46%), Central government administration (41%), Agricultural extension and research (13%)	Cofinancing (US\$M)	11.6	11.5
L/C Number: C2846			
	Board Approval (FY)		96
Partners involved : Governments of Italy, Japan and Switzerland	Closing Date	12/31/2002	06/30/2004
Prepared by :	Reviewed by :	Group Manager :	Group:
John R. Heath	Christopher D. Gerrard	Alain A. Barbu	OEDSG

2. Project Objectives and Components

a. Objectives

- (i) Restore degraded State-owned forest and pasture areas and promote their sustainable use;
- (ii) Promote conservation of natural forest ecosystems; and
- (iii) Take the initial steps in the transition of the forestry /pasture sector to a market economy, separating commercial from regulatory functions and establishing mechanisms for self-financing of the commercial activities
(Staff Appraisal Report)

b. Components

- (i) **Institutional Support** (Expected cost, US\$5.1 million; Actual cost, US\$8.1 million) Reorganization and strengthening of the Directorate General of Forests and Pastures (DGFP); support for training, education and research in forestry and pastures; establishment of both a project management unit and a project environmental management unit; and technical assistance .
- (ii) **Improved State Forest Management** (Expected, US\$8.1 million; Actual, US\$6.8 million). Strengthening of forest protection field services; resumption of forest management planning; reforestation of sensitive areas; pre-commercial thinning; and research on forest protection .
- (iii) **Rehabilitation of Forest Roads** (Expected, US\$2.4 million; Actual, US\$0.2 million). Design, implementation of rehabilitation works and maintenance of rehabilitated roads .
- (iv) **Communal Forest and Pasture Management** (Expected, US\$2.3 million; Actual, US\$5.4 million). Support for participatory management strategies, including implementation of a pilot project in three communes, development of improved management and investment plans, communal investment projects in degraded areas, establishment of a database on communally-managed forests and pastures .
- (v) **Protected Areas Management** (Expected, US\$0.4 million; Actual, US\$1.0 million). A three-year pilot operation involving the strengthening of protected areas management services in five priority districts and the preparation and implementation of a pilot project for the Lura National Park .

c. Comments on Project Cost, Financing and Dates

The project closed 18 months later than expected, presumably (the ICR is not explicit) because of the 1997 breakdown of civil order following the collapse of financial institutions . This crisis led to a significant shift of emphasis

and a reallocation of expenditures between components . In particular, planned investments in forest roads were scaled down when it became apparent that improved access would have facilitated more illegal logging rather than improved forest management. The project attracted diverse bilateral support : the Italian government contributed the equivalent of US\$11 million, the Swiss government US\$0.5 million, and the Japanese government US\$0.3 million.

3. Achievement of Relevant Objectives:

(i) **Restore degraded areas (Partially Achieved)**. Regulations were adopted for transferring state forests and pastures to communes. Planning guidelines were introduced in 2000-01 (about four years later than expected) and 43 forest units were covered by the new forest management plans (not 57, as projected at appraisal). When the project ended illegal logging was still above 3 percent of the annual allowable cut, the ceiling set at appraisal . Harvesting objectives were compromised by cancellation of the forest road component following the project's mid-term review.

(ii) **Promote forest conservation (Achieved)**. Regulations were developed for environmental impact assessment of forest activities and all the environmental mitigation measures included in the project were fully implemented . A national biodiversity strategy and action plan were approved .

(iii) **Adjust forest /pasture sector to market economy (Achieved)**. Improved procedures were adopted for pricing, sales and harvesting of domestic forest products . The external trade in forest products was liberalized . Domestic prices of forest products were brought into line with border prices . By project close, policy, regulatory and service functions for forestry and pastures had not been fully separated from commercial operations but the government was moving in the right direction, working to build a consensus in support of separation . Timber harvesting increased, but in line with the annual allowable cut calculated for areas with road access .

4. Significant Outcomes/Impacts:

- One-third of the forest and pasture area attributed to communes was brought under a system of communal management, this being perhaps the most significant achievement of the project (and one that was not anticipated at appraisal).
- The project supported establishment of the first decentralized regional forest administration .
- Competitive auctions for standing wood and logs were successfully introduced .
- Forest planning and management procedures initiated by the project fostered the creation of 200 private firms.

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

- The government was unable to significantly reduce illegal logging . Addressing this issue will require sounder judicial and customs procedures, combined with provision of affordable means of heating in poor areas .
- Despite local successes the project achieved only modest institutional development impact at the national level because the implementing agency did not have the capacity to address higher -level issues concerning the legal, regulatory and incentive framework .
- Only 30 km of forest roads were rehabilitated, compared to the target of 300 km set at appraisal, owing to disruption caused by the 1997 political crisis: with the widespread breakdown of civil order there was a sharp rise in illegal logging, and it was considered that improved road access would exacerbate the problem .

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

- Giving local communities clear use rights to communal forest and pasture is a prerequisite for securing their commitment to sustainable management of the resource .
- Curbing illegal logging requires the cooperation of agencies in different sectors and will not succeed if left to the

Forestry Ministry alone.

- Community-based management of forests needs to be nested in a national framework for forest management that is effectively enforced. The government needs to help communities enforce the new rights that have been given to them.
- Where institutional capacity is weak it may be sound strategy in the short-term to recruit an international expert to serve as resident advisor; but this needs to be accompanied by measures to build local capacity over the longer term.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR provides all the information needed to make a balanced assessment of project outcome and is clearly presented.