

Document of  
The World Bank

Report No: ICR00002082

IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IBRD-48500 IDA-42620)

ON A

LOAN

IN THE AMOUNT OF EURO 15.3 MILLION  
(US\$20 MILLION EQUIVALENT)

AND A

CREDIT

IN THE AMOUNT OF SDR 3.4 MILLION  
(US\$5 MILLION EQUIVALENT)

TO

ALBANIA

FOR A

TRANSPORT PROJECT

December 28, 2011

**Sustainable Development Department  
South East Europe Country Unit  
Europe and Central Asia Region**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2011)

Currency Unit = Albanian Lek (ALL)

1.00 ALL = US\$ 0.01

US\$ 1.00 = 97.68 ALL

## FISCAL YEAR

## ABBREVIATIONS AND ACRONYMS

ALL	Albanian Lek	IMO	International Maritime Organization
ANTP	Albania National Transport Plan	IRI	International Roughness Index
ARA	Albania Road Authority	IRSC	Inter-ministerial Road Safety Council
AMA	Albania Maritime Administration	ISR	Implementation Status and Results Report
Bank	The World Bank	MA	Maritime Administration
BOQ	Bill of Quantity	MEFWA	Ministry of Environment, Forests and Water Administration
CAS	Country Assistance Strategy	MI	Ministry of Interior
CD	Country Director	MPWTT	Ministry of Public Works, Transport and Telecommunication
CMU	Country Management Unit	MPWT	Ministry of Public Works and Transport (now)
CPS	Country Partnership Strategy	NSDI	National Strategy for Development and Integration
CRE	Chief Resident Engineer	NSSED	National Strategy for Social and Economic Development
EIA	Environmental Impact Assessment	OPBM	Output and Performance-based Maintenance contract
EIB	European Investment Bank	OPEC	Organization of Petroleum Exporting Countries
EIRR	Economic Internal Rate of Return	PAD	Project Appraisal Document
EMP	Environmental Management Plan	Para	Paragraph
ERRP	Emergency Road Repair Project	PDO	Project Development Objective
EU	European Union	PIT	Project Implementation Team
FA	Financing Agreement	PRSP	Preparation Status Report
GDP	Gross domestic product	RAP	Resettlement Action Plan
GoA	Government of Albania	RIT	Reform Implementation Team
GRD	General Roads Directorate	RMP	Road Maintenance Project
HDM	Highway Development and Management Model	SWAp	Sector Wide Approach
ICR	Implementation Completion Report	TA	Technical Assistance
IDB	Islamic Development Bank	TP	Transport Project
IFIs	International Financing Institutions		

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**ALBANIA**  
**Transport Project**

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using the information entered in the Operations Portal  
each time you use “Send Draft”, “Print” or “Submit Final” functions.

<b>A. Basic Information</b>			
Country:	Albania	Project Name:	TRANSPORT PROJECT
Project ID:	P078949	L/C/TF Number(s):	IBRD-48500,IDA-42620
ICR Date:	12/29/2011	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVERNMENT OF ALBANIA
Original Total Commitment:	USD 25.00M	Disbursed Amount:	USD 26.13M
Revised Amount:	USD 24.11M		
<b>Environmental Category: A</b>			
<b>Implementing Agencies:</b> General Roads Directorate			
<b>Cofinanciers and Other External Partners:</b> OFID (OPEC Fund for International Development)			

<b>B. Key Dates</b>				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	06/18/2003	Effectiveness:	08/22/2007	08/22/2007
Appraisal:	11/27/2006	Restructuring(s):		05/05/2010 10/13/2010
Approval:	02/22/2007	Mid-term Review:	09/09/2009	09/09/2009
		Closing:	06/30/2011	06/30/2011

<b>C. Ratings Summary</b>	
<b>C.1 Performance Rating by ICR</b>	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Moderately Satisfactory

<b>C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)</b>			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
<b>Overall Bank Performance:</b>	Satisfactory	<b>Overall Borrower Performance:</b>	Moderately Satisfactory

<b>C.3 Quality at Entry and Implementation Performance Indicators</b>			
<b>Implementation Performance</b>	<b>Indicators</b>	<b>QAG Assessments (if any)</b>	<b>Rating</b>
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

<b>D. Sector and Theme Codes</b>		
	<b>Original</b>	<b>Actual</b>
<b>Sector Code (as % of total Bank financing)</b>		
Central government administration	13	13
Roads and highways	87	87
<b>Theme Code (as % of total Bank financing)</b>		
Administrative and civil service reform	14	14
Infrastructure services for private sector development	29	29
Injuries and non-communicable diseases	29	29
Legal institutions for a market economy	14	14
Rural services and infrastructure	14	14

<b>E. Bank Staff</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Philippe H. Le Houerou	Shigeo Katsu
Country Director:	Jane Armitage	Orsalia Kalantzopoulos
Sector Manager:	Henry G. R. Kerali	Motoo Konishi
Project Team Leader:	Artan Guxho	Richard Martin Humphreys
ICR Team Leader:	George A. Banjo	
ICR Primary Author:	George A. Banjo	
	Natalya Stankevich	

## **F. Results Framework Analysis**

### **Project Development Objectives (from Project Appraisal Document)**

The Project Development Objective is to reduce user costs on the Milot - Rreshen section of the Durres - Milot - Morine corridor and improve access for the hinterland population, to introduce innovation in road maintenance on a pilot basis, and to contribute to the

development of the institutional framework and implementation of road safety activities throughout Albania.

**Revised Project Development Objectives (as approved by original approving authority)**

The PDO was not revised.

**(a) PDO Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Vehicle journey time from Rreshen to Milot in free flowing conditions reduced by 25 percent			
Value quantitative or Qualitative)	43 min	10 min	20 min	18-20 min
Date achieved	02/22/2007	10/23/2007	09/09/2009	04/15/2011
Comments (incl. % achievement)	The target was exceeded, with reduction by 53-58% against the original target of 25%. Original target reflected a decrease in trip time and was corrected at mid-term review to reflect actual trip time.			
<b>Indicator 2 :</b>	Percentage increase in population living within 20 minute isochrone of Milot			
Value quantitative or Qualitative)	38,657	TBC	TBC	50 percent
Date achieved	02/22/2007	10/23/2007	03/31/2011	04/15/2011
Comments (incl. % achievement)	Population within 20-min isochrone of Milot increased by almost 50%. (2007-2009 annual pop. growth rates in project districts were less than 1 percent). Even though no target was set, the 50% achievement would have likely exceeded any reasonable target.			
<b>Indicator 3 :</b>	Road Safety Audit and Action Plan prepared for Tirana-Durres Expressway.			
Value quantitative or Qualitative)	Not prepared	Audit and plan prepared	Audit and plan prepared	Road Safety Audit and Plan was prepared in November 2009
Date achieved	02/22/2007	10/23/2007	06/30/2011	04/15/2011
Comments (incl. % achievement)	Achieved			
<b>Indicator 4 :</b>	Satisfactory piloting of output and performance based road maintenance in the two regions			
Value quantitative or Qualitative)	No experience with approach	Solid experience with approach		Solid experience with approach
Date achieved	02/22/2007	10/23/2007		04/15/2011
Comments (incl. % achievement)	Achieved, through development of the Bidding Documents, training for contractors, actual implementation of four OPBM contracts, and incorporation of lessons learned from the pilot			

**(b) Intermediate Outcome Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1 :</b>	Number of km of road constructed between Milot and Rreshen			
Value (quantitative or Qualitative)	0	26 km	26 km	26 km of road is open to traffic
Date achieved	02/22/2007	10/23/2007	03/31/2011	04/15/2011
Comments (incl. % achievement)	Achieved. All three lots of total length 26 km are complete and open to traffic.			
<b>Indicator 2 :</b>	Contracts issued to private contractors in two pilot regions			
Value (quantitative or Qualitative)	0	2	2	2
Date achieved	02/22/2007	10/23/2007	03/31/2011	04/15/2011
Comments (incl. % achievement)	Achieved. Four contracts in two regions were signed in November 2009, and are now 25 months into the three year period of implementation.			
<b>Indicator 3 :</b>	Cumulative improvement in average road condition in pilot regions (measured in percent improvement from original IRI reading - Baseline 10).			
Value (quantitative or Qualitative)	0	10	10	4.5
Date achieved	02/22/2007	10/23/2007	03/31/2011	04/15/2011
Comments (incl. % achievement)	Partially achieved.			
<b>Indicator 4 :</b>	Length of road in lane km covered by road safety audit			
Value (quantitative or Qualitative)	0	120 lane km	120 lane km	178 lane km
Date achieved	02/22/2007	10/23/2007	03/31/2011	04/15/2011
Comments (incl. % achievement)	Achieved. The target was exceeded by 48%.			
<b>Indicator 5 :</b>	Number of pieces of road safety equipment procured and introduced into service			
Value (quantitative or Qualitative)	0	20	Cancelled	Cancelled
Date achieved	02/22/2007	10/23/2007	05/05/2010	04/15/2011
Comments (incl. % achievement)	Indicator was cancelled during May 2010 Level-2 Restructuring			



<b>Indicator 6 :</b>	Establishment of Maritime Administration			
Value (quantitative or Qualitative)	Not established	Established		Established
Date achieved	02/22/2007	10/23/2007		04/15/2011
Comments (incl. % achievement)	Achieved. The Maritime Code was approved in September 2010. Following the approval of the Law, the Maritime Administration was established and started functioning.			
<b>Indicator 7 :</b>	Traffic counters/classifiers procured and operational			
Value (quantitative or Qualitative)	0	6	Cancelled	Cancelled
Date achieved	02/22/2007	10/23/2007	10/13/2010	04/15/2011
Comments (incl. % achievement)	Indicator was cancelled during October 2010 Level-2 Restructuring			

### G. Ratings of Project Performance in ISRs

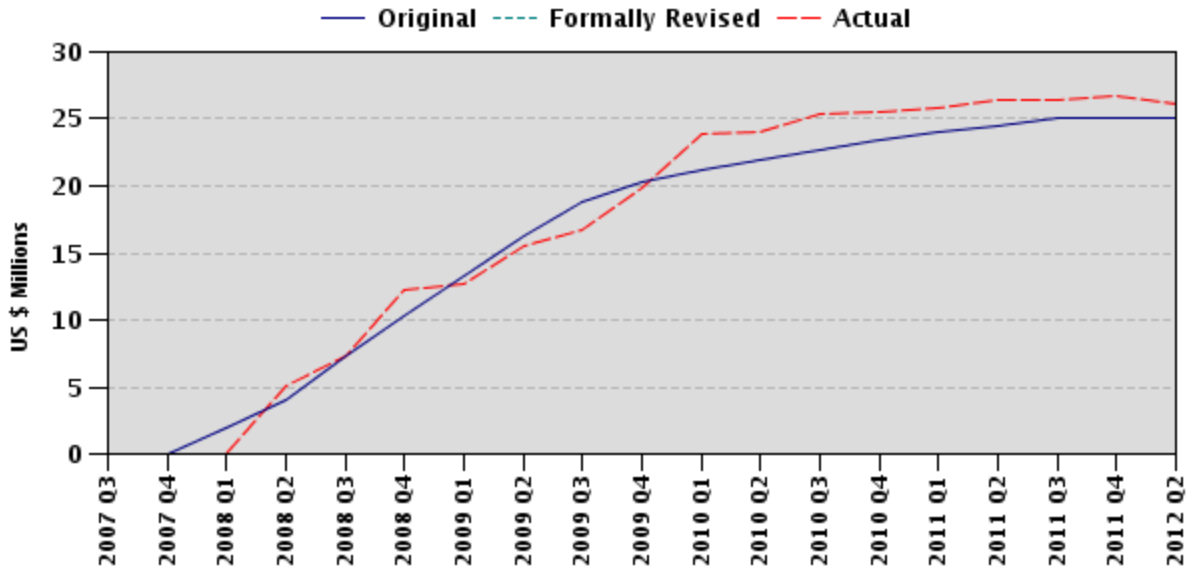
No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/29/2007	Satisfactory	Moderately Satisfactory	0.00
2	11/19/2007	Satisfactory	Moderately Satisfactory	5.11
3	05/30/2008	Satisfactory	Satisfactory	12.17
4	01/05/2009	Satisfactory	Satisfactory	15.52
5	05/30/2009	Satisfactory	Satisfactory	19.84
6	10/21/2009	Satisfactory	Highly Satisfactory	23.85
7	03/05/2010	Satisfactory	Highly Satisfactory	25.37
8	06/24/2010	Satisfactory	Highly Satisfactory	25.53
9	01/16/2011	Satisfactory	Satisfactory	26.37
10	05/11/2011	Satisfactory	Satisfactory	26.47

### H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
05/05/2010	N	S	HS	25.44	Approved by CD; No revision of PDO. The reason was a delay in the reform of the GRD which resulted in a need to continue to pay the salaries and administrative costs of the PIT

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
					in GRD for a further period of 12 months. Funds were available for reallocation from other categories of goods which were not needed or had been procured from other sources.
10/13/2010		S	HS	25.85	Approved by CD; no revision of PDO. The reason was to reallocate savings from certain services and goods which were either cancelled or procured from other sources to pay for an extension to the road safety consultant technical assistant to support additional activities.

### I. Disbursement Profile



# **1. Project Context, Development Objectives and Design**

## **1.1 Context at Appraisal**

1.1.1 At the time of appraisal of the Transport Project (TP), in early 2007, Albania was successfully transitioning from a closed to a market-based economy, and growth in gross domestic product (GDP) was averaging about 7 percent. Nevertheless, the country remained one of the poorest in Europe, with poverty widespread with regional disparities and mostly concentrated in the mountain regions, and unemployment at an estimated 14.4 per cent. The Government's National Strategy for Social and Economic Development (NSSD; Albania's PRSP) was adopted in 2001. It had a focus on pro-poor growth, aimed at bringing Albania's living standards and income levels closer to the levels of its neighboring European countries, and at addressing the country's governance shortcomings. It placed considerable emphasis on the importance of infrastructure to address key non-income dimensions of poverty.

1.1.2 The Bank's Country Assistance Strategy (CAS) for 2006-2009 noted that future growth of Albania would be increasingly reliant on higher investment levels in infrastructure to reduce the cost of doing business; and it was explicit in its support for the provision and maintenance of efficient transport infrastructure. It also required all new Bank-funded projects from FY05 to be implemented through existing Government structures, and included a governance filter as a means of tackling governance challenges. The TP included indicators for monitoring the influence of the project on governance.

1.1.3 In the early 2000s, Albania's transport system was dominated by road transport. The quality of its road transport network was considered to be worse than its regional comparators. In 2002, only 10 percent of its network was in good condition—with an additional 22 percent in fair condition. Insufficient maintenance was a major factor accounting for the poor state of the network—maintenance was about 40 percent below the level required to sustain the network. Despite the poor road infrastructure, traffic demand was growing (at about 10.1 percent in 2004), accompanied by increasing road traffic accidents. Road safety was becoming a significant social and economic issue. In 2000, the fatality rate per million vehicle-km was 7.8—the highest in Central and Eastern Europe. The situation along the Tirana-Durres Corridor was particularly bad, as a result of the increase in economic activities linked to the Port of Durres.

1.1.4 Regarding maritime transport, the Port of Durres was in the process of being privatized on a landlord basis. The Maritime Administration (MA) was created in 2004. At the time of the TP appraisal, the MA was not yet operational—its secondary legislation/regulations had not yet been defined and passed into law. There was a need to increase the role of the private sector—to build on recent successes in privatizing and deregulating road transport. There was a need to use private contractors to undertake capital investments and maintenance in the road sector—in particular, to carry out routine and winter maintenance, which then was only being carried out by the private sector under the Bank-supported Road Maintenance Project (RMP).

1.1.5 In response to that situation, the Government in 2005 merged the two transport sector ministries into one (Ministry of Public Works, Transport and Telecommunication—MPWTT). The General Roads Directorate (GRD) was responsible for national and regional roads. The Government of Albania (GoA)—with the agreement of its development partners—declared its intention to transform the GRD into a small, centralized, contracting unit, and to consolidate the various PIUs of individual donors into a single Project Implementation Team (PIT) that would be responsible for developing increased capacity to plan and implement investment projects. In 2006, the GoA approved the Albania National Transport Plan (ANTP), which was developed with the assistance of the European Union (EU). The ANTP emphasized the Government's stated road

investment priority: the improvement of the Durres-Milot-Morine road corridor, which was considered the worst major road corridor in the country. This corridor served the part of the country with the lowest per capita income, and it is a key strategic link to Kosovo and Corridor X (10) in Serbia, one of the main transport corridors in South Eastern Europe. It improves the connectivity to, and the attractiveness of, the Port of Durres. It also provides an immeasurable level of improved access for a hinterland population approaching 110,000 in one of the poorest regions in Albania.

1.1.6 The main rationale stated in the PAD for Bank involvement in the Albanian transport sector was the comparative advantage it could provide in helping the Government to deal with the substantive capacity-building necessary to ensure the sustainability of the investments. The Bank's current Country Partnership Strategy (CPS)—covering the period of FY11 to 14—considers Albania to be a continuing development success story, with annual growth rates of about 6% accompanied by rapid reductions in poverty. The CPS has three strategic objectives. The strategic objective most relevant to the transport sector is 'to support Albania's growth rates through improved competitiveness'. A key instrument for achievement of that objective is 'to affordably address infrastructure bottlenecks'. The CPS has identified as a risk the relatively low level of IBRD lending (US\$275 million), which could potentially decrease the Bank's leverage in policy dialogue—and thus, in advancing institutional reforms. During the period of implementation of the TP, Albania improved its performance on governance indicators<sup>1</sup>. Nevertheless, corruption in Albania remains higher than in South Eastern Europe in general.

## **1.2 Original Project Development Objectives (PDO) and Key Indicators (as approved)**

### **Project Development Objectives**

1.2.1 The PDO as stated in the PAD was "to reduce user costs on the Milot-Rreshen section of the Durres –Milot-Morine corridor and improve access for the hinterland population, to introduce innovation in road maintenance on a pilot basis, and to contribute to the development of the institutional framework and implementation of road safety activities throughout Albania." The PDO was expected to be achieved through: (i) the construction of the 26 kilometer section of the Milot to Rreshen road, thereby contributing to a reduction in journey time for road users and an improvement in access to one of the poorest parts of Albania; (ii) the introduction of innovation in road maintenance on a pilot basis through the testing of output and performance based road maintenance contracts in two pilot regions; and (iii) institutional development and support to improving road safety in Albania. The definition of the PDO is slightly broader in the PAD than in the Loan Agreement. Following Bank practices, the Implementation Completion Report (ICR) uses the PAD definition (also the broader one) for evaluation of the Project achievements.

1.2.2 The main text of the PAD lists five priority indicators:

- (i) Vehicle journey time from Rreshen to Milot in free flowing conditions reduced by 25 percent;
- (ii) Improved access measured by the increase in population within defined isochrone of Milot;
- (iii) Satisfactory piloting of output and performance based contracts in the two defined pilot regions of Albania;
- (iv) Length of road in lane kilometers subject to road safety audit;

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<sup>1</sup> Rontoyanni, C. (September 13, 2011). Albania's governance profile: trends and directions. Presentation at the Governance Day Conference in Tirana, Albania. World Bank. Europe and Central Asia Region.

- (v) Purchase and operational use of a defined number of essential road safety equipment.

1.2.3 In the Results Framework Annex of the PAD, the first four indicators are identified as project outcome indicators, and the fifth as an intermediate outcome indicator. The Results Framework is comprised of six intermediate outcome indicators. The Arrangements for Results Monitoring Matrix is comprised of seven intermediate outcome indicators. The definitions of intermediate indicators are slightly different in the Results Framework than in the Matrix below. There was also some inconsistency between the indicators in the PAD and those reported in the ISR (see Implementation and Utilization in Section 2.3).

No.	Results Framework	Arrangements for Results Monitoring Matrix
1	Number of km of road constructed between Milot and Rreshen	Number of km of highway constructed between the towns of Milot and Rreshen
2	Procurement of hybrid output and performance based contracts in two pilot regions	Contracts issued to private contractors in two pilot regions
3	Evidence of satisfactory regime in the two pilot regions by cumulative improvement in road roughness	Cumulative improvement in average road conditions in pilot areas (measured in % improvement from original roughness reading on the IRI scale)
4	Length in lane km of road subjected to road safety audit and action plan produced	Length of road in lane km covered by road safety audit
5	Number of pieces of essential equipment procured according to Procurement Plan and introduced into operation	Number of pieces of road safety equipment procured and introduced into operation
6	Technical Assistance, goods, and services procured according to Procurement Plan and introduced into operation	Traffic counters/classifiers procured and operational
7		Establishment of Maritime Administration

### 1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

1.3.1 The PDO was not revised. During the level 2 restructuring in May 2010, the following intermediate results indicator was dropped: “number of pieces of road safety and equipment procured and introduced into service”. It was decided that the GRD would not finance procurement of breathalyzers and speed guns, because the traffic police had been unable to provide maintenance for similar equipment procured under the previous Bank-supported project. In the October 2010 level 2 restructuring, new activities were added to enhance the road safety component (see Paras 1.6.3 and 3.1.3). The cancellation of this intermediate indicator did not affect achievement of the Project outcome indicator related to road safety.

1.3.2 During the Level 2 Restructuring in October 2010, the following intermediate results indicator was deleted from the Results Framework: “traffic counters/classifiers procured and operational”. It was decided that the GRD would no longer procure traffic counters/classifiers under the project, because data collection service was to be outsourced to the private sector under the proposed reform of GRD. There was no project outcome indicator linked to this intermediate indicator—thus, the cancellation of this intermediate indicator did not affect the achievement of the PDO.

## 1.4 Main Beneficiaries

1.4.1 There was no specific mention of the ‘primary target groups’ or ‘beneficiaries’ in the PAD because it was not a specific requirement for the PAD at that time. However, the Project objectives and key indicators implied that the main beneficiaries of the TP would be: (i) users and providers of transport services along the Milot-Rreshen road section and the other sections of the Milot-Morine Road Corridor improved by GoA and other IFIs through reduced and more predictable travel times and improved road safety; (ii) persons living along the road corridor—through access to the improved road which increases their access to economic and social opportunities; (iii) port users from improved and more predictable regulation of the maritime sector resulting from the establishment of the MA and enactment of laws and regulations developed under the Project and seafarers from an improved working environment; (iv) persons living within the vicinity of the River Mati flood plain, particularly along the village of Fushe-Milot—through improved flooding protection structures that led to a safer and more secure living environment; (v) users of inland waterways in Albania, as a result of the enactment of new regulations for transport services on inland waters in response to the 2009 ferry disaster in Macedonia on Lake Ohrid; and (vi) at a higher level, the general public—through more efficient and effective use of public resources arising from improved capacity for service delivery in the road sector and implementation of reforms.

1.4.2 The secondary beneficiaries were expected to include: (i) the then-Ministry of Public Works, Transportation and Telecommunications (MPWTT, now Ministry of Public Works, Transportation (MPWT) through receiving technical assistance to establish the Maritime Administration (MA), implement the new Port Authority Law, re-organize the GRD into the Albanian Road Authority (ARA), and strengthen the capacity of the new institution; (ii) GRD, through the experience to be gained by its PIT in implementing the Project and in contract management and through receiving technical assistance in best practices in highway engineering skills, staff training and building the capacity to manage OPBM contracts; and (iii) the Department of Traffic Safety (DTS) through receiving technical assistance to implement the National Road Safety Action Plan and to implement changes in the primary and secondary legislation, analysis of statistics and extension of the Accident Information System, and undertaking of a road safety audit on the Tirana-Durres highway.

## 1.5 Original Components

1.5.1 The TP included the following components:

1.5.2 **Component 1: Construction of the Minot to Reshen Road** [Estimated total cost: US\$37.4 million (EUR 28.47 million); Bank-financed: US\$20.42 million (EUR 15.55 million)]. This component was expected to finance the civil works and consultant supervision to undertake the construction of the three lots of the 26 kilometer Milot to Reshen section of the Milot to Morine road corridor. The proposed road is located mostly within the Mirdite District which had a poverty incidence ranging between 20-40 percent of the population at the time of project appraisal. Improving access to this impoverished area was a key policy objective of the Government. The proposed new road was designed as a single carriageway road (7.5 meter two-lane; total width of 11.1 meters; paved width amounting to 9.3 meters), with a design speed of 80 km/hr. The Bank was expected to co-finance Lots 1 and 2 with the GoA, and Lot 3 was to be financed by the OPEC Fund<sup>2</sup>. The achievement of this component is to be measured by two

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<sup>2</sup> Formal approval of the co-financing was made by the Board of the OPEC Fund on December 19, 2006.

outcome indicators: (i) vehicle journey time from Rreshen to Milot in free flowing conditions reduced by 25 percent, and (ii) improved access measured by the increase in population living within the 20 minute isochrone of Milot. As a result of the improved road condition, road users are expected to enjoy journey time savings. In addition, the 20 minute isochrone from Milot is expected to move further beyond the 26 km road section, which would lead to an increase in population living within the 20 minute isochrone.

**1.5.3 Component 2: Introduction of Output/Performance Based Maintenance Contracts.** [Estimated total cost: US\$11.5 million (EUR 8.75 million); Bank-financed: US\$1.30 million (EUR0.99 million)]. The second component was to involve the introduction of output or performance based road maintenance contracts in two pilot regions—Tirana and Kukes—together with consultant supervision. This initiative was to follow the experience accumulated during the introduction of this approach in an earlier World Bank project in Serbia—where provisional indications suggest a significant reduction in unit operating costs for the same level of maintenance. The provisional expectation for the output of this component was that an improved quality in maintenance could be achieved for a constant level of resource input, together with a robust assessment of the efficacy of this approach. The achievement of this component was to be measured by using a PDO outcome indicator of satisfactory piloting of output and performance based maintenance contracts in two regions.

**1.5.4 Component 3: Road Safety Component.** [Estimated total cost: US\$1.2 million (EUR0.91 million); Bank-financed: US\$1.2 million (EUR0.91 million)]. The third component was concerned with safety. It was to build on the recently completed road safety component in the Road Maintenance Project, and the recent Action Plan prepared by the National Road Safety Council. This was to involve the provision of necessary technical assistance to aid in the implementation of the National Action Plan—including assistance to implement changes in the primary and secondary legislation—drawing on best international practice, analysis of statistics, and extension of the Accident Information System. It was also expected to support the undertaking of a road safety inspection on the Tirana-Durrës Highway, which would result in an action plan for road safety improvements. This would have a significant demonstration effect. It was expected to involve the provision and operational introduction of necessary goods—in the form of axle load weigh scales, speed guns and breathalyzers—for the Traffic Police under the Ministry of Interior. Preparation of a Road Safety and Action Plan for the Tirana-Durres Road corridor was identified as a PDO outcome indicator by which to measure the achievement of this component.

**1.5.5 Component 4: Technical Assistance and Goods.** [Estimated total cost: US\$2.08 million (EUR 1.58 million); Bank-financing: US\$2.08 million (EUR 1.58 million)]. The final component was to support the provision of necessary technical assistance to MPWTT. This was to include the following: (i) technical assistance to establish the maritime administration, implement the new port authority law and prepare new maritime by-laws in conformity with EU standards; (ii) undertaking a sector specific fiduciary assessment to identify the necessary changes to undertake a SWAp<sup>3</sup> type approach in the sector in future; (iii) technical assistance in best practice in

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<sup>3</sup> SWAp stands for Sector Wide Approach. SWAp supports locally owned programs for a sector in a comprehensive and coordinated manner. It promotes increasing reliance on country systems and procedures and using a common framework for planning, implementation, expenditure, and monitoring and evaluation. A SWAp is neither a lending instrument nor a particular financing modality. A SWAp may be supported by a variety of financing instruments—in the World Bank, the most common are adaptable program loans, specific investment loans, and sector investment and maintenance loans. Programs under a SWAp can be

highway engineering skills to the Project Implementation Team in GRD for a defined term; (iv) training; (v) limited office expenses for a transitional period; (vi) two vehicles for the PIT; (vii) road roughness measuring equipment to provide information for the asset management system; and (viii) equipment for counting/classifying motor vehicles on the network, to the same end. No PDO outcome indicator was identified to evaluate this component. However, two intermediate indicators were identified to measure the achievement of this component. These were: (i) establishment of MA and (ii) procurement of and introduction into practice of traffic counters/classifiers.

1.5.6 At the request of MPWTT, this project was co-financed with the OPEC Fund for International Development (OFID). OFID was expected to contribute US\$15 million to finance the civil works for Lot 3 of the Milot-Rreshen road section and be consistent with World Bank Procedures. The IDA Credit was envisioned to support the TA, consultancy services and PIT incremental costs.

## 1.6 Revised Components

1.6.1 The Project underwent one restructuring in May 2010 (see para 1.3.1) and a second in October 2010. There was no cancellation or addition of any component.

1.6.2 However, the October 2010 Restructuring—which was undertaken at the request of the GoA—led to the inclusion of certain additional activities and the dropping of some others under the Road Safety Component. Below is a summary of these modifications within the same component:

1.6.3 *Addition of new road safety activities:* These activities were added at the request of the Government to allow for: (i) the actual implementation of the National Road Strategy and Action Plan that was developed under the Project; (ii) the preparation of a plan for the immediate establishment of the Secretariat under the Inter-Ministerial Road Safety Council—and support for implementation of the plan; and (iii) the identification of a priority list of accident black spots on the road network, and the preparation of detailed designs for the implementation of measures to address the identified black spots.

1.6.4 *Dropping the procurement of some equipment.* This was done to allow inclusion of the above mentioned activities in the Project's Road Safety Component. Procurement of the following equipment was dropped from the Project: (i) traffic counters/classifiers and road condition measuring equipment—because the collection of data and road condition measurements was to be outsourced to the private sector; and (ii) vehicles for the PIT as the PIT retained the existing ones from the previous project.

## 1.7 Other significant changes

1.7.1 The changes described below were made during project implementation.

1.7.2 *Design, scope and scale.* These changes included the following:

- *Change in the design approach toward the Milot-Rreshen road section.* The original design was revised and optimized to facilitate the GoA's future plan of upgrading this

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financed through parallel financing, pooled financing, general budget support, or a combination of the above.



section from a two-lane to four-lane highway—this was necessary in order to reduce costs and simplify the construction arrangements.

- *Reduction in the period during which Output and Performance-based maintenance (OPBM) contracts were to be funded from the TP.* Delays were experienced in the design of the OPBM approach and preparation of the bidding documents due to the poor performance of the OPBM consultant. This led to a delay of about one year in the awarding of these contracts—which meant that they would extend beyond the closing date of the TP. As the Bank was unwilling to extend the project closing date, it was agreed that the Bank would finance only the first two years—and the GoA would fund the third year of both the civil works and supervision contracts. The Bank continues to receive updates on the implementation of the OPBM contracts.
- *Relaxation of the penalty system under the OPBM contracts.* After the first six months of actual OPBM contracts, all contract parties found the penalty system too strict and discouraging—given that the contracts were pilot in nature, and should therefore take into account necessary learning curves. Under the initial penalty system, if there was a single defect (a pothole, grass higher than 20 cm or drainage obstructed and reducing water flow by less than 10%, etc) along one km of the road, the payment due to the contractor would be reduced to zero—even if the other maintenance activities had met the required levels of service. The penalty regime was subsequently amended by introducing progressive demerit points corresponding to cumulative defects. The amendment took effect in October 2010.
- *Addition of Milot-Rreshen and Rreshen-Kalimash to OPBM contracts.* The GoA decided to concession these sections, after which they were given OPBM contracts to ensure their routine maintenance. The GoA agreed to continue funding these sections of road until June 2012, when the concession arrangement was expected to be in place.
- *Dropping of a sector specific fiduciary assessment to undertake a SWAp approach within the sector in the future.* This study was dropped in light of the challenging pilot SWAp implementation in the education sector. A subsequent transport operation - the Secondary and Local Roads Project/Program – adopted a more pragmatic programmatic approach.
- *Extension of the TA contract to GRD.* Upon the successful completion of the 18-month contract, it was extended for about an additional 12 months with funding from the EIB.
- *Dropping of the procurement of axle load weigh scales.* During project implementation, it was realized that the General Directorate of Transport Services did not have the adequate capacity for the operation and maintenance of the axle load weigh scales; and it was agreed that that their purchase was unlikely to be productive until the main elements of the road safety action plan were in place.

1.7.3 **Implementation arrangements and schedule.** There was no change and the project closed as scheduled on June 30, 2011.

1.7.4 **Funding Reallocations.** During the restructurings in May and October 2010—both of which were approved by the Country Director—there was a reallocation of the Bank funds between categories of services and goods. The May 2010 restructuring: (i) increased services category costs by SDR 40,000 for the supervision consultant contract; and (ii) increased operating

costs by SDR 230,000 for the salaries and administrative expenses of the PIT for another 12 months. The increase in the operating costs of the PIT was attributed to the delay in the reform of the GRD. The funds were available for re-allocation because procurement of breathalyzers and speed guns was dropped, as was the specific fiduciary assessment for the transport sector.

1.7.5 The October 2010 Restructuring led to an increase in funding by SDR 230,000 and a 6-month extension of the road safety TA to support three new road safety activities (see para 1.6.3). The funds were reallocated after dropping the procurement of traffic counters/classifiers, vehicles for the PIT, and road condition measuring equipment (see para 1.6.4).

## **2. Key Factors Affecting Implementation and Outcomes**

### **2.1 Project Preparation, Design and Quality at Entry**

2.1.1 *Preparation.* Preparation of the Project was initiated in 2003 as a result of the dialogue that took place during the implementation of the Bank-funded Emergency Road Repair Project and the Road Maintenance Project. Thus, the Project design reflected in part lessons learned from those earlier operations. In particular, those lessons revolved around the need to improve transport infrastructure, implement all projects through existing public sector structures, and reduce transaction costs on counterparts. During this period, the EU was assisting the Government with the preparation of the ANTP. Preparation of the TP benefited from the ANTP by drawing on the emerging consensus between donors and the GoA on its findings and recommendations—particularly regarding sector policy, institutional arrangements, and priority investments. Of particular importance was ANTP’s finding that the number one investment priority for the road sector should be improvements to the Durres-Milot-Morine road corridor, which links the Port of Durres with the country’s hinterland—including Kosovo and Serbia. This Road Corridor also passes through one of the poorest areas of Albania. In 2006, the OPEC Fund agreed to co-finance the Milot-Rreshen section with the Bank. This led to the inclusion of the signing of the related agreement between the GoA and the Fund as one of the conditions of effectiveness.

2.1.2 *Project design.* The Project design was simple and realistic—with an adequate number of components that were not burdened by overly ambitious content. The implementation arrangements were simple: (i) one lone external co-financier was to be engaged; (ii) there was a sufficient amount of innovation (OPBM); (iii) the implementation was not very geographically dispersed; and (iv) there were a limited number of social and environmental factors to consider. Unfortunately, the schedule for reform of the GRD was not appropriately assessed, and thus, ultimately turned out to be overly ambitious. The results framework had certain deficiencies—some of the PDO outcome indicators were either too output-oriented, or there were no indicators that could have more appropriately reflected the expected outcomes of some of the Project components. A further discussion on the results framework is provided in section 2.3.

2.1.3 *Adequacy of the Government’s commitment.* The substantial commitment of the Government at the project entry was reflected in a number of critical actions. There was a strong focus—with the close support of the Bank team—on consolidating the four existing PIUs into one PIT, in order to reduce transaction costs and facilitate greater capacity building. The reform of the GRD was well underway, in terms of defining its new structure and establishing an Environmental unit within the GRD to manage implementation of environmental safeguards. The Minister of Public Works, Transport and Telecommunication had made a public commitment to increase maintenance funding—which had been included as part of the formal loan condition of the Project. The commitment of the GoA was well tested by the Project design through the

provisions in the Project covenants. In addition, GoA started reforms in the maritime sub-sector with transforming Durres Port into a landlord port and enacting a new Maritime Code in July 2004, but it needed support to establish the new Maritime Administration and define the secondary legislation to supplement that new Maritime Code.

2.1.4 **Participatory process.** The design of the Project was enhanced by the participation of the local beneficiary communities. During consultations in regard to the design and EIA, the Milot and Fushe-Milot communities requested flood protection works on the northern Bank of the Mati River. Following this request, the Bank carried out a due diligence exercise regarding the hydraulic effects of constructing the flood protection embankment on the northern bank, and agreed along with the GoA and the Ministry of Agriculture responsible for irrigation and drainage, to construct similar flood protection structures on the southern bank. Implementation of flood protection works on the both banks of the Mati River was even included in the covenants of the Project.

2.1.5 **Risks.** All risks were properly identified and mitigation measures were developed. The Project risk was rated in the PAD as moderate, with two specific risks rated as substantial. The first of these two risks was: ‘the Government may not allocate sufficient resources to road maintenance, which could undermine the sustainability of the planned investment’. This was expected to be mitigated by a formal loan condition to increase the allocation to maintenance by 10% per year, in real terms. The condition was necessary given the historical failure to provide adequate funding for road maintenance and the mitigation measure was appropriate. The second substantial risk was: ‘institutional reform within the GRD may stall, delaying application of appropriate maintenance regimes to the new roads, and thus undermining the sustainability of the investment’. The mitigation measure was: ‘the Government has made a clear statement of commitment to the reform of the GRD, with the support of the World Bank and the EU. There was also a TA component, which was to be funded by the EU and was due to start the second phase to facilitate this process.’ It is difficult to judge the sufficiency of this mitigation measure, because the PAD did not specify: (i) whether the Government commitment was binding in nature—such as in a signed letter of sector policy; and (ii) what activities were to be implemented under the TA component to be funded by the EU. That said, it is noted that the FA contained two covenants for the GoA that should have been reflected in the risk table as mitigation measures. The two covenants stipulated the following: (i) not later than June 30, 2007, the proposed new structure of the GRD is to be submitted for review and agreement by the Bank; and (ii) not later than June 30, 2008, the GRD is to be reformed in line with the agreed new structure, in a manner satisfactory to the Bank.

2.1.6 A third risk contained in the risk table and rated as moderate was: “PIT/GRD staff may not be competent to oversee implementation of the construction or the OPB road maintenance contracts.” This statement was clear—and the mitigation measures were appropriately being focused on the development of the capacity of the PIT to manage the Project. These measures were appropriate; however, the Project only provided for the engagement of one TA—reflecting the prospective reform of the GRD into the ARA. This was deliberate, in order to provide significant incentive to GRD management in planning for the end of support. The delay in the reform of the ARA—and the significant and unforeseen increase in the amount of work in the GRD—required that this technical support be extended with funding from another donor: the EIB. A risk that could have been flagged was that the GRD would not be able to retain the experienced PIT staff upon completion of the Project for various reasons—including that the reform would not lead to employment conditions that could retain such staff. However, this risk was considered to be minor, because terms of employment were proposed to be equalized with the private sector as part of the reform process.

2.1.7 Three other risks were mentioned in the risk table with a rating of ‘negligible’—with the PAD clearly indicating the mitigation measures.

2.1.8 There was no Quality at Entry rating by the Bank’s Quality Assurance Group for the Project.

## 2.2 Implementation

2.2.1 Implementation was *satisfactory* throughout the course of the Project, and even highly satisfactory during the period of October 2009-June 2010. The following were the main factors that impacted project implementation:

2.2.2 *Force majeure events and weather conditions.* Since the contractor had quoted in US Dollars, the depreciation of the US Dollar delayed the implementation of the civil works on the third section of the Milot-Rreshen Road. In addition, extreme weather conditions—such as intense rainfall—caused land slips that resulted in delays and in the consequent extension of the contract, but this did not ultimately effect the closing date of the Project.

2.2.3 *Borrower’s ownership of sector institutional reforms.* The Project intended to support two major institutional reforms. These reforms were aimed at: (i) commencing the reorganization of the GRD, and contributing to the operational establishment of the Albania Road Authority (ARA, public enterprise), and (ii) establishing the Maritime Administration (MA). As a result of the overall Government restructuring prior to the Project—and of significant downsizing of manpower in the transport sector—there was no designated Government institution to manage the maritime sub-sector. As a consequence of having joined the International Maritime Organization (IMO) and of having signed a treaty, the GoA was under significant pressure from the international community and realized that there was a critical need to set up an agency to manage this sub-sector. Thus, the Government was very pro-active in supporting all the necessary actions towards this objective. However, in case of the road sub-sector, the GoA realized that there was a high risk involved in intervening with a major institutional reform, and was less pro-active in its promotion. It was obvious that implementation of a major reorganization of the GRD in the midst of the execution of several significant investments might cause delays that would not be appreciated by either the general public or politicians. Thus, the GoA substantially delayed the enactment of the relevant Law. The law was eventually passed on October 15, 2009, almost one year later than expected.

2.2.4 *Quality of consultancy services.* The quality of consultancy services was another key factor that affected many Project activities. The components that had high quality consulting services (e.g., Road Safety Component, maritime-related activity under the TA Component) were not only implemented successfully, they also delivered additional outputs not planned at the time of appraisal. However, at the beginning, the design of the OPBM component suffered from low competence and lack of local knowledge on the part of the OPBM international consultant team. There was a delay in the development of the bidding documents due to the poor performance of the first team leader of the OPBM consultant. There was subsequently a need to procure a new Team Leader of the consultant team with the needed level of international expertise and local knowledge. The bidding process and award of the OPBM contracts were completed in October 2009, almost one year later than planned. As a result the OPBM contracts were not completed by the end of the project and the third year of the OPBM contract is being financed by GoA until June 30, 2012. The consultant team that supervised all three construction contracts on the Milot-Rreshen road section and the team that supervised OPBM contracts contributed to the efficiency of the supervision. They spent a substantial amount of time on the construction site and worked closely with the contractors to immediately resolve any emerging issues. In addition, the OPBM

supervision consultant provided trainings on OPBM approach and other subjects to both contractors and GRD staff.

2.2.5 *The GoA's commitment to quality road infrastructure.* The GoA showed a clear vision and commitment to sound road planning and asset preservation. The GoA's decision to revise and optimize the design of the Milot-Rreshenroad section in view of its future plan to upgrade this road to a four-lane highway led to cost increases in the contract of about US\$5.5 million—excluding other costs related to bridge design, provision of pedestrian footbridges, requests from municipalities for improved access to communities, etc. The decision to provide for maintenance of the Milot-Morine Corridor under OPBM contracts also led to additional costs of about US\$2.25 million. However, these increases were justified by GoA's proper planning and management of the road assets targeted for improvement under the TP. GoA was committed to reduce any further substantial costs associated with the future widening of these road sections.

2.2.6 *Continuation of key Project personnel.* Most of the team from the implementing agency and the Bank remained the same from Project inception throughout implementation. This contributed to close collaboration between the Bank and the client, immediate and effective resolution of emerging issues, and a relatively successful and timely implementation of the TP.

2.2.7 *Inadequate empowerment of Road Safety Secretariat.* The Inter-Ministerial Committee did not well meet regularly. It therefore did not empower this Secretariat by providing more regular guidance and policy support. This could have led to the implementation of more of the actions stipulated in the Action Plan and, quite importantly, maintain the multi-sector approach to addressing road safety, a key pillar of the road safety strategy (see 5.2.2).

### **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

2.3.1 **Design.** The Results Framework of the PAD consisted of a list of outcome indicators and intermediate results for monitoring progress and outcomes. The design included specific indicators for each component and covered physical as well as institutional results. The indicators were simple to collect, and closely monitored during implementation. Baselines were established for each indicator except the one relating to the 'percentage increase in population living within 20 minute isochrones of Milot', which was not established throughout project implementation. Some components could have had different indicators that would have more appropriately reflected expected outcomes. For example, "decrease in fatality or accident rate either on the Project roads or at the national level" would have more appropriately demonstrated the outcome of the overall road safety component than "preparation of road safety audit and action plan", which is more an output-oriented/intermediate outcome indicator. It would also have been more appropriate to have the indicator "improved road condition" to measure: (i) the impact of the technical assistance activities aimed at building the capacity of GRD in managing the road network; and (ii) the impact of compliance with the covenant related to 10 percent annual increase in road maintenance funding.

2.3.2 Beyond the standard results matrix, Annex 10 of the PAD included a matrix on the application of the CAS governance filter<sup>4</sup>, namely its two pillars relevant to the sector - seeking greater transparency in the use of public resources and supporting increased autonomy and de-politicization of key public sector counterpart organizations. The matrix identified a number of

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<sup>4</sup> This was a requirement for all Bank projects supported under the CAS.

relevant sector governance issues, project activities to address them, and governance indicators to measure the contribution of key Project activities in addressing governance issues. Some of these governance indicators were similar to the ones included in the Project's overall Results Framework or were covenants and, thus, their monitoring did not present any additional burden for the Borrower. These included, for example, OPBM contracts issued in two pilot regions, annual increase in maintenance expenditures and others. This required continuous monitoring of the GoA annual investment and maintenance budget, and procurement/contract management, etc. However, the status of their achievement was reported only in the aide memoires and not in the ISR. All governance indicators were met, except the ones related to procurement of traffic classifiers and road safety equipment, which was cancelled (see para 1.6.4).

2.3.3 The GRD/PIT had responsibility for data collection relating to all of the indicators except the one relating to maritime sector activities, for which the MA was responsible. The indicators were to be reported yearly, with the exception of those relating to the road safety audit (end of Project) and the physical outputs for the civil works—which were to be reported 'up to Year 3' in line with the expected duration of the respective contracts. There was a delay in the contractors carrying out the OPBM contracts procuring equipment for measuring the roughness index—and this in turn led to a delay in the measurement and reporting of the related indicator. The PIT reported on the indicators in its quarterly reports.

2.3.4 **Implementation and Utilization.** The Results Framework of the PAD had four PDO outcome indicators and seven intermediate outcome indicators. Monitoring of all indicators in the ISRs was inconsistent—only two of the outcome indicators and two of the intermediate indicators contained in the first six ISRs were monitored. The seventh ISR saw the inclusion of the PAD outcome indicator relating to road safety—this was the final amendment to the list of indicators monitored in the ISR. The ISR did not include the following outcome indicator: 'satisfactory piloting of OPBs in two regions'. However, progress towards all PDO-level and intermediate indicators was always reported in the aide memoires and the Borrower's periodic reporting. In addition, the second covenant relating to the reform of the GRD was not stated in the ISR and aide memoire.

2.3.5 The indicators have been found useful and tangible for the Borrower, in particular for the MA, Road Safety Department, and GRD/ARA. GRD/ARA is working to ensure the use of project indicators after the project closure and even to make them part of their upcoming performance agreement with the Ministry of Finance, once the transformation to an autonomous Agency is fully completed.

## 2.4 Safeguard and Fiduciary Compliance

2.4.1 **Environmental Safeguards.** This was an Environmental Category A Project, mainly because of the inclusion of the construction of the Milot-Rreshen road section. The Project was in full compliance with all environmental regulations, policies and procedures of the GoA and the Bank. The Environmental Impact Assessment (EIA) developed subsequently together with the Environmental Management Plan (EMP) was adequate. The Bank team followed up to ensure that they were updated—because changes were made to the design of the road, as a result of the optimization exercise on the alignment of the Milot-Rreshen road section. Movement of the alignment of the Milot-Rreshen road into the flood plain of the River Mati triggered the revision of the EIA in accordance with Bank procedures. To ensure application of the relevant mitigation measures, the Project included two unusual Project covenants related to the implementation of strengthening of flood protection works on the north and south sides of the River Mati by June 2007 and December 2007, respectively. Thanks to this flood protection work, these areas were not adversely affected during the floods of 2010 and 2011.

2.4.2 Compliance with the EMP was adequately checked by the supervision consultants and the Environmental Unit in the GRD. Supervision consultants took adequate steps to ensure that contractors obtained the necessary approvals regarding materials sourcing and compliance with materials transport, traffic management (payments not made for this item if provision during the month was deemed unacceptable), and other environmental issues.

2.4.3 A few issues required attention during the implementation of the environmental safeguards: (i) disposal of both industrial and domestic waste; (ii) disposal of old and abandoned motor vehicles; and (iii) building of structures (shacks, petrol stations, etc.) without permission. These activities not only adversely impact the aesthetics of the road, but also cause road hazards and violate GRD's eminent domain rights. GRD attributes this to the generally low level of observance of planning laws and regulations. The Bank team helped GRD to address these issues during Project implementation. However, GRD needs to enforce the relevant law and develop a mechanism to deal with this issue in a more systematic way. GRD has committed to developing a plan for protection of its right of way and acquisition of additional land in anticipation of future road expansion projects.

2.4.4 A key success factor of the overall satisfactory implementation of the environmental safeguards was the support of the Environmental Unit. The unit was established in early 2004, following the recommendation of the environmental management capacity assessment of GRD carried out under the previous Bank-supported RMP. The Bank team provided detailed guidance to the Environmental Unit on the application of Bank environmental safeguards policies and procedures and on how to strengthen the capacity within GRD in environmental management of major road projects.

2.4.5 **Social Safeguards.** The Milot-Rreshen road section was the main Project activity that triggered land acquisition. A Resettlement Action Plan was prepared by GRD/PIT and approved by the Bank. The RAP was in compliance with the national laws and regulations of Albania and the Bank Operating Policies on Involuntary Resettlement.

2.4.6 After the first set of land acquisitions was completed, the Government in 2010 enacted a new Law on Property Valuation that made a change in the method of payment of compensation. The change, which affected the second set of land acquisitions, was made to accommodate the optimization—and also because of an unrelated landslide in Fang Village. This Law changed the basis for calculation of the amount of compensation due for the land acquired by the Government. It led to a reduction in the rate of compensation paid to Project-affected persons. After receiving the guidance of the Regional Safeguards Advisor and Project Lawyer, the Bank team informed GRD that it could apply the provisions of the new Law. This led to a related change in the RAP.

2.4.7 Actual payment of due compensation was sometimes delayed because the title holders were outside the country or had died and successors did not have the title. The enactment of the 2010 Law on Property Valuation required compensation to be made through a specific bank. Most of the population affected by the construction works was from the area where the flood protection works were implemented and was rural—many of the affected persons did not have bank accounts. Therefore, this provision significantly delayed payments of due compensations. The new Law triggered some dissatisfaction from people who had gone through the first expropriation and then through the second. However, the GoA organized a general awareness campaign, not only for this project, to explain to citizens the new methodology of land evaluation, the rights and obligations of their owners, etc. The PIT was proactive in helping the affected persons in the following ways: (i) explaining an alternative method of compensation calculation; (ii) directly assisting owners without land titles by having land registration offices confer upon them preferential status; (iii) helping every owner to open an account in the nearest branch (in Milot, Rrubik and Rreshen) of the designated bank; and (iv) opening an escrow account for those

who had died or were abroad. As it was shared during the meetings with the Bank project team and direct interaction with GRD, the affected people were, in the end, satisfied with the process and the amount of compensation.

2.4.8 Twenty three households lost their residences and had to be relocated. All of them were compensated and assisted to settle in the new places. In one of the cases, where the residence was illegally occupied by a family, the Municipality of Milot provided at no cost a new apartment to the family. An additional 12 households lost partially or completely their commercial structures. 338 households lost their agricultural and/or commercial land. All compensations were fully paid to the Project-affected people by the end of the Project. Total amount of compensation, for residential and commercial structures was ALL 174,165, 661 (about US\$1.7 million equivalent). Total amount of compensation for agricultural/commercial land and loss of agriculture production/expected income of the particular year and, the subsequent other 2-3 years was ALL 185,854,139 (about US\$1.8 million equivalent).

2.4.9 **Financial Management.** There were no major issues in financial management. The Project financial management arrangements within the PIT and GRD were periodically reviewed and assessed to ensure the continued adequacy of systems and controls in place for Project implementation. This included the following systems and controls: (i) Project accounting and reporting; (ii) staffing; (iii) internal control procedures planning and budgeting; (iv) flow of funds; and (v) auditing arrangements. These were considered satisfactory and acceptable to the Bank. The interim financial reports submitted and reviewed by the Bank during the implementation were considered satisfactory, in a format acceptable to the Bank, and with minor or no issues identified. Annual audit reports were received on time, with one exception, and the auditor's opinion on each and every set of the project's annual financial statement was unqualified. The OPEC disbursements were handled through the same Project Unit and FM system, and the payments processed through direct applications of the unit to OPEC.

2.4.10 As of December 8, 2011, the revised amount of the total IBRD loan and IDA credit was US\$24.11 million against the original US\$25.00 million. This is due to the cancellation of EUR 220,630.46 of the IBRD loan and SDR 368,625.00 of the IDA credit on October 31, 2011 and November 2, 2011, respectively. The final total disbursement amounted to US\$26.13 million due to the depreciation of the US Dollar.

2.4.11 **Procurement.** Procurement arrangements were well-defined and satisfactorily applied. However, two major issues were encountered during implementation. The first was that the bid documents for the three contracts for the construction of the Milot-Rreshen road section did not adequately stipulate the extent of sub-contracting allowed. The winning bidder took advantage of this by virtually sub-contracting all the works and operating essentially as a project manager with supervisory staff on site. Fortunately, the arrangement in the end worked well due to a combination of the quality of the staff assigned by the contractor and the quality of the civil works supervision consultants. The second issue involved the delay in preparation of tender documents for the OPBM contracts due to the fact that the consultant initially engaged was unable to produce documents satisfactory to the Bank and the GRD/PIT, and had to be replaced (see para 2.2.4). This delay led to a situation in which the contracts were not fully fundable—therefore, the Government agreed to fund the final year of the three contracts from its own resources after the closure of the project.

2.4.12 The total sub-contracting situation under the supervision of experienced contractors and project managers raises the possibility of using this approach to build capacity of medium scale contractors without the experience of handling major contracts or internationally-funded major civil works contracts.



## **2.5 Post-completion Operation/Next Phase**

2.5.1 While GRD continues to be responsible for national and regional roads, the enabling legislation for its transformation into the ARA has been enacted and the Board of the ARA has been appointed. However, the ARA is not yet operational—the hiring\confirmation of its staff has yet to take place. The country is experiencing a downturn in its economy which may constrain the ability of the GoA to agree to conditions of service that would allow ARA to attract and retain experienced and competent staff—at least in the short-term.

2.5.2 Road safety activities are now to be coordinated more at the technical level through the Working Group established in the MPWT—but the scale of the problem still requires a high level of political commitment and a scaling-up of the identification of accident black spots and their treatment. The Inter-Ministerial Committee and its Secretariat will need to play a more active role (see para 5.2.2).

2.5.3 Routine maintenance of all the investments along the Milot-Mirone road corridor is being carried out through OPBM contracts until June 2012, or when the corridor is concessioned. The downturn in the economy may constrain the ability of the GoA to fully fund the contracts and complete the process of concessioning the corridor. The GoA is seeking Bank support to scale-up the OPBM approach, develop the maintenance contracting strategy, establish Road/Bridge Asset Management System, support road safety and other activities through a new Bank operation. However, a formal request remained outstanding at the time of ICR preparation.

2.5.4 As a complement to this Project, the Bank has recently supported through a trust fund a comprehensive study on the improvement of Road Construction and Maintenance in Albania. The recommendations of this study are being followed up by relevant government institutions and are expected to be followed up during preparation of the next Bank operation.

## **3. Assessment of Outcomes**

### **3.1 Relevance of Objectives, Design and Implementation**

3.1.1 The PDO remains highly relevant to both Albania’s National Strategy for Development and Integration (NSDI) for 2007-2013 and the Bank and IFC’s Country Partnership Strategy (CPS) for Albania for FY11-FY14. It was well-defined to meet the relevant outcomes envisaged in both documents. The following have been identified as the key priorities of the NSDI and CPS for closing the infrastructure gap and accelerating the recovery in Albania’s economic growth through improved competitiveness: (i) improvement in the connectivity of the road network; (ii) removal of the maintenance backlog; (iii) provision of sustainable management and financing systems; (iv) continuation of institutional reform and capacity strengthening to improve sector institutions, such as the nascent ARA; and (v) improvements in infrastructure and service delivery in the port sub-sector. The annual ‘Doing Business surveys’ continue to highlight poor road infrastructure as a constraint on Albanian business development. The recent launching of the ‘Decade of Action on Road Safety’ by the UN confirms the need to prioritize actions to improve road safety.

3.1.2 The design of the project is also deemed highly relevant because the project activities were consistent with the PDO and implementation arrangements were appropriately chosen to facilitate effective implementation of each of the components. The project activities sought to

address connectivity through construction of a strategically important 26-km road link, to remove maintenance backlog through GoA's 10 percent annual increase in maintenance funding and successful piloting of OPBM approach, to address road safety issues through establishment of the Secretariat under the Inter-Ministerial Road Safety Council and implementation of a number of road safety activities, and to strengthen capacities of the road and maritime sub-sectors through promotion of ARA and MA institutional reforms. GRD was the key implementing agency for most of the project activities, except for the institutional reforms where MPWTT was the key implementing institution. The choice of lending instrument – a Sector Investment Loan - was appropriate to support investment in the road sub-sector and implementation of technical assistances to the road and maritime sub-sectors.

3.1.3 During the period of project implementation, the operation remained important to achieving GoA's and Bank's objectives in the country as well as the global priority of improvement of road safety. The two level-2 Restructurings that were made had little impact on the objectives or design of the project (see para 1.3.1 and Sections 1.6 and 1.7). The cancellation of procurement of road safety equipment during the May restructuring was minor in terms of value and impact and was even outweighed by adding new road safety activities during the October 2010 restructuring which strengthened the design of the road safety component and made it even more relevant to the global priority of improvement in road safety situation.

## 3.2 Achievement of Project Development Objectives

3.2.1 The achievement of the PDO is rated **satisfactory**. The rating takes into account achievement of the key associated outcome targets set at appraisal:

(i) *Reduce user costs on the Milot-Rreshen section of the Durrës-Milot-Morinë Corridor (achieved)*. This was achieved through the reduction in journey time for road users on this corridor. Journey time was used as a proxy to measure the impact on road-user costs. The average travel time of road-users was reduced from 43 min to 18-20 min, which represents a 53-58% reduction in journey time against the original target of 25%<sup>5</sup>. There has also been a marked improvement in the quality of travel, which was not captured in the indicator, but would be reflected in reduced accidents and a more reliable travel environment. These benefits are additional to those reflected in the reported *ex post* EIRR below.

(ii) *Improve access for the hinterland population (achieved)*. The construction of the Milot-Rreshen road provided improved access to the Mirdite district, one of the poorest parts in the country. This resulted in an increase in the population living within defined isochrones of the Milot-Rreshen road section (percentage change in population within 20 minutes isochrones). Due to the improved condition of the road and the accompanying reduction in the journey time, the 20 minutes isochrone now extends well beyond the 26 km section in all directions. As a result, there has been a proportional increase in the population living within 20 min isochrones of the Milot-Rreshen section<sup>6</sup>. Following the requests of local communities and municipalities, additional access points to the Project road were provided to ensure the safety of the road-users.

(iii) *Introduce innovation in road maintenance on a pilot basis (achieved)*. This was achieved through the satisfactory piloting of four OPBM contracts in two regions. At the start of the

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<sup>5</sup> General Roads Department. January 2011. "Transport Project: Quarterly Report for Period of October to December 2010." January 2011. Ministry of Public Works and Transport.

<sup>6</sup> General Roads Department. January 2011. "Transport Project: Quarterly Report for Period of October to December 2010." Ministry of Public Works and Transport.

Project, Albania had no experience with OPBMs. The Project contributed to building solid experience in using this approach. This was accomplished through: (i) supporting the development of the Bidding Documents; (ii) providing training for contractors; (iii) implementing four OPBM contracts; and (iv) incorporating immediately the lessons learned from the pilot by replacing a stricter penalty system with a demerit system in the OPBM contracts. The performance of the contractors showed mixed results—the maintenance standards achieved varied from 60 percent for Tirana region contracts to about 94 percent for Kukes region contracts. All the same, the contractors have overall improved their performance and built their capacity in the OPBM approach. The average improvement in IRI on OPBM roads after two years of the OPBM contracts in execution is about 4.5 percent as compared to the original IRI. The expectation was to achieve a 10 percent improvement after the completion of the contracts, i.e., at the end of the three years of the contract period. The one-year delay in the award of OPBM contracts has resulted in contract end date of June 30, 2012 which is after the project has closed (see para 2.2.4). Thus, the target can be considered partially achieved at the time of the project closing, given that OPBM was still being implemented. Achieving about half of the target improvement can still be considered a satisfactory result, given that these were pilot contracts and both contractors and employer were engaged in a learning process. The GRD/ARA would like Bank support to scale-up this approach in other regions of the country with the support of the next Bank operation.

*(iv) Contribute to the development of the institutional framework (achieved).* Using the Results Framework Annex of the PAD, this objective was expected to be achieved primarily through the establishment of the MA, and the procurement and use of traffic counters/classifiers. The former was fully accomplished. However, the latter activity, together with its respective intermediate outcome indicator, was dropped from the Project and its Results Framework during the October 2010 Restructuring (see para 1.6.4). It was envisaged that the procurement of traffic counters would have helped with the operational establishment of the ARA. However, its relative contribution to the development of the institutional framework would have been minimal compared to the contribution made by the establishment of the MA for example, or the contribution of other institutional accomplishments in the road sector (see Section 3.5 (b)). A manifestation of these institutional accomplishments is the increase in the percentage of primary roads in good and fair condition from 32 percent in 2002 to 97 percent in 2010. While this remarkable improvement is in large part due to the increase in the capital budget, it can also be attributed to a noteworthy achievement of the project: a 10 percent annual increase in maintenance funding by GoA during project implementation (a project covenant). The objective was therefore considered achieved, despite the fact that the procurement of traffic counters/classifiers was dropped.

*(vi) Contribute to the implementation of road safety activities throughout Albania (achieved).* This was achieved through: (i) the implementation of a road safety audit on 178 lane km of the road; and (ii) the implementation of the Action Plan for the Tirana-Durres Road Corridor, one of the busiest in the country. The absolute number of accidents has been reported as declining on this corridor (from 97 in 2007-08 to 79 in 2009, and 73 in 2010)<sup>7</sup>, while the traffic volume has been increasing. The reduction in absolute numbers is even more impressive given the increase in the volume of traffic over this time period.

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<sup>7</sup> An accident rate could not be reported because the ICR team did not have accurate data on average annual daily traffic for this specific Tirana-Durres corridor for the period of 2007-2010.

### 3.3 Efficiency

3.3.1 Efficiency in achieving the PDO in terms of the EIRR is *Satisfactory* because the ex-post EIRR was healthy at 24.6 percent and was higher than the one estimated at appraisal (19.6 percent).

3.3.2 The ex-post economic analysis has been undertaken employing a standard cost-benefit approach. The analysis is utilizing the Highway Development and Management Model (HDM-4)—with actual information on the duration and timing of road works, current traffic data, and actual road works costs. The appraisal analysis assumed a starting year of 2006 and construction duration of two years—with 50 percent expenditures in years 2006 and 2007. Actual road works started in 2007 for a duration of four years—with 23 percent of expenditures in 2008, and 45 percent of expenditures in 2009. The appraisal analysis assumed 7 percent annual traffic growth for the period of 2003-2008 and a 6 percent growth rate in subsequent years. For the overall Milot-Rreshen road section, the actual annual traffic growth rate for the period of 2008-2011 was 16 percent, which resulted in actual traffic in 2011 being 32 percent higher than the estimated traffic at appraisal. The Model indicates that with the increase in traffic, periodic maintenance will be needed one year earlier than in the case of the projected traffic flows. This small impact on the future maintenance needs is due to the fact that the road carries mostly light vehicles, with only around 15 percent of the traffic composed of trucks and buses. For the overall Milot-Rreshen road section, the construction cost was 6 percent lower than the estimated cost at appraisal.

3.3.3 The ex-post economic analysis was carried out using the same discount rate and analysis period used at appraisal (12 percent discount rate and 25 years of Project benefits). The reduction in Project benefits caused by the 3-year delay in implementing the road works was outweighed by the higher actual traffic on the road and the lower actual construction costs. Detailed analysis is provided in Annex 3.

3.3.4 *Other indicators of efficiency.* These include: (i) closing of the project on time and on budget; (ii) doubling the expenditure on road maintenance with 100 percent of maintenance contracted out to the private sector which is expected to lead to increased efficiency; (ii) the successful piloting of the OPBM contracts which is already evidenced by improvement in IRI on the OPBM roads and is also expected to result in private sector driven efficiencies; and (iii) the GRD staff and local private sector road contractors becoming more efficient and professional in assessment of the quality of road maintenance works through participation in the measurement and monitoring of the roughness index under the Project.

### 3.4 Justification of Overall Outcome Rating

**Rating: *Satisfactory*.**

3.4.1 The overall outcome is rated satisfactory because of the high relevance and efficiency of the Project, and the satisfactory achievement of the PDO. The Project remains highly relevant to the GoA's and CPS's priorities. The PDO was fully achieved, with some of the outcome targets being exceeded. The Project also demonstrated its economic efficiency with an EIRR of 24.6 percent at Project completion

### 3.5 Overarching Themes, Other Outcomes and Impacts

#### (a) Poverty Impacts, Gender Aspects, and Social Development

3.5.1 While there was no specific attempt to collect relevant data under the Project, it is believed that the construction of the Milot-Rreshen road section and the road maintenance activities have contributed to poverty reduction through creation of jobs and improved access to social and economic opportunities for people living in the Project area. The Project also facilitated the construction of flood protection structures on both sides of the Mati River—this ensured that the communities living in the river plain were spared from any agricultural losses during the recent floods in 2010 and 2011. There is evidence of increased roadside informal trading activities along the improved road section—particularly at bus stops—and of increased building of commercial structures such as restaurants and petrol stations—even if sometimes without permission. An attempt to directly measure the poverty impact of Project activities through a socio-economic impact survey could have helped in gaining an insight into the impacts of the investments on the population within the Project areas.

### **(b) Institutional Change/Strengthening**

3.5.2 Five significant positive institutional impacts of the Project can be identified. The first is the study to define a detailed roadmap for the reform of GRD. This study was completed during the first year of the Project. It has remained a valuable point of reference for dialogue on the implementation of the reform process and a good starting point for the subsequent support by the EU for the implementation of the reform.

3.5.3 The second institutional impact was the building of a competent contract management capacity within the GRD. This meant that the various Project activities were managed successfully—particularly the physical investment—where close monitoring of the contracts was instrumental to early detection of areas requiring action by GRD higher level management or the Bank.

3.5.4 The third institutional impact was the change in mindset within the Albanian local road contracting industry with regard to maintenance works. The experience under the Project clearly demonstrated to the industry that there is an alternative to the traditional works measurement approach—and indications are that there will be more active participation in future tenders of such works.

3.5.5 The fourth institutional impact was in facilitating the successful creation of the Maritime Administration and the preparation and enactment into law of its related by-laws and codes, which are in line with EU standards.

3.5.6 The Project also contributed to strengthening institutional arrangements for the management of road safety activities. While noting that the Inter-ministerial Committee could have played a stronger role (see para 2.2.7), it nevertheless adopted the updated Road Safety Action Plan and provided some guidance. The Road Safety Department (RSD) of MPWT is now more empowered been now given the mandate to act as Secretariat of the Inter-ministerial Committee.. The Traffic Police Department has developed and made fully operational the accident and black-spots database. The annual budget for road safety has been increased—and it is now a separate line item in the ministry budget. In addition, a database of health\emergency centers has been established—and materials to be included in the curricula of elementary and high education have been prepared. Enabling and implementing institutional action has led to changes in legislation, which is not always possible within the lifetime of a project. An example is the New Albania Road Code, which was approved by Parliament in early December 2011. The TA under the Project supported preparation of the draft road safety chapters of this code by the RSD of the MPWT.

### **(c) Other Unintended Outcomes and Impacts (positive or negative)**

3.5.7 The optimization exercise to adjust the alignment of the construction of the 2-lane Milot-Rreshen road section so that the construction was in line with the planned eventual upgrading to a 4-lane highway led to changes in the contract. The intention was to help reduce the cost of future upgrading and to simplify its construction so as to improve access for local communities to the improved road. These were positive impacts not envisaged at appraisal.

3.5.8 The total subcontracting by main contractors inadvertently helped build capacity of the local construction industry (see paras 2.4.11-2.4.12).

3.5.9 An unintended negative impact was the newly emerging informal roadside trading activities and construction of petrol stations without due permission along the road. This brought home the need for action by GRD to protect its right of way by exercising its power of eminent domain. It also flagged the need for good forward planning by the GRD/ARA in acquiring land along its road corridors to accommodate future road expansion. This would also help reduce the scale of land appropriation actually linked to a specific road contract.

3.5.10 The design of the Milot-Rreshen road section did not adequately provide for the operation of public transport along its length; bus stops were not properly designed to adequately accommodate buses and provide safe access for users. The needs of vulnerable road-users, including pedestrians, were not adequately met; the road safety audit of the improved road highlighted the need for additional pedestrian bridges and safer crossing points.

### **3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops**

3.6.1 This is a Core ICR, and a beneficiary survey is not required.

## **4. Assessment of Risk to Development Outcome**

**Rating: *Moderate*.**

4.1 The risk to development outcome is rated as moderate. The risk is not due to the project design or implementation but rather to the severe economic and financial crises in the region that are likely to affect future priorities and all planned investments and commitments as well as the GRD/ARA institutional reforms. Had it not been for the economic situation, the risk to the development outcome would have been rated low or negligible.

4.2 The adverse economic conditions do not provide the right environment to discuss and come to agreement on the terms and conditions of the staff of the proposed ARA. If a decision is reached, there is therefore a possibility that the final terms and conditions may not be adequate to retain key staff of the PIT. Such an eventuality may adversely affect—at least for a certain period of time—the capacity of the GRD to implement development projects.

4.3 The main physical investment under the Project Milot-Rreshen is planned to be part of the concession of the entire Milot-Morine Road Corridor being prepared for award with IFC technical support by mid 2012. This should help safeguard the serviceability of the section and thus continuation of its development impact. This would also help to reduce encroachment of the right of way as the concessionaire can be expected to closely monitor and prevent such events to safeguard its operations. However, a serious downturn in the economy could in the short to medium term affect traffic volumes and delay the planned corridor concession.

4.4 The Government has demonstrated its commitment to scale-up the use of the OPBM approach by agreeing to fund—from its own resources—the existing contracts after the Project closes. Moreover, the Government has complied with the covenant stipulating that an annual increase in the budgetary allocation to road maintenance by 10 percent in real terms during the

period of implementation of the Project. However, future maintenance allocations could be reduced depending on the severity of the present economic downturn.

4.5 There also appears to be government commitment to building on the road safety outcomes of the Project. This is evidenced by: (i) the Government's decision to fund, through the GRD budget, the proposed accident black spots improvement measures; and (ii) the Government's decision to create a working group on road safety with a secretariat located in the MPWT and managed by the Directorate for Road Traffic, to address the hiatus created by the infrequent convening of the IRSC. With this arrangement, working level coordination can be facilitated which is expected to help with implementation of various aspects of the Road Safety Action Plan. However, decrease in the political commitment, evidenced through the lack of activity of the IRSC remains a risk to scaling up the road safety activities.

4.6 The Maritime Administration has been established, and it is now operational. The continuing relevance of the MA should be ensured by: (i) the need for Albania to comply with international obligations—such as those of the EU and International Maritime Organization (IMO); and (ii) the importance of effective operation of the ports to the Albanian economy.

## **5. Assessment of Bank and Borrower Performance**

### **5.1 Bank Performance**

#### **(a) Bank Performance in Ensuring Quality at Entry**

**Rating:** *Satisfactory*.

5.1.1 The Project was well-designed, with a primary focus on physical investment, road maintenance, and road safety. The institutional dimensions were well-focused on: (i) developing a roadmap for the reform of GRD; (ii) establishing the MA and enacting related by-laws and codes; and (iii) improving the road safety institutional framework. The long Project preparation period (2003-2007)—albeit with a hiatus when preparation was suspended due to differences in investment priorities between the Bank and the former administration—allowed for progress on policy issues, feasibility studies and detailed designs for the Milot-Rreshen road section, and preparation of the EIA. Good interaction between the Bank and other donors helped build trust, which was crucial in reaching agreement on the establishment of a common Project management team within GRD and in building consensus on the direction of needed policy reforms. In particular, the results of the ANTP prepared by the GoA with EU TA support provided useful background information for policy dialogue and investment priorities. In hindsight, the passing of the Tirana component to the EBRD as a result of the hiatus in preparation was beneficial—because it placed the focus on the construction and maintenance of major roads and related activities, such as improving road safety.

5.1.2 Key project risks were correctly identified and reasonable mitigation measures were put in place (see paras 2.1.5 and 2.1.6).

5.1.3 The design could have included a general activity in component 4 to allow for the conduct of various studies in support of implementation of the reform—although the precise need would have been difficult to predict at the time of appraisal. This would have given the Bank the opportunity to support some of the quick win recommendations of the Study to define a road map for reform—especially, supporting the establishment of the Reform Implementation Team (RIT). However, the GoA at that time wanted to limit the amount of the loan/credit for technical assistance/studies. It was envisaged that the latter would be supported by grant financing from other donors—notably, the IPA grant money from the EU. Indicators could have been defined more sharply (see para 2.1.2).

## **(b) Quality of Supervision**

**Rating: Satisfactory.**

5.1.4 During implementation, the Bank undertook supervision missions twice yearly, with the team member based in the Country Office available to provide follow up support as needed. The supervision teams were usually comprised of Bank staff, one of whom was a highway engineer, supported as required by an international consultant highway engineer. Environmental and social safeguards specialists were part of the missions, or they sometimes undertook missions outside of the main mission of the Bank team. There was no record of a road safety expert being a member of the Bank team throughout Project implementation—but the team leader (and later team member) was the Europe and Central Asia regional road safety contact point, and had considerable experience in designing and supervising road safety components. The Bank missions closely monitored progress with the implementation of the contracts, particularly the major civil works contracts. They engaged closely with the PIT, and thus, were timely informed of any emerging problems. The Bank team had a good relationship with counterparts, who were very appreciative of their technical expertise and their commitment to the Project and the sector—follow up from the Country Office in-between missions was also highly regarded. The Team enjoyed good relationships with other development partners—particularly the EU, which gave the team good access to information generated from its TA support to Government in the sector. The Bank team felt comfortable providing frank and detailed comments on the reports produced under the TA.

5.1.5 The tracking of progress in achieving the PDO through the indicators was one area that could have been better done. The ISR did not reflect a key Project covenant, and did not fully reflect the Results Framework throughout Project implementation. The Bank team did not pick up on the difference between the PDO text in the PAD and the FA. This resulted in the tracking of indicators that did not need to be tracked—and in the exclusion of one indicator that should have been tracked. It should be noted however, that this lapse did not have any impact on the achievement of the PDOs.

## **(c) Justification of Rating for Overall Bank Performance**

**Rating: Satisfactory.**

5.1.6 The satisfactory rating was based on the Bank's satisfactory performance in ensuring quality at entry, and on its satisfactory performance during Project implementation.

## **5.2 Borrower Performance**

### **(a) Government Performance**

**Rating: Moderately satisfactory.**

5.2.1 The Borrower did not perform satisfactorily with regard to actions to advance the institutional reform of the GRD. There were significant delays in meeting the relevant key covenants. The law establishing the ARA was passed on October 15, 2009, and the Board was appointed in September 2010 but the Chief Executive is still to be appointed, and the staff has yet to be engaged—pending a final decision on their conditions of service. These delays put into question the Borrower's commitment to the reform.

5.2.2 The notable achievements of the Borrower included: (i) designating road safety as a separate line item in the GoA annual budgets; (ii) maintaining and utilizing the road accident database; and (iii) increasing allocations for road maintenance. (See para 3.5.6 for further borrower achievements). The latter was done through compliance with the covenant requiring it to increase allocations to road maintenance by 10 percent annually in real terms over the period of the Project. In addition, the Department of Road Safety in the MPWT has been very active (with



the support of a road safety consultant -) in updating the Road Safety Strategy, approving its action plan by the Inter-ministerial Road Safety Committee, and preparing the new Road Code (approved in November 2011). However, the Borrower could still have provided more support to the road safety activities. The Inter-ministerial Committee could have convened more frequently, carried out a more intense public awareness campaign, and prepared curricula to be introduced by the Ministry of Education without significant delays.

5.2.3 The Borrower prepared and submitted a comprehensive ICR for the Project in April 2011. The document provided a very candid and thorough evaluation of the Project preparation and implementation, including: (i) achievement of the PDO; (ii) accomplishments under each of the Project components; (iii) issues and challenges faced during preparation and implementation; (iv) lessons learned; and (v) assessment of the Bank's and Borrower's performances.

#### **(b) Implementing Agency or Agencies Performance**

##### **Rating: Satisfactory.**

5.2.4 The Project was well-implemented by GRD through its PIT. The Project was completed on time despite significant delays in some individual activities, such as the late award of the civil works contract for the Milot-Rreshen road section and the four pilot OPBM contracts in two regions. The PIT was quick in following up on Project issues—particularly, on the changes to the civil works for the Milot-Rreshen road section as a result of the Government's decision to award the contract for an adjacent section of the Milot-Morine Road Corridor as a 4-lane highway. The resulting optimization exercise was well-coordinated by the PIT. In a similar way, the PIT responded well to the need to ensure good quality preparation and implementation of the OPBM contracts. It was firm in applying contractual provisions, but it also displayed fairness by—for example—recognizing the need to relax the penalties included in the contracts given that they were pilot in nature and the contractors had no experience in OPBM. The PIT kept good records on the Project's activities and is now a very competent contract management unit well able to manage donor-funded projects.

5.2.5 An area not so well handled by the PIT related to the control of use of the right of way after completion of the construction works on the Milot-Rreshen road section, when third parties started informal trading activities along the road. These activities were hazardous and affected road safety. GRD needs to strengthen its capacity to address this issue, and to streamline its solution in further road projects.

#### **(c) Justification of Rating for Overall Borrower Performance**

##### **Rating: *Moderately satisfactory.***

5.2.6 The overall moderately satisfactory rating (rather than satisfactory) is due to the performance of the borrower with regard to the GRD institutional reforms and the inter-ministerial Road Safety Council as explained above.

## **6. Lessons Learned**

- Sound collaboration with other development partners and IFIs allows for synergies and consistency in the design of projects and particularly in promoting sectoral institutional reforms. Working closely with the EU on its TA not only ensured consistency and synergies, but enhanced the success of their respective initiatives.
- Institutional reforms are typically difficult and often need a longer time than envisioned within a Standard Investment Loan's duration. Moreover, the risk of failure for institutional reform components tends to be significantly higher than for physical components—but their development benefits tend to be significantly larger.

Consequently, it is important: (i) for the Bank team to build alliances with other development partners and IFIs; (ii) for the Bank team to identify champions for the reforms within the Government; and (iii) for Bank management to recognize the inherent risks involved, and to decide how to reflect those risks in the Project design.

- A sub-contracting provision needs to be clearly defined in the contract. The ambiguity regarding the extent of sub-contracting allowed under the contract for the Milot-Rreshen road section allowed the winning contractor to sub-contract all the civil works, and eventually act as a contract manager. In such a major contract, this could have led to a disastrous situation if not for the experience and ability of the supervision consultants and the contractor's staff. The contract should also include a clearly-defined provision about the main contractor's responsibility to provide its own major equipment (e.g., crushing plant, concrete plant and asphalt plant) in order to avoid forcing sub-contractors to rely on local suppliers. This lesson was also highlighted in the Borrower's ICR.
- Arrangements for water monitoring during the works execution need to be clearly determined prior to bidding—and a relevant provision should be included in the civil works contract. With the start of construction works, it was not clear which party would cover the costs for water tests, because there were no such provisions in either the Works Contract or the Supervision Contract. Also, the GRD did not have money allocated for this purpose in the budget. The responsibility for water testing should be assigned to the contractor in the Environmental Management Plan—and a relevant item should be included in the Contract Documents, within the BOQ, for water sampling and testing, utilising a Provisional Sum.
- The expected levels of service and the penalty system should be defined in OPBM contracts with due consideration of the current condition of assets. It is important to have accurate asset inventory and condition data, because they provide the baseline for measurement of performance by the contractor. Monthly penalties should be defined in accordance with the level of service to be expected during the early life of the Project.
- Project design should include a reasonable unallocated amount, so as to be able to respond to unanticipated needs. Had the Project included such a provision, it would have been able to facilitate some of the upfront incremental actions recommended by the Study to develop a roadmap for reform of GRD. This could have helped maintain the momentum behind the reform while the much bigger EU TA was being put in place—and it could have given the Bank some leverage in discussing progress on the reform.

## **7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners**

### **(a) Borrower/Implementing Agencies**

7.1 The Borrower/Implementing Agency (IA) submitted to the Bank its ICR for the Project in April 2011. It was subsequently revised in July 2011. The report exceeds 10 pages. Therefore, a summary of the report has been enclosed in Annex 7, while the original document has been saved in the Project files.

7.2 The Borrower also provided its comments on the Bank's draft ICR on December 14, 2011. The Borrower/IA mostly agreed with the findings, issues, conclusions and lessons learned in the draft ICR for this project. The Bank corrected, updated and revised a few factual inaccuracies pointed out by the IA in the draft document.

7.3 With regards to the Borrower's ownership of sector institutional reforms as one of the key factors affecting implementation, the Borrower/IA emphasized that it had been more concerned "about GRD accomplishing its objectives being the GoA primarily sector in budget investments rather than the institutional reform of GRD. Any hindrance to GRD performance affecting its capacities, budget allocations and staffing in the most critical period of Road Infrastructure investment was seen to be risky and thus to be avoided." This point was taken into consideration and the respective paragraph was revised accordingly. On the encroachment of the right of way by informal vendors and petrol stations, The Borrower/IA clarified that GRD is only the owner of the right of way, but it is not within its competence to enforce this law. GRD can only inform the relevant authorities about the intrusion of third parties in the right-of-way and has never exerted its right to grant any permission to any part of Milot-Rreshen road.

7.4 The Borrower/IA requested the Bank to revise upwards the ratings of project efficiency, Government performance and IA Performance. The ICR team reviewed the justification for the Government performance and agreed that shortcomings were moderate, not significant, and eventually upgraded the rating of Government Performance to Moderately Satisfactory. The ICR team did not agree with justification for upgrading the other two ratings to highly satisfactory because there was a reduction in project benefits due to the delay in works execution, no quantitative results on regarding OPBM and the increased maintenance spending; and there were minor shortcomings in the IA's performance,.

**(b) Co-financiers**

No comments on the Bank draft ICR were received from OPEC Fund.

**(c) Other partners and stakeholders**

*(e.g. NGOs/private sector/civil society)*

## Annex 1. Project Costs and Financing

### (a) Project Costs by Component (in USD Million equivalent)

Component	PAD Costs (US\$M)	Actual Costs (US\$M)	% of Appraisal
<b>1. CONSTRUCTION OF MILOT-RRESHEN ROAD:</b>			
1a. Lot 1 Milot – Skuraj	12.30	14.48	118%
1b. Lot 2 Skuraj – Rubik	10.70	10.32	96%
1c. Lot 3 Rubik – Rreshen	13.20	13.64	103%
1d. Consultant Supervision	1.20	1.84	153%
<b>Sub-total</b>	<b>37.40</b>	<b>40.28</b>	<b>108%</b>
<b>2. PERFORMANCE-BASED ROAD MAINTENANCE CONTRACTS:</b>			
2a. Pilot OPBM contracts in two regions	10.00	6.04	60%
2b. Consultant Supervision	1.50	1.54	103%
<b>Sub-total</b>	<b>11.50</b>	<b>7.58</b>	<b>66%</b>
<b>3. ROAD SAFETY:</b>			
3a. Technical Assistance	1.00	1.13	113%
3b. Road Safety Equipment	0.20	0.14	70%
<b>Sub-total</b>	<b>1.20</b>	<b>1.27</b>	<b>106%</b>
<b>4. TECHNICAL ASSISTANCE AND GOODS:</b>			
4a. To establish the maritime administration	1.00	1.34	134%
4b. To undertake sector specific fiduciary assessment (preparation of bid documents of OPBC)	0.10	0.36	365%
4c. International TA to the PIT in GRD	0.25	0.24	98%
4d. PIT staff and office expenses	0.25	0.51	204%
4e. Vehicles for PIT	0.06	0.00	0%
4f. Training	0.05	0.00	0%
4g. Road Condition Equipment	0.01	0.06	649%
4h. Traffic Counters/Classifiers	0.30	0.00	0%
4i. To support institutional reform in GRD.	0.06	0.06	107%
<b>Sub-total</b>	<b>2.08</b>	<b>2.52</b>	<b>121%</b>
Physical Contingencies	3.62	0	0%
<b>Total Project Costs</b>	<b>55.80</b>	<b>51.65</b>	<b>93%</b>

**(b) Financing**

Source of Funds	Type of Co-financing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		16.00	16.10	100.63
International Bank for Reconstruction and Development		20.00	20.22	100.10
International Development Association (IDA)		5.00	4.72	94.00
OPEC FUND		15.00	12.42	82.80

## Annex 2. Outputs by Component

The Transport Project is composed of four components: (i) the construction of the 26 km section of the Milot-Morinë road corridor, between Milot and Rreshen; (ii) the introduction of OPBM contracts in two pilot regions; (iii) the road safety component, which involves a mix of technical assistance and equipment; and (iv) other necessary technical assistance and equipment. The Project's outputs by component are detailed in the table below.

Item	Component	Output	Changes/Comments
<b><i>Component 1: Construction of the Milot to Rreshen Road</i></b>			
1.1	Contract 1- Fushe Milot to Skuraj Junction	9.0 kilometers of 2-lane highway constructed	Alignment 'optimized' to facilitate future upgrading to 4-lane highway
1.2	Contract 2- Skuraj to Rubik	9.0 kilometers of 2-lane highway constructed	Same as above
1.3	Contract 3- Rubik to Rreshen	8.0 kilometers of 2-lane highway constructed	Same as above
1.4	Engagement of consultant for supervision of the three civil works contracts	Supervision of the works completed	Contract extended to include carrying out of the optimization exercise and design review of the tendered drawings, as well as delays in implementation of Lot 3 Contract.
<b><i>Component 2: Introduction of Output and Performance-based Maintenance Contracts</i></b>			
2.1	<b>Contract 1, Tirana Region, Tirana district</b> K.Zall Herr-Zall Herr (SH53) K.Kamez-Vore-Marikaj (e re) (SH2) K.Durrës-K.Lushnje (SH4) K.Kamez-Vore-(Dytesore Djathtas) Mbikalimi Kashar -Rinas K.Rinas-Rinas (SH60)	Completed. Initial rehabilitation works <sup>8</sup> and specified routine maintenance works completed, leading to achievement of the following roughness index values at Project completion for the road sections respectively: 7.0; 5.0; 4.0; 6.8; 4.0; and 6.0.	Due to delay in contract award, agreed that Government will continue to fund the contracts from own resources after Project closing including related supervision until November 2011. The IRI improvement in all sections is

<sup>8</sup> For all contracts, initial rehabilitation works (total cost capped at 40%) could include all or any of the following: (i) repair of erosions and landslides; (ii) construction or reconstruction of the drainage system, including culverts and ditches; (iii) patching of the existing pavement; (iv) partial pavement rehabilitation, including scrapping the actual pavement, crushing, spreading and compacting it to be used as a new base, followed by laying down of a new pavement layer; (v) full pavement rehabilitation, including substitution of the sub-base; and (vi) construction of guard rails and other related features.

2.2	<b>Contract 2 - Tirana Region - Tirana/Kavaje Districts</b> Kombinat-Romanat (SH56) Sauk-km 29(kufi Elbasan) (SH3) K.Tirane-Senatorium (SH86) Vorë – Km10 (kufi Krujë) (SH52)	Initial rehabilitation works and specified routine maintenance works that led to achievement of the following roughness index values at Project completion for the road sections respectively: 11.5; 11.0; 17.6 and 5.6.	between 4-5%
2.3	<b>Contract 3 – Kukes Region – Kukes/Has Districts</b> Q/Shllak-Kalimash (SH5) Kukes-Airport (SH31) Kalimash-Morine (A1) Krume-Qafe Prush (SH23)	Initial rehabilitation works and specified routine maintenance works that led to achievement of the following roughness index values for each of the respective road sections: 8.8; 6.5; 5.2 and 8.8.	
2.4	<b>Contract 4 – Kukes Region - Tropoje District</b> B.Curri- Buajanit (SH12) Buajanit-Fierze (SH12) Sopot-Kam (SH13) Sopot-Qafe Morine (SH12) Qafe Meidan-Tropoje Vjeter Sopot-Buajanit (R1218)	Initial rehabilitation works and specified routine maintenance works that led to achievement of the following roughness index values for each of the respective road sections: 9.8; 9.8; 9.5; 6.0; 6.0; and 6.0.	
2.5	Engagement of consultants for the supervision of the four OPBM contracts.	Completed	
<b>Component 3: Road Safety Component.</b>			
3.1	Implementation of National Action Plan	Road safety campaigns, including organization of workshop ‘stop mass killing on roads’ and one month TV campaign on use of seat belts; inventory of resources and capabilities among hospitals and ambulance services; analysis of curricula and road safety education in school books.	
3.2	Changes to primary and secondary legislation	The review of laws and by-laws are completed; consultant has produced, in cooperation with Ministry of Health an inventory of resources and capacities of Albania hospital and ambulance emergency services; consultant has provided to Ministry of	

		Education an in-depth analysis of the curricula and road safety education, providing ready-to-be-included materials in the school books	
3.3	Road safety audit of Tirana-Durres pilot project	Completed the remedial measures included in the Government Road Safety Plan and 2012 budget allocations	
3.4	Road safety inspection of the completed Milot-Rreshen road section	Completed the remedial measures implemented during the Defects Liability Period of the CW Contracts and supervised by the same consultant	
3.5	Implementation of National Road safety Strategy and its Action Plan	The Action Plan, as one of the actions of the strategy, is prepared and approved (May 2011) by the Inter-Ministerial Committee of Road Safety, chaired by PM	
3.6	Detailed remedial measures for improving accident black spots for 20% of the priority list	18 Black Spots have been analysed, improvement interventions have been designed, and bidding documents prepared. The improvement of all these black-spots has started in 2011 and will continue (budgeted for) in 2012	Implementation by GRD started with allocation of US\$700,000 in 2011 budget. 2012 budget about US\$ 100,000
<b>Component 4: Technical Assistance and Goods</b>			
4.1	Technical assistance to establish the maritime administration, implement the new port authority law and prepare new maritime by-laws in conformity with EU standards	Maritime Administration established and functional. About 36 by-laws and codes prepared and enacted. Extended to include drafting of 'Inland waterway regulation' following tragic accident on Lake Ohrid in Macedonia.	Final report delivered 29 July 2010. Beneficiary agency well satisfied with consultant's performance and would like assistance with IMO codes. The Structure and Manual of Organization of the Albanian Maritime Administration, Amendments and recommendations to the current Albanian Maritime Code, the



			new Maritime Code which has been approved, the set of 32 Maritime Regulations in accordance to the new Maritime Code, HR development plan for Maritime Administration staff, Seafarers Program, Detailed Syllabus and Detailed Program of the IMO compulsory course, Budget and Business Plan Report, Recommendations for future IT developments and web page design for the Maritime General Directorate.
4.2	Undertaking a sector specific fiduciary assessment to identify the necessary changes to undertake a SWAp type approach in the sector in future	Dropped	Dropped in light of the challenging implementation of SWAp in the education sector. The subsequent secondary and local roads project/program adopted a programmatic approach.
4.3	Technical assistance in best practice in highway engineering skills to the PIT in GRD for a defined term.	Completed	TA service extended for additional 18 months under EIB funding.
4.4	Training	Training in contract management, Bank procurement procedures, financial management, and dispute resolution for GRD/PIT personnel. Road safety tour for GRD, Traffic Police and MPWT road safety departments.	
4.5	Limited office expenses for a transitional period	Completed. Staff salaries of PIT staff and incremental operating costs of PIT initially from start of Project until March 2010. Extended until Project closing, due to	Funding of staff salaries extended to end of Project following delay in establishment of ARA.

		the delay of GRD/ARA reform. As of today, the PIT established under the Project, is continuing the implementation of foreign-funded projects, and the staff are full-time employees of GRD (will continue to be so under the new ARA structure)	
4.6	Purchase of two vehicles for the PIT	None	Obtained via EU resources.
4.7	Procurement of road roughness measuring equipment to provide information for the asset management system	'Roughometer' purchased via OPBM contracts.	Initially envisaged 'bumpometer' agreed as not well suited to gravel roads. To be handed to GRD on contract completion.
4.8	Purchase of equipment for counting/classifying motor vehicles on the network, to the same end.	None	Agreed not to procure as GRD plans to outsource the related activities.
4.9	Support institutional reform in GRD	Study 'Institutional capacity building and transformation of GRD into a Public Enterprise' which contained road map for reform.	The study and its action plan was approved by CoM in April 2009, and a Draft law was produced by MPWT drawing on the report passed into law early Oct 2009

### Annex 3. Economic and Financial Analysis

The economic analysis of the Project done at appraisal was undertaken employing a standard cost-benefit approach, utilizing the Highway Development and Management Model (HDM-4) that identifies the major cost and benefits, quantifies them in monetary terms, and discounts them back over a defined analysis period at a given discount rate. The methodology used compares the reduction in vehicle operating costs and time costs in a 'do-something' scenario, when the proposed capital road works are executed, against a 'do-minimum' scenario, when minimum maintenance works are done to the road. The ex-post economic analysis followed the same methodology and used the same model.

The appraisal economic analysis has been conducted both on the primary Project component; the section of 26 kilometers between Milot and Rreshen constructed under the Project, and on the entire corridor between Milot and the border of Kosovo at Morine to be improved over time with different sources of financing. The appraisal economic analysis of the Milot - Rreshen road section resulted in an estimated economic internal rate of return (EIRR) of 19.6% and for the entire corridor 13.6%. The ex-post economic analysis has been conducted for the Milot - Rreshen road section that was financed under the Project, accounting for approximately 75% of total Project costs.

The ex-post economic analysis was done with actual information on the duration and timing of road works, current traffic data and actual road works costs. The appraisal analysis assumed a starting year of 2006, construction duration of two years, 50% expenditures in years 2006 and 2007, and an operating period of 25 years of Project benefits. The following table shows the appraisal estimates and actual construction duration and stream of road works expenditures. Actual road works started in 2007 for duration of four years with 23% of expenditures in 2008 and 45% of expenditures in 2009.

**Table 1: Construction Duration and Annual Costs Stream**

	<b>Appraisal</b>	<b>Actual</b>
<b>Construction Duration</b>	<b>2 years</b>	<b>4 years</b>
Expenditures in 2006 (%)	50	
Expenditures in 2007 (%)	50	14
Expenditures in 2008 (%)		23
Expenditures in 2009 (%)		45
Expenditures in 2010/2011 (%)		18

The appraisal examination of previous traffic flows on the road, together with growth in traffic volumes elsewhere on national roads led to the assumption of 7% forecast traffic growth for the period 2003-2008, with 6% growth rate in subsequent years. Traffic from the old alignment was also assumed to divert almost entirely to the new alignment. The following table provides, for each road segment and for the overall road section: (i) the appraisal estimated traffic in 2008 (assumed road opening year) and in 2011; and (ii) the actual traffic in 2011. For the overall Milot - Rreshen road section, the actual traffic in 2011 is 32% higher than the estimated traffic at appraisal.

**Table 2: Traffic on Milot - Rreshen Road Section**

Segment	Chainage	Length (km)	Traffic (AADT)			
			Appraisal		Actual 2011 (vpd)	2011 Actual per Appraisal Ratio
			2008 (vpd)	2011 (vpd)		
1	0 - 3.6	3.6	5,517	6,571	6,000	0.91
2	3.6 - 10.1	6.0	2,600	3,097	6,000	1.94
3	10.1 - 27.0	16.3	2,600	3,097	4,000	1.29
<b>Overall</b>		<b>25.9</b>	<b>3,005</b>	<b>3,580</b>	<b>4,741</b>	<b>1.32</b>

The procurement of the construction of the Milot - Rreshen Road Section was done under three contracts. The table below presents the appraisal construction cost estimates (base costs plus consultant supervision plus physical contingencies) and the actual costs per contract. For the overall Milot - Rreshen road section, the construction cost was 6% lower than the one estimated at appraisal.

**Table 3: Construction Costs on Milot - Rreshen Road Section**

Contract	Length (km)	Appraisal		Actual		Actual per Appraisal Ratio
		Cost (US\$ M)	Cost per Km (US\$ M/km)	Cost (US\$ M)	Cost per Km (US\$ M/km)	
1	9.0	14.2	1.58	14.7	1.64	1.04
2	9.0	14.2	1.58	10.5	1.17	0.74
3	8.0	12.6	1.58	13.5	1.69	1.07
<b>Overall</b>	<b>26.0</b>	<b>41.0</b>	<b>1.58</b>	<b>38.7</b>	<b>1.49</b>	<b>0.94</b>

The ex-post economic analysis was done adopting the same discount rate and analysis period used at appraisal (12% discount rate and 25 years of Project benefits). The ex-post economic analysis resulted in a Project EIRR of 24.6%. The reduction in Project benefits caused by the delay in implementing the road works (3 year delay) was compensated with the higher actual traffic on the road (33% increase in traffic) and the lower actual construction costs (6% reduction in construction costs). The following table presents the ex-post economic evaluation results. An ex-post EIRR of 24.6% indicates that the Project achieved its economic objectives with a strong economic justification.

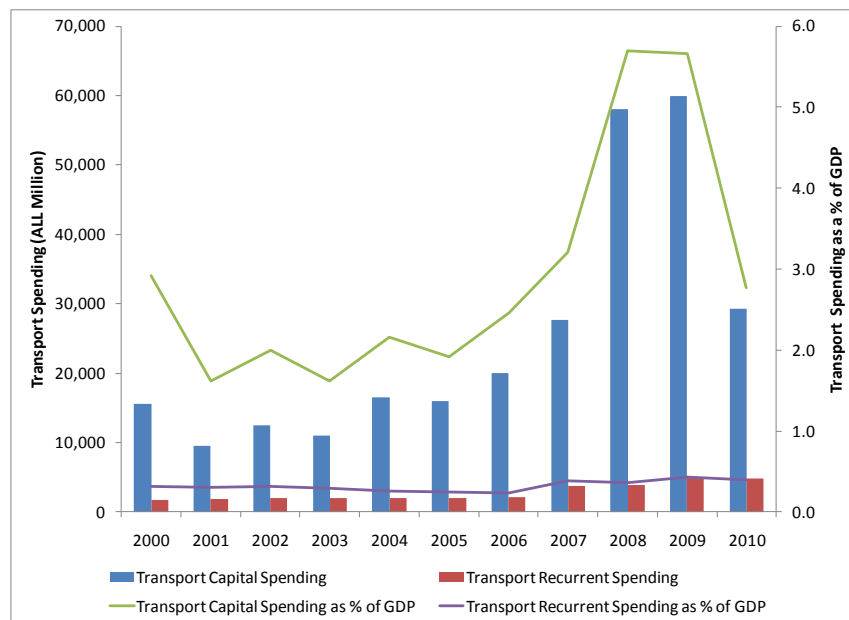
**Table 4: EIRR Milot - Rreshen Road Section**

Appraisal	Actual
19.6%	24.6%

## The Financial Analysis of the Road Sector

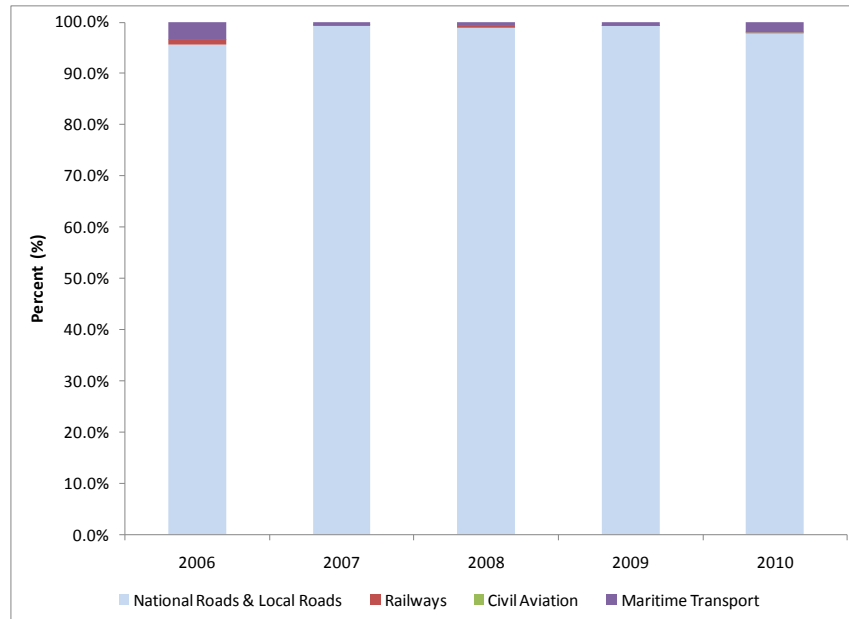
At appraisal, an evaluation of total transport capital and recurrent expenditures was done for the period 2000 to 2005. The evaluations showed that in 2000-2005 the transport sector accounted for a significant proportion of total investments in total public expenditures, with total transport capital expenditures being on average 8% of the total consolidated Government spending and 2.4% of GDP. During 2000-2005, total transport capital outlays have been volatile with a trend as a proportion of GDP going downwards. By contrast, the trend in total recurrent expenditures displayed a modest increase over the same period, excepting 2005. A current evaluation shows that since 2005 there was a substantial increase in transport capital spending up to 2009, decreasing sharply in 2010. The transport capital spending reached 5.7% of GDP in 2009, increasing from 2.5% in 2006, to decrease to 2.8% of GDP in 2010. By contrast, transport recurrent expenditures increase gradually to 0.4% of GDP in 2010 from 0.2% of GDP in 2006.

**Figure 1: Transport Capital and Recurrent Spending 2000-2010**



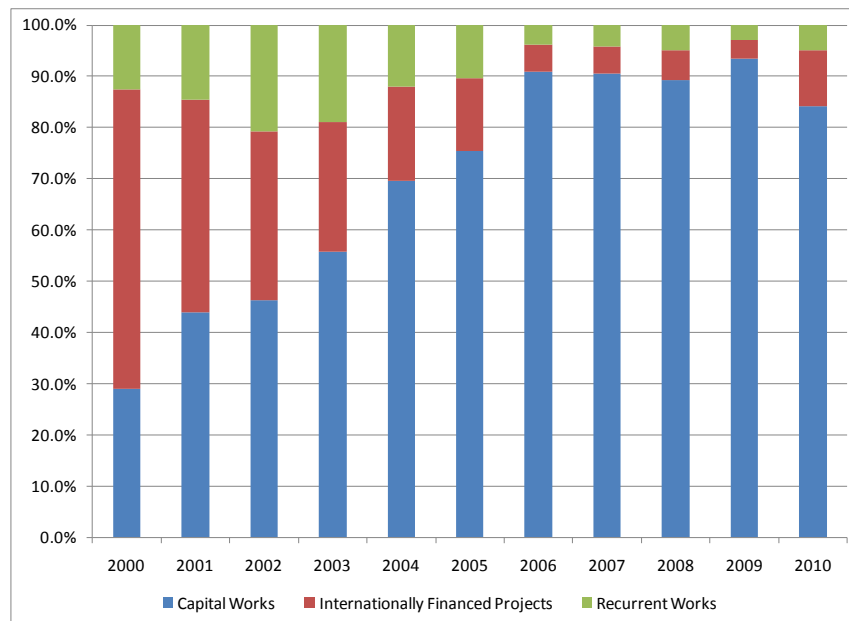
The road subsector still consumes the largest share of budgeted public expenditures. At appraisal, it was determined that expenditures on roads averaged 2.1% of GDP or 88% of transport expenditures over the period 2000-2005. A current evaluation shows that over the period 2006-2010, the average expenditures on roads increased to 3.9% of GDP and are 98% of transport expenditures.

**Figure 2: Composition of Transport Spending (% of Total Transport Spending)**



The percentage of road expenditures of the General Road Directorate GRD on national roads for capital works (construction and periodic maintenance) has increased steadily since 2000, reaching 93% of total GRD expenditures in 2009 or 4.8% of GDP. The percentage of total expenditures for internationally-financed projects has decreased over the years from 59% in 2000 to an average of 8% over the period 2005-2010.

**Figure 3: Breakdown of GRD Expenditures**



GRD recurrent expenditures (routine maintenance) averaged 1,177 ALL million per year from 2005 to 2010 and are around 0.1% of GDP over that period. The periodic maintenance

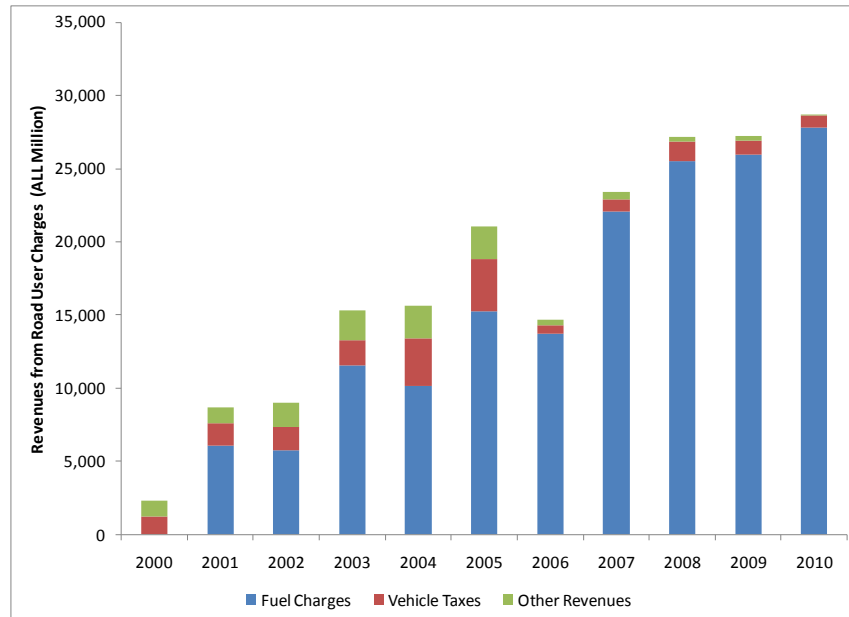
expenditures (asphalt repair and partial resurfacing) average 2,942 ALL million per year during that period. The following table presents the GRD expenditures on national roads from 2005 to 2010.

**Table 5: GRD Expenditures on National Roads by Type (ALL Million)**

	2005	2006	2007	2008	2009	2010
<b>Capital Works</b>						
Road Construction	1,955	13,181	23,282	20,578	48,063	18,764
Asphalt Repair	1,487	2,854	2,269	2,792	4,979	3,216
Partial Resurfacing				18	21	17
Bridge Construction	562	1,197	657	237	30	81
Culvert Construction				25	84	74
Design Studies	97	242	472	246	549	323
Supervision	56	88	107	576	594	238
Expropriation	572	534	0	162	288	27
<i>Sub-Total</i>	<i>4,729</i>	<i>18,095</i>	<i>26,785</i>	<i>25,661</i>	<i>54,897</i>	<i>23,219</i>
<b>International-financed Project</b>						
Local Contribution	402	579	370	631	648	1,233
VAT	485	473	1,188	1,083	1,514	1,777
<i>Sub-Total</i>	<i>888</i>	<i>1,052</i>	<i>1,558</i>	<i>1,713</i>	<i>2,161</i>	<i>3,010</i>
<b>Recurrent Works</b>						
Operating Expenses	292	370	857	1,039	133	1,010
Social Insurance	78	75	62	57	54	47
Wages	276	301	313	298	302	300
<i>Sub-Total</i>	<i>646</i>	<i>746</i>	<i>1,233</i>	<i>1,395</i>	<i>1,684</i>	<i>1,357</i>
<b>Total</b>	<b>6,263</b>	<b>19,893</b>	<b>29,576</b>	<b>28,769</b>	<b>58,743</b>	<b>27,587</b>

Road user charges in Albania include fuel taxes and vehicle ownership charges. Total revenues from road user charges increased substantially since 2000, amounting to ALL 28.7 billion in 2010. In 2001, fuel taxes revenues amounted to 70% of road user charges revenues and in 2010 the percentage increased to 97%.

**Figure 4: Revenues from Road User Charges (ALL millions)**



Revenues from road users during 2005-2010 were below total spending on national and local roads, but exceeded total routine and periodic maintenance spending on national roads. The following table presents the revenues from road user charges from 2005 to 2010.

**Table 6: Revenues From Road User Charges 2006-2010 (ALL Millions)**

	2006	2007	2008	2009	2010
<b>Fuel Charges</b>					
Diesel and Gasoline Charges	11,771	19,268	21,123	21,266	22,145
Carbon Tax on Fuel	330	547	577	516	1,813
Durres-Kukes Road Tax	1,622	2,284	3,780	4,199	3,850
<i>Sub-Total</i>	<i>13,723</i>	<i>22,099</i>	<i>25,480</i>	<i>25,981</i>	<i>27,808</i>
<b>Vehicle Charges</b>					
Vehicle Registration Tax	540	793	881	924	800
Annual Vehicle Tax per Axle					
Road Circulation Tax	3	3	3	3	3
<i>Sub-Total</i>	<i>542</i>	<i>796</i>	<i>1,338</i>	<i>927</i>	<i>803</i>
<b>Other Revenues</b>					
Foreign Vehicle Circulation Tax	322	444	240	188	0
Change of Vehicle Ownership Tax					
Import Tax on Used Vehicles	1	1	1	1	1
Transport Licenses	63	85	126	135	74
<i>Sub-Total</i>	<i>386</i>	<i>530</i>	<i>367</i>	<i>323</i>	<i>75</i>
<b>Total</b>	<b>14,652</b>	<b>23,425</b>	<b>27,185</b>	<b>27,231</b>	<b>28,686</b>



## Annex 4. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
<b>Lending</b>			
Cesar Queiroz	Lead Transport Specialist	ECSSD	TTL until 2005
Richard Martin Humpreys	Senior Transport Economist	ECSSD	TTL from 2005- May 2011
Bernard Baratz	Consultant Specialist	ECSSD	Environmental Safeguards
Artan Guxho	Project Officer	ECSSD	Project Officer
Jesus Renzoli	Procurement Specialist		Procurement
Beda Hafizi	Team Assistant	ECCAL	Team Assistant
Richard Podolske	Consultant Transport Specialist	ECSSD	Transport Specialist
Lorraine McCann Kosinski	Temporary	ECSSD	Team Assistant
R. Scott Hanna	Consultant Environmental Specialist	ECSSD	Environmental Safeguards
Salim Benouniche	Senior Procurement Specialist	MNAPR	Procurement
Radhika Srinivasan	Senior Social Scientist	ECSSD	Social Safeguards
John Snell	Consultant Highway Engineer	ECSSD	Highway Engineer
Elona Gjika	Financial Management Specialist	ECS03	Financial Management
Olivier Le Ber	Senior Transport Specialist	ECSSD	Transport Specialist
Belita Manka	Procurement Specialist	LEGOP	Procurement
Brad Julian	Port and Marine Specialist	C3PLA	Port and Marine
Ahmet Gokce	Senior procurement Specialist	ECSO2	Procurement
Sanjay Sinha	Operations Officer	ECSSD	Operations Officer
<b>Supervision/ICR</b>			
Richard Martin Humpreys	Senior Transport Economist	ECSSD	TTL until May 2011
Artan Guxho	Senior Infrastructure Specialist	ECSS5	TTL, since May 2011
Bernard Baratz	Consultant Environmental Specialist	EASCS	Environment
Salim Benouniche	Lead Procurement Specialist	MNAPR	Procurement
Jacques Bure	Sr Highway Engineer	ECSS5	Highway Engineer
Elona Gjika	Financial Management Specialist	ECSOQ	Financial Management
Naima A Hasci	Senior Social Scientist	ECSS4	Social Development
Nikola Kerleta	Procurement Analyst	ECSO2	Procurement
Esma Kreso	Environmental Spec.	ECSS3	Environment
Belita Manka	Counsel	LEGOP	Legal Counsel
Stephen Muzira	Transport. Engineer	LCSTR	Engineer
Radhika Srinivasan	Senior Social Scientist	OPCFC	Social Development

Natasa Vetma	Operations Officer	ECSS3	Operations Officer
John Snell	Consultant Highway Engineer	ECSSD	Highway Engineer
Helen Shahriari	Senior Social Specialist	ECSSD	Social Development
Elda Hafizi	Program Assistant	ECCAL	Program Assistant
Ida Njeri Muhoho	Senior Financial Management Specialist	ECS03	Financial Management
George Banjo	Sr. Transport Specialist	ECSS5	ICR TTL/co-author
Natalya Stankevich	Transport Specialist	ECSS5	ICR co-author
Coral Bird	Program Assistant	ECSS5	Program Assistant

**(b) Staff Time and Cost**

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY03	10.53	80.71
FY04	25.89	185.62
FY05	32.41	157.11
FY06	19.29	94.77
FY07	26.89	97.38
<b>Total:</b>	<b>115.01</b>	<b>615.59</b>
Supervision/ICR		
FY08	23.00	120.33
FY09	26.72	89.09
FY10	22.26	96.75
FY11	24.01	89.30
FY12	10.68	37.59
<b>Total:</b>	<b>106.67</b>	<b>433.06</b>

**Annex 5. Beneficiary Survey Results**  
*(if any)*

Not applicable

**Annex 6. Stakeholder Workshop Report and Results**  
*(if any)*

Not applicable

## **Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR**

The Borrower provided a detailed ICR, the main elements of which are summarized below.

### ***Relevance of Project objectives and goals***

No changes have been made or were proposed to the Original Project. At the End of the Project Life it is the Borrower's opinion that the Project objectives and goals were all relevant. While a small minority of the Project sub-components were not eventually achieved i.e. the procuring of the road safety Goods: speed radar guns and breathalyzers, this does not mean that the Project objectives or goals are diminished by this incompleteness. Only the fourth part of the Project Development Objective was affected i.e. that the Project *contributes to the development of the institutional framework and implementation of road safety activities throughout Albania*. But even within this part, following the reallocation of these funds for alternative use to finance additional consultancy services for the Road Safety Project, the engagement and involvement of the Road Safety Consultant's Specialists has contributed to the above Project requirement.

### ***Summary on key changes to the scope of the Project***

#### **COMPONENT 1: CONSTRUCTION OF THE MILOT TO RRESHEN ROAD**

##### ***Lot 1: Fushë Milot – Skuraj Junction Contract CW/2006/1***

- 'optimisation' of the existing design for the Milot-Rreshen road section, miscellaneous access connections as requested by local community.
- changes to the Road Marking Design to make it comply with the Albanian Road Code.
- running costs of the Engineer and Laboratory and offices until the end of the works following the delay of the works without extension of time.

##### ***Lot 2: Skuraj Junction – Rubik Contract CW/2006/2***

- carrying out of some accommodation works for the Copper Works at Rubik
- undertake some additional slope excavation at Km 9 and 12 in order to provide for the widened carriageway later, without affecting the safety of the current road Project.
- change in the method of pile testing for Lot 2 to bring it in line with the method of pile testing adopted for Lots 1 and
- provision of some emergency services following a massive slip of the slope in Km 12+250 which caused the closure of the new carriageway to one lane. The additional services included i) services to monitor the emergency situation and intervene, ii) provide a mini by-pass to allow normal flow of traffic and iii) provision for removing the fallen material and place gabion walls.

##### ***Lot 3: Rubik – Rreshen Contract CW/2006/3***

slope protection works to the cuttings which were carried out by the Albanian Army

### ***Supervision Consultant “Egis Route”***

- To the contract of supervision consultant, at the end of 2007, to carry out an “optimisation exercise” to ensure that the existing design layout, which is actually under construction, allows for the future Government aim of incorporating two extra right hand traffic lanes with minimal cost and disruption including feasibility study of the optimization.
- Modification of staffing proposals because of the lateness of award of the Works Contracts for Lots 2 and 3.
- undertake necessary design reviews and modifications for Lots 1, 2 and 3 in order to meet the requirements of the GRD,
- the design and preparation of the working drawings, plus cost estimate, for the replacement of bridge at Km 25+685 to replace existing bridge.
- extension of the Contract for the staff that it was considered to be necessary to supervise the Works until their completion, together with the associated costs.
- the consultant to investigate the potential for undertaking additional earthworks excavation at the locations Km 9, 12 and 17 within the Lot 2 Works Contract to permit the Contractor to carry out the excavation work for the second carriageway, whilst excavating the cut material for the current contract. The amendment also required the Consultant to investigate the possibility of removing the need for additional excavation at Km 17 by verifying that the second carriageway could be constructed on the river side of the carriageway currently under construction between Km 17 and 19.

### **COMPONENT 2: INTRODUCTION OF OUTPUT AND PERFORMANCE-BASED ROAD MAINTENANCE CONTRACTS.**

- Appointment of consultant instead of advisor to undertake the preparatory stage of this component in view of its extensiveness to carry out: (i) the identification of the areas; (ii) the geographical and technical scope of the contracts; (iii) the pre-bid conferences with potential contractors; (iv) the preparation of the bidding documents; and (v) assistance to the PIT throughout the process.
- Due to the delayed start of the contracts extension of the duration of the maintenance contracts and supervision services to three years
- Revision of bid documents for the maintenance contracts as a result of dissatisfaction with the quality of the documents produced previously
- Introduction of demerit points to reduce the severity of penalties under the maintenance contracts.
- Extension of OPBRM contracts to include the Milot-Kalimash Corridor for maintenance for an Interim Period and of Milot – Rreshen section (constructed under the Transport Project) and the Rreshen – Kalimash section.

### ***Contract Tirana 1: Contract Works/ICB/2009/1***

- Removal of 20 km of K.Durres-K.Lushnje from the maintenance under this OPBRM Contract reducing total network being Maintained by the Contractor is 51.2Km.

***Contract Tirana 2: Contract Works/ICB/2009/2***

- Change of works on the Kombinant-Romanat road to Holding Maintenance from the beginning of September 2010 until the full rehabilitations is carried out by GRD and use of the un-used emergency quantities in the contract up to a maximum of one-third (1/3) of the total sum as specified in the contractor's price submission.

***Contract Kukës 3: Contract Works/ICB/2009/3***

- Inclusion under OPBRM Contracts of a 26 km section of Qaf Shllak-Kaimash road, where the Contractor was currently maintaining 9 Km

***Contract Kukës 4: Contract Works/ICB/2009/4***

***Supervision Consultant "EgisBCEOM"***

- Extension of the services of the Supervising Consultant of the OPBRM Contracts to provide additional services for this section. **COMPONENT 3: ROAD SAFETY.**
- Reallocation of the funds initially provisioned for the procurement of new speed radar, guns and breathalysers
- Procurement of IT equipment for DRST for developing black spot list.
- funding of "the use of seat-belts" TV-spot campaign.
- extension to the road safety consultant's services to among other things help the implementation of the National Road Safety Strategy and its Action Plan and develop and compile detailed projects for the improvement of accident Black-spots and design of remedial measures for 18 Black-Spots from the priority list and conduct of seminar on the Black-spot process and planning.
- reallocation of the funds initially provisioned for the procurement of new speed radar guns and breathalysers.

**COMPONENT 4: NECESSARY TECHNICAL ASSISTANCE AND GOODS**

Drafting legal framework and new regulation for the Inland Water Navigation.

- Dropping of undertaking a sector specific fiduciary assessment to identify the necessary changes to undertake a SWAp type approach in the sector in future. Not to be carried out under the Transport Project.
- Extension of technical assistance in best practice in highway engineering skills to the PIT with funding from EIB.
- Extension of payment of limited office expenses for a transitional period till end of the Project.
- Dropping of procurement of two vehicles for the PIT.
- Dropping of road roughness measuring equipment to provide information for the asset management system.

- Dropping of procurement of equipment for counting/classifying motor vehicles on the network, to the same end
- Contracts for repairs and upgrades to the GRD's 'Road Surface Profiler' and 'Falling Weight Deflectometer'.

### ***Borrower performance and outcomes***

The Borrower and the Beneficiaries have performed satisfactorily throughout the Project. The Borrower has ensured that counterpart financing has been made available on time and that payments to the Works Contractor's has been made in a timely manner. In addition, the Beneficiary has complied with all the Borrower's guidelines and operational policies especially regarding Environmental and Resettlement issues. The Beneficiaries of the various components have cooperated fully during the implementation of the Project. The personnel from GRD and PIT have assisted and liaised closely with the Works Contractors, to ensure that contracts have been successfully completed, whenever required to do so. Personnel from the Ministry's Safety Department and from the Police Department have worked closely with the Road Safety Consultant and provided sound ideas and advice towards improving road safety in Albania.

### ***Bank performance and outcome***

The Borrower considers that the Bank performed very well throughout the period of the Project. The MPWT, GRD in general and the PIT staff in particular are very appreciative of the help, work and advice given to them by the Bank's staff during the implementation of the Project. The contribution and work of Task Manager, Mr. Martin Humphreys and his assistant Mr. Artan Guxho, together with their supervision missions, have contributed greatly to the final success and achievements of the Project.

### ***Lessons***

#### **Subcontracting of Civil Works**

An area of Concern that should be addressed in future Contracts, is the Subletting of the works, the Contract Data, should stipulate, the amount in percentage, the amount that should be sublet and not left open like in the Contracts used for the Civil Works on Milot Rreshen section, where it states "Not all the Works should be Sublet".

The Main Contractor should also be made to follow their Technical Proposal, that is part of their Contract and provide their own Crushing Plant, Concrete Plant and Asphalt Plant, and not relying on local suppliers who have definitely affected the site progress. On future Contracts where all of the works are sub-contracted, the main Contractor should be made contractually aware that they need to provide the above mentioned equipments

#### **Noise and Water Pollution Monitoring**

*Protection of Water Resources:* According to the Environmental Monitoring Plan (EMP), included in the Particular Specifications, the CRE and the MEFWA are responsible for monitoring the potential for water pollution from improper material storage/management and from runoff from the site. According to the EMP, water samples should be taken monthly and analyzed by a competent laboratory. The CRE can arrange to collect water samples for analysis if necessary. However the issue is that water pollution is not able to be monitored because arrangements have not been made for analyzing the water samples and this was a problem. There was no provision for funding for water analyses within either the Works Contract or the Supervision Contract. The GRD also did not have any funds within its budget for water analyses. **This issue needs to be addressed in future Works contracts.** It would probably be better to attribute the responsibility to the Contractor for testing the water samples in the Environmental



Monitoring Plan. Then an item could be included in the Contract Documents, within the BOQ, for water sampling and analyses utilizing a Provisional Sum. However during late 2008, it was agreed by the PIT and the CRE to take some water samples in Lot 3 where the bridges were still under construction and works are adjacent or over the river where they can have an effect. The CRE arranged that the funding for the water analyses shall be paid using Day works for payment. The water analysis was subsequently carried out and the results from the tests, which confirmed to be satisfactory, were sent to the Environmental Specialist of the Bank.

*Noise monitoring:* A similar problem to the one for water analysis also applied to noise monitoring. Equipment for monitoring noise levels was not available on the site. Although the CRE and MEFWA are responsible for monitoring noise levels, the responsibility to provide the sound level detector lies with the NEAA according to the EMP. The Client (GRD) didn't possess any monitoring equipment and it was not a requirement for the Supervisor or the Contractor to provide the equipment. Again **this issue needs to be addressed in future Works contracts**. The Environmental Monitoring Plan should attribute the responsibility to the Contractor for providing sound measuring equipment and monitoring the noise levels. Then an item could be included in the Contract Documents, within the BOQ, for provision of a noise meter and subsequent noise monitoring utilizing a Provisional Sum.

## **Annex 8. Comments of Co-financiers and Other Partners/Stakeholders**

No comments are yet received from the OPEC Fund

## **Annex 9. List of Supporting Documents**

1. Project Appraisal Document, the World Bank, January 23, 2007
2. Financing Agreement, Transport Project, March 21, 2007
3. Loan Agreement, Transport Project, March 21, 2007
4. Aide memoires
5. Implementation Status Reports
6. Quarterly Reports, PIT, GRD, Republic of Albania
7. Transport Project, Borrowers Contribution to the ICR, April 2011
8. Country Assistance Strategy Progress Report for Albania (FY06-08), World Bank, May 2008
9. Country Partnership Strategy for Albania (FY11-14), June 2010
10. Implementation Completion and Results Report for the Road Maintenance Project, December 2007
11. Institutional Capacity Building and Transformation of the GRD into a Public Enterprise, Final Report, GRD, Government of Albania, December 2007

**MAP IBRD No.35035**

**I N S E R T**

**M A P**

**H E R E**

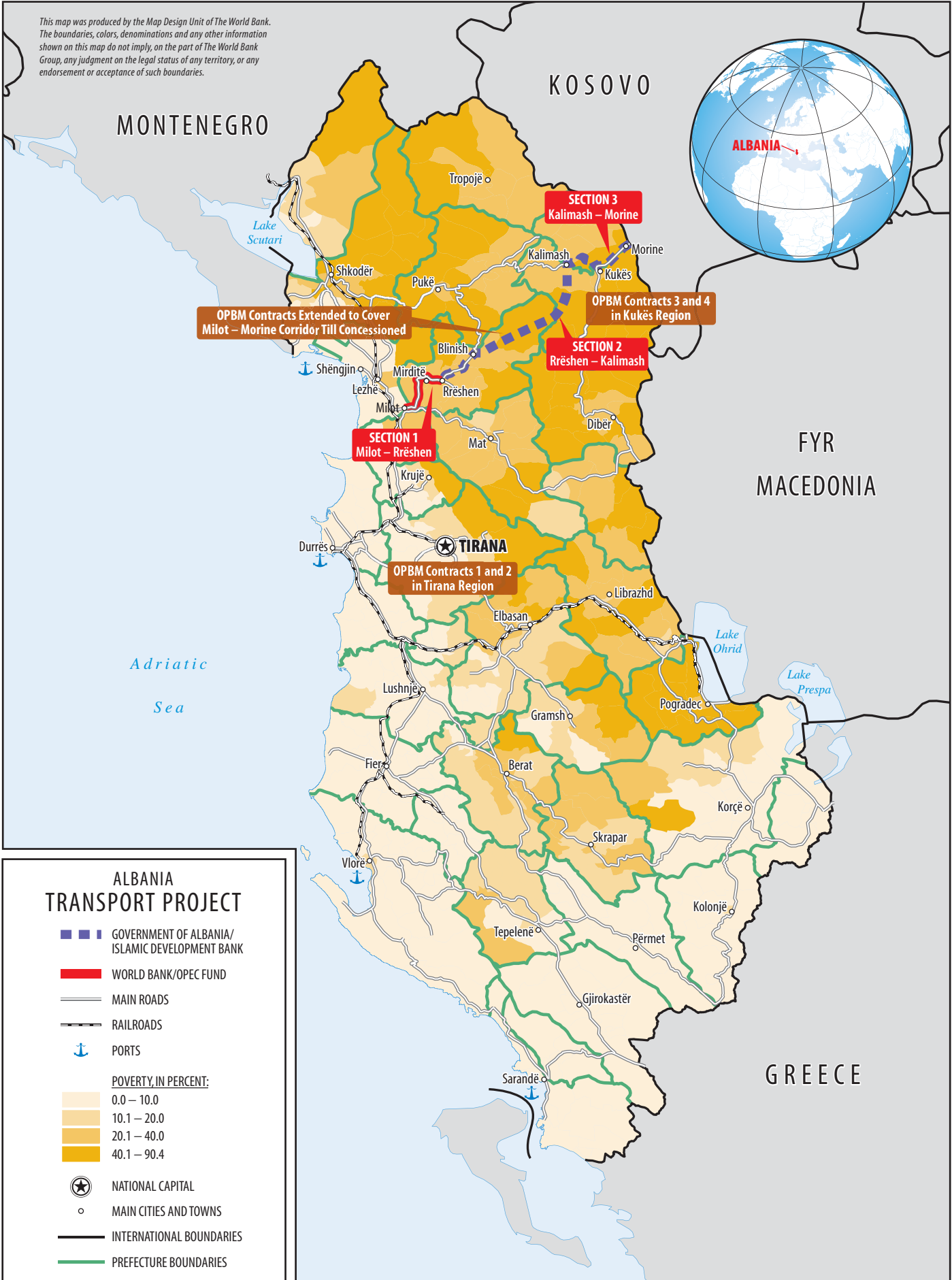
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### ALBANIA TRANSPORT PROJECT

- GOVERNMENT OF ALBANIA/ ISLAMIC DEVELOPMENT BANK
- WORLD BANK/OPEC FUND
- MAIN ROADS
- RAILROADS
- PORTS
- POVERTY, IN PERCENT:**
  - 0.0 – 10.0
  - 10.1 – 20.0
  - 20.1 – 40.0
  - 40.1 – 90.4
- NATIONAL CAPITAL
- MAIN CITIES AND TOWNS
- INTERNATIONAL BOUNDARIES
- PREFECTURE BOUNDARIES