



| | | | |
|--|------------------------------|---------------------------------|----------------|
| 1. Project Data : | | Date Posted : 06/26/2000 | |
| PROJ ID: P008266 OEDID: C2534 | | Appraisal | Actual |
| Project Name : Housing | Project Costs (US\$M) | 40 | 34.35 |
| Country : Albania | Loan/Credit (US\$M) | 15 | 14.43 |
| Sector, Major Sect .: Urban Housing, Urban Development | Cofinancing (US\$M) | 1.5 | 1.5 |
| L/C Number : C2534 | | | |
| | Board Approval (FY) | | 94 |
| Partners involved : USAID | Closing Date | 12/31/1998 | 12/31/1999 |
| Prepared by : | Reviewed by : | Group Manager : | Group : |
| Nalini B. Kumar | Ronald Parker | Ridley Nelson | OEDST |

2. Project Objectives and Components

a. Objectives
Original project objectives were to: (i) assist the Government of Albania in the development of an efficient, market-based housing construction and finance system; (ii) help alleviate the shortage of housing in urban areas by completing unfinished housing projects; and (iii) encourage the participation of the private sector in housing supply . In April, 1998, following a period of civil unrest, the Board approved a restructuring of the project to add the objective of restoring full operational capacity of local and central government offices through repairs to damaged buildings and replacement of critical office supplies and equipment .

b. Components
Originally the project comprised two components : (i) completion of unfinished housing and (ii) technical assistance. A third component was added with the restructuring : repairs to government buildings.

c. Comments on Project Cost, Financing and Dates
Total project cost at appraisal was US \$ 40 million of which US \$ 15 million, or 37.5 percent, was to be financed by IDA. Actual project cost was US \$ 34.35 million of which the IDA amount was US \$ 14.43 million or 42 percent. USAID provided technical assistance for approximately US \$ 1.5 million. The project was approved in July 1993 and became effective in December of the same year . The project closed a year later than scheduled in December 1999.

3. Achievement of Relevant Objectives :
Project objectives were only partially achieved . Implementation of civil works was delayed due to security problems . (i) There was modest reform in housing policy, but the development of an efficient market oriented housing construction and finance system through the project could not be achieved given the social and political pressures on the urban housing sector at that time . In addition, since the private sector developed rapidly on its own, the original role of the National Housing Authority (NHA) as the main vehicle for helping the transition to a market based housing sector became irrelevant . (ii) A significant number of unfinished apartments were completed although the actual number was less than the appraisal target . (iii) Several government buildings were repaired and furnished with critical office equipment and supplies .

4. Significant Outcomes /Impacts :
(i) Completion of 2,862 unfinished apartments; (ii) about 40 local government buildings, damaged during the 1997 disturbance, were repaired and provided with critical office equipment and supplies; (iii) NHA was transformed into an agency for implementing social housing programs and there was improvement in its technical and administrative capacity.

5. Significant Shortcomings (including non-compliance with safeguard policies):
(i) Quality at entry was unsatisfactory . Little attention was paid to the technical aspects of construction during project preparation. Institutional and financial objectives were too ambitious . (ii) The number of apartments finished was substantially lower than the appraisal target.

| | | | |
|---------------------|------------|-------------------|--|
| 6. Ratings : | ICR | OED Review | Reason for Disagreement /Comments |
| | | | |

| | | | |
|-----------------------------|--------------|-------------------------|---|
| Outcome : | Satisfactory | Marginally Satisfactory | The ICR text rates achievement of project objectives as marginally satisfactory . However the option to assign a marginally satisfactory rating was not available to the ICR. |
| Institutional Dev .: | Partial | Modest | These ratings are equivalent. |
| Sustainability : | Unlikely | Unlikely | |
| Bank Performance : | Satisfactory | Unsatisfactory | The ICR text describes Bank performance as marginally satisfactory . The Evaluation Summary rates Bank performance as marginally unsatisfactory. The project quality at entry was unsatisfactory (para 3.5 ICR); The Bank did not sufficiently review the policy environment or engage in dialogue with the borrower and consequently underestimated the serious project risks. The project's goals for cost recovery were too ambitious . In addition, no careful analysis of the institutional capacity of the newly created NHA was undertaken. In the early years of project implementation the NHA was not even able to effectively supervise the civil works carried out by private contractors . The structural safety of buildings to be completed did not receive adequate attention. Consequently the project faced technical, policy, institutional and financial difficulties from the earliest stages of implementation. According to the Borrower's contribution to the ICR "From the beginning the project was too ambitious. It was designed using assumptions about conditions that did not exist in Albania." |
| Borrower Perf .: | Satisfactory | Unsatisfactory | The ICR rates Borrower performance as marginally satisfactory . The ES rates borrower performance as marginally unsatisfactory for several reasons. The project design was politically and socially unfeasible. The Government could not isolate the project from other social housing programs. Staff turnover (including NHA directors) was excessive, which led to frequent delays. Reporting and auditing requirements were also fulfilled after major delays. In addition, the government's unwillingness to undertake needed reforms compromised the attainment of project objectives . The borrower also did not comply with legal covenants. |
| Quality of ICR : | | Satisfactory | |

7. Lessons of Broad Applicability :

(i) The importance of giving careful attention to in-country realities in the design and preparation of a project cannot be overestimated. (ii) It is also extremely important to give careful attention to the capacity of organizations responsible for project implementation during project preparation. (iii) Countries in transition face major difficulties moving from a socialist regime to a market based system. This process may be far more complicated and have many more social and political dimensions than can be understood merely through project appraisal missions. Sector work is extremely helpful in designing a realistic project under these circumstances.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR is satisfactory. It gives a frank account of the project's experience . There are, however, numerical inconsistencies between the information contained in the main report and the Annex tables . For example, page 8 under *Costs and Financing* notes that US \$ 10 million was the IDA contribution and the actual project cost was US \$ 39.4 million. The Annex tables, project data and also the SAR show that the IDA share was US \$ 15 million and actual project cost was US \$ 34.35 million. Given the complex policy and institutional conditions under which the project was implemented, co-financer's comments would have been very valuable .