

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA14022

|   |   |
|---|---|
| <b>Project Name</b>                           | Results-based Road Maintenance and Safety Project (P132982)   |
| <b>Region</b>                                 | EUROPE AND CENTRAL ASIA   |
| <b>Country</b>                                | Albania   |
| <b>Sector(s)</b>                              | Rural and Inter-Urban Roads and Highways (70%), Public administration- Transportation (30%)   |
| <b>Theme(s)</b>                               | Regional integration (30%), Rural services and infrastructure (30%), Administrative and civil service reform (20%), Infrastructure s ervices for private sector development (20%) |
| <b>Lending Instrument</b>                     | Investment Project Financing  |
| <b>Project ID</b>                             | P132982   |
| <b>Borrower(s)</b>                            | Ministry of Finance   |
| <b>Implementing Agency</b>                    | Albanian Road Authority   |
| <b>Environmental Category</b>                 | B-Partial Assessment  |
| <b>Date PID Prepared/Updated</b>              | 18-Dec-2014   |
| <b>Date PID Approved/Disclosed</b>            | 18-Dec-2014   |
| <b>Estimated Date of Appraisal Completion</b> | 19-Dec-2014   |
| <b>Estimated Date of Board Approval</b>       | 26-Mar-2015   |
| <b>Decision</b>                               |   |

## **I. Project Context**

### **Country Context**

Until 2008, Albania sustained high rates of economic growth, averaging about 6.2 percent, and unemployment was steadily declining. During this period, industry and construction grew at around 14-15 percent per annum, and were key drivers of economic expansion. Over the period 2002 to 2008, poverty rates fell from 25.4 to 12.8 percent. However, the global financial crisis in 2008 and the subsequent Eurozone crisis led to a significant slow-down. Albania avoided a recession, but between 2009 and 2013, average GDP growth declined to less than 3 percent, and exports, employment rates and remittances reduced. Weaknesses in public finance management resulted in accumulation of general government arrears of 5.2 percent of GDP in 2013 and public debt surged from 54.7 percent of GDP in 2008 to 70.2 in 2013.

After 2008, as revenues declined and budgets for public investment were reduced, many public works, including those in the transport sector, continued at the same pace as initially planned, often by drawing on commercial loans. In 2013, multiple new construction commitments and serious payment arrears drove up non-performing loans and adversely impacted the investment budget and

private sector liquidity. The new Socialist-led coalition government that assumed office in September 2013, acknowledged existence of the payment arrears, and has implemented a comprehensive arrears clearance strategy since January 2014.

Albania applied for European Union membership in 2009 and became an official candidate for accession in June 2014. This supports strong commitments in the transport sector established in June 2003, when Albania signed with the EC the Memorandum of Understanding for the Core Network creating the South East Europe Transport Observatory (SEETO).

### **Sectoral and institutional Context**

Roads and highways comprise the predominant mode of land transportation in Albania, and provide essential links for freight and personal mobility. Roads are therefore important public assets, and their improvement and maintenance can bring significant benefit to communities by providing better access to social services, education facilities, markets and commercial hubs.

The road network in Albania is a key asset in support of growth and job creation development initiatives. Currently its management, financing and development faces three key challenges: (i) prioritization of new investments needs to be well aligned with macro and fiscal realities, (ii) open contracts and clearance of arrears on a large number of contracts needs to be completed, and (iii) asset management and maintenance needs to be substantially improved. The Government of Albania (GoA) has recognized these challenges and the urgency to address them.

a) Prioritization of investments in the road sector is critical in order to ensure the sector's continued contribution to economic growth and shared prosperity and to ensure its sustainable maintenance and management. Progress has been made by the Government in developing a Medium Term Budget Plan (MTBP) 2015-17 that prioritizes new investments, a framework that is gradually more aligned with the budget realities in support of higher impact projects.

b) Open Contracts. The GoA launched a large program of domestically-financed road construction during the period 2006 to 2010. Most of these road projects had been identified in Albania's National Transport Plan, initially prepared in 2004, and updated in 2010. However the budgeting process did not ensure that funding was committed to complete the ongoing projects. The Government is now keenly committed to addressing this problem seeking support from the World Bank to develop a strategy for completing or abandoning projects (where the economic and social returns did not justify their completion) during the Medium Term Budget Plan period 2015-2017.

Clearance of Arrears. Accumulated arrears of LEK 70.7 billion were estimated as of December 2013, of which LEK 17.3 billion were from capital investments, mostly in the road sector. With support from a World Bank Development Policy Financing loan series and an International Monetary Fund (IMF) Extended Fund Facility, the GoA has cleared LEK 25.9 billion arrears as of end July 2014, of which LEK 8.4 billion were related to capital investments.

c) Sustainable Asset Management and Maintenance. The third key area is the need for urgent attention to address road asset management and maintenance. Roads in Albania constitute one of the highest asset values, estimated at about US\$6 billion, with substantial increases over the last decade. A program to address the highest priority maintenance requirements of the 3,400 km of

national roads needs to be funded and implemented, and the Results based Road Maintenance and Safety Project (RRMSP) will address the maintenance needs of in a substantial portion of the national roads network and will influence how maintenance is carried out by rolling out 5 year performance-based maintenance contracts along the most highly trafficked sections of this network.

Road safety remains a major social and public health issue in Albania. Annual fatalities of 84.6 per 100,000 vehicles in 2012 compares unfavorably with comparator countries in the region (e.g.: Montenegro 41.3, Greece 13.8, Serbia 32.9) and more than ten times higher than some western European countries (Germany 7, France 8.5, UK 6.2). In response, GoA aims to reduce the number of fatalities by 50 per cent in 2020, in comparison to 2009. RRMSP will address some of the remaining road safety issues by strengthening the capacity of the Inter-Ministerial Road Safety Council (IMRSC), introducing road safety audit training accreditation courses, supporting media campaigns, and enhancing the Accident Information System.

## II. Proposed Development Objectives

To maintain the condition and improve the safety of the Albanian Primary and Primary-Secondary road network, and strengthen sustainable and efficient road asset management and safety practices, for the benefit of road users.

## III. Project Description

### Component Name

Component 1 - Maintenance Works including Monitoring

### Comments (optional)

The objective is to provide periodic and routine maintenance of project roads, under hybrid type performance-based maintenance contracts, comprising 1,053 km of Primary (P) roads and 282 km of Primary-Secondary (PS) roads. This component will also finance Monitoring Services Consultant. The primary role of the Monitoring Consultant is to ensure that the service levels defined in the maintenance contracts are complied with, but it will also provide an initial road safety audit, arrange for iRAP surveys, ensure that identified additional road safety black-spots and required safety enhancements are incorporated into the capital works, and develop the Social Transparency System (STS).

### Component Name

Component 2 - Institutional Reforms

### Comments (optional)

The objective of this component is to support institutional reforms at both ARA and MoTI, aimed at enhancing capacity in road safety and road asset management on a country level. This support will consist of two sub-components:

- (a) Sub-Component 2.A: Operationalize road safety in ARA, MoTI and IMRSC, by strengthening organizational and policy-oriented actions, introducing Road Safety audit training accreditation courses, supporting Road Safety media campaigns, and enhancing the Accident Information System (AIS).
- (b) Sub-Component 2.B: Institutionalize Road Asset Management Systems (RAMS), by enhancing ARA's capacity to collect and analyze road data, and provide training to ARA staff in using the system to plan and budget for road maintenance and investment

**Component Name**

Component 3 - Sector Reform

**Comments (optional)**

The component will provide financing to address sector reforms, which would include, but not limited to, technical and advisory assistance to GoA to finalize the Transport Sector Strategy and associated implementation plan; and technical and analytical support for medium term budget planning.

**Component Name**

Component 4 - Project Management and Audit

**Comments (optional)**

Component 4 will: (a) support project management functions of ARA's Project Management Team (PMT); (b) provide an operating budget; (c) finance annual DLI and Technical audits; and (d) support project completion and beneficiary impact assessments

**IV. Financing (in USD Million)**

|   |        |                       |               |
|---|--------|-----------------------|---------------|
| Total Project Cost:                                   | 156.00 | Total Bank Financing: | 80.00         |
| Financing Gap:  | 0.00   |                       |               |
| <b>For Loans/Credits/Others</b>                       |        |                       | <b>Amount</b> |
| Borrower  |        |                       | 76.00         |
| International Bank for Reconstruction and Development |        |                       | 80.00         |
| Total   |        |                       | 156.00        |

**V. Implementation**

MoTI will be responsible for project oversight. Because of the complexity in managing road safety, an Inter-ministerial Road Safety Committee (IMRSC), under the Chairmanship of the Prime Minister, was created in 2002. The Directorate of Traffic and Road Safety (part of MoTI) functions as the secretariat of the IMRSC.

ARA will be responsible for project implementation as the national road network asset manager. ARA has a well-established track record in managing Bank-funded transport projects and it will implement RRMSF through a Project Management Team (PMT), staffed by its own personnel. ARA, through its PMT, will be responsible for the delivery of TA to the secretariat of IMRSC for improving road safety outcomes, under Component 2. To coordinate and oversee the Road Safety TA, a Technical Steering Committee will be established consisting of members of MoTI and ARA. The Technical Steering Committee will guide the finalization of the ToRs for the Road Safety technical assistance, and implement and monitor the progress of its activities.

Independent contract monitoring will be provided by consulting firms engaged for the full term of the maintenance contracts. Primarily, they will administer the contracts, certify payments, and ensure compliance with the specified service levels. They will also arrange iRAP audits to monitor road safety improvements, addressing one of the results indicators. An additional role is to develop the STS and provide performance and network data inputs to the STS and feedback mechanisms. However, it will be ARA managing the STS, responding to public feedback, and preparing monthly trend reports. Use of the STS is a results indicator and a DLI.

The project will finance TA for annual Technical and DLI Audits.

Advances, Disbursements and Financial Management. Components 1 and 2 are linked to agreed indicators (DLIs). With the exception of a few binary choice DLIs all others are scalable to provide flexibility in disbursement to match -- slower or faster than annual targets -- implementation progress. Rolling advance loan proceeds will be utilized in order to facilitate the use of the results-based approach, given that the Borrower's budgetary processes and limited resources do not enable Government pre-financing and then disbursement by the Bank. Financial reports on program expenditures will be prepared, along with updated cash flow forecasts and contract management information on a semi-annual basis and will be submitted to the Bank for review and acceptance. Loan advances will be converted into disbursements when expenditures reported are reviewed and accepted as eligible, and when the independent audit reports have validated and certified that DLI

## VI. Safeguard Policies (including public consultation)

| <b>Safeguard Policies Triggered by the Project</b> | <b>Yes</b> | <b>No</b> |
|--|------------|-----------|
| Environmental Assessment OP/BP 4.01                | <b>x</b>   |           |
| Natural Habitats OP/BP 4.04                        | <b>x</b>   |           |
| Forests OP/BP 4.36                                 |            | <b>x</b>  |
| Pest Management OP 4.09                            |            | <b>x</b>  |
| Physical Cultural Resources OP/BP 4.11             |            | <b>x</b>  |
| Indigenous Peoples OP/BP 4.10                      |            | <b>x</b>  |
| Involuntary Resettlement OP/BP 4.12                | <b>x</b>   |           |
| Safety of Dams OP/BP 4.37                          |            | <b>x</b>  |
| Projects on International Waterways OP/BP 7.50     |            | <b>x</b>  |
| Projects in Disputed Areas OP/BP 7.60              |            | <b>x</b>  |

### **Comments (optional)**

RRMSP is a World Bank Category B project triggering the safeguards policy on Environmental Assessment (OP/BP 4.01). Since the project is focused on road maintenance where packaging of road sections under PBC contracts is still to be completed, a draft Environmental Management Framework document has been prepared and disclosed in country on October 14, 2014. The Environmental Management Framework (EMF) harmonizes the environmental legislative requirements of Albania with the safeguards policies of the World Bank into one common approach. Furthermore, the EMF screening process ensures that no additional World Bank safeguards policies are triggered (avoiding works in protected areas, forests, etc.) and that no works corresponding to a Category A are financed by the Project.

## VII. Contact point

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