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Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 10-Jan-2018 | Report No: PIDISDSC21698



BASIC INFORMATION

A. Basic Project Data

Country Albania	Project ID P163239	Parent Project ID (if any)	Project Name Regional and Local Roads Connectivity (P163239)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date Jan 22, 2018	Estimated Board Date Mar 14, 2018	Practice Area (Lead) Transport & ICT
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance and Economy	Implementing Agency Albania Development Fund	

Proposed Development Objective(s)

The Project Development Objective is to improve access to selected agricultural and tourism centers, and to strengthen selected project municipalities' capacity to manage their road assets

Financing (in USD Million)

Financing Source	Amount
International Bank for Reconstruction and Development	50.00
Total Project Cost	50.00

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)



B. Introduction and Context

Country Context

Albania has experienced rapid growth since 1990, rising into the ranks of middle income countries in 2008. It emerged from the collapse of isolationist communism in the early 1990s as one of the poorest countries in Europe, but since then has experienced a growth of nearly 6 percent per annum. The rapid pace of growth helped the country narrow the per capita income gap with the rest of Europe from 18 percent of average European Union (EU) incomes in 1998 to 30 percent by 2012, and fueled aspirations to join the EU. Growth successfully halved poverty from 25.2 percent in 2002 to 12.5 percent in 2008. However, the global and Eurozone crises in 2008 brought Albania's growth to a near stand-still by 2012, and the country is struggling to recover, particularly given its historic ties to Europe's poorer performing economies. The aftermath of the crisis, presented an increase of the poverty rate, to around 14 percent in 2015, particularly in urban and coastal areas, along with rising unemployment hitting mostly youth and women.

Recently economic activity has picked up and the near-term economic outlook for Albania is positive. Economic growth is expected to accelerate to 3.8 percent in 2017 (from 3.4 percent in 2016 and 2.2 in 2015), supported by private investment and consumption. Investment is mostly linked to two large FDI-financed energy projects (the Trans Adriatic Pipeline and the Devoll hydropower plant), and consumption is supported by job creation and the easing of credit conditions. Net exports were helped by tourism and a recovering commodity market. Growth is projected to moderate to an average of 3.6 percent for 2018–19 with completion of the two large energy projects and no other large projects planned.

Prudent fiscal policy has been supporting a reduction in public debt. The 2017 fiscal deficit is projected at 2 percent of GDP, slightly above the 1.8 percent deficit in 2016. Fiscal consolidation was slowed by an increase in subsidies to the state-owned energy distribution company whose financial performance was undermined by the dry season. This situation highlights the vulnerabilities associated with unfinished reforms in the energy sector.

The Government remains committed to making deep structural reforms. Over the past years the Government implemented a range of reforms, including improvements in Public Financial Management (PFM) (clearance of arrears, tax reforms), mitigation of fiscal risks from pensions and the energy sector, reduction of non-performing loans, and improvements in doing business. Results were positive: growth picked up, the fiscal deficit declined, and the public debt started to fall. This provided a window of opportunity for advancing ongoing structural and fiscal reforms, to reduce macroeconomic risks and better support long term growth.

Albania applied for EU membership in 2009 and became an official candidate for accession in June 2014. This entails strong commitments in the transport sector which manifest themselves in signing, with the European Commission, the Memorandum of Understanding for the Core Network creating the South-East Europe Transport Observatory (SEETO)¹ as well as in signing the Transport Community Treaty in July of this year. The Treaty will help the Western Balkan countries align their national transport laws with the those of the EU.

Sectoral and Institutional Context

Roads and highways comprise the predominant mode of land transport in Albania, and provide essential connectivity

¹The main aim of SEETO is “to promote cooperation on the development of the main and ancillary infrastructure on the South-East Europe Core Regional Transport Network and to promote and enhance local capacity.”



for freight and personal mobility. Roads are therefore important public assets, and their improvement and maintenance will bring significant benefit to communities by providing better access to social services, markets and commercial hubs.

The overall length of Albania's road network is about 15,000 km, and includes national, regional, local and urban roads². The Ministry of Infrastructure and Energy (MoIE) is responsible for the policy and regulatory framework and technical standards. In regards to the institutional arrangement for administrating and managing the road network, the Albania Road Authority (ARA) is responsible for the 3,700 km of national roads; and the Local Government Units (LGUs) for the 9,400 km of regional and local roads. The Albanian Development Fund (ADF) supported the LGUs in the implementation of rural infrastructure projects through competitive grant funding from the Government and a number of other donor financed projects.

In 2015, Albania implemented significant administrative and territorial reforms. 372 communes and municipalities were merged into 61 municipalities, and the new LGUs were granted more autonomy to exercise and fund the mandate provided under the new law. The new LGUs assumed responsibility for that part of the road network that was previously administered by the communes and municipalities³. However, the functional classification of the road networks under the new municipalities has not changed. The road network supporting rural areas (outside cities and towns) comprises (i) regional roads that connect groups of villages with national road network, or with main administrative centers of a specific municipality and (ii) local roads that provide transport links between villages and with farms.

Although active in the sector since 1993, the World Bank first provided financing to improve Albania's connectivity to rural areas in 2008. The Bank's engagement through the Secondary and Local Roads Project (SLRP), during the period 2008 to 2013, along with financing from donor partners resulted in the rural road program that encompassed 12 regions and 61 municipalities impacting over 2 million people. Total combined financing reached US\$ 386 million. In October 2014, the Government of Albania (GoA) approved the five-year *Strategy for Rural and Agriculture Development*, drawing upon the strategic planning approach used by the European Union (EU) under its *Joint Agriculture Policy 2014-2020*. GoA's *Rural and Agriculture Development Strategy* focused on the specific needs of Albania, which included an objective to increase market access via an appropriate network of national, regional and local roads. As part of the response to this strategy, the GoA is planning to finance about US\$ 80 million (in the form of conditional grants to local governments) over the period 2017-2019.

Current areas of government focus for the management, financing and development of the road sector are (i) prioritization of new investments in line with macro and fiscal realities, (ii) sound contract management to avoid creating arrears, and (iii) improving asset management and maintenance practices. With support from the World Bank, progress has been made by the Government in developing a Medium-Term Budget Plan (MTBP) 2015-17 that prioritizes new investments and a framework that is more aligned with the budget realities in support of higher impact projects is slowly emerging. The Bank is continuing its support in this area through Result-based Road Maintenance and Safety Project (RRMSP) towards improving asset management and maintenance practices. While the government has gone a long way in reducing the arrears in the road sector with support from the Bank and the IMF, the contract management process still does allow for the creation of arrears. The Bank is working with the Government to address this problem.

GoA recognizes that it needs to maintain the road assets that it has invested in. Maintenance of the national road network, however, has been systematically underfunded, undermining the sustainability of the sector. A program to

² Urban roads represent about 2,500 km out of the 15,000 km, and are not discussed in this note.

³ The previous levels of local Government comprised Municipalities, Communes and Regional Councils, all of which had responsibility for road networks within their jurisdiction, respectively, those within city/town boundaries, local roads in communes and regional roads in the regional council areas.



address the highest priority maintenance requirements of the 3,400 km of national roads was a clear government priority. The RRMSP is currently addressing this need, whereas the proposed project will support asset management for regional and local roads.

A complementary Bank-executed Technical Assistance (TA) is being financed through the Global Facility for Disaster Reduction and Recovery (GDFRR) to enhance the climate resilience of the road sector. The TA for *Climate Resilient Road Assets*, will assess Albania's vulnerability to climate change and natural disasters, within the road sector, and will inform the prioritization of adaptation measures needed to provide more resilient transport investments. The outcomes of the TA will be important to the proposed Regional and Local Roads Connectivity Project (RLRCP), because parts of the regional road network could provide an alternative to the national road network during extreme climatic conditions, and the TA will therefore help validate the prioritization approach used to select the roads to be improved under RLRCP.

Road safety remains a major social and public health issue in Albania. Annual fatalities of 53.8 per 100,000 vehicles in 2014 compares unfavorably with comparator countries in the region (e.g.: Bosnia and Herzegovina 32.2, the former Yugoslav Republic of Macedonia 31.7, Montenegro 27.8, Serbia 24.7). In response, GoA aims to reduce the number of fatalities by 50 per cent in 2020, in comparison to 2009⁴. GoA has increased its attention to road safety reforms, including the adoption of the Road Safety Strategy and Action Plan in 2011; and adoption of mandatory Road Safety audit⁵ for all new roads. RRMSP is 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. RLRCP will build on these reforms and address road safety through improvements to regional road infrastructure.

Relationship to CPF

The proposed project is included in the Country Partnership Framework (CPF) for Albania 2015-2019. The CPF clearly articulates the Bank's commitment to the road sector in Albania, and the CPF's overarching goal is to support Albania's aspiration to achieve equitable growth and integration into the EU. This goal will be pursued with a focus on addressing the Bank's twin goals of reducing poverty and increasing shared prosperity. Focus Area 1 of the CPF aims at restoring macro-economic balances, and Objective 1b is to provide strengthened public investment management support in the transport sector. RLRCP will contribute to the Objective 1b by improving country's capacity to prioritize road investments based on clear and transparent selection criteria, thereby increasing value for money. In addition, the CPF recognizes that there is a backlog of maintenance and repair, which RLRCP will help to address through physical improvements and through development of asset management and maintenance systems for LGUs.

C. Proposed Development Objective(s)

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

The Project Development Objective is to improve access to selected agricultural markets and tourism centers, and to strengthen selected project municipalities' capacity to manage their road assets.

Key Results (From PCN)

⁴ Government Decision No 125, 23 Feb 2011, on "Implementing Objectives for Improving Road Safety".

⁵ By Amendment to Article 71/, introducing "Road Safety Audit" to the Highway Code. Decision 815 in Nov 2011.



Consideration will be given to the following results indicators. These will be refined during preparation.

PDO Indicators

- Number of agriculture markets and tourism centers connected by improved project roads
- Reduced travel time on project roads
- Improved asset management capacity by selected municipalities as demonstrated through the adoption of Municipal Transport Investment and Maintenance Plan.

D. Concept Description

The Albania Regional and Local Roads Connectivity Project (RLRCP) is expected to be financed by an IBRD loan of US\$ 50 million. It will build on the lessons and results from previous World Bank-financed transport projects, including the SLRP which was found to be "highly satisfactory" in post completion reviews, as well as very relevant similar experience in Armenia, Moldova and Georgia. RLRCP will focus on the role that improved roads can play in enabling connectivity driven economic gains, particularly in the agricultural and tourism sectors, both key drivers of growth in regional Albania. The Project will finance the following components.

Component 1: Accessibility improvement (US\$ 47.03 million). This component will finance rehabilitation of priority regional roads across the municipalities. Construction will mainly occur within the existing right-of-way, and the estimated cumulative length of project road segments is about 80 km. There is no geographical focus for the roads to be financed. Instead, the selection of roads will be subject to a rigorous multi-criteria prioritization process which will take into account connectivity between farms and markets and consider aspects of political economy, in order to optimize the economic impact and opportunities to link agricultural markets and tourism hubs. Initially, the Implementing Agency, in consultation with all municipalities will develop a long-list based on the priorities identified by the LGUs. This will be followed by a multi-criteria analysis applied to the long-list of roads resulting from the first screening, where the framework criteria have been agreed with the World Bank. Design stage road safety audits and resilience audits will be financed in this component to ensure the sustainability of the new roads. During appraisal, attention will focus further on the financial situation of the LGUs, including an assessment of the technical capacity of the LGUs to provide sustainable road maintenance, addressing also the resilient transport dimensions. Such assessments will inform the direction of the sub-sector financing relationships between the LGUs and the Ministry of Finance and Economy. In addition, Detailed technical road design and preparation of Bidding Documents, contract supervision, road safety initiatives will also be financed under this component

Component 2: Capacity Building for LGUs (US\$0.85 million). This component will provide trainings to increase selected municipalities⁶⁷ capacity to manage their transport system and road assets, and include technical assistance to support them to take advantage of improved accessibility for agricultural production and tourism potential. The following activities are envisaged

- (a) Support to LGUs to take on some implementation responsibilities. This may include (i) capacity assessments and training; (ii) technical support on a roaming basis, to assist all participating LGUs to better understand technical

⁶ To keep it manageable this could only be supported in project road municipalities



quality and contract administration issues that emerge during the construction phase; (ii) development of participatory monitoring of construction including some form of web-based grievance redressal system⁷ complemented by a formalized community engagement approach.

- (b) Support for a pilot road maintenance scheme, to help ensure that LGU roads, including the project roads, are properly maintained after project completion, development of a Road Asset Management System (RAMS) and/or support in preparing for a performance-based approach to providing area-wide maintenance services, both instituted at a municipal level. This would include maintenance policy formulation; development of appropriate maintenance management systems; road inventory and condition surveys, and preparation of maintenance bidding documents.

Component 3: Implementation Management Support(US\$ 2.0 million). Financing will provide for (i) further development of the Geographical Information Systems (GIS) currently in use by ADF, but expanded to include road condition inventory and social and economic data⁸; (ii) Beneficiary Impact Assessments, Mid-Term and Completion Reports, (iii) Ad-hoc technical support where required to assist with ensuring technical quality and safeguards monitoring; (iv) Incremental operating expenses for ADF project management; and (v) financing for training opportunities for ADF, MoIE and LGU representatives.

An important social issue is to consider the views of the beneficiary communities, during both the design and construction phases. The design consultants will consult with communities during the design stage, and this will provide an opportunity for the communities to voice their concerns. In addition, during these consultations, communities will form committees that will have a focal point, whose role will be monitoring project implementation and informing the implementing agency. This formalized community engagement approach, along with the proposed web-based grievance redressal system will form the basis to strengthen citizen engagement. Labor influx⁹ will not be an issue because the sub-projects will be close to developed regional centers which can easily absorb the workers that will be required. Moreover, experience on similar projects in Albania in the past, has shown that contractors tend to engage local workers domiciled within the region of the sub-project, who belong to the same social fabric as hosting/benefitting communities and who will not therefore cause any labor influx concerns

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SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project will finance rehabilitation of priority regional roads across the municipalities. Construction activities will mainly occur within the existing right-of-way, and the estimated cumulative length of project road segments is about 80 km.

B. Borrower's Institutional Capacity for Safeguard Policies



The Albanian Development Fund (ADF) will be implementing the project. ADF has experience in managing environmental and social impacts of World Bank-financed infrastructure investments (Secondary and Local Road Project as well as Project for Integrated Urban and Tourism Development) and other infrastructure projects financed by international finance institutions (KfW, European Investment Bank, and Islamic Development Bank). The ADF project team includes experienced environmental and social specialists. The ADF is in charge of preparation of Environmental and Social Framework (ESMF) and Resettlement Policy Framework (RPF) as well as site specific Environmental and Social Management Plan (ESMPs) and most probably site specific abbreviated Resettlement Action Plans (aRAPs). The ADF will also supervise the implementation of the ESMPs and aRAPs. The ADF will advise with national environmental authorities on related national requirements and incorporate those in ESMF and site specific due diligence documents. On the social side, the ADF will first prepare the respective resettlement instrument – either an abbreviated-RAP or RAP depending on the impact. After endorsement by the Bank, ADF will then implement the plan. Compensation and other assistance defined in the plan will be reflected in the expropriation dossier and payed, in accordance with the requirements of the RAP or aRAP, before the property is taken for project use. During the project preparation, the team will also discuss with the Government the possibility of establishing ex-ante procedures for the implementation of site specific abbreviated RAPs during the program implementation.

C. Environmental and Social Safeguards Specialists on the Team

Bekim Imeri, Social Safeguards Specialist
 Natasa Vetma, Environmental Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project is categorized as category B and is not expected to have significant or irreversible environmental impacts given the predominately rehabilitative nature of works to be financed. Potential negative environmental impacts may include, but not limited to: (i) temporary construction -related effects on noise, dust, and air quality; (ii) temporary localized water quality impacts resulting from possible drainage and sewage pollution; and (iii) temporary changes in access to, and the use of, public spaces during construction. To comply with the policy, the ADF prepared an Environmental and Social Management Framework (ESMF), satisfactory to the Bank, to guide the overall project as the exact subproject locations are still not known or are currently being assessed. The purpose of this ESMF is to guide the Environmental and Social Assessment process, i.e. to facilitate screening, assessment, and management of environmental and social issues for activities to be taken up by the project in subsequent years. For the project to remain category B, ESMF defines following



environmental criteria for eligible subprojects: a) category A sub projects will not be financed; b) for sub projects in nature protected sites, or significant natural habitats, only rehabilitation of the roads would be allowed and no new construction. No activities would be allowed in or in proximity of critical habitats; c) New construction should be limited and allowed only in some specific cases for example where segments are missing or alignment of a section that is currently particularly difficult or dangerous; d) The construction, reconstruction or rehabilitation of roads on existing right of way would be allowed only in form of one or two lane roads. Environmental due diligence documents envisaged by ESMF include: ESIA, ESMPs and ESMP checklists. In addition to ESMF, the Borrower is preparing a sample Environmental and Social Impact Assessment (ESIA) for Fier-Seman road rehabilitation.

Natural Habitats OP/BP 4.04	Yes	Some of the rehabilitation works might occur in the nature protected areas and natural habitats. For that reason, the ESMF defines procedures for identification and managing subprojects affecting natural habitats. No new construction would be allowed in nature protected sites, or significant natural habitats, but only rehabilitation of the existing roads. In addition, no activities would be allowed in or in proximity of critical habitats. For each of such sub projects EIA and EMP would be prepared, priority reviewed by WB environmental specialist and cleared / consulted with the Albanian Agency for Protected areas (or relevant Environmental Authorities).
Forests OP/BP 4.36	No	The project will not have any impacts on forests
Pest Management OP 4.09	No	The project will not be triggered as the investments will not promote or increase the use of the pesticide. Nevertheless, the ESMF provides guidance for use of herbicides for roads maintenance.
Physical Cultural Resources OP/BP 4.11	No	The project is not expected to trigger OP 4.11. is not triggered as the investments will mainly focus on rehabilitation. Yet, due to the countries cultural richness, during the earthworks chance finds is possible. For that reason, ESMF includes provisions on chance finds and required practices.
Indigenous Peoples OP/BP 4.10	No	not relevant
Involuntary Resettlement OP/BP 4.12	Yes	The project will finance rehabilitation and reconstruction of rural roads. Roads connecting



villages with the regional centers, touristic/cultural sites and agricultural fields. Given the linear nature of the works the land-take impacts will be minor and linear, adjacent to the existing road. Thus there will be small land taken. Displacement of households or businesses is not expected either, nor any impact on livelihoods. Given that the project is a rehabilitation of existing roads, there will be no need for access roads, thus it is not expected to address associated land-take cases. To address the social safeguards instrument, the borrower will prepare Resettlement Policy Framework (RPF) that will guide the land take activities during the whole cycle of the project implementation. If for any sub-project it is expected that the footprint will be known during the preparation phase of the project then the borrower will prepare site specific abbreviated or full fledged (depending of the impact) Resettlement Action Plan.

Safety of Dams OP/BP 4.37	No	not relevant
Projects on International Waterways OP/BP 7.50	No	The project activities will not have impact on international waterways
Projects in Disputed Areas OP/BP 7.60	No	not relevant

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jan 15, 2018

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The ADF has prepared the ESMF and RPF in Albanian and English language prior to appraisal. Documents will be disclosed on ADF web sites and relevant municipal boards. In parallel with publishing ESMF and RPF, call for comments with date of public consultation will be announced. In addition to sub-projects site specific ESIA and ESMPs for rehabilitation of Fier-Seman road will be disclosed and discussed prior to appraisal. During project implementation environmental due diligence documents and if needed abbreviated Resettlement Action Plans will be prepared and reviewed by the Bank and consulted with affected communities.



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APPROVAL

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