

a

IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Executive Board – Eighty-Sixth Session
Rome, 12-13 December 2005

REPORT AND RECOMMENDATION OF THE PRESIDENT

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

REPUBLIC OF ALBANIA

FOR THE

PROGRAMME FOR SUSTAINABLE DEVELOPMENT IN RURAL MOUNTAIN AREAS

TABLE OF CONTENTS

CURRENCY EQUIVALENTS	iii
WEIGHTS AND MEASURES	iii
ABBREVIATIONS AND ACRONYMS	iii
MAP OF THE PROGRAMME AREA	iv
LOAN SUMMARY	v
PROGRAMME BRIEF	vi
PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY	1
A. The Economy and Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD’s Strategy for Collaboration with Albania	3
PART II –THE PROGRAMME	5
A. Programme Area and Target Group	5
B. Objectives and Scope	5
C. Components	5
D. Costs and Financing	7
E. Procurement, Disbursement, Accounts and Audit	9
F. Organization and Management	9
G. Economic Justification	10
H. Risks	10
I. Environmental Impact	11
J. Innovative Features	11
PART III – LEGAL INSTRUMENTS AND AUTHORITY	12
PART IV – RECOMMENDATION	12
ANNEX	
SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT	13

APPENDIXES

I. COUNTRY DATA	1
II. PREVIOUS IFAD FINANCING IN ALBANIA	2
III. LOGICAL FRAMEWORK	3
IV. ORGANIZATION AND MANAGEMENT	6

CURRENCY EQUIVALENTS

Currency unit	=	Albanian lek (ALL)
USD 1.00	=	100 ALL
ALL 1.00	=	USD 0.01

WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m ²)	=	10.76 square feet (ft ²)
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

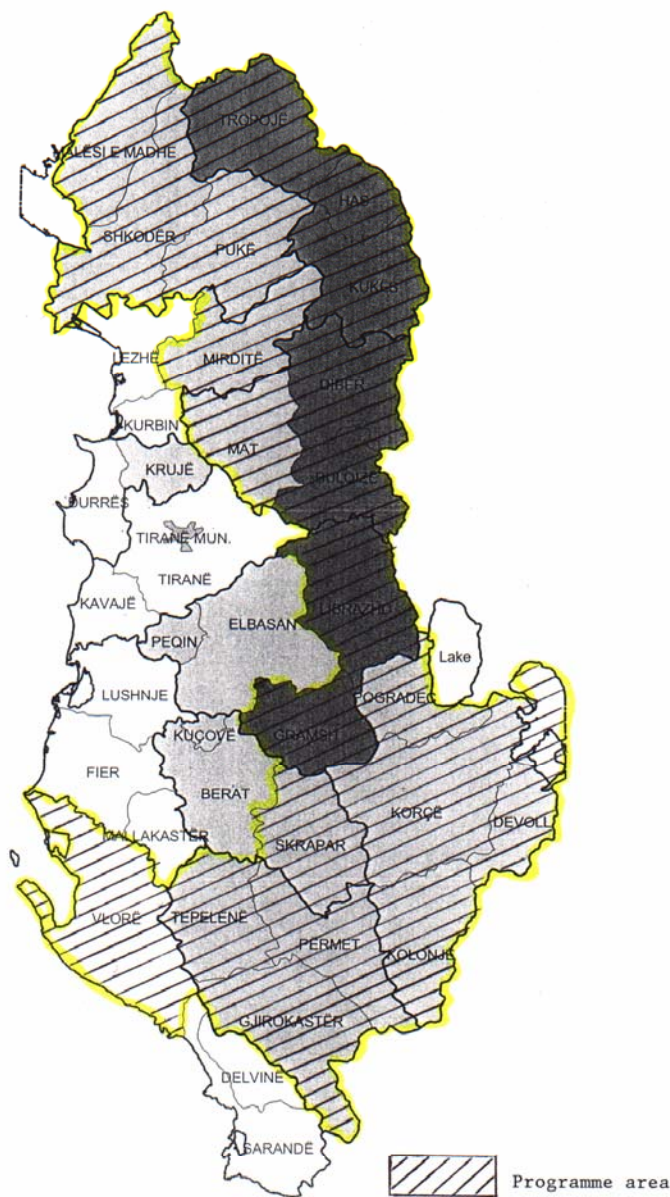
ABBREVIATIONS AND ACRONYMS

EU	European Union
MADA	Mountain Areas Development Agency
MAFF	Mountain Areas Finance Fund
NSSED	National Strategy for Socio-Economic Development
SDRMA	Programme for Sustainable Development in Rural Mountain Areas
SIP	strategic investment programme

GOVERNMENT OF THE REPUBLIC OF ALBANIA
Fiscal Year

1 January – 31 December

MAP OF THE PROGRAMME AREA



Source: IFAD.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

REPUBLIC OF ALBANIA

PROGRAMME FOR SUSTAINABLE DEVELOPMENT IN RURAL MOUNTAIN AREAS

LOAN SUMMARY

INITIATING INSTITUTION:	IFAD
BORROWER:	Republic of Albania
EXECUTING AGENCY:	Ministry of Economy
TOTAL PROGRAMME COST:	USD 24.3 million
AMOUNT OF IFAD LOAN:	SDR 5.5 million (equivalent to approximately USD 8.0 million)
TERMS OF IFAD LOAN:	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
COFINANCIERS:	<ul style="list-style-type: none">- European Union (EU) (to be confirmed)- Organization of the Petroleum Exporting Countries Fund for International Development (OPEC Fund) (to be confirmed)- Strategic institutional investor
AMOUNT OF COFINANCING:	<ul style="list-style-type: none">- EU: USD 0.8 million equivalent (proposals to be developed in the course of implementation)- OPEC Fund: USD 3.0 million (Government request to be submitted)- Strategic institutional investor: USD 0.7 million
TERMS OF COFINANCING:	<ul style="list-style-type: none">- EU: grant- OPEC Fund: standard conditions- Strategic institutional investors: loan and equity
FINANCIER(S):	To be determined (USD 5.0 million)
CONTRIBUTION OF BORROWER:	USD 5.0 million (budget support and taxes forgone)
CONTRIBUTION OF CLIENT-INVESTOR COMMUNITIES:	USD 1.7 million
APPRAISING INSTITUTION:	IFAD
COOPERATING INSTITUTION:	United Nations Office for Project Services

PROGRAMME BRIEF

The programme. The proposed five-year Programme for Sustainable Development in Rural Mountain Areas (SDRMA) represents a fourth successive IFAD investment in Albania. The concept for SDRMA is in line with the National Strategy for Socio-Economic Development and the country strategic opportunities paper approved by the Executive Board in April 2005. The programme's goal is to increase household incomes in Albania's mountain areas, particularly among the poorer rural population. The overall objectives of the programme are to achieve: (a) additional resource mobilization in and for the mountain areas; (b) accelerated economic growth and poverty reduction; and (c) strengthened abilities of local institutions and organizations to influence and support private and public-sector investment.

Who are the beneficiaries? The ultimate target group for SDRMA include underemployed and unemployed rural men and women, small and medium sized farms and rural entrepreneurs in the poor mountain areas of Albania. The programme approach is to demonstrate and strengthen investment response mechanisms, including those operating in the commercial financial sector, that can be accessed by the rural population at large in the poorest and least favoured areas of the country. The principles guiding programme operating procedures, including those associated with commercially derived infrastructure investment and the awarding of competitive grants for technology innovation, would be intentionally pro-poor in orientation and favour those investments with a wider opportunity for stimulating rural employment, in particular for women.

Why are they poor? The persistence of poverty in Albania, despite recent years of economic growth, is attributable to the continuing low employment levels (particularly in rural mountain areas), the consequent low income levels, and the unequal pattern of economic growth. To a large extent, the current output in the mountain areas is still based on informal activities in agriculture, processing and commerce. More comprehensive initiatives are required to lift people permanently out of poverty.

What will the programme do for them and how will beneficiaries participate in it? A number of major benefits are expected to accrue from the programme. First, substantial incremental investment would be mobilized in and for the mountain areas from national and international sources. Second, a client-investor-owned rural commercial bank would become fully operational, with an expanded loan portfolio of about USD 40 million, some 10 000 farming households and rural small and medium enterprises having outstanding loans and about 15 000-20 000 loans having been disbursed to individuals and small companies over that period. Third, consistent with the expectations in the National Strategy for Socio-Economic Development, the programme would assist the Mountain Areas Development Agency as a specialized regional agency capable of acting as a knowledge base, centre of analysis and key informer of debate on strategies and policies for mountain areas development. The Mountain Areas Development Agency would also be instrumental in facilitating and promoting investment at the local level, devising and demonstrating innovative approaches to economic development for mountain areas and catalysing multiple forms of partnership in support of business start-ups to the advantage of household incomes in the poorest part of the country. It is expected that SDRMA will make a significant contribution to the Government's target with respect to the Millennium Development Goals of reducing the proportion of the population living in extreme poverty to zero by 2015.

REPORT AND RECOMMENDATION OF THE PRESIDENT OF IFAD
TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE
REPUBLIC OF ALBANIA
FOR THE
PROGRAMME FOR SUSTAINABLE DEVELOPMENT IN RURAL MOUNTAIN AREAS

I submit the following report and recommendation on a proposed loan to Republic of Albania for SDR 5.5 million (equivalent to approximately USD 8.0 million) on highly concessional terms to help finance the Programme for Sustainable Development in Rural Mountain Areas. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one percent (0.75%) per annum. It will be administered by the United Nations Office for Project Services as IFAD's cooperating institution.

PART I – THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY¹

A. The Economy and Agricultural Sector

1. Albania is a small, mostly mountainous country lying on the western seaboard of the Balkan Peninsula. It borders Serbia and Montenegro to the north-east and north, the former Yugoslav Republic of Macedonia to the east and Greece to the south. Covering a total land area of approximately 27 000 km², the main geographic regions are the coastal lowlands, the intermediate hill country and the mountain ranges rising to altitudes of around 2 000 metres above sea level. The population is about 3.2 million (2001 census), of which about 0.5 million live in the capital, Tirana. An estimated 57% of the population live in rural areas, and about a quarter of GDP is generated in agriculture, which, following transition, is now almost exclusively based on very small-scale and typically fragmented farming units. The overall population density is relatively high, at 116 per km². Literacy rates are high for both sexes at around 98%, although the quality of education is said to be declining, especially in rural areas. Social development indicators and other country data suggest that, in common with other transitional economies in Europe, the persistently high incidence of poverty is more a matter of economic impoverishment and income decline than of human poverty.

2. The economy has experienced dramatic changes since the onset of the transition in 1991. Output in 1992 reached a low of half the 1989 level; inflation reached triple digit levels, and the current account deficit rose to two thirds of GDP. Following privatization and liberalization in agriculture, retail trade and small enterprises, GDP growth, during the next three years, achieved double digit rates, inflation fell to single digit levels and external imbalances were substantially reduced. Continued growth during 1996 resulted mainly from fiscal expansion and pyramid investment schemes. The collapse of these schemes in early 1997 led to the loss of about USD 1.2 billion in personal savings and triggered a crisis that brought the country to the brink of civil war. Beginning in 1998, the economy initially grew at annual rates of 7-8%, but the rate had slowed to 4.5% by 2002 due to the energy crisis and the effects of floods on agricultural production. Real GDP growth in 2003 returned to an annual rate of about 6% and is expected to be sustained at that level over the short term. If this rate of growth can be maintained, Albania is considered to be on track to achieve, by 2015, its target of halving the share of the population living under the absolute poverty line.

¹ See Appendix I for additional information.

3. Arable land constitutes approximately 26% (700 000 ha) of Albania's land area, pasture 16% (425 000 ha), and forest about 36% (1 million ha). Forty-four percent of the arable land lies in the coastal areas that are predominantly plains, and the remaining 37% and 19% are in the hill and mountainous areas, respectively. Less than a third of the 417 000 ha equipped for irrigation under the former command economy is still operational. Much of the present operational inventory, as well as the balance of former schemes, is too costly to restructure under open market conditions.

4. After the collapse of the command economy, the closure of cooperative and state farms and the redistribution of land to private ownership transformed the agrarian structure. The process created about 470 000 small family farms with an average land ownership of around 0.72 ha, typically fragmented into smaller units. In some hill and mountain areas, which together account for more than half of all agricultural land, land parcels are even smaller, at around 0.2 ha. In the early years of transition, farmers, of necessity, adopted a subsistence orientation, adjusting the former state production patterns to reflect their own consumption requirements. In areas of higher productive potential, which happen to lay more closely to major urban centres, farmers are now gradually becoming more market oriented. This trend is starting to emerge in mountain regions; in these areas, however, marketing opportunities are fewer, and the competitiveness of the output is generally much lower.

5. The removal of the artificially imposed farming production patterns of the communist era has led to a resurgence in the importance of livestock, especially of extensively grazed small ruminants in mountain areas. Livestock production is now a major component of Albanian agriculture and accounts for roughly 50% of the total sector output. However, fresh and processed animal products are typically marketed under conditions of poor hygiene, and there is little awareness of or respect for food safety standards or the use of adequate veterinary controls. The maintenance of domestic market share is becoming more difficult as urban consumers become more discerning with respect to product quality and hygiene. Despite difficulties and shortcomings, the marketing of livestock products, together with a limited range of fruit, vegetable products and viticulture, nonetheless offers some of the best opportunities for farming-based rural poverty reduction in mountain areas. From a policy and planning perspective, however, it is necessary to view the agricultural sector as part of a multifunctional rural economy, with efforts in poverty reduction focused on a wider perspective, including the sustainable use of rural natural resources and the associated backward and forward linkage of agriculture to economic opportunities in other sectors.

B. Lessons Learned from Previous IFAD Experience²

6. IFAD's country programme has supported three successive investments in poorer, mountainous areas of Albania: (a) the Northeastern Districts Rural Development Project with a loan of SDR 8.4 million; (b) the Small-scale Irrigation Rehabilitation Project with a loan of SDR 6.1 million; and (c) the ongoing Mountain Areas Development Programme with a loan of SDR 9.6 million.

7. The first two IFAD-sponsored projects each had the typical characteristics of a time-bound project approach in which pre-specified activities were to be carried out under the overall responsibility of a centralized management system established under a line agency of Government, in this case the Ministry of Agriculture Food and Consumer Protection. Implementation difficulties experienced in both projects illustrate the constraints that can be imposed by the limited fiscal controls and human resources available to those public institutions charged with project oversight. Both projects also showed that, particularly in the early stages of Albania's economic transition and in poorer areas, a longer time perspective was necessary to build capacity in public institutions and civil society than had been anticipated in the project designs. The designs assumed popular enthusiasm for collaborative arrangements at the local level in order to achieve development impact, namely, support

² See also Appendix II.

for the role of water users associations in small-scale irrigation schemes and the widening of access to credit through a group-based lending approach, this at a time when people's confidence in and commitment to public institutions were low and the population at large had necessarily adopted a highly individualistic approach to survival. These initiatives subsequently had limited success. The projects also illustrated the difficulty of achieving significant impact on rural livelihoods through a focus on a single subsector or via a multiplicity of separately implemented and widely dispersed initiatives individually capable of generating only limited gains in any one aspect of marginal area development.

C. IFAD's Strategy for Collaboration with Albania

8. **Albania's policy for poverty eradication.** The Government prepared a Growth and Poverty Reduction Strategy, later renamed the National Strategy for Socio-Economic Development (NSSED), in 2001. The NSSED emphasizes the creation and maintenance of an enabling business environment and the promotion of employment opportunities for the poor, the enhancement of human capital through increased investments in education and health and the empowerment of the poor through their greater involvement in the political process. The strategy recognizes economic growth as the "main mechanism to reduce poverty and [recognizes] macroeconomic stabilization as the way to create a suitable environment for sustainable growth". As an operational tool for the NSSED, the Government has adopted a medium-term economic framework and a public investment programme, which are updated annually. These tools are viewed as a valuable means to promote the pro-poor allocation of public funds consistent with policies for sustainable growth. Associated documentation is being adjusted for the gradual move towards European integration following Albania's entry into negotiations on the Stabilization and Association Agreement with the European Union (EU) in 2003. The IFAD-financed Mountain Areas Development Agency (MADA) has been instrumental in ensuring that the NSSED now incorporates a specific 'mountain areas' perspective. This policy dialogue initiative represents an important step forwards in the recognition of the special circumstances of mountain areas and opens opportunities for taking further actions, including through the proposed programme, to develop a specific agenda for mountain area development.

9. **The poverty eradication activities of other major donors.** Several major donor agencies established in Albania are involved in: (a) the evolution of legal and regulatory frameworks associated with rural economic development and the needs of a liberalized, market-oriented economy; (b) the creation of a commercial investment climate conducive to enhanced business development; (c) strengthening democratic processes; and (d) supporting the decentralization of public administration. The World Bank's Country Assistance Strategy (2002-2005) seeks to improve governance and strengthen institutions, promote sustainable private-sector growth and foster human development. The European Investment Bank is assisting in road reconstruction and small and medium enterprise development. Assistance by the United States Agency for International Development (USAID) focuses on democracy and governance, legal and judicial systems, primary health care and a number of cross-cutting areas dealing with human trafficking, energy sector planning and monitoring the effects of the NSSED on rural people. The Department for International Development (DFID) of the United Kingdom of Great Britain and Northern Ireland is likely to continue its support for improved governance and advocacy partly implemented under the IFAD-sponsored Mountain Areas Development Programme. Also under this same programme, the Government of Italy is supporting initiatives aimed at improving the access of farmers to markets through twinning arrangements, supply chain analysis and subsequent strategic investment plans (see below). Initially, under the Community Assistance for Reconstruction, Development and Stabilization programme, substantial resources are earmarked for programmes aimed at institution building and economic and social development. The design of the Programme for Sustainable Development in Rural Mountain Areas (SDRMA) complements these major initiatives, the principal thrust being the unique focus on disadvantaged areas.

10. **IFAD's strategy in Albania.** The IFAD strategy in Albania over the last 12 years has been to provide a basis for promoting sustainable increases in economic activity in poor mountainous areas and the closer integration of these areas into the national economy. The first two projects financed by the Fund were geared principally towards improving food security and incomes in selected poorer mountain districts, thereby seeking to secure the means of agriculture-based survival following the disruptive effects of economic transition. IFAD's 1999 country strategic opportunities paper maintained the focus on mountain areas, but under a more programmatic investment approach without predetermined physical targets. It recommended the establishment of MADA and the Mountain Areas Finance Fund (MAFF) as specialized, autonomous institutions to deal, respectively, with broader aspects of mountain area development and improving access to credit in order to counterbalance the continued concentration on areas of higher potential elsewhere in the country by Albania's other development partners, banks and financial institutions.

11. The latest country strategic opportunities paper, approved by the Executive Board in April 2005, outlines the investment opportunity for the Fund in the period 2006 to 2012 and highlights the fact that progress in the transition process is such that new avenues for supporting commercial and economic advancement are emerging that were unthinkable in Albania even a few years ago. New IFAD investments should seek to increase the capacity in the private and public sectors to respond to the variety of investment needs and opportunities arising in a rapidly changing and modernizing economic environment. Investments for the mountain areas should be designed to assist those who are able or potentially able to become and are interested in becoming engaged in economically viable activities that will generate income. While farming and other, associated agriculture-related businesses will continue to feature prominently in an IFAD investment programme, it is acknowledged that the agriculture sector cannot be relied upon as the sole means of future economic advancement for the resident population of the mountain areas. IFAD now seeks to broaden the opportunity for economic growth and employment generation in poorer areas through the evolution of its ongoing direct support for business and small and medium enterprise development and, most importantly, through catalytic effects on the resource allocations of others.

12. The strategic investment programme (SIP) concept is an important innovative tool introduced by IFAD in Albania and in other Balkan countries. SIPs are tools for understanding interrelationships so as to improve efficiencies in key agricultural commodity supply chains. The tools are developed for commodities of particular relevance to poor people and involve producers, processors, traders and financial institutions. Following a participatory approach, constraints on and opportunities for associated business growth are identified, and a series of relevant investment activities are subsequently put into effect. Depending on the commodity, such investments vary in nature, ranging from financing, small scale infrastructure, technology transfer, technical or vocational training among the labour force, the provision of business planning skills and improved methods for natural resource management. As noted in the country strategic opportunities paper of April 2005, the SIP concept and its implementation will constitute an important element of the proposed SDRMA. Under the programme, around 20% of the SIPs will be specifically aimed at improving the livelihoods of poor rural women.

13. **Programme rationale.** As noted above, recent analyses confirm the regional dimensions of poverty in Albania and provide ample justification for maintaining an explicit focus of the development effort on the special circumstances, needs and potentials of the mountain areas. The proposed programme design has been shaped by three principal considerations: (a) the congruence with government policy commitments to eradicate mountain area poverty and achieve social and economic cohesion through private-sector development and decentralization; (b) the congruence with current IFAD corporate, regional and country strategies; and (c) the convergence with the EU's evolving functional and financial arrangements for regional development agencies.

PART II – THE PROGRAMME

A. Programme Area and Target Group

14. The programme will cover the 11 districts with greater than 80% of their area classed as mountainous and the ten districts with 50-80% of their area classed as mountainous. The gross programme area holds a population of about 1.7 million, or about half the total national population, and encompasses a large majority of the rural poor. The area excludes the more level coastal lowlands, which are acknowledged to contain the most important agricultural lands of the country, in which marketing is least problematic and which are currently the most favoured in terms of economic opportunity, overall business investment and level of economic activity. The ultimate target group for SDRMA is underemployed and unemployed rural men and women, small and medium sized farmholders and rural entrepreneurs. Investment opportunities identified by regional programming and planning techniques and through SIPs developed with the private sector will be ranked according to their potential to transfer knowledge, skills, technology and assets to poorer people in the region and the capacity for employment generation among such people, particularly rural women, without compromising the requirement that these opportunities be economically viable and sustainable. Such ranking will be a central part of the prioritization of investment opportunities identified under the programme.

B. Objectives and Scope³

15. The programme goal is to increase household incomes in Albania's mountain areas, particularly among the poorer rural population. The overall objective of the programme is to achieve: (a) additional resource mobilization in and for the mountain areas; (b) accelerated economic growth and poverty reduction; and (c) strengthened abilities of local institutions and organizations to influence and support private- and public-sector investment. This overall objective is to be attained primarily through support so as to: (a) position MADA in terms of staffing, levels of competence, functions, institutional linkages and financial arrangements to act as an EU-style regional development agency, and (b) support the conversion of MAFF into a rural commercial bank.

C. Components

16. SDRMA would have four components, three to be realized through MADA and the fourth through MAFF. The three MADA-related components would be: (a) regional programme development; (b) private-sector development; and (c) field implementation and testing of investment approaches. The MAFF-related component would consist of the conversion of MAFF into a fully fledged rural commercial bank.

17. **Regional programme development** would consist of support for: (a) networking and promotion to establish MADA with respect to the international community of specialized organizations dealing with economic development in less favoured areas and to mobilize additional resources and promote inward investment; (b) studies, analysis and policy research to establish MADA as a national knowledge base on the mountain areas; and (c) strengthening communities to participate in their own development. This last initiative would comprise capacity-building among local government administrations in planning and implementing sustainable development investments, a fund to provide matching grant contributions towards covering the cost of community priority micro-projects and support for the development of mountain area forums at the district and national levels.

³ See Appendix III for further details.

18. The **private-sector development** component would consist of support for: (a) business promotion and financial linkage by connecting emergent businesses with the various types of business development service providers operating in rural areas and relevant formal and informal financial institutions; (b) the continuation of the participatory elaboration of SIPs to inform actual or potential businesses about optimal investment opportunities based on analyses of commodity/value chains; and (c) workforce capacity-building through support for national educational institutions for the technical training of women and youth in cases in which the lack of appropriate skills has been identified as a key constraint on the SIP.

19. The regional programme development and private-sector development components are mainly programming exercises, centred upon arrangements for the identification and dissemination of information skill transfers and planning. The **field implementation and testing of investment approaches** component will provide support for the actual delivery of development investments, most notably those identified through SIPs. Initially, the component would comprise support for: (a) small-scale economic infrastructure through contributory grants for the renovation or construction of small-scale rural infrastructure that is shown to be a critical constraint on business development in the locality; (b) technological innovation through the award of competitive contributory grants towards investments associated with product quality and quality control, food hygiene and safety, product branding and marketing; and (c) the coordination and delivery of public veterinary services dealing with brucellosis control among small ruminants.

20. The aim of the **MAFF transformation and expansion** component is to convert this institution, by the end of the SDRMA implementation period, from its current status as a public foundation into a fully licensed rural commercial bank providing full-fledged financial services, thereby promoting sustainable economic growth in rural mountain communities. This conversion, following Bank of Albania requirements, would consist of three phases: a preparation period before MAFF would receive a pre-banking license, that is, from November 2005 to mid-2006; a pre-license period, from mid-2006 to mid-2007; and operations as a rural commercial bank, from mid-2007 onwards. While offering banking services to a wider public, the new bank would retain MAFF's rural and mountain area focus. In 2010, it is envisaged that the following milestones would have been achieved: (a) appropriate, computerized banking systems fully operational in the new bank; (b) an appropriate set of rural finance products available to clients; (c) 40 bank branches operational in rural areas; (d) around 20 000 rural clients actively saving with the new bank, with a total deposit balance of around USD 22 million; (e) around 10 000 active borrowers expanding their rural businesses through bank loans, with a total portfolio of about USD 40 million; and (f) the majority of the bank's equity owned by about 5 000 small private clients and strategic institutional investors. To achieve these targets, five activities will be supported by SDRMA: (a) the development of the ownership and governance structure; (b) branch network and outreach development; (c) human resource development; (d) product development; and (e) systems development.

21. SDRMA investments to support the activities and restructuring of MADA will reflect the phased, performance-based approach to the overall financing of SDRMA (see Section D below). The three MADA components are intended to be put into effect as a package of related and mutually reinforcing measures and certainly not as separate and parallel initiatives. Thus, SIPs in the private-sector development component would emerge from and be compatible with the strategic investment framework generated by the regional programme development component. The activities in the implementation and field testing of investment approaches component would necessarily change over time as new investment options are generated by the other two components, the intention being that, following the successful testing, refinement and demonstration of the efficacy of an investment in the field, MADA would withdraw from the direct implementation of similar investments, these being taken up by other agencies or the private sector, and move on to new options. All programming and field activities supported by MADA will be prioritized on the basis of a pro-poor focus and impact. SDRMA investment to support the process of transforming MAFF into a

rural commercial bank would include clearly defined, time-bound targets for the investment process that could be used later to review progress in the implementation of the component, which would be synonymous with the transformation of MAFF into a rural commercial bank.

D. Costs and Financing

22. The total programme cost is estimated at USD 24.3 million. Consistent with IFAD's Performance-Based Allocation System (PBAS), IFAD will contribute about USD 8.0 million. Cofinanciers will contribute USD 4.5 million, financier(s) (to be determined) USD 5.0 million, and the Government will contribute USD 2.2 million in budget support and USD 2.8 million in forgone duties and taxes. A strategic institutional investor is expected to participate in the process of MAFF transformation and the subsequent financing of the new bank. Cofinanciers (EU and the Organization of the Petroleum Exporting Countries Fund for International Development) are being sought to contribute to the financing of the investments associated with MADA's regional programming development and field investment approaches components.

TABLE 1: SUMMARY OF PROGRAMME COSTS
(USD '000)

Component	Local	Foreign	Total	% Foreign Exchange	% Total Base Costs
Regional programme development	1 105.5	569.4	1 674.9	34	7
Private-sector development	276.5	15.0	291.5	5	1
Field implementation and testing of investment approaches	9 924.8	2 989.2	12 914.0	23	54
MAFF transformation and expansion	1 854.0	3 449.2	5 303.2	65	22
MADA organization and management	3 315.7	337.4	3 653.0	9	15
Total base costs	16 476.4	7 360.2	23 836.6	31	100
Physical contingencies	42.4	9.9	52.3	19	-
Price contingencies	311.5	54.3	365.8	15	2
Total programme costs	16 830.3	7 424.4	24 254.7	31	102

^a Discrepancies in totals are due to rounding.

TABLE 2: FINANCING PLAN^a
(USD '000)

Component	IFAD Loan 2005		Financier(s) (to be determined)		Client-Investor Communities		Cofinancing		Government (including Duties, Taxes)		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
Regional programme description	646.1	37.7	551.4	32.1	500.0	29.1	-	-	18.1	1.0	1 715.5	7.1	579.9	1 117.5	18.1
Private-sector development	106.4	35.8	191.0	64.2	-	-	-	-	-	-	297.4	1.2	15.2	282.2	-
Field implementation and testing of investment approaches	1 835.9	14.2	3 626.0	28.0	1 235.0	9.6	3 760.0	29.1	2 470.0	19.1	12 926.9	53.3	2 993.1	7 843.8	2 090.0
MAFF transformation and expansion	4 100.0	77.0	-	-	-	-	753.1	14.1	474.4	8.9	5 327.4	22.0	3 470.4	1 382.7	474.4
MADA organization and management	1 311.6	32.9	631.5	15.8	-	-	-	-	2 044.2	51.3	3 987.4	16.4	365.9	3 386.0	235.5
Total disbursement	8 000.0	33.0	4 999.9	20.6	1 735.0	7.2	4 513.1	18.6	5 006.7	20.6	24 254.7	100.0	7 424.4	14 012.3	2 818.0

^a Discrepancies in totals are due to rounding.

E. Procurement, Disbursement, Accounts and Audit

23. **Procurement.** All goods, works and services to be financed from the proceeds of the IFAD loan will be procured in accordance with IFAD procurement guidelines. Any contract for the procurement of goods estimated to cost more than a USD 25 000 equivalent will be awarded on the basis of local competitive bidding, while goods estimated to cost a USD 25 000 equivalent or less will be awarded on the basis of local shopping. Alternatively, any contract for the procurement of specialized goods and equipment estimated to cost USD 25 000 or less may be awarded on the basis of direct contracting, subject to prior review by the cooperating institution. Such items will be identified a priori and included in the procurement plan, to be approved by IFAD, the cooperating institution and the borrower. For civil works, any contract of works estimated to cost more than a USD 25 000 equivalent will be awarded on the basis of local competitive bidding, while works estimated to cost a USD 25 000 equivalent or less will be awarded on the basis of local shopping. For services, any contact estimated to cost more than a USD 25 000 equivalent will be awarded on the basis of local competitive bidding, while services estimated to cost a USD 25 000 equivalent or less will be awarded on the basis of local shopping.

24. **Disbursement.** The proposed IFAD Loan of a USD 8.0 million equivalent will be disbursed over a five-year period. The Ministry of Finance will open and maintain two special accounts, one for MADA and one for MAFF, in United States dollars in the Bank of Albania. The purpose of the special accounts will be to receive advance liquidity from the IFAD loan account and finance IFAD's share of programme expenditures. The total initial deposit to each of the special accounts will be up to USD 0.8 million.

25. **Accounts and audit.** MADA and MAFF will continue to use accounting systems consistent with international accounting standards and government requirements. Each institution will be responsible for consolidating all financial information and periodically reporting to the Government, IFAD, the cooperating institution and auditors. The audit of programme accounts and financial statements will be undertaken for each fiscal year on the basis of international standards on auditing and in accordance with IFAD's audit guidelines. An independent auditor will be selected for this purpose on the basis of IFAD guidelines.

F. Organization and Management⁴

26. Investments supported under SDRMA would be integral to the administrative responsibilities of the specialized institutions established by government charters under IFAD's previous investment programme, the Mountain Areas Development Programme. However, to give added weight to decentralized, participatory approaches to the stimulation of rural regeneration and economic growth, the MADA executive board would be reconstituted under the chairmanship of the minister of the economy. Board membership would be modified to reflect MADA's primary role as a promoter of economic growth in the private sector in a development environment of increasing democratization and decentralization. Private-sector interests would be represented through the Bankers Association, chamber(s) of commerce and elected representative(s) of major producer/trader associations. Civil society interests would be represented by elected persons from the district level of the mountain area forum chosen on a rotational basis from each of the four operational areas of the MADA network offices and, potentially, from the national level forum, once established. Public-sector interests in key levels of local government would be represented through the election of a board member from mountain area communes and a member from the regions (again on a rotational basis from the four operational areas of the MADA network offices). At the national level, key ministries would be represented among the directors, to include, in the first instance, the Ministry of Agriculture Food and

⁴ See Appendix IV for details.

Consumer Protection, the Ministry of Trade and Tourism, the Ministry of the Environment and the Ministry of Finance.

27. At the middle of programme year 3, the Albania country programme would be reviewed comprehensively by the Government and IFAD to assess the performance under SDRMA. The review mission would assess in detail the progress towards the achievement of the institutional objectives of the programme with respect to: (a) MAFF transformation, the operations of the anticipated new bank and the bank's success in portfolio expansion relative to the expectations in the bank's medium-term funding plan and (b) the anticipated shift in functional emphasis in MADA, in particular MADA's success in adjusting operations and investment activities in line with strategic programming initiatives and the extent of MADA's success in mobilizing additional resources, establishing operational partnerships and incorporating innovative approaches to rural economic development in the mountain areas. Further to the review mission, a new loan proposal may be submitted to the Executive Board.

G. Economic Justification

28. A number of major benefits are expected to accrue from the programme. First, substantial incremental investment would be mobilized in and for the mountain areas from national and international sources. Second, a client-investor-owned rural commercial bank would be fully operational by programme year 5, with an expanded loan portfolio of over USD 40 million; around 10 000 farming households and rural small and medium enterprises would have outstanding loans, and about 15 000 to 20 000 loans will have been disbursed to individuals and small companies over the period. Third, consistent with expectations in NSSD, the programme will have assisted in establishing MADA as a specialized regional development agency capable of acting as a knowledge base, a centre of analysis and a key source of information in the debate on strategies and policies for mountain area development. At the same time, MADA would be instrumental in facilitating and promoting investment at the local level, devising and illustrating innovative approaches to economic development for mountain areas and catalysing multiple forms of partnership in support of business start-ups and expansion to the advantage of household incomes in the poorest areas of the country. In particular, the introduction into MADA programmes of a wider perspective on the potential for rural regeneration and rural economic diversification would be expected to result in accelerated investment in the off-farm businesses that are an essential adjunct to farming in providing a basis for the future viability of rural communities in mountain areas. Fourth, on a demonstrative, test basis and consistent with decentralization policy, MADA operatives would be instrumental in assisting commune councils in assuming full responsibility for planning, implementing and financing community priority investments. The demonstration of such a capacity in accordance with established rules of potential external funding sources – notably the EU – will be a fundamental requirement if local government bodies are to gain access to the substantial levels of funding anticipated from international sources.

H. Risks

29. There is a risk that the commercial and business policy and investment climate for small and medium enterprises may deteriorate as a result of political or macroeconomic instability and inadequacies in the control of illegitimate business practices, which, in turn, could inhibit on- and off-farm investment. Such risks have been mitigated in the SDRMA design by broadening the range of people with a vested interest in maintaining the stability and transparency of rural business and the investment environment and increasing the level of popular engagement with government in different public arenas during discussions of strategies and policies. Specific measures include continued support for the mountain area forums, their representation in public bodies at all levels of decision making and the proposed reconstitution of the executive board of MADA.

30. In the case of the MAFF transformation, there is a risk that the senior staff of MAFF may not have the technical and management capabilities required for the various complex activities involved in the process. SDRMA addresses this by providing initial financial support for the procurement of a significant amount of senior level technical assistance to assist in the design and implementation tasks of the conversion. Furthermore, the proposed representation of international strategic investors would bring more senior banking capability to the board of directors of the new bank in order to ensure that the technical transformation follows the agreed plans.

I. Environmental Impact

31. The overall impact of SDRMA investments is expected to be neutral and has therefore been classified as category B. The programme is deliberately not prescriptive in determining either the types of investment to be undertaken for improving infrastructure, or the range of private businesses that can be established or expanded. However, infrastructure investments supported through the programme are expected to be small in scale and likely to be primarily associated with sustainable improvements in farming efficiency and profitability and with efficiency gains in a range of farm-product supply/value chains. No major shift in designated land use is envisaged, and adjustments in farming practices may derive from land consolidation in response to the imperatives of efficiency, profitability and marketing opportunity associated with the contemporary marketplace for agricultural produce. Any irrigation works would be confined to the improvement of existing schemes on current agricultural land.

32. As expressed in the NSSD, the long-term goal of achieving environmental standards in compliance with EU regulations is an integral part of the Albanian roadmap for EU accession. The selection, design and construction procedures supported through SDRMA would follow established practices in Albania consistent with existing, comprehensive environmental regulations and procedures. The eligibility criteria for programme support stipulate that works must be environmentally acceptable and, where necessary, would be subject to environmental impact assessments and inspection. Engineering personnel in MADA and the MADA network offices would ensure the application of Albanian environmental impact assessment regulations and IFAD guidelines.

J. Innovative Features

33. SDRMA exhibits several innovative features in terms of overall programme design and with regard to the development approach in Albania. First, the phased mode of IFAD loan financing explicitly links the investment performance of MAFF and MADA to the Performance-Based Allocation System of IFAD. This approach provides an incentive for the key organizations involved to achieve the programme objective of mobilizing incremental private and public resources for business and income growth among the rural poor in the programme area. Second, the programme would mobilize private capital for business development in the form of the participation of strategic international investors in the new bank and accelerated portfolio expansion through MAFF's conversion to a bank using client deposits. Third, the programme will introduce transparent procedures for cost sharing in investment by active and prospective entrepreneurs and communities and by eligible commune councils of locally generated revenue to match programme-sponsored allocations for community priority investments. Fourth, an innovation both for IFAD and in the development context of Albania is the restructuring of MADA in a manner that will facilitate its continued evolution into a specialized regional development agency for the mountain areas that will function along the lines of similar agencies elsewhere in Europe.

PART III – LEGAL INSTRUMENTS AND AUTHORITY

34. A loan agreement between the Republic of Albania and IFAD will constitute the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.
35. The Republic of Albania is empowered under its laws to borrow from IFAD.
36. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.

PART IV – RECOMMENDATION

37. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of Albania in various currencies in an amount equivalent to five million five hundred thousand special drawing rights (SDR 5 500 000) to mature on or prior to 1 December 2045 and to bear a service charge of three fourths of one percent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge
President

**SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES
INCLUDED IN THE NEGOTIATED LOAN AGREEMENT**

(Negotiations concluded on 29 November 2005)

1. Programme Accounts

- (a) MADA will open and thereafter maintain – in a commercial bank agreed by the Government of Albania (the “Government”) and IFAD – two accounts, one denominated in local currency and one in United States dollars for programme operations (“MADA programme accounts”). MADA’s executive director and finance manager will be fully authorized to operate the MADA programme accounts. MADA will also open and thereafter maintain – in a commercial bank agreed by the Government and IFAD – a current account, denominated in local currency for programme operations for each MADA network office (“MADA network office accounts”). MADA will advise IFAD of the MADA network office staff authorized to operate the MADA network office account for all account transactions. The MADA programme accounts and MADA network office accounts will be protected against set-off, seizure or attachment on terms and conditions proposed by the Government and accepted by IFAD.
- (b) MAFF will open and thereafter maintain – in a commercial bank agreed by the Government and IFAD – two accounts, one denominated in local currency and one in United States dollars for programme operations (“MAFF programme accounts”). MAFF’s executive director and finance manager will be fully authorized to operate the MAFF programme accounts, and both signatories will be required for all account transactions. The MAFF programme accounts will be protected against set-off, seizure or attachment on terms and conditions proposed by the Government and accepted by IFAD.

2. Additional events of suspension. IFAD:

- (a) may suspend, in whole or in part, the right of the Government to request withdrawals from the loan account if:
 - (i) the statute of MAFF and/or the charter of MADA, or any provisions thereof, has been waived, suspended, terminated, amended or modified without the prior consent of IFAD, and IFAD has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the programme;
 - (ii) any competent authority has taken any action for the dissolution of MADA and/or MAFF, or the suspension of their operations, or any action or proceeding has been commenced for the distribution of any assets of MADA and/or MAFF among their creditors.
- (b) will suspend the right of the Government to request withdrawals from the loan account if the audit required has not been satisfactorily completed within 12 months of the financial reporting date.

3. Pest management practices. As part of maintaining sound environmental practices as required by IFAD, the Government will ensure that all implementing agencies maintain appropriate pest management practices under the programme. To that end, the Government will ensure that pesticides under the programme do not include any pesticide proscribed either by the Food and Agriculture Organization of the United Nations or the World Health Organization.

4. **Insurance of programme personnel.** MADA and MAFF will insure all key programme personnel against health and accident risks to the extent consistent with national customary practices.

5. **Mid-term Review**

(a) Indicative targets to be achieved by MADA at the time of the mid-term review to inform the Government's commitment to request new additional loan funds from IFAD for presentation to its Executive Board for the MADA-related components will include: (i) MADA institutional framework reorganized and in place – including functioning network offices; (ii) evidence of a broadened funding resource base for MADA-sponsored operations; and (iii) programme planning and analysis systems and procedures operating in line with the provisions of the programme loan agreement.

(b) Indicative targets to be achieved by MAFF at the time of the mid-term review to inform further access to loan funds under the programme loan agreement for the MAFF-related component will include: (i) granting of the banking licence; (ii) portfolio growth in line with the portfolio growth and funding plan; (iii) characterization of borrowers – in line with the programme's focus on poverty reduction in mountain areas; and (iv) adjustment in bank ownership in line with corporate projections.

6. **Gender.** Gender will be taken into account with respect to:

(a) data collection and analysis on the socio-economic structures and processes of the mountain area region;

(b) equal gender opportunities (i) for representation on the MADA executive board; (ii) for savers, borrowers, clients/shareholders of MAFF/the new bank; (iii) within SIPs; and (iv) for participants in district and national mountain area forums;

(c) explicit recognition and consideration in regional policy-making of the development needs and concerns of women in mountain areas; and

(d) the programme's monitoring and evaluation system, which will include (where feasible), data disaggregated by gender.

7. **Conditions for withdrawals.** No withdrawals will be made for incremental credit from the loan until a signed MAFF subsidiary financing agreement between the Government and MAFF, in a form and substance acceptable to IFAD, is delivered by the Government to IFAD, and all conditions precedent to effectiveness of the subsidiary financing agreement are fulfilled.

8. **Conditions precedent to effectiveness.** The following are specified as conditions precedent to the effectiveness of the programme loan agreement:

(a) MADA has duly reconstituted its executive board;

(b) the Government, MAFF and IFAD have agreed upon an implementation schedule for the restructuring of MAFF;

(c) MADA's executive board, following a competitive and transparent recruitment process, has duly appointed an executive director on terms and conditions acceptable to IFAD;

(d) the Government has duly appointed an executive director for MAFF with the prior approval of IFAD;

ANNEX

- (e) MADA has duly contracted professional staff with the prior approval of IFAD;
- (f) the programme loan agreement has been duly signed, and the signature and performance thereof by the Government have been duly authorized and ratified by all necessary administrative and governmental action; and
- (g) a favourable legal opinion, issued by the Government's Minister for Justice in a form and substance acceptable to IFAD, has been delivered by the Government to IFAD.

APPENDIX I

COUNTRY DATA

ALBANIA

Land area (km² thousands) 2003 1/	27	GNI per capita (USD) 2003 1/	1 740
Total population (millions) 2003 1/	3.17	GDP per capita growth (annual %) 2003 1/	5.4
Population density (people per km²) 2003 1/	116	Inflation, consumer prices (annual %) 2003 1/	1
Local currency	Lek (ALL)	Exchange rate: USD 1 =	ALL 100
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1997-2003 1/	0.3	GDP (USD million) 2003 1/	6 124
Crude birth rate (per thousand people) 2003 1/	17	Average annual rate of growth of GDP 2/	
Crude death rate (per thousand people) 2003 1/	6	1983-93	-3.3
Infant mortality rate (per thousand live births) 2003 1/	18	1993-03	6.1
Life expectancy at birth (years) 2003 1/	74	Sectoral distribution of GDP 2003 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	25
Poor as % of total rural population 1/	n/a	% industry	19
Total labour force (million) 2003 1/	1.60	% manufacturing	10
Women's labour force as % of total 2003 1/	42	% services	56
Education		Consumption 2003 1/	
School enrolment, primary (% gross) 2003 1/	107 a/	General government final consumption expenditure (as % of GDP)	9
Adult illiteracy rate (% age 15 and above) 2003 1/	1 a/	Household final consumption expenditure, etc. (as % of GDP)	89
Nutrition		Gross domestic savings (as % of GDP)	2
Daily calorie supply per capita	n/a	Balance of Payments (USD million)	
Malnutrition prevalence, height for age (% of children under 5) 2003 2/	32 a/	Merchandise exports 2003 1/	453
Malnutrition prevalence, weight for age (% of children under 5) 2003 2/	14 a/	Merchandise imports 2003 1/	1 864
Health		Balance of merchandise trade	-1 411
Health expenditure, total (as % of GDP) 2003 1/	3 a/	Current account balances (USD million)	
Physicians (per thousand people) 2003 1/	1 a/	before official transfers 2003 1/	-1 331
Population using improved water sources (%) 2002 2/	97	after official transfers 2003 1/	-407
Population with access to essential drugs (%) 2/	n/a	Foreign direct investment, net 2003 1/	178
Population using adequate sanitation facilities (%) 2002 2/	89	Government Finance	
Agriculture and Food		Cash surplus/deficit (as % of GDP) 2003 1/	n/a
Food imports (% of merchandise imports) 2003 1/	20	Total expenditure (% of GDP) 2003 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2003 1/	612 a/	Total external debt (USD million) 2003 1/	1 482
Food production index (1999-01=100) 2003 1/	106	Present value of debt (as % of GNI) 2003 1/	20
Cereal yield (kg per ha) 2003 1/	3 167	Total debt service (% of exports of goods and services) 2003 1/	3
Land Use		Lending interest rate (%) 2003 1/	14
Arable land as % of land area 2003 1/	21 a/	Deposit interest rate (%) 2003 1/	8
Forest area as % of total land area 2003 1/	36 a/		
Irrigated land as % of cropland 2003 1/	49 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators*, CD Rom 2005.

2/ UNDP, *Human Development Report*, 2005.

PREVIOUS IFAD FINANCING IN ALBANIA

Project Name	IFAD Approved Financing (USD'000)	Board Approval	Loan Signing	Loan Effectiveness	Current Closing	Project Completion Date	Cooperating Institution	Project Status
Northeastern Districts Rural Development Project	11 600	02 Dec 93	16 Feb 94	19 Apr 94	30 Jun 03	31 Dec 02	UNOPS	Closed
Small-Scale Irrigation Rehabilitation Project	9 023	06 Dec 94	05 Apr 95	08 Aug 95	01 Jul 03	31 Dec 02	UNOPS	Closed
Mountain Areas Development Programme	13 667	09 Dec 99	28 Jan 00	20 Jul 01	31 Mar 08	30 Sep 07	UNOPS	Ongoing

UNOPS = United Nations Office for Project Services.

LOGICAL FRAMEWORK

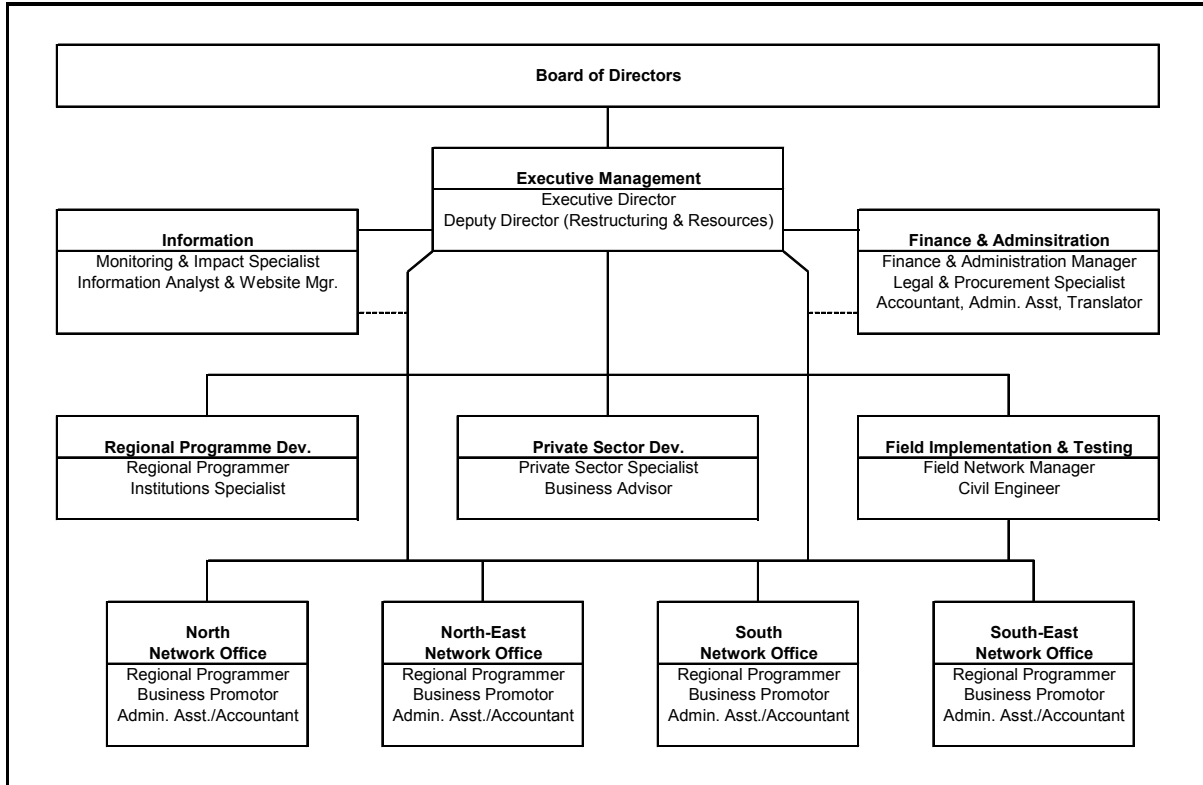
Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
Goal Income of households in mountain area communes increased.	<ul style="list-style-type: none"> • Reduction in percentage of rural poor people living on USD 2/day. • Increase in ownership of household assets. • Reduction in the prevalence of chronic malnutrition for children under 5 (stunting, i.e., height-for-age). • Increase in the number of households with improved sanitation. 	Living Standards Measurement Survey or Demographic and Health Survey data disaggregated by district. Impact assessment surveys. Albanian Institute of Statistics studies. National Human Development Report.	
Purpose/Objective Sustainable regional development programme that is implemented for the mountain areas and that accelerates poverty-reducing economic growth.	<ul style="list-style-type: none"> • % of costs of development and local plans financed (by national government, other investors). • Number of businesses operational, three plus years after establishment (by type of business, gender of owner). • Increased percentage of working age population employed, particularly among vulnerable groups. • Public infrastructure operational and maintained, three plus years after investment. 	National budget. Local government budgets. MADA and network office sources. Albanian Institute of Statistics employment data, studies. Albanian Institute of Statistics structural business surveys.	Macro economic and political stability.
Outputs 1. MADA operates as a regional development agency capacitating local governments, civil society (including the private-sector) to plan development and to prioritize and implement investments.	<ol style="list-style-type: none"> 1.1. Mountain Area Regional Development Programme that explicitly takes into account the needs of women and vulnerable groups defined and published by programme year 3. 1.2. Development plans defined and published by programme year 4 for at least 50% of districts, with the remainder by programme year 5 in line with the overall mountain area programme framework and explicitly taking into account the needs of women and vulnerable groups. 1.3. Number of micro-projects implemented locally (by type). 1.4. Sufficient budgetary resources allocated by the Government for continued MADA operations. 1.5. Increased tax revenue in mountain area districts. 1.6. Special needs and opportunities in mountain areas included in national policy framework. 	MADA annual report. Government annual budget. Local government development plans. Local government budgets. NSSD progress reports.	<p>Adequate professional capacity present in respective organizations to implement activities and for analysis and decision making.</p> <p>Financial products of the transformed MAFF competitive in the market place.</p> <p>Confidence in business environment sustained or increased among investors in mountain areas.</p> <p>No political interference in the selection or location of supported infrastructure.</p>

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
2. Civil society (including private sector) engaged in local and national planning processes.	2.1. Civil society (including private sector) represented on MADA board (at least 50%). 2.2. Number of civil society participants (including private sector) in district and national mountain area fora, at least 20% women.	MADA annual report. Minutes of national/district fora.	
3. MAFF converted into fully licensed rural commercial bank by programme year 5 and operationally focused in mountain areas.	3.1. 20 000 rural savers by 2010 (at least 20% women). 3.2. Total client savings reaches USD 22 million by 2010. 3.3. 10 000 rural business borrowers by 2010 (at least 20% for woman-owned businesses) 3.4. Total business loan portfolio reaches USD 40 million by 2010. 3.5. At least 5 000 private clients (at least 20% women) own the majority of the bank's equity. 3.6. Operational and financial self-sufficiency ratios (%) endorsed by Bank of Albania and shareholders. 3.7. Portfolio at risk (%) within Bank of Albania guidelines.	MAFF/new bank records/annual report. Reports of MAFF/new bank shareholder meetings. Bank of Albania supervision office.	
4. Management and technical skills of mountain area private sector enhanced.	7.1. Increase in utilization of business development services in mountain areas. 7.2. Increase in % of loan approvals by financial institutions for mountain area enterprises. 7.3. Number of participants in SIPs taking up new approaches, by commodity/value chain (disaggregated by gender). 7.4. Number of full-time equivalent jobs created.	Business development services' records (Small Business Credit and Assistance Project records and analysis). Banks/financial institutions published records. MADA networks' case studies (business specialist/business promoters). Albanian Institute of Statistics structural business surveys. Commune and regional tax records.	
5. Multiplier effects of small-scale economic infrastructure investment demonstrated.	5.1. Number and type of infrastructure financed other than by SDRMA. 5.2. Number of full-time equivalent jobs created in new businesses. 5.3. Number of new businesses established (by type of business). 5.4. Reduction in transaction costs.	Local government budgets. Case studies of infrastructure investors. MADA network case studies (business specialist/business promoters). Albanian Institute of Statistics structural business surveys. Commune and regional tax records. Small and medium enterprise development agency data.	

Narrative Summary		Verifiable Indicators		Means of Verification	Assumptions/Risks
Inputs					
<u>Category</u>	USD '000	Financier	USD '000	Loan Agreement	Government's endorsement of SDRMA investment framework and procedures (outlined in Appraisal Report)
Civil works	12 459	IFAD loan	8 000	President's Report	
Equipment and goods	1 122	Financier(s) (to be determined)	5 000		
Vehicles	60	Cofinancing	4 513		
Technical assistance	1 781	Clients/investors/communities	1 735		
Training, networking and workshops	1 235	Government (budget)	2 189		
Studies and surveys	205	Government (taxes and duties)	2 818		
Incremental credit	1 500	Total financing	24 255		
Grants and awards	2 200				
Recurrent expenditures	3 275				
Total base costs	23 837				
Physical and price contingencies	418				
Total programme costs	24 255				

ORGANIZATION AND MANAGEMENT

MADA ORGANIZATIONAL STRUCTURE
PROGRAMME FOR SUSTAINABLE DEVELOPMENT IN RURAL MOUNTAIN AREAS



PROGRAMME FOR SUSTAINABLE DEVELOPMENT IN RURAL MOUNTAIN AREAS
MAFF ORGANIZATIONAL STRUCTURE

