



1. Project Data :		Date Posted : 06/27/2000	
PROJ ID: P008270 OEDID: C2652		Appraisal	Actual
Project Name : Albania Irrigation Rehabilitation Project	Project Costs (US\$M)	44.1	45.6
Country: Albania	Loan/Credit (US\$M)	10.0	10.3
Sector, Major Sect .: Irrigation & Drainage, Agriculture	Cofinancing (US\$M)	26.6	28.3
L/C Number: C2652; CP835			
	Board Approval (FY)		94
Partners involved : Netherlands, OPEC, Kuwait, Italy	Closing Date	06/30/2001	02/12/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

- (a) to increase agricultural production by raising farm productivity through rapid rehabilitation of irrigation and drainage infrastructure
- (b) to alleviate poverty by increasing the incomes of small private farmers and creating rural employment opportunities
- (c) to ensure sustainability through farmer participation in operation and maintenance, system management and cost recovery.

b. Components

- (1) Infrastructure rehabilitation of 21 irrigation schemes serving 73,486 ha and 18 drainage schemes serving 99,304 ha plus a demonstration canal management project covering 1,000 ha.
- (2) Institutional development and capacity building aimed at water user associations (WUAs) and state-owned water enterprises (WEs). This component financed procurement of heavy maintenance equipment, TA and training of WUAs and demonstration of improved on-farm water management.
- (3) Policy support aimed at assisting government to develop a regulatory framework for irrigation and drainage, transferring small irrigation systems to WUAs, and consolidating village based WUAs into large hydraulic -based WUAs.

c. Comments on Project Cost, Financing and Dates

The slight increase in final cost was to finance additional rehabilitation . Cofinancing was Kuwait Fund (\$10 million), Netherlands (\$7 million), OPEC (\$6 million), Italy (\$2.1 million).

3. Achievement of Relevant Objectives :

All objectives were substantially achieved .

4. Significant Outcomes /Impacts :

- Strong political commitment and support to developing WUAs through trial, error and correction plus divestiture of the management of state irrigation infrastructure to WUAs was key to the success of the project . In addition, government phased out state irrigation construction companies and replaced them with the private sector .
- Crop production increased primarily due to increased yields and higher than anticipated irrigation intensities . Incremental crop production was \$354/ha (compared with incremental costs of \$207/ha for irrigation and \$35/ha for drainage) and 110,300 farmers (194% of SAR) benefited. The ex-post ERR is estimated to be 38% compared with 17% at appraisal (but real ex-post value may be less - comments in section 5 below).
- Rehabilitation exceeded SAR projections: 100,150 ha of irrigation (137% of SAR) were completed with a per ha cost saving of 32% and 109,900 ha of drainage (111% of SAR) were completed with a 57% cost saving. In addition 26 reservoirs were inspected and three were repaired .
- 208 financially autonomous farmer-managed WUAs covering 81,000 ha were established and 12 federated WUAs and took over complete responsibility for operating all irrigation facilities (including reservoirs and primary irrigation canals) over an area of 70,000 ha. Overall, 85% of WUAs have successfully managed WUA administration, water allocation and distribution, O&M, and fee collection and are beginning to become a foci

for self-help on issues of social development and governance . Actual cost recovery by WUAs is 35-100% and averages 60%.

- A new Irrigation Code and Regulation for Water Users' Associations was approved by Parliament in 1996. A comprehensive Law on Irrigation and Drainage covering restructuring of all existing public sector water enterprises into drainage boards that integrated WUA and federated WUAs was adopted by parliament in 1999.

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

- Maintenance of drainage has been neglected and is leading to localized waterlogging in the coastal plain - appraisal just assumed this would be looked after by retrenchment of government staff and increased efficiency. Unfortunately, it was not. Environmental/social externalities were not taken into account in ex-post ERR.
- As the ICR notes; "despite their achievements, WUAs and FWUAs have yet to prove their sustainability..simply establishing [them] is not a goal in itself..but the start of a long journey towards establishing sustainability ...Several WUAs (40) have ceased operation due to lack of interest in agriculture " and mass urbanization of farmland around Tirana and Durres . A large number of absentee landlords threatens the sustainability of many WUAs. Agriculture remains primarily at a subsistence stage and economically sub-optimal farm sizes are a disincentive to farming .
- Bank budget for supervision limited inclusion of needed social and financial expertise .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Highly Satisfactory	Satisfactory	Institutional issues relating to drainage not adequately addressed; still outstanding cost recovery issues for irrigation and drainage. If the drainage problem had not been present then OED would have agreed with the highly satisfactory rating .
Institutional Dev .:	Substantial	High	New water codes/laws, beneficiary management much greater than planned
Sustainability:	Likely	Likely	Ownership by WUAs outweighed issue of cost recovery otherwise it would have been uncertain.
Bank Performance:	Highly Satisfactory	Highly Satisfactory	
Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR:		Exemplary	

7. Lessons of Broad Applicability :

- Political and economic collapse provides a window for well-timed reform efforts. Key on the Bank side is moving quickly from a realistic appraisal to approval (10 months in this case) and providing substantial supervision to respond quickly to an evolutionary and community-driven reform program.
- Irrigation sector reform succeeded because (a) it had strong central government support, (b) a strong and independent PMU was created and empowered, (c) there was neither spoon-feeding nor weaning of new WUAs, and (d) government bypassed conservative public sector agencies unwilling to reform .

8. Audit Recommended? Yes No

Why? This project provides an excellent case study on successful reform of an irrigation sector . The impact of the drainage and absentee landlord issues need further investigation . Ensuring full cost recovery is a problem that is not yet resolved - yet it may threaten long term sustainability .

9. Comments on Quality of ICR :

(electronic version) Excellent, convincing and candid . No systematic listing, however, on covenant compliance .