

Ex Post-Evaluation Brief

Albania: Social Investment Fund, Phases I - III



Programme/Client	Social Investment Fund (SIF), Phases I – III. BMZ Numbers: 199965278 (I), 200065573 (II); 200166777 (III)	
Programme executing agency	Albanian Development Fund (ADF)	
Year of sample/ex post evaluation report: 2012*/2012		
	Appraisal (planned)	Ex post-evaluation (actual)
Investment costs (total)	I: EUR 4.03 million II: EUR 2.76 million III: EUR 2.75 million	I: EUR 4.03 million II: EUR 2.71 million III: EUR 2.76 million
Counterpart contribution (company)	I: EUR 0.95 million II: EUR 0.24 million III: EUR 0.19 million	I: EUR 0.95 million II: EUR 0.20 million III: EUR 0.20 million
Funding, of which budget funds (BMZ)	I: EUR 3.07 million II: EUR 2.52 million III: EUR 2.56 million	I: EUR 3.07 million II: EUR 2.51 million III: EUR 2.56 million

* random sample

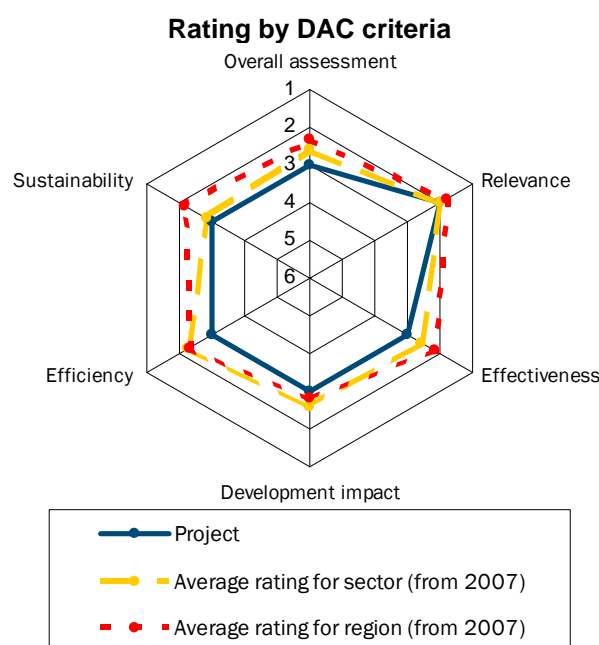
Project description: “Social Investment Fund (SIF), Phases I-III” was a German Financial Cooperation (FC) project consisting of open, multi-sector programmes to finance small-scale measures in economic and social infrastructure (primarily roads, water supply and wastewater disposal systems). Individual projects were chosen and planned with local participation, and were implemented with the help of the state Albanian Development Fund (ADF). Between 1999 and 2007, a total of 81 such projects were completed under the umbrella of SIF Phases I-III. In essence, the basic design of the SIF projects matched that of the “Community Works Programmes” (CWP) which were implemented at the same time. These programmes, which were financed by the World Bank and the Council of Europe (among others), also used the ADF as their project executing agency. SIF Phases II and III were accompanied by personnel support measures. SIF Phase III was special in supporting smaller, labour-intensive projects in the northern and eastern parts of the country with roughly half of the project funds to help eliminate poverty and the serious risk of conflict that goes with it.

Objective: The programme objective of all three SIF projects was to achieve a better provision of economic and social infrastructure for the population of Albania. The programme objective indicator stipulated that 90% of the individual projects were to be appropriately used and maintained one year after their completion. The overall objective was, firstly, to strengthen the foundations for long-term economic development in both urban and rural areas. Secondly, the programmes also aimed to promote planning and implementation capacity at the municipal level (decentralisation). SIF III had the additional aim of helping to prevent conflict. No overall objective indicator was set at programme appraisal. The target group for the SIF projects was the predominantly rural population of the various districts within the country.

Overall rating: Rating 3

The developmental impact achieved by these projects was rated overall as satisfactory.

This evaluation was jointly commissioned by FC and the evaluation department of the Council of Europe Development Bank (CEB). Accordingly, the evaluation mission encompassed individual projects undertaken within SIF Phases I-III, which were financed by FC, as well as those implemented under CWP II, which were financed by (among others) the CEB. The following assessment is based on the results of the combined evaluation report.



EVALUATION SUMMARY

Overall rating: These programmes were sensibly and suitably designed for their purpose - delivering local infrastructure projects with the involvement of local communities and municipalities, and thereby making a contribution to regional development. However, due to the small scale of the individual projects and the lack of baseline data, there is little ex-post evidence of socio-economic effects. The facilities provided are being appropriately used; but in some cases the maintenance of these facilities - which is undertaken on a decentralised basis - has proved to be inadequate, as the municipal authorities do not have the funds required and there is a lack of clarity regarding responsibilities. Taken overall, we have assessed all three phases of the project (SIF I, II and III) as satisfactory. **Rating: 3**

Relevance: The approach taken in the SIF programme was coherent in an Albanian socio-economic context. One of the poorest countries in Europe, Albania recorded an improvement in living conditions in the years that followed the first programme appraisal in 1999: the proportion of the population living below the national poverty line fell from over 25% in 2002 to 12.4% in 2008. Furthermore, since the millennium the poorer regions in the country have been catching up with those that are better-off (World Bank, 2007). The main cause has been identified as the high level and the inclusive character of economic growth since the end of the 1990s. However, the generally low level of investment in infrastructure is seen as one of the risks to a continuing positive development. For example, poor road infrastructure in rural areas is still considered a major barrier to improving agricultural productivity.

The project executing agency, the Albanian Development Fund (ADF), is a government agency for the promotion of regional development within Albania. It was founded in 1993 based on an accord between the Albanian Government and the World Bank. The objectives of the ADF include improving local socio-economic infrastructure as well as strengthening decentralised administrative authorities. Given this background - the deficiencies in infrastructure detailed above, and the weak local administrations still in place from the totalitarian, planned-economy system which predominated until 1991 - the programme's objective of reducing local level growth constraints by supporting projects across the country was indeed appropriate. It was accordingly also apt to aim at strengthening decentralised planning and administration capacity by involving local authorities. Furthermore, the approach adopted in these projects complied with the development policy concepts of the Albanian Government and those of the BMZ.

Involving local authorities, so that they put forward individual projects themselves after a process of participation, sought to increase the relevance of those projects. In their "Project Performance Appraisal Report, 2012" - a separate evaluation of the Community Works Programme (CWP) Phases I and II, which ran in parallel with the FC projects - the World Bank surmised that the marked emphasis given to road rehabilitation projects could be attributed to the fact that ADF, the project agency selected, focuses mainly on road construc-

tion activities, and consequently the local authorities' true priorities were not given their full weight. This has not been confirmed during the present ex-post evaluation. As part of a preliminary study, a total of 14 focus groups were held within the affected communities. These showed that almost every project was in line with the wishes and the priorities of the local population.

The SIF programmes were coordinated with the activities of other donors in the sector (including the World Bank, the EU and the CEB) as well as with the ADF. As an example, the SIF programmes used the same procedures as the CWP, although they generally had a higher upper limit for individual project values (USD 150,000 instead of USD 80,000), and were therefore able to service the demand for larger initiatives. Labour-intensive projects implemented under SIF III were the exception; in these cases, the upper limit was set at EUR 30,000. It was planned that this sub-set of projects would have a minimum labour cost of 50%, as against 25% for regular SIF III projects and all SIF I/II-projects. The objective of these measures - to help reduce conflict within the region by creating employment - was justified by reference to the particularly high levels of poverty and unemployment, and the concomitant social conflict, which afflict northern and eastern parts of the country. However, conflict data was not collected during programme implementation. Because project values were low and the jobs created were short-term, it can be seen in retrospect that these projects were probably not suitable for achieving a significant or sustainable reduction in regional conflict potential. Taken altogether, we have assessed the relevance of SIF Phases I and II as good (Sub-Rating: 2), and that of SIF Phase III - due to the reservations detailed above - as just satisfactory (Sub-Rating: 3).

Effectiveness: According to each of the final inspection reports, the programme objective indicator selected - that a minimum of 90% of individual projects should be being sustainably run and used a year after their completion¹ - was met in all three SIF phases. These reports also stated that, at the time of acceptance, the overall standard of the works was appropriate. However, over the course of the following years a deterioration in this position became evident, especially with regard to the operation and maintenance of the facilities. An internal evaluation of SIF I and II conducted by ADF in 2007 identified the proportion of individual projects which achieved results that were satisfactory or better as follows: operation (84%); maintenance (66%); user satisfaction (87%). With regard to maintenance, weaknesses were especially evident in water supply projects (only 40% rated satisfactory or better) and rural roads (only 55% satisfactory or better).

According to a separate ADF report on SIF III in 2008, 54% of individual projects fell short of expectations in operational terms; in the case of smaller, labour-intensive projects it was as high as 71%. This suggests that the sound physical condition noted at that point in time

¹ During SIF I programme appraisal in 1999, the indicator was set as 80% three years after completion; however, during SIF II programme appraisal in 2001 this was modified in line with the above values.

for almost all the individual projects would also deteriorate over the medium term. When field work was undertaken for the preliminary study to this ex-post evaluation (in September/October 2011 - see Appendix 5), it was found that 19 of the 26 individual projects visited as part of the random sample were running in a manner that was satisfactory or better. Servicing and maintenance, however, were no longer satisfactory in 14 out of 26 cases. Considering that some of these projects had been in operation for more than ten years, this cannot be given too much weight; but it still has a negative impact on the sustainability of the project result. With the exception of two projects - the Librazhd sports ground (SIF III) and water supply in Shkrel (SIF II) - utilisation and user satisfaction levels for the individual projects included in the random sample in 2011 were still satisfactory or better. In summary, we have assessed effectiveness in all three phases of the programme as satisfactory. Sub-Rating: 3.

Efficiency: Shortcomings in the programme's production efficiency became apparent during the course of implementation. In the case of both SIF II and SIF III, programme durations were significantly extended because of the need for longer preparation time, time-consuming tendering procedures and (in the case of SIF III) additional training at the start of implementation. Furthermore, the prescribed community counterpart contribution (10% of the costs of an individual project) was often only made available after lengthy delays. In some cases a lack of liquidity at the construction companies charged with the works also led to delays. Moreover, some of the companies were not in a position to complete the works in line with the budgets and timetables agreed. The ADF has stated that, following the programme, it will pay greater attention to the points raised with regard to tendering. The ADF has not published the unit costs for the various types of individual projects. However, an independent study produced in 2002 indicates that ADF unit costs are in any case lower than those recorded in comparable projects undertaken by the Albanian Ministry of Public Works.² The actual costs of all three phases were, by and large, in line with plan.

The cost ceilings set for individual projects were observed in almost every case, and are overall deemed appropriate. However, there were a few cases where projects were not suitably modified to meet these upper limits (e.g. a road in Kurkur being only partially asphalted) or where funding had to be provided retrospectively out of the Albanian national budget (the treatment plant in Liqenas).

Due to a lack of data on the socio-economic impact of individual projects, it is extremely difficult to estimate the programme's allocative efficiency. Similarly, no economic calculations were made within the framework of the programme regarding individual projects. As part of their 2009 Implementation Completion Report, the World Bank calculated the economic efficiency of individual CWP II road construction projects ex-post, and identified average internal rates of return of 26-28 %. Given the similarities here with the SIF projects,

² Transtec Consulting (2002) Independent Institutional and Managerial Review; cited by the World Bank (2012).

we believe it is reasonable to assume that - at least in the case of projects of this type (i.e. road projects) - they have yielded relatively high benefits for the FC funds deployed. However, this presupposes that the operational life span of the completed projects does not fall significantly short of expectations; and, due to lack of maintenance, this is not to be anticipated in every instance. Taken altogether, in our assessment the efficiency of all three phases is still satisfactory. Sub-Rating: 3.

Overarching developmental impact: The overall objective of the programme was to strengthen the foundations for long-term economic development in both urban and rural areas of Albania. Measuring the extent of progress towards the objective was complicated by the following circumstances: (1) as stated earlier, no baseline data had been collected; (2) especially in the case of road construction in built-up areas, no direct target groups or control groups could be defined; and (3) the size of the individual projects - and hence any measurable impact they might have - was relatively small. However, qualitative research conducted as part of the preliminary study for this evaluation (mainly focus group discussions) suggests that a positive contribution was made towards economic development. For example, rural road construction initiatives have led to improved access to markets by enabling farmers and local residents to save on time and transportation costs. In some remote locations (Quender, Shushice, Kukur and Ballagat), public transport services were set up after the access roads had been asphalted. In the case of drinking water projects, some commented that waiting times and walking distances were eliminated; and with regard to the sewage treatment plant in Liqenas, it was mentioned that the pungent smell which previously lay over the village centre had been eliminated. These effects are quite plausible, but cannot be quantified without data from a baseline study and socio-economic monitoring. This also means that one of the objectives of the SIF II accompanying measure - namely to develop indicators to measure the achievement of results and the impact made on poverty - was not attained.

One effect achieved, which should not be underestimated in an Albanian context, was empowering the local population by involving them in the planning process for ADF projects. The great majority of stakeholders and focus groups interviewed during the impact study expressed a positive view of the participative approach taken towards project selection. For example, community discussions aimed at identifying suitable projects may well have served to defuse conflicts over land use in advance. Attempts to involve communities and user groups in infrastructure maintenance were less successful. Furthermore, there was very little indication that the programme had any enduring impact on local financial administration processes. This can be attributed, at least in part, to the small scale of the projects enacted.

Another socio-economic effect of the programme was to provide employment for predominantly unskilled local workers on construction projects. With a labour cost proportion of 58%, the labour-intensive projects carried out under SIF III met their target - as did the regular SIF III projects, which had a labour proportion of 27%. However, the assumption

that the employment created made a significant contribution to conflict prevention cannot be confirmed on the basis of the data available (cf. "Relevance"). Furthermore, in the course of sample investigations we found scarcely any indication that these temporary work schemes had led to any ongoing employment. Taken altogether, we have assessed the level of progress made towards the overall objective in SIF I and II as satisfactory (Sub-Rating: 3). Despite the reservations regarding conflict prevention detailed above, we have assessed the progress made towards the overall objective in SIF III as just reaching a satisfactory level (Sub-Rating 3).

Sustainability: As already noted in the final project reviews on each of the three phases, it was confirmed during the course of the preliminary study that local authorities were not carrying out any regular preventative maintenance on these works. Consequently, over half of the individual projects included in the random sample were no longer in a satisfactory condition. The municipalities responsible cited inadequate financial provision as the main reason for this. Shortage of financial resources for infrastructure maintenance is a problem which affects public administration in Albania at every level.

Although separate infrastructure municipal maintenance budgets are in place, their own revenues are negligible; as a result, the municipalities are dependent in this respect – and in some cases as much as 100% dependent - on allocations out of the national budget. The majority of the maintenance budget is spent on staff costs. Residents and those who use the facilities are only involved in maintenance in exceptional cases (e.g. in the maintenance of a sports centre in Librazhd), and the incentives there have proved inadequate. The expectation that budgets for maintaining individual projects would be established has not been fulfilled. Given the scarcity of resources and the inefficiency of such a system, this is sensible.

Personnel support measures, enacted in parallel with SIF II and III, were intended to strengthen capacity at the ADF (e.g. by providing advanced training for social inspectors) and to support the municipalities in planning, implementation and maintenance activities. During the evaluation we did not reach any more many municipal employees who had personally benefited from the training measures. Those who could be reached rated it as useful, especially with regard to using the ADF manual. However, a lack of clarity still remains with regard to responsibilities for the servicing and maintenance of individual projects, and this - along with inadequate budgets - constitutes a major problem for sustainability. One positive development at the ADF level since the programme was implemented is that, within a given municipality, the Fund now makes the condition of any existing ADF projects a criterion for funding any further projects. This represents at least an improvement in the incentive structure.

In our assessment, given the background of the programme's design - very small-scale individual projects - sustainability in each of the three phases is still satisfactory. Sub-Rating: 3.

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being relevance, effectiveness, efficiency and overarching developmental impact. The ratings are also used to arrive at a final assessment of a project's overall developmental efficacy. The scale is as follows:

1	Very good result that clearly exceeds expectations
2	Good result, fully in line with expectations and without any significant shortcomings
3	Satisfactory result – project falls short of expectations but the positive results dominate
4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
6	The project has no impact or the situation has actually deteriorated

Ratings 1-3 denote a positive or successful assessment while ratings 4-6 denote a not positive or unsuccessful assessment

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability) The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Ratings 1-3 of the overall rating denote a "successful" project while ratings 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (rating 3).