



<b>1. Project Data:</b>		<b>Date Posted :</b> 09/27/2013	
<b>Country:</b>	Albania		
<b>Project ID:</b>	P078949	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b>	Transport Project	<b>Project Costs (US\$M):</b>	55.80
<b>L/C Number:</b>	C4262; L4850	<b>Loan/Credit (US\$M):</b>	25.00
<b>Sector Board:</b>	Transport	<b>Cofinancing (US\$M):</b>	31.00
<b>Cofinanciers:</b>	OFID (OPEC Fund for International Development)	<b>Board Approval Date :</b>	02/22/2007
		<b>Closing Date :</b>	06/30/2011
<b>Sector(s):</b>	Roads and highways (87%); Central government administration (13%)		
<b>Theme(s):</b>	Injuries and non-communicable diseases (29% - P); Infrastructure services for private sector development (29% - P); Rural services and infrastructure (14% - S); Legal institutions for a market economy (14% - S); Administrative and civil service reform (14% - S)		
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>ICR Review Coordinator :</b>	<b>Group:</b>
Alberto Nogales	Robert Mark Lacey	Soniya Carvalho	IEGPS1

## 2. Project Objectives and Components:

### a. Objectives:

According to the Development Credit Agreement (DCA), the project's development objectives were: (a) to reduce costs for users of the Milot-Rreshen Section of the Durres-Morine Road Corridor; (b) to introduce innovation in the implementation of contract maintenance on a pilot basis; and (c) to improve the institutional framework, planning, management and implementation of road safety activities on the territory of the Recipient.

The objectives as stated in the Project Appraisal Document (PAD) were: 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.

This Review is based on the statement of objectives in the DCA

### b. Were the project objectives/key associated outcome targets revised during implementation?

No

### c. Components:

There were four components:

**1: Construction of the Milot to Rreshen Road** (PAD Estimate \$37.4million; ICR Actual \$40.28 million). This component financed the civil works and consultant supervision to undertake the construction of the three lots of the 26 kilometer Milot to Rreshen section of the Milot to Morine road corridor. The road is

located mostly within the Mirdite District which has a poverty incidence ranging between 20-40 percent of the population, and improving access to this impoverished area is a key policy objective of the Government. The proposed new road was designed as a single carriageway road (7.5 meter two-lane, with a total width of 11.1 meters, with the paved width amounting to 9.3 meters), with a design speed of 80 km/hr.

**2: Introduction of Output/Performance Based Maintenance Contracts** (PAD Estimate \$11.5 million; ICR Actual \$7.58million). This component involved the introduction on a pilot basis of output or performance based road maintenance contracts in two pilot regions, Tirana and Kukes, in Albania, together with necessary consultant supervision. This initiative followed the experience accumulated in the introduction of these approaches 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.

**3. Road Safety** (PAD Estimate \$1.2million; ICR Actual \$1.27million). The road safety component built on the previously completed road safety component of the Road Maintenance Project, and the Action Plan prepared by the National Road Safety Council. This component included the provision of necessary technical assistance for the implementation of the National Action Plan, and to implement changes in the primary and secondary legislation, drawing on best international practice, the analysis of statistics and extension of the Accident Information System, the undertaking of a road safety audit on the Tirana to Durres highway. This component intended to result in an action plan for road safety improvements that could have a significant demonstration effect with the provision and operational introduction of equipment like weight scales, speed guns and breathalyzers for the Traffic Police under the Ministry of Interior.

**4: Technical Assistance and Goods** (PAD Estimate \$2.08million; ICR Actual \$2.52million). This component involved the provision of technical assistance to the Ministry of Public Works, Transportation and Telecommunication. It included: (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 type approach in the sector in future; (iii) technical assistance in best practice in highway engineering skills to the Project Implementation Team in the General Roads Directorate (GRD) for a defined term; (iv) training; (v) limited office expenses for a transitional period; (vi) two vehicles for the Project Implementation Team (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.

**d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:**

**Project Costs and Financing.** At appraisal, the total project cost was estimated at US\$55.8million, net of all taxes and including contingencies, with US\$25 million coming from a World Bank Credit/Loan (US\$5 million IDA, US\$20 million IBRD), US\$14.5 million to be provided by the OPEC Fund, and the remaining US\$16.3 million provided by the Government in counterpart financing.

During level 1 restructurings in May and October 2010, there was a reallocation of the Bank funds between categories of services and goods.

At the time of project closing the ICR reports a total of US\$51.65 million. According to the ICR (Annex 1, Table B), US\$20.22 million of this were financed by IBRD, US\$4.72 million by IDA, US\$16.10 million by the Borrower contribution, and US\$12.42 million by the OPEC Fund. There is a discrepancy, since the financing figures add up to US\$53.46 million, US\$1.81 million more than the final estimated project cost.

**Dates.** The project closed as scheduled on June 30, 2011.

**3. Relevance of Objectives & Design:**

**a. Relevance of Objectives:**

The relevance of objectives is rated **high**.

The objectives are relevant to both Albania's National Strategy for Development and Integration (NSDI) for 2007-2013 and the Bank's Country Partnership Strategy (CPS) for Albania for FY11-FY14. The primary goals to expedite Albania's economy growth through a total road network improvement and sustainable management of the financing systems is a priority for all parties involved. The improvement in infrastructure and sector institutions serves to support the key aim of closing the infrastructure gap between Albania and neighboring countries. The most relevant strategic objective of the CPS for the transport sector is "to support Albania's growth rates through improve competitiveness" with a clearly specified instrument which is "to affordably address infrastructure bottlenecks."

The objectives were relevant to the Bank's CAS for 2006-2009 and to the Albania National Transport Plan (ANTP) which was developed with the assistance of the European Union (EU). The ANTP emphasized the Government's road investment priority, and urgency to improve the Durres-Milot-Morine road corridor that was considered one of the worst in the country. Moreover, this corridor served the part of the country with the lowest per capita income; it is a key strategic link to Kosovo and Corridor X in Serbia; and improves the attractiveness of the Port of Durres.

#### **b. Relevance of Design:**

The overall relevance of design is rated **substantial**. The results framework established causal links between the activities financed by the project, through appropriate outputs and outcome targets, to the development objectives of reducing road user costs in the Milot-Rreshen section of the Durres-Milot-Morine Corridor and introducing innovation in the implementation of road maintenance contract. This is also the case for the road safety part of the third objective where the logic and sequencing in the implementation of the activities was clear and convincing. However, the causal chain between the activities under the institutional strengthening component and the intended outcome of development of the institutional framework is less clear.

There is some inconsistency between the statements of objectives in the PAD and the DCA. The objective of improving access for the hinterland population was only mentioned in the PAD and not in the DCA.

#### **4. Achievement of Objectives (Efficacy):**

##### **1. Reduce user costs on the Milot-Rreshen section of the Durres-Milot-Morine Corridor.**

**Substantial .**

##### Outputs

- All three lots with a total length of 26 km of the two lane Milot-Rreshen section of the Durres-Milot-Morine Corridor were completed and open to traffic in April 2011.

##### Outcomes

- 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%. The economic evaluation shows that the actual traffic in 2011 (4,741 vehicles per day) was 32% higher than the traffic level projected for that year at appraisal (3,580).
- The construction of the Milot- Rreshen road provided improved access to the Mirdite district, one of the poorest parts in the country. The increase of about 50% in the population living within a 20 minute isochrone of Milot between 2007 and 2009 can be partly attributed to the improved road condition and reduced transport costs.

##### **2. Introduce innovation in the implementation of contract maintenance on a pilot basis.**

**Substantial .**

##### Outputs

- Standard Bidding Documents were developed for Output and Performance Based Maintenance (OPBM) contracts.
- Training on OPBM was provided to local contractors
- Four output and performance based road maintenance contracts of three years duration were piloted in two regions, Tirana and Kukes. Due to the poor performance of the consultant responsible for

preparing the bidding documents, award of the contracts was delayed by one year.

#### Outcomes

- The project initiated this alternative maintenance methodology in Albania, thus achieving the objective of introducing innovation in maintenance contracting.
- The performance of the contractors showed mixed results as this type of new procurement practice takes time to be accepted in the local construction industry. Maintenance standards achieved varied from 60% for the Tirana Region to about 94% for Kukes. According to the ICR, the contractors have steadily improved their performance and capacity in the OPBM approach.
- The average improvement in the International Roughness Index (IRI) was about 4.5% by project closure in the pilot regions compared to an expectation of a 10% improvement at the completion of the three year contracts. However, the one year delay referred to above meant that the pilot contracts finished on June 30 2012, 12 months after the project closing date. According to the ICR, "achieving about half of the target improvement [by project closure] can still be considered a satisfactory result, given that these were pilot contracts and [all parties to them] were engaged in a learning process."
- Important lessons were learnt from the pilots and applied -- for example a strict penalty system was replaced by a more flexible and effective demerit system.

### **3. Improve the institutional framework, planning, management and implementation of road safety activities in the territory of the Recipient. *Modest***

#### Outputs

- Training was provided to the Project Implementation Team on Bank procurement procedures, financial management, and dispute resolution.
- A road safety audit and an action plan were prepared for the Tirana – Durres Expressway on a total of 178 lane-km. The corresponding remedial measures were implemented during the Defects Liability period of the civil works contracts.
- Review of laws and bylaws were completed. The Road Safety Strategy and its Action Plan was prepared and approved by the Inter-Ministerial Committee of Road Safety chaired by the Prime Minister.
- The National Action Plan included road safety campaigns, inventory of resources and capabilities in hospitals and road safety education in schools, was implemented for the Tirana-Durres road corridor.
- The Maritime Code was approved in September 2010. Following the approval of the Law, the Maritime Administration was established and started operating in April 2011.

#### Outcomes

- The ICR reports that institutional capacity was strengthened in the areas of project management, road safety, and maritime transport management. However, there is no evidence to substantiate this.
- The absolute number of accidents has been reported as declining on the Tirana – Durres Expressway corridor (from 97 in 2007-08 to 79 in 2009, and 73 in 2010) even though the traffic volume has been increasing. However, the degree of attribution of this result to the project is unclear.

### **5. Efficiency:**

The ICR estimates that the ex-post economic rate of return (ERR) was 24.6 percent compared to the 19.6 percent projected at appraisal. The ex-post economic analysis utilized the Highway Development and Management Model (HDM4). The appraisal estimate had assumed a starting date in 2006 and completion of the works by the end of 2007. In fact, construction started in 2007 and only 14% was completed in that year. Road works were finished in 2011. However, for the 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 appraisal estimate. Construction cost was 6 percent lower than at appraisal. The factors more than compensated for the reduction in benefits caused by the delay in implementing the road works.

Although there were some delays caused by administrative and operational inefficiencies, these were

made up for, and the project closed on schedule. There were no significant cost overruns, and total actual costs were slightly less than appraisal estimates in US dollar terms.

Overall, efficiency is rated **substantial**.

a. If available, enter the **Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation** :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	19.6%	75%
ICR estimate	Yes	24.6%	75%

\* Refers to percent of total project cost for which ERR/FRR was calculated.

#### 6. Outcome:

The project outcome is rated **satisfactory** based on high relevance of objectives, substantial relevance of design; substantial efficacy on two of the three development objectives, with the third being modest; and substantial efficiency.

a. **Outcome Rating** : Satisfactory

#### 7. Rationale for Risk to Development Outcome Rating:

The road section Milot-Rreshen which is the primary investment under the Project, is expected to be adequately maintained by the Government and these prospects are likely to improve if it is included as part of the proposed concession of the entire Milot-Morine corridor, assuming that the concession is properly awarded and managed.

The Government is committed to scaling-up the use of the OPBM approach by providing funding from its own budget to continue extending the contracts after the project closing date. The Government has also complied with the Bank's covenant to increase its allocation for road maintenance during the implementation of the project.

The institutional capacity developed by the project to build contract management capacity within the General Roads Directorate and facilitate the creation of the maritime administration and corresponding legislation are likely to remain with support and guidance from the European Union.

The Government's policies and decisive measures on improving black spot accidents and the creation of a working group focused on road safety show their continued commitment to improving road safety. However, there is no evidence as yet of scaling up the project's road safety activities to the entire country, as anticipated in the project design.

a. **Risk to Development Outcome Rating** : Moderate

#### 8. Assessment of Bank Performance:

##### a. Quality at entry:

The Project design was functional and simple with a primary focus on the physical investment on the Milot-Rreshen road, innovation on road maintenance, and an emphasis on road safety.

The original design of the Milot-Rreshen section was revised and adapted to accommodate the Government's future plan to upgrade this section from a two-lane to a four-lane highway. Preparation was also enhanced by the participation of the local beneficiary communities. The location of the physical components was properly focused, appropriately limited negative potential social and

environmental impact, and contributed to improved supervision of the civil works. Any necessary mitigating measures to avoid potential risks were taken in a timely manner.

M&E was adequately designed. The road sector reforms were to be closely monitored, and a road safety institutional framework included in the project design helped in this process.

**Quality-at-Entry Rating :** Satisfactory

**b. Quality of supervision:**

The Bank team remained focused on the potential development impact from the start of the project while attempting to ensure that the Government remained committed to scaling up interventions in key areas like road safety and road maintenance directed to benefit the entire country .

During implementation, the Bank undertook supervision missions every six months. Social and environmental specialists were part of the supervision missions to ensure that all Bank safeguards were properly addressed. One of the team members was based in the Country Office in Tirana and therefore was able to offer timely additional support. Bank missions closely monitored progress and established a good relationship with their counterparts, who expressed their appreciation of their technical expertise in the Borrower's ICR. No issues were reported regarding safeguards or fiduciary compliance.

**Quality of Supervision Rating :** Satisfactory

**Overall Bank Performance Rating :** Satisfactory

**9. Assessment of Borrower Performance:**

**a. Government Performance:**

The ICR reports that the coordination efforts led by the Government with other key agencies in the transport sector (particularly the European Union and the OPEC Fund, who cofinanced the project) were successful. Implementation of the institutional reform of the General Roads Directorate (GRD) could have been more decisive and timely. The ICR mentions that there were significant delays in meeting relevant key covenants at the beginning of the project, namely the road maintenance allocation and the proposed GRD reform structure. However, the Borrower showed its commitment and substantially improved its performance during project implementation by properly using the road accident database, by adding a specific line item in the Government's annual budgets for road safety, and by effectively increasing the annual road maintenance allocations.

The ICR presents data that shows that the transport recurrent expenditures increased gradually from 0.2% of GDP in 2006 to 0.4% of GDP in 2010, and that the GRD's recurrent expenditures, primarily used for routine maintenance, averaged 1,177 million Albanian Lek per year during the 2005 - 2010 period. The operating expenses of the recurrent works can be directly associated with routine maintenance. These estimates would increase if the expenditures on works identified as asphalt repair or partial resurfacing, that can be also classified as road maintenance, were to be added.

The Borrower prepared and submitted a comprehensive ICR for the Project in April 2011. Its contribution was candid and the result of a thorough evaluation of the Project's implementation.

**Government Performance Rating** Moderately Satisfactory

**b. Implementing Agency Performance:**

The project was implemented by the General Roads Directorate (GRD) through its Project Implementation Team (PIT). The PIT was instrumental in overcoming the initial challenges to start the project, including the road section design and award of civil work contracts. The project activities were

completed on time despite delays in some components. Similarly, the PIT responded well to the need to ensure good quality preparation and implementation of the Output and Performance Based Maintenance (OPBM) contracts. The PIT kept good records on all project activities and is now a very competent contract management unit, fully capable of managing donor-funded projects. It is noteworthy that the PIT led the completion of civil works of the project with lower actual cost, according to the specifications, and within the specified time frame. No issues were reported regarding safeguards or fiduciary compliance.

<b>Implementing Agency Performance Rating :</b>	Satisfactory
<b>Overall Borrower Performance Rating :</b>	Moderately Satisfactory

## 10. M&E Design, Implementation, & Utilization:

### a. M&E Design:

M&E design was simple and aimed at evaluating both the physical and institutional outcomes. The corresponding baselines (with one exception) and targets were established prior to implementation and indicators were planned to be periodically measured. The baseline for the indicator on percentage increase in population living within 20 minute isochrones of Milot was not provided. According to the design the Project Implementation Team (PIT) was responsible for measuring all indicators with the exception of the maritime sector activities, for which the Maritime Administration was in charge.

### b. M&E Implementation:

The M&E design was not always implemented consistently as initially only a few outcome and intermediate indicators were systematically monitored. This situation improved over time. The indicators were reported yearly, with the exception of those related to the road safety audit which were only required at the end of the project. The PIT consistently reported the indicators in its quarterly reports until the project closure.

### c. M&E Utilization:

The selected indicators on road safety were useful to the Borrower especially the Road Safety Department and the General Roads Directorate (GRD). The indicators for innovation on road maintenance activities were useful in improving the content of the output and performance base contracts. The GRD proposed to use the final project indicators to apply them to the performance agreement of the Albanian Roads Authority (ARA) with the Ministry of Finance.

**M&E Quality Rating :** Modest

## 11. Other Issues

### a. Safeguards:

**Environmental Safeguards.** This was an Environmental Category "A" Project due to the inclusion of the construction of the Milot-Rreshen road region. The following two safeguard policies were triggered by the project: (i) Environmental Assessment (OP/BP/GP 4.01) and (ii) Involuntary Resettlement (OP/BP 4.12). According to the ICR (page 12), "the project was in full compliance with all environmental regulations, policies and procedures of the Government of Albania and the Bank." The ICR reports that there was thorough monitoring of Project activities through both the Environmental Management Plan (EMP) and an effective Environment Unit established in 2004. Monitoring of the EMP was performed by supervision consultants and the Environmental Unit of GRD. This Unit was established in 2004 following a recommendation from the previous Bank-supported Road Maintenance Project.

**Social Safeguards.** The Milot-Rrshen road section led to land acquisition for which a Resettlement Action Plan (RAP) was prepared by GRD/PIT and approved by the Bank. According to the ICR (page 13),

the RAP complied with the national laws and regulations of Albanian and the Bank's Operating Policies on Involuntary Resettlement. After land acquisitions were completed the Government enacted a Law on Property Valuation in 2010. Actual payment of due compensation was sometimes delayed because some title holders were living outside the country or had died, and their successors did not have the title. However, all 23 households relocated were compensated and assisted in settling in their new areas.

**b. Fiduciary Compliance:**

**Financial Management.** The ICR reports that there were no notable issues in financial management. The financial management arrangements within the PIT and GRD were frequently reviewed and assessed to ensure the satisfactory condition of all systems and controls used for implementation. Interim financial reports submitted and reviewed by the Bank during implementation were considered satisfactory. The auditor's opinion on all the annual audit reports was unqualified.

**Procurement.** Procurement arrangements were suitably applied by the PIT according to the Bank team. However, two issues were raised during project implementation. One was that the bid documents for the three contracts for the construction of the Milot-Rreshen road section did not adequately specify the extent of sub-contracting allowed. The second issue involved a delay in preparation of proposal documents for the OPBM contracts that, in turn, led to contracts that could not be fully funded by the Bank. The Government agreed to finance the third year of operation of these contracts after the project closure. There were no reported cases of misprocurement.

**c. Unintended Impacts (positive or negative):**

**d. Other:**

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Satisfactory	Satisfactory	
<b>Risk to Development Outcome:</b>	Moderate	Moderate	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Performance :</b>	Moderately Satisfactory	Moderately Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTES:**

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

**13. Lessons:**

The most important lessons taken and partly adapted from the ICR, are:

- Sound collaboration with other development partners allows for synergies and consistency in the project design, particularly in promoting sector institutional reforms. Working closely with the European Commission on its technical assistance not only ensured consistency and synergies, but enhanced the success of their initiatives and the Bank's goals.

- Institutional reforms are typically difficult and often need a longer time than envisioned within the time frame of a standard Investment Loan. 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.
- Ease of implementation of Output and Performance Based Maintenance (OPBM) contracts is enhanced if the expected levels of service and the penalty system are defined up front with due consideration of the current condition of assets. It is important to have an accurate asset inventory and data on road conditions to provide the baseline to measure the performance of the contractor. The monthly penalties are best defined in accordance with the level of service to be expected during the execution of the contract.

**14. Assessment Recommended?**     Yes     No

**15. Comments on Quality of ICR:**

Overall the ICR provides a good quality analysis and necessary evidence to enable an assessment of the project's outcomes. It is generally consistent with the guidelines, clearly written, and balanced in its assessment of outcomes and ratings. The economic analysis was clearly presented. There were some instances where textual affirmations of project-related outcomes were not backed by sufficient evidence.

**a. Quality of ICR Rating :** Satisfactory