

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC4013

Project Name	Results-based Road Maintenance and Safety Project (P132982)
Region	EUROPE AND CENTRAL ASIA
Country	Albania
Sector(s)	Rural and Inter-Urban Roads and Highways (70%), Public administration-Transportation (30%)
Theme(s)	Regional integration (30%), Injuries and non-communicable diseases (25%), Administrative and civil service reform (25%), Infrastructure services for private sector development (20%)
Lending Instrument	Specific Investment Loan
Project ID	P132982
Borrower(s)	Ministry of Finance
Implementing Agency	Albanian Road Authority
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	07-Jul-2014
Date PID Approved/ Disclosed	09-Jul-2014
Estimated Date of Appraisal Completion	12-Dec-2014
Estimated Date of Board Approval	26-Mar-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. Between 1998 and 2008, and prior to the global economic downturn, Albania sustained high rates of economic growth, averaging about 6 percent, and preserved a positive growth rate of 3.3 percent in 2009-2011, mostly driven by the strong recovery of commodity exports. However, with the sovereign debt crisis in the Eurozone affecting key economic partners and other Eurozone countries, growth declined to 1.6 percent in 2012 and is estimated to have further slowed down to 0.7 in 2013. The effects of the ongoing global crisis and sluggish growth impacted the poverty rate, which according to Living Standards Measurement Study (LSMS) 2012 increased to 14.3 percent, while data on employment show that 27 percent of Albanian households had at least one member who had lost a job compared to an ECA average of 18 percent. In terms of shared prosperity and equity indicators, estimates suggest that between 2005 and 2010 average household income grew by 6.2

percent, but only 2.6 percent for the two lower quintiles.

2. Public debt has surged since the Eurozone crisis, reaching 70.5 percent of GDP in 2013. Loose fiscal policy, combined with a depreciation of the Albanian Lek, brought public debt levels to about 60 percent of GDP in 2011, and over 70 percent in 2013. In addition, the government has accumulated sizable arrears in payments for public works and VAT refunds, which are estimated to be as high as 5.3 percent of GDP.

Sectoral and Institutional Context

3. Albania has a road network that totals 15,600 km, with an approximate asset replacement value of about US\$ 5-5.5 billion, which makes it one of the highest value assets in the country. The network includes 3,700 km of National Roads (1,300 km of Primary National Roads and 1,400 km of Secondary National Roads another) administered by the Ministry of Transport and Infrastructure (MTI) through the Albanian Road Authority (ARA), and a Secondary and Local road network of about 11,900 km, which provide rural links of district importance and are maintained by district road departments within the 12 Regional Councils (RC). About 67 percent and 46 percent of the Primary and Secondary National Roads, respectively, are in good to fair condition. However, the relatively good condition of the network has more to do with the substantial increase in the stock of newly-constructed roads over the last decade rather than with the maintenance of the existing stock. The increase in road asset value alone between 2005 and 2010 was estimated at US\$ 1.5 billion. The ARA is responsible for the construction, upgrading, rehabilitation and maintenance of the national road network including the associated planning, budgeting and programming. The relationship between MTI and ARA is being formally defined through a service agreement that will specify obligations regarding funds, planning, progress and reporting.

4. Road maintenance expenditures in Albania are not sufficient, and the country has a considerable backlog. According to the estimates in the 2010 review and an update of the Albania National Transport Plan, the minimum estimated annual needs, through 2030, for the maintenance of the National Roads are about 45 million Euros. The actual budgetary allocation over the past two years has averaged about 29 million Euros per annum down from about 50 million Euros in 2009-11. Another important factor that is moving the sector to an unsustainable path is lack of a proper asset management system and weak internal capacities to prioritize maintenance budgets.

5. Road Safety is another longstanding problem in Albania, and the level of fatalities caused by traffic accidents, between 2001 and 2012, remained within a band of 250 to 400 per year, equivalent to 10-14 fatalities per 100,000 people compared to 3-8 fatalities per 100,000 people in Western Europe. Injures have almost quadrupled from 400 in 2001 to 1,564 in 2010. Estimates suggest that the economic cost of road accidents in Albania is about 130 million Euros, or the equivalent of 1.5 percent of GDP.

6. Over the past few years, GoA, has undertaken a number of reform initiatives including: (i) the update of the Albanian National Transport Plan in 2010, (ii) the adoption of the Road Safety Strategy and Action Plan in 2011, (iii) the drafting and adoption of several EU-approximation legislation related to the transport sector; and (iv) the establishment of the Albanian Road Authority, and preparing the Service Level Agreement between ARA and MTI.

7. A number of international financial institutions (IFIs) have been supporting the physical upgrading and maintenance of the country's road networks, as well as the reforms of the sector institutions, including two consecutive Bank-supported projects supporting modernization of maintenance services and transition from force account to contracting out and piloting output and performance based maintenance.

8. IFI/EU involvement in the road sector: In 2010-2013 the EBRD and EIB committed loans for a total amount of about Euro 100million in the road sector, mobilizing also Euro 7.5 million

grant funding for TA. Their financing is supporting the construction and upgrading of major corridors and by-passes. EU total financing in transport and infrastructure, over the last 7 years is about 100 million EUR, including 63.5 million for rehabilitation of local and secondary roads, Rogozhina by-pass, and co-financing Vlora by-pass. During the last 5 years, the Islamic Development Bank has substantially increased its support to the road sector to about US\$ 500 million, financing the construction of the Tirane-Elbasan highway (including a 4 km tunnel), construction Shkozet by-pass, and Vora Interchange.

9. Substantial progress has been made in completing the upgrade and construction of an important part of the road networks and in advancing the sector reform agenda. The next stage of reforms and actions in the sector would focus on three main areas: (i) addressing the transport sector arrears – an effort that the Bank, EU and other donors are supporting, (ii) ARA Reforms – the legislation has come into effect in 2011 but the institution needs capacity strengthening, service level agreement indicators need to be established and adopted, the organization structure needs to be completed, and a modern and effective asset management system needs to be fully developed and implemented, (iii) Road Safety – its Action Plan needs to be implemented in its entirety, starting with the functioning of the Inter-ministerial Road Safety Council and its Secretariat (at MTI), and more attention to be devoted to increasing spending on black-spot improvements, education, emergency response and public awareness, as well as introducing safety audits, as standard practice, and institutionalizing road safety principles in design standards.

Relationship to CAS

10. The CPS draws from the Albania National Strategy for Development and Integration (NSDI), and the Government Program Next Generation Albania, which are in concordance with the country's aspiration toward EU accession. Transport is considered as a main contributor to the country's economic growth and employment, which is aligned with the project goal to contribute to the accomplishment of the first strategic objective of the CPS: to support the recovery in Albania's growth rates through improved competitiveness by affordably addressing infrastructure bottlenecks. A Results-based Road Maintenance and Safety Project (RRSMP) has been included in the Country Partnership Strategy (CPS) 2011 – 2014, and GoA has applied and received a grant from the ECA Capacity Development (ECPADEV) TF to support its preparation.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The proposed PDO of the RRMSP is to enhance the sustainability, help preserve the condition, and improve the safety of the National Road Network for road users by supporting the government in implementing the Albania National Transport Plan, introducing an effective road asset management system, and following sound road safety practices.

Key Results (From PCN)

12. Achievement of the PDO will be evaluated using the indicators, such as: (i) increased share of the National Road Network in good condition; and more effective maintenance (ii) strengthened institutional framework for maintenance (iii) improved road safety measured by a % reduction in fatal road traffic accidents on the National Road Network. Other intermediate level indicators may include the strengthening of the Government's project preparation and implementation regulatory framework and procedures, fiscal savings resulting from more efficient planning for road rehabilitation and maintenance and project benefits accruing to the bottom 40 percent income level group. Road user beneficiary surveys will be introduced.

13. The Project will make available direct employment opportunities in low-skilled, labor-based

road maintenance activities throughout the country. While not intended to work as a safety net for low-income and vulnerable groups, labor-intensive methods in road work can nonetheless provide a cost effective, sustainable source of supplementary employment for the poor, especially in rural communities, where the prevalence of poverty is highest. The envisioned routine/periodic maintenance activities are also expected to generate multiplier effects in the local economies.

14. In the medium to long run, the project will ultimately enable low-income and marginalized groups to have more reliable access to employment poles, where most income-generating opportunities outside of agriculture are offered. Well maintained roads can also have a positive impact on the development of markets, agricultural productivity and more generally, on the livelihoods of rural communities which are cut off from centers of economic activity. An improved road network could also facilitate access to social service facilities, thereby enhancing social outcomes in the health and education sectors in particular. Finally, road safety consideration included in project design is anticipated to have a positive distributional outcome.

III. Preliminary Description

Concept Description

15. The proposed operation will support the implementation of the Government's Program to improve National Road maintenance standards, introduce sustainable asset management system and enhance road safety in the entire 3,700 km of national roads. The is expected to address operation & maintenance needs, including the maintenance backlog, and is estimated at about €45-50 million (US\$ 60-70 million), annually. ECPDEV TF financed preparatory activities will define the maintenance standards and needs, including some rehabilitation of road sections. The Bank-funded RRMSP is expected to finance about US\$ 75 million for the maintenance and rehabilitation of the Primary and Secondary National Roads using performance-based maintenance contracting, over a 5-year period. The total financing of the GoA to the project is likely to be US\$ 100 million. Other development partners, such as the EU, EBRD and EIB have expressed interest in participation.

16. The Preferred Implementation Concept for the Rehabilitation Program: MTI and ARA have confirmed their preference for an Investment Project Financing (IPF). This will be a results-based lending operation following the WB's guidelines. Under such an approach, the Bank will not finance pre-identified sections but a certain part of the overall maintenance program, using scalable Disbursement Linked Indicators (DLIs) to match implementation progress of the agreed annual plans and agreed eligible expenditure programs. Periodical audits of a certain percentage of the contracts will be carried out and cover all aspects – design (including road safety aspects), construction, procurement, supervision, financial management, environment and social. The use of rolling advance loan proceeds to finance implementation will be considered, in order to make the results-based approach consistent with the Borrower's budgetary process and its limited resources.

17. ARA and the consultant for preparatory works will develop a Resettlement Policy Framework (RPF), an Environmental Policy Framework (EPF); and Environmental Management Plans (EMPs) for a representative road sections to guide program implementation. While the Project is not envisioned to entail land acquisition, or resettlement, an RPF will be prepared to serve as guide, in the event that some land acquisition appears necessary, and to complete site-specific RAPs.

Two potential components have been identified for support under this project:

18. Component 1: Implementing road improvements and performance-based maintenance expected to finance: (i) the government's National Road Network Program of Rehabilitation and Maintenance on a performance basis. Rehabilitation and other improvements to address safety and

geotechnical issues posed by land-slides, will be undertaken, where necessary, and will include pavement sustaining and / or strengthening measures, drainage and structure renewal, as well addressing ancillary services (crossroads, access roads, pedestrian facilities etc.); (ii) the supervision, monitoring, quality control and implementation of safeguards. In addition, this component will support integration of road safety practices into the design and implementation of maintenance in the project's road sections and the institutionalizing of these practices in all road designs and construction.

19. Component 2: Institutional Strengthening and Implementation Support envisioned to: (i) provide TA to guide the strengthening of the capacity of MTI, ARA and the Secretariat of the Inter-ministerial Road Safety Council (IRSC); (ii) provide TA to re-establishing the ARA road and bridge asset management system; (iii) strengthen the capacity of ARA through the implementation of the Reform Action Plan developed under the EU TA, and in applying PBCs; (iv) support the government in strengthening its project preparation, planning and budgeting, and implementation of respective regulatory framework and procedures; (v) provide project implementation support.

IV. Safeguard Policies that might apply

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

V. Financing (in USD Million)

Total Project Cost:	175.00	Total Bank Financing:	75.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			100.00
International Bank for Reconstruction and Development			75.00
Total			175.00

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