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R2018-0062/1

April 5, 2018

**Closing Date: Wednesday, April 25, 2018  
at 6 p.m.**

FROM: Vice President and Corporate Secretary

**Albania - Regional and Local Roads Connectivity Project**

**Project Appraisal Document**

Attached is the Project Appraisal Document regarding a proposed loan to Albania for the Regional and Local Roads Connectivity Project (R2018-0062), which is being processed on an absence-of-objection basis.

Distribution:

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Document of  
**The World Bank**  
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Report No: PAD2510

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$50 MILLION

TO THE

REPUBLIC OF ALBANIA

FOR A

REGIONAL AND LOCAL ROADS CONNECTIVITY PROJECT

March 30, 2018

Transport and ICT Global Practice  
Europe and Central Asia Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 2018)

Currency Unit = Euro (EUR)

EUR 1.0 = US\$1.22

US\$ 1.0 = 0.82 EUR

Currency Unit = Albanian lek (Lek)

Lek 1.0 = US\$0.01

US\$ 1.0 = Lek 108.12

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AADT	Average Annual Daily Traffic
ADF	Albania Development Fund
CBA	Cost-benefit Analysis
CEB	Council of Europe Development Bank
CPF	Country Partnership Framework
CQS	Selection Based on Consultants' Qualification
DA	Designated Account
DS	Dedicated Staff
EBRD	European Bank for Reconstruction and Development
EIRR	Economic Internal Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
GIS	Geographic Information System
GoA	Government of Albania
GRM	Grievance Redress Mechanism
HDM-4	Highway Development and Management Model
IFR	Interim Financial Report
IMF	International Monetary Fund
INSTAT	Institute of Statistics of Albania
IRI	International Roughness Index
MoARD	Ministry of Agriculture and Rural Development
MoET	Ministry of Environment and Tourism

MoFE	Ministry of Finance and Economy
MoIE	Ministry of Infrastructure and Energy
MTBP	Medium-term Budget Plan
NPV	Net Present Value
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
POM	Project Operation Manual
PPSD	Project Procurement Strategy for Development
QCBS	Quality-and Cost-Based Selection
RAP	Resettlement Action Plan
RFB	Request for Bid
RFQ	Request for Quotation
RLRCP	Regional and Local Roads Connectivity Project
RPF	Resettlement Policy Framework
RRMSP	Results-based Road Maintenance and Safety Project
SEETO	South East Europe Transport Observatory
SLRP	Secondary and Local Roads Project
SMEs	Small and Medium Enterprises
SOE	Statement of Expenditure
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
VAT	Value Added Tax

Regional Vice President: Cyril E Muller

Country Director: Linda Van Gelder

Senior Global Practice Director: Jose Luis Irigoyen

Practice Manager: Juan Gaviria

Task Team Leader(s): Jing Xiong

**ALBANIA**  
**REGIONAL AND LOCAL ROADS CONNECTIVITY PROJECT**

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## BASIC INFORMATION

Is this a regionally tagged project? No	Country(ies)	Financing Instrument Investment Project Financing
<input type="checkbox"/> Situations of Urgent Need of Assistance or Capacity Constraints <input type="checkbox"/> Financial Intermediaries <input type="checkbox"/> Series of Projects		
Approval Date 25-Apr-2018	Closing Date 31-Dec-2022	Environmental Assessment Category B - Partial Assessment
Bank/IFC Collaboration No		

### Proposed Development Objective(s)

The Project Development Objectives are to improve access to selected agricultural and tourism centers, and to strengthen their municipalities' capacity to manage their road assets.

### Components

Component Name	Cost (US\$, millions)
Component 1 - Accessibility Improvement	46.88
Component 2 - Capacity Building for Municipalities	1.00
Component 3 - Implementation Management Support	2.00
front end fee	0.12

### Organizations

Borrower : Ministry of Finance and Economy



Implementing Agency : Albania Development Fund

**PROJECT FINANCING DATA (US\$, Millions)**

<input type="checkbox"/> Counterpart Funding	<input checked="" type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
Total Project Cost: 50.00	Total Financing: 50.00		Financing Gap: 0.00		
	Of Which Bank Financing (IBRD/IDA): 50.00				

**Financing (in US\$, millions)**

Financing Source	Amount
International Bank for Reconstruction and Development	50.00
<b>Total</b>	<b>50.00</b>

**Expected Disbursements (in US\$, millions)**

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	0.00	5.16	10.32	14.93	14.48	5.11
Cumulative	0.00	5.16	15.48	30.42	44.89	50.00

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Transport & Digital Development



**Contributing Practice Areas**

Agriculture

Social, Urban, Rural and Resilience Global Practice

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating
1. Political and Governance	● Substantial
2. Macroeconomic	● Moderate
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Moderate
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Moderate



**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

**Safeguard Policies Triggered by the Project**

**Yes**

**No**

Environmental Assessment OP/BP 4.01	✓	
Natural Habitats OP/BP 4.04	✓	
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

**Legal Covenants**

**Conditions**

Type

Effectiveness

Description

a) The Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.

b) The Project Implementing Entity has prepared and adopted the Project Operations Manual.

**PROJECT TEAM****Bank Staff**

<b>Name</b>	<b>Role</b>	<b>Specialization</b>	<b>Unit</b>
Jing Xiong	Team Leader(ADM Responsible)	Senior Transport Specialist	GTD03
Manjola Malo	Procurement Specialist(ADM Responsible)	Procurement Specialist	GGOPC
Jonida Myftiu	Financial Management Specialist	Financial Management Specialist	GGOEW
Andoria Indah Purwaningtyas	Team Member	Program Assistant	GTD03
Artan Guxho	Team Member	Civil Engineer	GTD03
Barbara Cunha	Team Member	Senior Economist	GMTLC
Bekim Imeri	Social Safeguards Specialist	Senior Social Development Specialist	GSU03
Bledar Manka	Team Member	Civil Engineer	ECADE
Elda Hafizi	Team Member	Program Assistant	ECCAL
Enver M. Kamal	Team Member	Senior Operations Officer	GTDSO
Fiona J Collin	Team Member	Civil Engineer	GTD03
Geoffrey John Kurgan	Team Member	Transport Specialist	GTD10
Gregoire Francois Gauthier	Peer Reviewer	Senior Transport Specialist	GTD04
Hilda Shijaku	Peer Reviewer	Country Economist	GMTE3
Luis M. Schwarz	Team Member	Senior Finance Officer	WFACS
Luz Meza-Bartrina	Team Member	Senior Counsel	LEGLE
Mohammed Dalil Essakali	Peer Reviewer	Operations Adviser	SARDE
Moustafa Baher El-Hefnawy	Team Member	Program Team Leader	GTD03
Natalya Stankevich	Peer Reviewer	Senior Transport Specialist	GTD03
Natasa Vetma	Environmental Safeguards Specialist	Senior Environmental Specialist	GEN03
Nato Kurshitashvili	Team Member	Gender Specialist	GTD03
Paula Restrepo Cadavid	Peer Reviewer	Senior Economist	GSU09
Raman V. Krishnan	Team Member	GIS mapping	GTD09



Rodrigo Archondo-Callao	Team Member	Economic Evaluation	GTD03
Shaun Mann	Team Member	Senior Private Sector Specialist	GFCIS
Silvia Mauri	Team Member	Agriculture	GEN03
Simon David Ellis	Team Member	Program Leader	ECCWB
Svetlana Edmeades	Team Member	Agriculture	GFA03
Svetlana Vukanovic	Peer Reviewer	Transport Specialist	GTD03
<b>Extended Team</b>			
<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>





## I. STRATEGIC CONTEXT

### A. Country Context

- 1. 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 year. 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 euro area crises in 2008 brought Albania's growth to a near standstill 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 in the poverty rate, to around 14 percent in 2015, particularly in urban and coastal areas, along with rising unemployment affecting mostly youth and women.
- 2. Recently, economic activity has picked up and the near-term economic outlook for Albania is positive.** Economic growth is forecasted to have accelerated 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 foreign direct investment-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 2018–2019 with completion of two large energy projects and to be supported by growing services, construction, and agriculture.
- 3. 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 and tax reforms), mitigation of fiscal risks from pensions and the energy sector, reduction of nonperforming 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.
- 4. 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)<sup>1</sup> and 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 those of the EU.

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<sup>1</sup>The 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.'



## B. Sectoral and Institutional Context

5. **Roads and highways are the predominant mode of land transport in Albania and provide essential connectivity for freight and personal mobility.** Roads are one of the highest value public assets, estimated at about US\$6 billion. The overall length of Albania’s road network is about 15,000 km; 4,000 km of national roads; and 11,000 km of regional, local, and urban roads.<sup>2</sup> The Ministry of Infrastructure and Energy (MoIE), formerly the Ministry of Transport and Infrastructure, is responsible for the policy and regulatory framework and technical standards. The Albania Road Authority is responsible for managing the national road network and the municipalities are responsible for managing the regional and local roads. The Albania Development Fund (ADF) was established in 1993 to implement regional and local roads projects mainly financed by international development partners.

6. **In 2015, Albania implemented significant administrative and territorial reforms consolidating 372 communes and municipalities into 61 municipalities to increase the cost efficiency of local units so that they can provide better services.** The new municipalities consolidated the responsibilities from the previous levels of local government—municipalities, communes, and regional councils—each of which was administering road networks within their jurisdiction, respectively, within city/town boundaries, within commune boundaries, and regional roads in regional council areas. The restructuring leaves municipalities with substantially increased responsibilities for their road assets, but there is still much to be done to strengthen the planning, execution, and financing arrangements to effectively manage these assets particularly given the poor state of some of the local infrastructure. The municipal road networks are financed by local taxes combined with unconditional grant transfers from the Central Government.

7. **About half of the regional and local network is categorized as being in poor or very poor condition.** Some sections are impassable for parts of the year, thus restricting access to essential public services of health and education, as well as to economic centers. The existing condition of regional and local road networks is not able to serve the emerging tourism industry<sup>3</sup> and hinders the development of the agricultural sector.<sup>4</sup> Improving the poor quality of road infrastructure, among other constraints, has been identified as a priority in key strategic documents including the National Territorial Development Strategy and Coastal Management Strategy (2015–2030), and the five-year Strategy for Rural and Agriculture Development (2015-2020). The strategies also highlight the need to invest in municipal capacity to improve tourism destination management. The lack of market access for agricultural products is also a key issue; and considering that in Albania the agri-food industry is responsible (directly and indirectly) for almost half of the economy-wide jobs, improving market access through better road connectivity is critical for the development of the country. It is also important for productive inclusion of women, who represent half of those employed in the sector (the highest share of participation of women in agriculture in the Western Balkans) and 80 percent of informal employment in the sector.

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<sup>2</sup> Urban roads represent about 2,500 km out of the 15,000 km and are not discussed in this document.

<sup>3</sup> Tourism is a significant contributor to the Albanian economy, with 8.4 percent of the total GDP in 2016, and is forecasted to rise to 10.8 percent by 2027. Its contribution to employment is also significant, directly supporting 85,500 jobs (7.7 percent of total employment) in 2016, and is estimated to grow to 120,000 jobs (10.1 percent of total employment) by 2025.

<sup>4</sup> Agriculture is the single largest contributor to GDP in the country (22 percent in 2015) and the largest employer (41 percent in 2015). Agricultural productivity and the competitiveness of the sector are adversely affected by the fragmented and subsistence-oriented supply base, poor enforcement of food safety standards, infrastructure deficiencies, including poor transport networks, and access to markets and tourism hubs, among others.



8. **The Government of Albania (GoA) has recognized the problem and implemented a successful rural road program in the past decade, but more work is necessary.** The ADF implemented a Rural Road Program, during the period 2008–2016, with World Bank support which crowded in US\$386 million in financing from international financial institutions. The program improved 1,200 km of rural roads in 12 regions and 61 municipalities which improved the mobility of over 2 million people. The World Bank’s engagement through the Secondary and Local Roads Project (SLRP), from 2008 to 2013, was evaluated as highly satisfactory. While the project exceeded its developmental and implementation outcomes, there was a recognition that there is still room to consolidate network improvements in a sustainable manner to enable economic growth.

9. **The infrastructure planning and prioritization process still has some way to go to provide transparent and economically efficient outcomes.** With support from the World Bank, progress has been made by the Government in developing Medium-term Budget Plans 2015–2017 to prioritize higher impact new investments. A framework that is more aligned with the budget realities is slowly emerging and more fiscal discipline is applied to avoid accumulation of arrears in the road sector. Under the proposed Regional and Local Roads Connectivity Project (RLRCP), a rigorous prioritization approach has been formulated for the selection of project roads which target investments that complement productive sectors of the economy and particularly in agriculture and tourism. This process provides an example for investment prioritization, transparency, and governance at a local level. It also aligns with the Government’s own priorities for rural development.

10. **Maintenance of the road network has been systematically underfunded, undermining the sustainability of the sector.** As of 2016, the maintenance expenditures for regional and local roads were allocated at approximately EUR 300 per km per year,<sup>5</sup> which is low and only sufficient to cover routine maintenance, with no allowance for periodic maintenance or improvements. The backlog in maintenance has led to the deterioration of road assets often requiring rehabilitation. The RLRCP will focus on building capacity with the newly empowered municipalities to manage the development, rehabilitation, and maintenance of their road networks. In addition to rehabilitating priority road sections, the RLRCP will support the introduction of simple road asset management systems to improve maintenance planning, develop service-level agreements for effective maintenance execution, and support the development of sustainable financing options for the network.

11. **The proposed RLRCP presents an opportunity to develop an overall investment and policy framework for regional and local roads and the agro-tourism sectors that can be supported through the joint efforts of multiple development partners.** In this context, the European Bank for Reconstruction and Development (EBRD) is currently in discussions with the GoA to match the World Bank financing with a further US\$50 million loan for a parallel operation.

12. **The proposed project will support the implementation of the recently approved national priority program of ‘100 rural villages.’** The ‘100 villages’ program is designed to provide both improved public services and economic well-being with the purpose of supporting local communities to build new economies. The four-year program is led by the Ministry of Agriculture and Rural Development (MoARD), and supported by the MoE, the Ministry of Environment and Tourism (MoET), and the Ministry of Culture. It will be undertaken in cooperation with mayors and agencies for regional development. The program

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<sup>5</sup> EBRD-funded technical assistance (TA) report on Regional and Local Roads 2016



targets villages with a potential to generate rural employment particularly related to tourism and agriculture. The program has three main objectives. The first focuses on improving public infrastructure, including roads, community infrastructure, and the revitalization of public spaces. The second objective addresses economic development through the diversification of economic activity including through improving tourism and agro-tourism potential in rural areas, and supporting local agricultural production and marketing. The third objective focuses on the development of the human and social capital by supporting rural networks, civil society, cultural heritage, and vocational training for women and youth. To achieve these objectives the Government will seek to align resources from Government programs, from development partners, including through this proposed operation, and by providing grant financing to eligible municipalities to support the stated objectives. The TA component of the proposed project will also support municipalities to prepare proposals for grant financing and other forms of development assistance.

13. **Road safety remains a major social and public health issue in Albania.** Although the number of accidents has dropped in recent years, Albania still compares unfavorably with countries in the region or EU member states, with the World Health Organization estimate being 15.1 fatalities per 100,000 population—while it is 11.9 in Montenegro, 9.1 in Greece, 7.7 in Serbia, 4.3 in Germany, 5.1 in France, and 2.9 in the United Kingdom.<sup>6</sup> In response, the GoA aims to reduce the number of fatalities by 50 percent in 2020, in comparison to 2009.<sup>7</sup> The 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 a mandatory road safety audit<sup>8</sup> for all new roads. The Results-based Road Maintenance and Safety Project (RRMSP) is strengthening the capacity of the Inter-Ministerial Road Safety Council, introducing road safety audit training accreditation courses, supporting media campaigns, and enhancing the Accident Information System. The RLRCP will build on these reforms and address road safety through improvements to regional and local road infrastructure.

14. **In addition, a major emergent issue affecting the sustainability of the road sector is the vulnerability of the road network to climate change impacts and natural disasters, including changing precipitation patterns coupled with more frequent and intense floods and landslides.** Floods in recent years have increasingly affected the infrastructure and consequently the access of population and farmers to markets that have been substantially disrupted. The proposed RLRCP will address this issue and enhance resilience in the regional and local roads, as well as contribute to the efforts to mitigate climate change impacts through urban transport modal change.

15. **Gender gap.** Gender gaps in the construction sector, where less than 5 percent of all employed, are women, are very substantial. Therefore, promoting women's economic opportunities as part of the efforts to reverse poverty trends and boost shared prosperity are part of the project's objectives.

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<sup>6</sup> World Health Organization. 2015 *Global Status Report on Road Safety 2015*.

<sup>7</sup> Government Decision No. 125, February 23, 2011, on "Implementing Objectives for Improving Road Safety."

<sup>8</sup> By Amendment to Article 71/, introducing 'Road Safety Audit' to the Highway Code. Decision 815 in November 2011.



**Table 1. Ongoing and Recent Activities in the Relevant Sector in Albania Supported by the World Bank**

Project Name	Sector	Amount (US\$, million)	Status	Issues Addressed
<b>Lending Operations</b>				
SLRP	Local roads	20	Approved in FY09; closed in FY13	Conditions and connectivity; prioritization; leveraged total financing of US\$368 million
RRMSP	National roads	80	Approved in FY15; under implementation	Prioritization; road asset management; and road safety;
Project of Integrated Urban and Tourism Development	Tourism	71	Approved in FY16; under implementation	Tourism infrastructure and destination management
<b>RLRCP</b>	<b>Regional and local roads</b>	<b>50</b>	<b>Proposed</b>	<b>Conditions and connectivity; prioritization; road maintenance; climate change; and gender</b>
<b>TA</b>				
Climate Resilient Road Assets for Albania	National, regional, and local roads	0.3	Under implementation	Climate change and road asset management under risks
Promoting Women's Employment in Road Sector in Albania	Regional and local roads	0.05	Under implementation	Gender gap and unemployment
Strengthening Capacity Building of Local Governments in SEE Countries	Urban	8.4	Under implementation	Municipal financing; land/urban planning; integrity and transparency.
Regional Economic Integration and Agriculture in the Western Balkans	Agriculture	0.15	Under implementation	Agricultural productivity and competitiveness

### C. Higher Level Objectives to which the Project Contributes

16. **The proposed project is included in the Country Partnership Framework (CPF) for Albania 2015–2019 (Report Number 94636).** The CPF clearly articulates the World 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 World Bank's twin goals of reducing poverty and increasing shared prosperity. Objective 1b, under Focus area 1 of the CPF, is to provide strengthened public investment management support in the transport sector. The RLRCP will contribute to this objective by improving the 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 the RLRCP will help address through physical improvements and through development of asset management and maintenance systems for the



municipalities. The project is also aligned with the World Bank's commitment, articulated in the CPF, to address large gender gaps in labor participation by supporting women's employment in Albania.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

17. The Project Development Objectives (PDO) are to improve access to selected agricultural and tourism centers, and to strengthen their municipalities' capacity to manage their road assets.

### B. Project Beneficiaries

18. **The rehabilitation of regional and local roads will bring better and safer connectivity to catchment areas that are home to approximately 80,000 inhabitants.** The main project beneficiaries include road users who will benefit from improved and safer road connectivity to public amenities, markets, jobs, and services through reduced travel time and vehicle operating costs. Agriculture producers will be able to transport their products to markets, agro-processing centers, and tourism hubs on time, and traders will be able to increase the volume of their work. The tourism industry will grow and better serve a larger number of visitors. This will lead to positive outcomes to local communities which are expected to see increases in income, consumption, health, and education services resulting from the project. The mobility and accessibility gains of the project can become a powerful tool for promoting growth, alleviating poverty, boosting the incomes of the bottom 40 percent, and enhancing social inclusion. Enhanced mobility, through planned and better public transport options, and bicycle lanes and sidewalks in some cases, and accessibility will ensure that the poor travel to work under more predictable conditions, enabling them to expand their income-generating opportunities beyond their villages and towns and contribute to better and more sustainable livelihoods. The mobility and accessibility will particularly benefit certain socioeconomic and demographic groups of population, such as women, who tend to be more reliant on transport infrastructure and services due to gender differences in travel patterns, modes of transport used, and utilization of transport infrastructure and services. Women would also benefit from more job opportunities brought by TA components.

19. **Enhancing climate resilience in the road network would help ensure a more sustained ability to provide the desired transport services.** Because of affordable and safe roads, the poor and vulnerable groups will have better access to essential public facilities and services in education, health care, housing, and community life. If the project roads are not rehabilitated soon, road user costs will increase by as much as 40 percent, increasing road transport passenger fares and freight tariffs.

20. **In addition, the ADF and municipalities will strengthen their capacity to manage construction projects, road assets, better prioritize investments, and maintenance activities.** Society at large will benefit from the better use of resources resulting from improved prioritization of investments based on socioeconomic criteria.



### C. PDO-Level Results Indicators

- Number of agricultural and tourism centers connected by improved project roads
- Reduced travel time on project roads
- Improved municipalities' road asset management capacity as demonstrated through the adoption of Municipal Rehabilitation and Maintenance Plan.

## III. PROJECT DESCRIPTION

### A. Project Components

21. **The Albania RLRCP is expected to be financed by an IBRD loan of US\$50 million.** The 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 and employment in Albania. More specifically, the proposed RLRCP will support tourism development through improving road access to existing and potential tourism destinations and providing quality tourism-friendly amenities (for example, parking lots for tourist buses and scenic viewpoints) and signage along the roads in the project areas. It will also support the integration of agricultural producers into agri-food value chains and market participation, particularly for women who constitute the majority of the workforce in agriculture.

22. More importantly, what the RLRCP seeks to accomplish is to develop an overall investment framework, and policy and implementation framework for the development, rehabilitation, and maintenance of regional and local roads, which will provide a platform not only for this project but also for domestic and international development partners for finance.

23. **The investment framework priorities are developed based on a prioritization methodology focusing on key productive sectors and particularly agriculture and tourism.** The prioritization of roads has been done through a two-step prioritization process. In the first step, a long list of 1,400 km of candidate roads was developed based on consultations between the ADF and 61 municipalities, the second step involved the preparation of a short list of 200 km of candidate roads using multicriteria analysis, considering tourism importance, agricultural potential, beneficiary population, and economic efficiency indicators. The prioritization process reflects the priorities of municipalities as well as the GoA's vision on rural roads investments that support tourism and agriculture. The roads will also serve some of the villages identified by the recently approved '100 villages' program.

24. **Policy and implementation frameworks will be developed using TA financed by loan proceeds and grants funds.** The TAs will focus on four to five municipalities that will receive road investment under the project. Lessons learned from implementation in these municipalities could be used in scaling up municipal development programs. The capacity-building TA includes support to the municipalities to improve management of road assets and strengthen links between roads, agricultural market access, and tourism development. Two complementary World Bank-executed Trust Fund TAs will help the project to promote climate resilience and women's economic opportunities in Albania respectively.



- **Climate-resilient road assets for Albania:** Albania’s vulnerability to climate change and natural disasters, for example, flooding, landslides, and earthquakes, within the road sector, is being analyzed under a separate TA and its outcomes will inform the prioritization of investment to provide more sustainable and resilient road assets. The TA outcomes will inform the RLRCP designs of specific road sections. Improved regional and local roads could provide an alternative to the national road network critical links during extreme weather events.
- **Promoting woman’s employment in the road sector in Albania.** The capacity of the selected municipalities to reach out and increase women’s participation in the road maintenance program will be analyzed under a separate TA, and capacity-building trainings will be provided to the municipalities to enhance their knowledge and understanding of the ways in which, the participation of both women and men in road maintenance can be enhanced and local ownership and sustainability of road maintenance activities promoted. The TA will also include work with several contractors to explore opportunities to promote women’s employment in high-skilled jobs in their respective workforce. This will be done by reviewing their policies and practices regarding equal opportunities with a view to identifying specific actions that may be appropriate to improve gender balance and providing recommendations for their introduction and/or enhancement. Hence, the focus will be on more and better jobs. The gender component will be concluded by a national event that will bring together key stakeholders to showcase the results achieved with the selected stakeholders and more importantly, to produce a gender action plan reflecting concrete and measurable commitments made by the stakeholders to promote women’s employment throughout the project with an ultimate end goal of increasing women’s employment in the project. The details of the proposed work including the gender analysis and proposed actions are provided in annex 4.

25. The project will finance the following components.

**Component 1. Accessibility Improvement (Total cost US\$46.88 million; IBRD US\$46.88 million)**

26. This component will finance the rehabilitation of regional and local roads; consultancy services for designs, civil works supervision, and technical and road safety audits; and road safety initiatives.

*Subcomponent 1.1. Climate Resilient Road Rehabilitation Works (Total cost US\$45.68 million)*

27. This subcomponent will finance the rehabilitation of about 55 km of regional and local roads. The designs will incorporate climate resilience considerations, such as resilience to flooding and landslides, given the observed and anticipated vulnerability of the network. As a first-year program, three project roads (totaling 38 km) in three municipalities, have been proposed based on further surveys and a rigorous multicriteria analysis applied on the short-listed 200 km of roads. The remaining project roads will be identified and prioritized during implementation. Where roads serve tourism areas or pass through urban areas, attention will be given to safety improvements, orientation signage, bus stops, and aesthetic considerations. In addition, new bike lanes and sidewalks will be built, which will in turn lead to urban transport modal shift from passenger cars to bicycles or walking, thereby also leading to greenhouse gas emission reductions resulting from such shift. This subcomponent will also finance the second-year



program designs (first-year program designs are already financed by the GoA), civil works supervision of all project roads, and their technical and road safety audits.

*Subcomponent 1.2. Road Safety Initiatives (Total cost US\$1.2 million)*

28. This subcomponent will consist of identification of potential road safety interventions on regional and local roads that are not included in Subcomponent 1.1 but are within the project municipalities. Identification efforts shall include both road risk mapping using available crash data and a road safety inspection of sections linked to Subcomponent 1.1 roads. These interventions will enhance the safety of these roads and will include traffic calming measures, footpaths, crash barriers and junctions' design, as well as the supervision of implementation of selected interventions.

**Component 2. Capacity Building for Municipalities (Total cost US\$1.0 million; IBRD: US\$1.0 million)**

29. The significant administrative and territorial reforms which consolidated responsibilities at the municipal level have empowered municipalities with much greater ownership and decision-making powers over key development objectives. However, it has also highlighted financial and capacity constraints in the execution of these new responsibilities. This component will provide support to municipalities in two areas of their new responsibilities, which is the management and maintenance of their road networks, and in maximizing the potential impacts from improved access on agricultural competitiveness and tourism potential. The following activities are envisaged:

*Subcomponent 2.1. Building Municipal Capacity to Manage and Maintain Road Networks (Total cost US\$0.5 million)*

30. This subcomponent will evaluate the current road investment, rehabilitation, and maintenance practices in project municipalities; support in the preparation of road investment, rehabilitation and maintenance plans and strategies for multiyear programming; and also assess the adequacy of maintenance finance. To support this objective, this subcomponent will (a) enhance existing asset management systems to improve the planning and prioritization of maintenance and rehabilitation activities, (b) development of a standard service-level agreement between the municipality and a contractor to improve the efficiency of maintenance execution, (c) development of a framework for sustainable maintenance finance, and (d) build capacity in the selected municipalities to effectively implement road maintenance programs.

*Subcomponent 2.2. Building New Economies (Total cost US\$0.5 million)*

31. This subcomponent will support selected municipalities' implementation of rural development programs supported by the Government and other development partners, including the recently approved '100 villages' program. It will provide TA to the project municipalities to (a) assess market potential at the village level to determine which productive activities would yield the highest return, (b) support the preparation of project proposals to leverage grant finance available under rural development programs to address market demands, and (c) provide TA for the implementation of these activities. The productive activities will be linked to agriculture and tourism. The focus will be on linking agricultural producers to local demand through local markets and tourism centers and promoting agro-tourism



through steering public and private investments in tourism-related infrastructure and services at the local level.

**Component 3. Implementation Management Support (Total cost US\$2.0 million; IBRD: US\$2.0 million)**

32. This component includes incremental operational cost of the ADF, development and maintenance of a geographic information system (GIS) and prioritization database for regional and local roads, midterm evaluation, and capacity-building initiatives for the ADF. It will also include the implementation of a Project Impact Assessment to assess the project’s impacts on key social, transport, agriculture, and tourism indicators.

**B. Project Cost and Financing**

33. The total cost of the project is US\$50 million tax inclusive, and the World Bank will finance the project through an Investment Project Financing Loan with a total amount of US\$50 million. Table 2 presents the costs of the different components.

**Table 2. Project Costs and Financing (including contingencies and VAT) in US\$, millions**

Project Components	Project Cost	IBRD Financing
Component 1: Accessibility Improvement	46.88	46.88
Component 2: Capacity Building for Municipalities	1.00	1.00
Component 3: Implementation Management Support	2.00	2.00
<b>Total Costs</b>	49.88	49.88
<b>Front-End Fees (0.25%)</b>	0.125	0.125
<b>Total Financing Required</b>	50.00	50.00

Note: VAT = Value Added Tax (20 percent); and contingency (3 percent).

**C. Lessons Learned and Reflected in the Project Design**

34. **A relatively modest investment funding can be used to leverage other external resources with a programmatic approach.** The SLRP developed a common investment framework and allowed other development partners to contribute to make a significant impact through the Rural Road Program in the last decade. This project adopts the same approach. The World Bank had discussions with development partners who are expected to participate in the municipalities’ rehabilitation programs.

35. **Selection of road sections needs to be based on agreed multicriteria framework and also be participatory.** As evidenced by the SLRP and similar projects in the former Yugoslav Republic of Macedonia and Georgia, strong participation of local communities is needed at all stages of the project cycle to ensure ownership and enhance sustainability of interventions on the regional and local road network. The selection of roads sections to be financed by the project is undertaken in close consultation with communities and municipalities to ensure that local stakeholder views on the highest priorities are fully



reflected. Community feedback and consultations will be sought during the road design stage and construction stage as well.

36. **A medium-term investment planning process is required to ensure sustainability of road investments.** Experience documented in Independent Evaluation Group evaluations of similar transport projects in the region indicates that low road maintenance expenditures adversely affects the sustainability of road investments. The RLRCP will evaluate the current road investment and maintenance practices in selected municipalities and provide them with municipal road investment and maintenance plans and strategies for multiyear programming annually, to help ensure not only that maintenance planning is done, but also that an associated budget is provided.

37. **Readiness of detailed designs at the project preparation contributes to timely implementation.** Development of designs before the project implementation enables an early start and completion of procurement activities, which will in turn ensure a timely disbursement of funds. Under the RLRCP, the detailed designs for the first-year project roads are planned to be completed before project effectiveness.

38. **The importance of incorporating additional safety measures in the design of road improvement.** Road safety audits are required to be directly incorporated into the road designs at the earlier stages of the design process so that the appropriate road safety infrastructure such as road signs and markings is included in the bill of quantities. The proposed RLRCP is designed to ensure that road safety considerations are incorporated into road designs as well as in the construction.

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

39. The project will be implemented over four years and seven months by the ADF, which has extensive experience and a very good track record as an implementing agency of road projects financed by the World Bank and other development partners since its inception in 1993. Dedicated Staff (DS), within the ADF, will be nominated from its own personnel. The DS will manage project activities, such as procurement, social impact assessments, safeguard functions, monitoring and evaluation, disbursements and so on. When necessary, they will be supported by consultants. A budget for such operating costs has been allocated in Component 3. The ADF will also be responsible for coordinating project activities with representatives of the project municipalities and related line ministries including the MoARD, the MoIE, and the MoET, and will report to the Prime Minister's Office.

40. In addition, the existing Board of Trustees of the ADF, which includes representatives of the abovementioned line ministries and the Prime Minister's Office will provide an active steering function to the project. The board will specifically focus on (a) the coordination of project activities, (b) support and oversight for the implementation of safeguard policies, and (c) coordination with municipalities on new developments at the ministerial level related to policy, design/construction standards, agricultural development, and tourism. It will also focus on strategies and investments that will be complemented by project activities.



41. The mandate of newly formed municipalities has been extended to administering, managing, and maintaining the regional road network—previously under the dissolved Regional Councils. In this context, the participation of municipalities was critical during project preparation and will continue to be important at the implementation stage. During project preparation, the ADF has worked very closely with municipalities during the prioritization exercise, and several consultations with municipalities and local communities have taken place during the preliminary designs of the project roads. When designing, procuring, and implementing the Component 2 capacity-building activities, municipalities will appoint focal points to coordinate with the ADF, provide the ADF with inputs to the terms of reference, review and comment on technical reports and deliverables, monitor and oversee overall implementation, and sign off outputs.

### **B. Results Monitoring and Evaluation**

42. Project monitoring will be carried out by the DS within the ADF, and supported, when necessary, by the related municipalities. In addition, the ADF is expected to report quarterly to their board of trustees and the World Bank on the progress made on project activities, and in particular on progress with municipal capacity building TA component. The Project Operation Manual (POM) will elaborate the details and specifics of the institutional and implementation arrangements. The monitoring will take place both during and after project implementation. It will include procurement reviews, implementation progress reviews, and the monitoring of all the defined project indicators for the duration of this project. The ADF will also be responsible for collecting baseline information at the beginning of the project. This project will enhance the GIS database currently being used by the ADF by adding road conditions, access to tourism and agriculture facilities, and socio-economic data, which will be helpful for the ADF to collect information on project indicators. Project impact evaluation will be carried out by the ADF as well. All information for project indicators should be included in project progress reports that shall be prepared by the ADF quarterly and submitted to the World Bank team for review.

### **C. Sustainability**

43. The sustainability of this project's outcomes depends on the institutional, technical, and financial capacity of the municipalities in the long term to provide adequate and regular maintenance of the road infrastructure. The road prioritization and information collection under this project will provide the ADF and the participating municipalities with a detailed understanding of the road assets, their condition, and maintenance needs. More importantly, it will guide the maintenance bodies in the municipalities in the maintenance planning process and together with the service-level contract approach, it will help ensure that regular maintenance on the road network is carried out properly. Overall, the TA related to road asset management is expected to support the selected municipalities toward better investment planning and financial sustainability. Additionally, consideration of climate adaptation in the design of road works will ensure the construction of proper mitigation to increase their resistance to flooding, landslides, and earthquakes.

44. In addition, before starting the civil works, an Investment Agreement and a Function and Maintenance Agreement will be signed by the municipalities, defining duties that municipalities must carry out, for example, maintenance requirements, after the project roads are handed over. The ADF will monitor the compliance of these agreements.



#### D. Role of Partners

45. Parallel financing from EBRD is under consideration. EBRD expressed interest in a separate support to the RLRCP and is considering matching the World Bank funding with a further US\$50 million loan, subject to internal approvals and conditional upon the GoA's willingness and capacity to borrow. Government formally requested a loan from EBRD. The project will also benefit from the ongoing support of development partners in three project municipalities which include (a) Shkoder: The Council of Europe Development Bank (CEB) is developing a master plan for the Albanian Alps area, (b) Fier: A tourism project with EUR 40 million grant from the EU is under preparation to Fier as one of the beneficiary municipalities, and (c) Pogradec: The Albanian American Development Fund is developing a feasibility study for the tourism development in the village of Tushemisht.

### V. KEY RISKS

#### A. Overall Risk Rating and Explanation of Key Risks

46. **The overall risk to the project is rated Moderate.** Key risks identified relate to Albania's tight fiscal situation, political economy issues, enforcing sound strategies and policies for prioritizing road infrastructure investments, implementing sustainable road asset management and maintenance practices, and adequately managing safeguards. However, several factors are seen to be reducing the impact of these risks, including that the borrower has a clear vision of the project objectives and is preparing to adopt a rigorous approach to the road selection process and that the implementing agency is well experienced with a respected track record in project delivery. It is anticipated that the proposed TA under Component 3 will help mitigate some of the operational risks, so overall, the project risk is currently assessed as Moderate.

47. **Political and governance and sector strategies and policies are rated Substantial.** Sustained efforts are required to tackle governance issues, such as a weak rule of law and perceptions of corruption in Albania. The new priority could change the focus of pending reforms to address fiscal risks. A mitigating factor is that the Government has recently approved structural reforms related to strengthening public administration and the judiciary, which are requirements for reaching the EU candidate status.

### VI. APPRAISAL SUMMARY

#### A. Economic and Financial (if applicable) Analysis

48. **The project will rehabilitate regional and local roads to provide better rural connectivity.** The roads to be selected are in poor condition and represent a constraint to regional transport connectivity. The rehabilitation will achieve improved riding quality and safety of journeys, thereby causing a reduction in vehicle operating costs and travel time and providing more reliable access to economic centers. The overall impact will be to provide improved regional transport links, which will not only generate road user benefits but also create productivity gains across the agricultural and tourism sectors. In addition to these economic gains, the upgraded roads will provide improved access to social infrastructure and services.



49. **The selection of candidate roads was conducted using a two-step screening process.** The ADF proposed three regional and local roads to be included in the first-year program. This proposal was based on a prioritization study conducted in June–August 2017, which evaluated around 1,400 km of regional/local roads (145 roads sections) that had been identified as needing rehabilitation following a consultation with all 61 municipalities. From the 1,400 km, around 200 km (15 road sections) were short-listed according to a multicriteria analysis, based on tourism importance, agricultural potential, beneficiary population, and economic viability. The selection of the road first-year program (three roads totaling 38 km) was based on an even more rigorous multicriteria analysis that considered compliance with the national tourism plan, tourism accommodation capacity, agricultural importance (arable land per km), direct beneficiary population, and economic efficiency (economic net present value [NPV] per cost).

50. **The cost-benefit analysis (CBA) results given in table 3 are indicative results based on preliminary costs estimates and estimated basic road characteristics.** A traditional CBA was done using the Highway Development and Management Model (HDM-4), which computes annual road agency and user’s costs (vehicle operating costs, travel time costs, and CO<sub>2</sub> emission costs) over the evaluation period. The economic evaluation considers an evaluation period of 20 years, a discount rate of 8 percent, and a conversion factor of 0.83 to identify economic costs. The three project roads are bituminous or gravel roads in poor to very poor condition with an average international roughness index (IRI) of 12.1. The current average annual daily traffic (AADT) ranges from 955 to 3,562 vehicles per day, consisting, on average, of 5 percent buses and trucks and 95 percent cars, minibuses, and utilities.

51. **The overall economic internal rate of return (EIRR) of the first-year program is 22.8 percent and the NPV is US\$32.65 million.** All roads have EIRRs above 8 percent, ranging from 11.4 percent to 28.3 percent. If construction costs were 15 percent higher and the annual traffic growth rates were 15 percent lower, the overall EIRR will reduce to 18.9 percent. Switching values analysis shows that construction costs would have to increase by 101 percent for the overall EIRR to reach 8 percent. The outcomes of the economic evaluation are summarized in table 3, with more details provided in annex 5.

Table 3. Economic Evaluation Results

Road Name	NPV (US\$, millions)	NPV per Investment	EIRR (%)
Fier-Seman	15.03	0.52	24.2
Pogradec-Tushemisht	1.75	0.19	11.4
Qafe Thore-Theth	15.87	1.49	28.3
<b>Total</b>	<b>32.65</b>	<b>0.67</b>	<b>22.8</b>

52. **The net CO<sub>2</sub> emissions over the 20-year evaluation period are 38,324 tons, corresponding to 1,916 tons per year or 18 percent of the emissions without the project.** The gross emissions without the project are 214,360 tons while the gross emissions with the project are 252,684 tons.

53. **Public sector financing is the appropriate vehicle for financing the proposed local road improvements.** The regional and local roads are typically public goods with low levels of traffic that cannot be used to recover investment and maintenance costs directly through road-based tariffs. The fuel prices (and excise taxes in Albania) are in line with other countries in the region. Any further attempts to raise funds from the users would cause undue burden to road users living in regional areas and could jeopardize the economic improvements otherwise anticipated to arise from accelerated agricultural and tourism



developments. Nevertheless, the project follows the Maximizing Finance for Development approach by (a) contributing to an increase in tax revenues collected from increased activities in agriculture and tourism that will generate additional financial resources that can be used for road maintenance and enhancing agriculture competitiveness and (b) addressing transport connectivity bottlenecks related to tourism and agriculture development that would help attract private sector capital to the tourism sector for building hotels and other tourism facilities.

54. **Beyond financing, the World Bank's value added is in addressing key sectoral challenges in investment planning and prioritization, and sustainable asset management at the municipal level.** The World Bank's engagement in the project also helps leverage funds from other development partners as has been the case for the World Bank's SLRP. Finally, the World Bank brings expertise in areas such as construction quality control, environmental and social management, and fiduciary controls. In addition, the World Bank has a strong value proposition to bring international best practice to support climate resilience-oriented technical solutions in road designs.

## B. Technical

55. **The civil works will be limited in scope to rehabilitation of approximately 55 km of regional roads to improve and strengthen bearing capacity and improve riding quality and safety of pedestrians and motorized and nonmotorized traffic.** Following the prioritization exercise, three project roads were proposed for the first-year program and the ADF has hired design consultants who have completed the preliminary designs for the first-year road sections (three road sections of about 38 km) and the safeguard documentation. The respective detailed designs and bidding documents are expected to be completed before project effectiveness.

56. **The three road sections proposed to be included in the first-year program are in very poor condition** including sections with damaged pavement or no pavement at all, lack of drainage and protection structures, and missing road safety equipment. Interim Design Standards will be adopted for designs of the selected roads to be rehabilitated. Any exceptions to the design standard for limited sections through urban areas will require a prior no-objection by the World Bank. The proposed preliminary designs propose strengthening of base layers as recommended by geological surveys, application of new bituminous layers, and accommodation of pedestrian and cycling within the road's cross-section. In addition, the works will include reconstruction of drainage, underground utilities, and structures. Special focus will be on implementing, among others, safety barriers, road signage and speed limit (physical) measures, bus stations, and so on, as necessary.

57. **Special consideration is given to the design of roads connecting tourist sites.** These will include scenic overlooks, maintaining trees and other vegetation, which provide scenic value, providing facilities for tourist traffic, such as parking, and providing traffic calming measures, where necessary. A series of consultations with local stakeholders during the design of these roads have been carried out to make sure that the key issues and concerns are addressed at this stage.

58. **Adaptation climate change co-benefits are expected.** A key requirement of the design process will be to address the climate vulnerability of the roads rehabilitated. In addition to incorporation of these considerations into the actual designs, there is also a World Bank-executed trust fund that will allow the



use of more comprehensive approaches to the network's climate resiliency. A climate vulnerability assessment is being conducted and some of the regional and local roads financed under the project could serve or be designated as alternative routes to facilitate traffic movement from the national road network during extreme climatic events. The results from the vulnerability assessment can be used in the multicriteria analysis for selecting second-year roads, and designs for second-year roads will use enhanced standards for climate resilience. Moreover, the RLRCP will also finance consultancy services for an independent technical auditor to monitor the quality of project roads, including climate resilience aspects. These climate co-benefits will come from improved drainage, slope stabilization measures on mountainous roads, all-weather surfaces, and new bike lanes and sidewalks, which encourages the shift to cleaner modes of transport. In addition, effective and timely maintenance is the most important measure to mitigate the damage in the event of increased extreme weather resulting from climate change, and these initiatives will contribute toward the improvement in the climate resiliency of the project roads. The proposed project will finance development maintenance prioritization and implementation, including service levels appropriate for regional roads. The project will build capacity at the municipal level to improve the planning, budgeting, and implementation of activities in municipal roads.

### **C. Financial Management (FM)**

59. An FM assessment was carried out to determine the FM implementation risk and help establish adequate FM arrangements for the proposed project. Fiduciary responsibilities for the project will remain with the ADF. The ADF has adequate capacity to maintain adequate FM systems in compliance with World Bank policies. The significant strengths that will provide a basis for such reliance include the following: (a) FM arrangements proposed are similar to those of previous projects implemented and found to be adequate, (b) there are no significant issues in the audits of the previous projects implemented by the ADF, and (c) the ADF finance director and FM staff are experienced in implementation of World Bank and donor-funded projects. The municipalities will have no FM responsibilities. However, their role and engagement with the ADF with respect to Component 2 is further defined in the Project Agreement and POM, acceptable to the World Bank.

60. To further strengthen the project fiduciary environment, a POM will be prepared. It will clarify the roles and responsibilities of other institutions involved in project implementation and their interaction with the ADF. The POM will define the flow of relevant documents and approval process, as well as the disbursement and reporting procedures specific to the project. The adoption of the POM will be a condition for project effectiveness. Overall, the FM risk level is assessed as Moderate.

61. Loan proceeds will be advanced to the Designated Account (DA) denominated in U.S. dollar and maintained in the Bank of Albania (the Central Bank). Reporting on use of advances will be made quarterly based on unaudited interim financial reports (IFRs). The ceiling of advance would equal the cash forecast of project expenditure for the two subsequent reporting periods. The reporting currency will be U.S. dollar. Other allowed disbursement methods will include reimbursements, direct payments, and special commitments.

62. The annual audited project financial statements will be submitted to the World Bank within six months after the end of each fiscal year. In addition, the ADF's audited financial statements will be



required. The audit reports will be made publicly available within two months from receipt, as required by the World Bank Policy on Access to Information.

#### **D. Procurement**

63. Procurement will be conducted according to the New Procurement Framework, 'World Bank's Procurement Regulations for Investment Project Financing (IPF) Borrowers', issued in July 2016, for the supply of goods, works, and non-consulting and consulting services, and the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 and as of July 1, 2016. Under the New Procurement Framework, the Project Procurement Strategy for Development (PPSD) is used to analyze and determine the optimum procurement approach to deliver the right procurement result. The PPSD provided a strategic assessment of the operating context and beneficiaries' capabilities, as well as the market, the different stakeholders, and the risks affecting the procurement processes and informed the Procurement Plan.

64. The ADF will be directly responsible for all project-related procurement. An initial review of the project procurement capacity of the ADF was conducted in November 2017, which showed that the ADF has experience in World Bank procurement procedures and has shown satisfactory performance in procurement for World Bank-financed projects. The ADF has a solid management structure and is staffed with experienced procurement specialists. Diligence is also observed in record keeping and quality of evaluation. The procurement processing and contract management was rated Satisfactory, and the Implementation Completion and Results Report of the previous SLRP rated the performance of the implementing agency Satisfactory. The implementing agency is familiar with the World Bank's bidding documents and procedures; however, continuous training on the New Procurement Framework is needed.

65. Despite adequate capacity, the following risks are identified: (a) delays in procurement processing and implementation related to country's internal approval process and (b) supervision of contracts and contract management. To mitigate these risks, the following mitigation measures are incorporated in the PPSD: (a) the World Bank supporting the project team to facilitate the country's internal approval process, (b) pilot key performance indicators on contract management, and (c) the World Bank team will provide periodic training and capacity building for the ADF staff.

66. **Prior review threshold.** Based on the satisfactory assessment, the project shall be subject to moderate risk prior review threshold, making the project mostly subject to post review.

#### **E. Social (including Safeguards)**

67. The proposed investments, rehabilitation works for the regional and local roads, trigger OP/BP 4.12 on Involuntary Resettlement. A Resettlement Policy Framework (RPF) was disclosed in parallel with the Environmental and Social Management Framework (ESMF) on December 22, 2017, and consulted on January 4, 2018. The project is unlikely to cause any displacement of people or businesses or have any negative impact on the livelihood of people. Given the linearity of the subprojects, typical impacts will be land acquisition of strips of land. The land is typically agricultural, vacant for the segments outside of the



inhabited areas, or strips of so-called urban land in inhabited areas surrounding segments of the roads. For each subproject (project road), the Environmental and Social Management Plan (ESMP) will be prepared when preliminary designs are available. The ESMP will determine whether the site-specific, most probably abbreviated, Resettlement Action Plan (RAP) will be needed or not. In cases where an abbreviated RAP is needed, it will be prepared once the detailed designs are ready and implemented before commencement of the works.

68. **Citizen engagement.** The most important social aspects will not be the impacts of land acquisition but enabling proper consultation with the local communities on road designs and implementations. The consultation will enable soliciting views on issues like safety, width, earmarked bike lanes, sidewalks, crosswalks, and so on. The results of the consultation, where feasible, will be incorporated in the detailed designs. The participation of the communities in planning and providing feedback will be organized in a manner to allow equal voice for men and women, thus resulting in more gender-friendly road infrastructure.

69. As local communities are the primary beneficiaries of the project, their involvement in the rehabilitation and maintenance of local roads will be important to the implementation of the project. First, the ADF/municipalities will hold gender-representative consultations in all affected local communities starting at the project design phase. As part of these consultations, the ADF/municipalities will inform beneficiaries of the status of rehabilitation works and other project-related activities (for example, available roads safety programs) and seek their feedback regarding the project implementation progress. Second, as local communities live in the closest vicinity to the rehabilitated roads, they are best suited to monitor rehabilitation and maintenance works. Thus, several representatives will be selected from each affected community as part of the consultation meetings and serve as community monitors. These monitors will receive monthly updates from the ADF/municipalities regarding the planned works in their communities and report any issues or problems associated with the implementation of these works in the field. Their reports will be discussed as part of the subsequent community consultations, and the ADF/municipalities will report to the World Bank on how questions that were raised as part of the reports were addressed.

70. **Grievance redress mechanism (GRM).** This community monitoring system will be complemented by a GRM that will be operated by the ADF and will allow all project-affected beneficiaries to submit questions, complaints, or suggestions through e-mail, phone, or regular mail. The GRM will be implemented no later than 45 days after project effectiveness. The GRM will be widely publicized in all project sites and on brochures that will be distributed to project beneficiaries. All complaints will be registered and addressed within a predefined period (that is, 15 days for regular complaints and 30 days for complaints that require special actions). Quarterly reports that include the details of all complaints and ways in which they were addressed will be submitted for the World Bank's review. Beneficiaries who are not satisfied with the response to their complaint will be able to submit an appeal to the community monitors, and the community monitors will discuss the appeal together with the ADF. The GRM will not prevent the beneficiaries from bringing their grievances to national courts.

## F. Environment (including Safeguards)



71. The project has been classified as Category B. Under Component 1, the project will finance the rehabilitation and/or reconstruction within the right-of-way of regional and local roads in the selected municipalities and short new segments only where they present natural continuation/connection. Component 1 will also finance and implement safety works on improving signage, pedestrian crossings, line-marking, and so on of regional and local road networks. This implies that the project will possibly have some adverse environmental impacts; however, these would be site specific and would not be significant or long term.

72. **The project triggers Environmental Assessment (OP/BP 4.01).** To comply, the ADF prepared an ESMF, satisfactory to the World Bank, to guide the overall project as the exact alignment of roads are still not known or are currently being assessed. The purpose of this ESMF is to guide the environmental and social assessment process, that is, to facilitate screening, assessment, and management of environmental and social issues for activities to be taken up by the project in subsequent years. Environmental due diligence documents envisaged by the ESMF include an Environmental and Social Impact Assessment (ESIA), ESMPs, and ESMP checklists. In addition to the ESMF, the borrower prepared an ESIA for the Fier-Seman road rehabilitation. Both documents were disclosed and publicly consulted. The ESMF with the call for public consultation was disclosed on the ADF website on December 22, 2017, and major municipalities participating in a project (paper or electronic) for two weeks. The ESIA for the Fier-Seman road was disclosed on the ADF website and in Fier municipality on January 5, 2018. In addition to the public call, the Government and relevant nongovernmental organizations were invited through official invitations sent out by the ADF. Public consultation meetings for the ESMF and ESIA were held in Tirana on January 4, 2018 and in Fier on January 15, 2018, respectively.

73. **The project triggers Natural Habitats OP/BP 4.04.** Some of the rehabilitation works are envisaged in nature protected areas and natural habitats. For that reason, the ESMF defines procedures for identifying and managing subprojects affecting natural habitats. No new construction will be allowed in nature protected sites, or significant natural habitats, but only rehabilitation of the existing roads. In addition, no activities will be allowed in or in proximity of critical habitats. For each such subproject, the ESIA and ESMP will be prepared, prior reviewed by the World Bank environmental specialist, and cleared/consulted with the Albanian Agency for Protected areas (or relevant environmental authorities).

74. **Pest Management OP 4.09 is not triggered as the investments will not promote or increase the use of the pesticide.** Physical Cultural Resources OP/BP 4.11 is not triggered because the investments will mainly focus on rehabilitation and as such chance finds are not anticipated.

#### G. Other Safeguard Policies

75. Not applicable

#### H. World Bank Grievance Redress

76. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals



may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).



## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

COUNTRY : Albania

Regional and Local Roads Connectivity

#### Project Development Objectives

The Project Development Objectives are to improve access to selected agricultural and tourism centers, and to strengthen their municipalities' capacity to manage their road assets.

#### Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> Number of agricultural and tourism centers connected by improved project roads		Number	0.00	9.00	Annually	Progress report	ADF
<i>Description:</i> This indicator measures the number of agriculture markets including consumer regional markets that are used daily by farmers, and tourism destinations distinguished by inherent or exhibited natural or cultural value and historical significance including national parks, archeological sites and historical places, beaches and recreational areas located within 40 min from the rehabilitated roads that are provided with improved access for visitors and local population.							
<b>Name:</b> Reduced travel time on project roads		Percentage	0.00	35.00	Twice	Before and after surveys undertaken on project roads	ADF



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>Description: This indicator measures the average percentage reduction in travel times along project roads. The reduced travel times will come from improved surface, improved junction design and safer interactions between motorized and non-motorized road users.</p>							

<b>Name:</b> Improved municipalities' road asset management capacity as demonstrated through the adoption of Municipal Rehabilitation and Maintenance Plan		Yes/No	N	Y	Annually	Progress report	ADF
<p>Description: This indicator measures the formal adoption, by the municipality, of the Municipal Rehabilitation and Maintenance Plan. The Plan will include a budgeted and planned set of investment priorities, the criteria for assessing annual maintenance plans, and a medium term set of periodic maintenance priorities.</p>							

**Intermediate Results Indicators**

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> Roads rehabilitated	✓	Kilometers	0.00	55.00	Annually	Progress report	ADF
Roads rehabilitated - rural	✓	Kilometers	0.00	55.00	Annually	Progress report	ADF
<p>Description:</p>							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<b>Name:</b> Geo-spatial data tool enhanced to show road condition and access to agricultural and tourism centers		Yes/No	N	Y	Annually	Progress report and outputs from the geo-spatial data tool	ADF
<p><b>Description:</b> This indicator measures improvements to the existing geo-spatial data tool being used by ADF. Achievement of this indicator will be achieved if ADF can demonstrate geospatial outputs showing road condition, access indicators to key tourism facilities, access indicators to areas of agricultural production and processing, and the presentation of key socio-economic data.</p>							
<b>Name:</b> Design stage road safety audits passed		Percentage	0.00	100.00	Annually	Progress report	ADF
<p><b>Description:</b> This indicator measures the percentage of project designs passing the road safety audit before civil works start.</p>							
<b>Name:</b> Design stage technical audits including climate resilient aspects passed		Percentage	0.00	100.00	Annually	Progress report	ADF
<p><b>Description:</b> This indicator measures the percentage of project designs passing the technical audit on climate resilient aspects and measures before civil works start.</p>							
<b>Name:</b> Standard service level agreement contract prepared and training provided		Yes/No	N	Y	Annually	Progress report	ADF



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p><b>Description:</b> This indicator measures the preparation of a simple standardized service level contract for maintenance and that training in participating municipalities has been completed on how to contract out maintenance based on performance and defined service level indicators and practices. The training should be provided to municipality staff, local contractors and existing force account units.</p>							
<b>Name:</b> Asset management system of selected municipalities enhanced through incorporation of prioritization database		Yes/No	N	Y	Annually	Progress report	ADF
<p><b>Description:</b> This indicator measures the enhancement of existing asset management systems in the selected municipalities by incorporating the prioritization database developed under the project, to improve the planning and prioritization of maintenance and rehabilitation activities.</p>							
<b>Name:</b> Capacity building trainings to municipalities on how to recruit and retain women in roads sector.		Number	0.00	2.00	Annually	Progress report	ADF
<p><b>Description:</b> This indicator measures the number of capacity-building trainings to selected participating municipalities to enhance their skills to recruit women in a pilot road maintenance program and to mainstream best practices related to gender in road projects.</p>							
<b>Name:</b> Policies and practices with respect to women's employment in roads construction and maintenance		Yes/No	N	Y	Annually	Progress report	ADF
<p><b>Description:</b> This indicator measures introduction and improvement of policies and practices by the municipalities and the contractors participating in the Project with respect to women's employment in road maintenance and in their workforce, respectively. Achievement of this indicator will be demonstrated by the implementation of</p>							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>the gender action, to be adopted by the stakeholders, which will target material changes to women’s employment policies and practices with an ultimate end goal of increasing women’s employment in the sector against the national average (known) and the Project-specific baseline to be defined during the course of the gender component.</p>							
<b>Name:</b> Share of women employed in high skilled jobs in the workforce of the contractors and road departments of the municipalities participating in the project		Percentage	5.00	15.00	Annually	Progress report	ADF
<p><b>Description:</b> This indicator measures the increase in the share of women employed in high skilled jobs in the workforce of the contractors engaged in this project and among road departments of the municipalities participating in the project. Currently less than 5 percent of all the employed in the construction sector in the country is estimated to be women. 5% is used as a proxy for the current share of women among high skilled jobs in the workforce of the contractors and road departments of the municipalities participating in the project. The baseline will be revised during the first year of the project implementation once the project develops a project-specific baseline.</p>							
<b>Name:</b> Development of recommendations for linking agricultural producers to local demand		Number	0.00	2.00	Annually	Progress report	ADF
<p><b>Description:</b> This indicator measures the number of reports prepared for selected participating municipalities which will include recommendations on linking agricultural producers to local demand. A workshop will also be undertaken to sensitize local stakeholders on these recommendations.</p>							
<b>Name:</b> Development of tourism development concept plan		Number	0.00	2.00	Annually	Progress report	ADF



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p><b>Description:</b> This indicator measures the number of Tourism Development Concept plans prepared for selected participating municipalities. A workshop will also be undertaken to sensitize local stakeholders on these plans and build capacity for their implementation.</p>							
<p><b>Name:</b> Percentage of community consultations in target locations that influence decision-making over the road rehabilitation design</p>		Percentage	0.00	50.00	Annually	Progress report	ADF
<p><b>Description:</b> This indicator will measure the community impact over the final design of road rehabilitation, and it will be determined as a share of cases where the final design has been influenced from community consultations by comparing the minutes of meetings where the topic is on proposed preliminary designs at the phase of gathering inputs with the later final detailed designs.</p>							
<p><b>Name:</b> Project related grievances addressed within the required terms, disaggregated by gender</p>		Percentage	0.00	100.00	Annually	Progress reports	ADF
<p><b>Description:</b> Percentage of grievances that are addressed in a satisfactory manner within the established response terms. This should be detailed in the operations manual. Data collected on a monthly basis based on grievance system and reported on every project progress reports.</p>							

**Target Values****Project Development Objective Indicators**

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Number of agricultural and tourism centers connected by improved project roads	0.00	0.00	3.00	9.00	9.00	9.00	9.00
Reduced travel time on project roads	0.00	0.00	0.00	0.00	0.00	35.00	35.00
Improved municipalities' road asset management capacity as demonstrated through the adoption of Municipal Rehabilitation and Maintenance Plan	N	N	N	N	Y	Y	Y

**Intermediate Results Indicators**

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Roads rehabilitated	0.00	0.00	42.00	55.00	55.00	55.00	55.00
Roads rehabilitated - rural	0.00	0.00	42.00	55.00	55.00	55.00	55.00
Geo-spatial data tool enhanced to show road condition and access to agricultural and tourism centers	N	N	N	N	N	Y	Y
Design stage road safety audits passed	0.00	0.00	100.00	100.00	100.00	100.00	100.00
Design stage technical audits including	0.00	0.00	100.00	100.00	100.00	100.00	100.00



Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
climate resilient aspects passed							
Standard service level agreement contract prepared and training provided	N	N	N	Y	Y	Y	Y
Asset management system of selected municipalities enhanced through incorporation of prioritization database	N	N	N	Y	Y	Y	Y
Capacity building trainings to municipalities on how to recruit and retain women in roads sector.	0.00	0.00	1.00	1.00	2.00	2.00	2.00
Policies and practices with respect to women's employment in roads construction and maintenance	N	N	N	N	Y	Y	Y
Share of women employed in high skilled jobs in the workforce of the contractors and road departments of the municipalities participating in the project	5.00	5.00	5.00	8.00	10.00	15.00	15.00
Development of recommendations for linking agricultural producers to local demand	0.00	0.00	0.00	1.00	2.00	2.00	2.00
Development of tourism development concept plan	0.00	0.00	0.00	1.00	2.00	2.00	2.00
Percentage of community consultations in target locations that influence decision-making over the road rehabilitation design	0.00	0.00	50.00	50.00	50.00	50.00	50.00



Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Project related grievances addressed within the required terms, disaggregated by gender	0.00	100.00	100.00	100.00	100.00	100.00	100.00



## ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Albania

### Regional and Local Roads Connectivity Project

1. **The Albania RLRCP is expected to be financed by an IBRD loan of US\$50 million.** The 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 and employment in Albania. More specifically, the proposed RLRCP will support tourism development through improving road access to existing and potential tourism destinations and providing quality tourism-friendly amenities (for example, parking lot for tourist buses and viewpoints) and signage along the roads in the project areas. It will also support the integration of agricultural producers to agri-food value chains and market participation, particularly for women who constitute the majority of the workforce in agriculture.
2. More importantly, what the RLRCP seeks to accomplish is to develop an overall investment framework, and policy and implementation framework for the development, rehabilitation, and maintenance of regional and local roads, which will provide a platform not only for this project but also to domestic and international development partners for finance.
3. **The investment framework priorities are developed based on a prioritization methodology focusing on key productive sectors and particularly agriculture and tourism.** The prioritization of roads has been done through a two-step prioritization process. In the first step, a long list of 1,400 km of candidate roads was developed based on consultations between the ADF and 61 municipalities; the second step involved the preparation of a short list of 200 km of candidate roads using multicriteria analysis, considering tourism importance, agricultural potential, beneficiary population, and economic efficiency indicators. The prioritization process reflects the priorities of municipalities as well as the GoA's vision on rural roads investments that support tourism and agriculture. The roads will also serve the villages identified by the recently approved '100 villages' program. This approach enables the scale-up to a program for the GoA and municipalities in which it can be implemented with the support of development partners.
4. **Policy and implementation frameworks will be developed using TA financed by loan proceeds and grants funds.** The TAs will focus on four to five municipalities that will receive road investment under the project. Lessons learned from implementation in these municipalities could be used in scaling up municipal development programs. The capacity-building TA includes support to the municipalities to improve management of road assets and strengthen links between roads, agricultural market access, and tourism development. Two complementary World Bank-executed Trust Fund TAs will help the project to promote climate resilience and women's economic opportunities in Albania respectively.
  - (a) **Climate-resilient road assets for Albania.** Albania's vulnerability to climate change and natural disasters, for example, flooding, landslides, and earthquakes, within the road sector, is being analyzed under a separate TA and its outcomes will inform the prioritization of investment to provide more sustainable and resilient road assets. The TA outcomes will inform the RLRCP designs for specific road sections. Improved regional and local roads could



provide an alternative to the critical links of the national road network during extreme weather events.

- (b) **Promoting woman’s employment in the road sector in Albania.** The capacity of the selected municipalities to reach out and increase women’s participation in the road maintenance program will be analyzed under a separate TA, and capacity-building training will be provided to the municipalities to enhance their knowledge and understanding of the ways in which, the participation of both women and men in road maintenance can be enhanced and local ownership and sustainability of road maintenance activities promoted. The TA will also include work with a several contractors to explore opportunities to promote women’s employment in high-skilled jobs in their respective workforce. This will be done by reviewing their policies and practices regarding equal opportunities with a view to identifying specific actions that may be appropriate to improve gender balance and providing recommendations for their introduction and/or enhancement. Hence, the focus will be on more and better jobs. The gender component will be concluded by a national event that will bring together key stakeholders to showcase the results achieved with the selected stakeholders and, more importantly, to produce a gender action plan reflecting concrete and measurable commitments made by the stakeholders to promote women’s employment throughout the project with an ultimate end goal of increasing women’s employment in the project. The details of the proposed work including the gender analysis and proposed actions are provided in annex 4.

**5. The project will finance the following components.**

**Component 1. Accessibility Improvement (Total cost US\$46.88 million; IBRD US\$46.88 million)**

6. This component will finance (a) the rehabilitation and/or reconstruction of about 55 km within the right-of-way of regional and local roads in the selected municipalities; (b) the preparation of detailed designs for the project roads (the GoA is financing the design of the first-year roads, loan financing may be used for road designs beyond that), civil works supervision, and technical/road safety audits; and (c) road safety initiatives.

*Subcomponent 1.1. Climate Resilient Road Rehabilitation Works (Total cost US\$45.68 million; IBRD: US\$45.68 million)*

7. Interim Design Standards will be adopted for creating the designs of the selected roads to be rehabilitated. Any exceptions to the design standard for limited sections through urban areas will require a prior no-objection by the World Bank. The designs will pay particular attention to their climate resilience (such as to flooding and landslides) given the vulnerability of the network. As a first-year program, three project roads (totaling 38 km) in three municipalities have been proposed based on surveys and rigorous multicriteria analysis applied on the short-listed 200 km of roads. The remaining project roads will be identified and prioritized during implementation. Where roads serve tourism areas or pass through urban areas, attention will be given to footpaths, bicycle paths, safety improvements, orientation signage, bus stops, and aesthetic considerations. This subcomponent will also finance the second-year program designs (first-year program designs are already financed by the GoA), civil works supervision of all project roads, their technical and road safety audits replacement, lightning, greening, and appropriate road safety



improvements resulting from road safety audits. The application of non-asphalt and asphalt layers will be based on appropriate geological and hydrological investigation, as well as rigorous pavement design standards, to avoid overdesigning and to optimize the use of funds.

Table 1.1. Expected Pavement Rehabilitation package

Course	Road Type 1	Road Type 2	Road Type 3
Wearing	Asphalt 40 mm	Asphalt mix 40 mm	Asphalt mix 40 mm
Binder	Asphalt 60 mm	Asphalt mix 40 mm	n.a.
Road base	Granular material 150 mm	Granular material 150 mm	Granular material 150 mm
Sub-base	Crushed material 200 mm	Crushed material 200 mm	Crushed material 200 mm
Soil Improvement	If required	If required	

8. The design approach is to have a new pavement structure and an optimal use of the existing base and sub-base, without changing the road alignment, along with drainage improvement, implementation of safety interventions, and installation of road safety equipment. The type of intervention and pavement packages are and will be applied in homogenous sections based on respective geotechnical conditions, strength, and bearing capacities of these subsections (table 1.1).

9. Figures 1.1 and 1.2 present a typical cross section of regional and local roads based on the ADF's Interim Design Standards.

Figure 1.1. Typical Secondary (Regional) Road Cross Section according to the ADF's Interim Design Standards

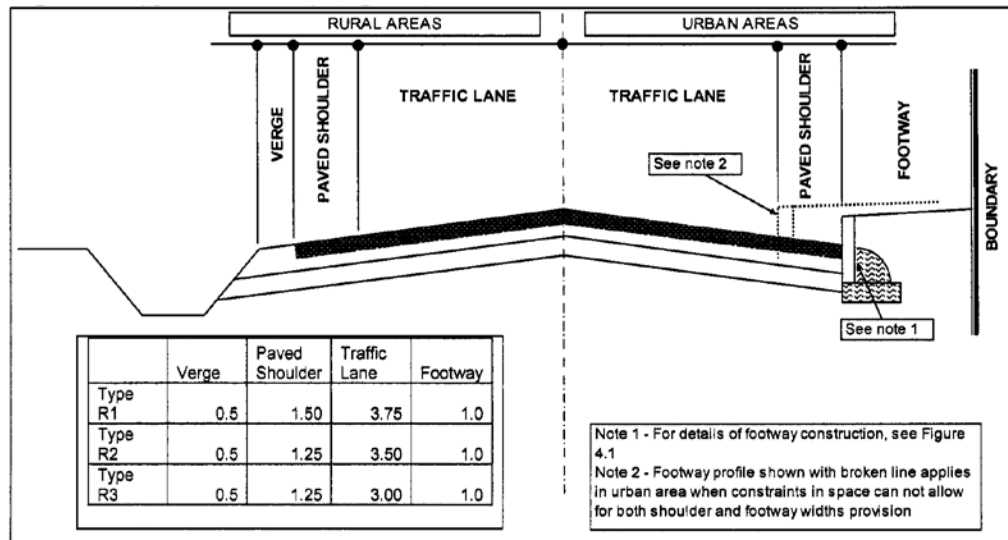
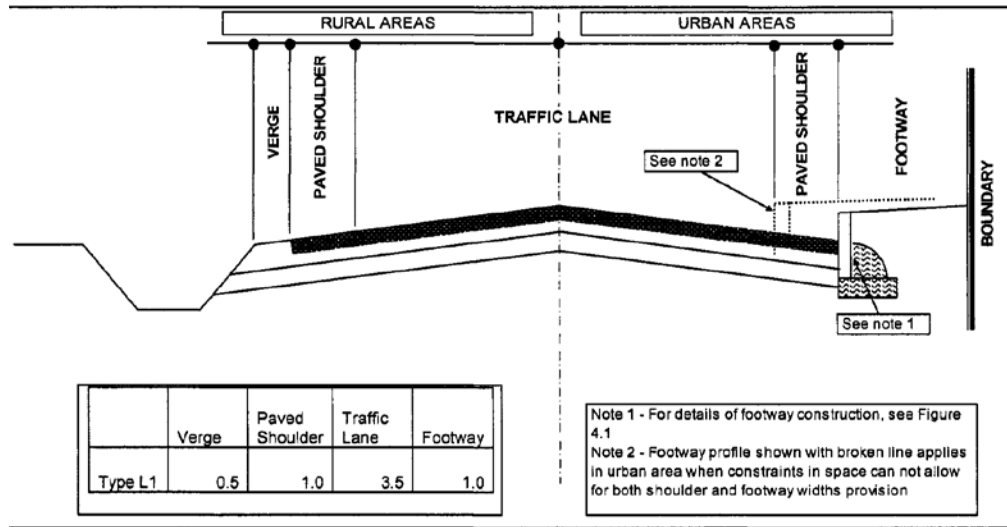




Figure 1.2. Typical Local Road Cross Section according to the ADF's Interim Design Standards



10. **Supervision and technical designs and audits.** The subcomponent will also finance detailed design studies and preparation of bidding documents for the road projects starting in Year 2 and supervision activities by the supervision engineer for all rehabilitation works under the project (detailed designs and bidding documents of Year 1 are being financed by the ADF). It will also finance consultancy services for an independent technical auditor to monitor the quality of project roads, including climate resilience aspects. Consultancy services for an independent road safety auditor, to be applied at both the design stage and construction completion stage, are also included under this subcomponent.

*Subcomponent 1.2. Road Safety Initiatives (Total cost US\$1.20 million; IBRD: US\$1.20 million)*

11. This subcomponent will finance services and civil works related to road safety interventions on roads that are identified through a TA and not supported under Subcomponent 1.1. The subcomponent will have two key activities:

- (a) **Road safety TA.** This subcomponent will consist of identification of potential road safety interventions on regional and local roads that are not included in Subcomponent 1.1 but within the project municipalities. Identification efforts shall include both road risk mapping using available crash data and a road safety inspection of sections linked to Subcomponent 1.1 roads. These efforts will consider locations of built-up areas, access to points of interest, traffic volumes, and vehicular speeds to the extent possible. In total, approximately 138 km of additional roads along nine segments in all three project municipalities shall be analyzed for potential hazardous locations. In parallel with this activity, capacity building on improved road crash data collection, management, analysis, and reporting as well as road safety inspection and audit will be delivered. In addition to training, a manual on road safety audit and inspection along with a framework for training and certification as well as policy recommendations in line with the European Directive on road safety audit shall be included. The aim of this subcomponent is to both identify the locations and types of road safety



interventions in an effort to optimize budget for safety treatment as well as build capacity for systematic road safety management of regional and local roads to complement the existing national black spot management program.

- (b) **Road safety improvements works.** This subcomponent will finance the design and civil works (including supervision) related to road safety interventions identified in the above TA. It is anticipated that these works will include implementation of road safety countermeasures such as improved signage, pedestrian crossings, line-marking, installation of guardrails, and roadside hazard management of the regional and local road network in the project municipalities. In some roads, such as SH4 between Fier City Center and Lushnjë City Center, which appear to be in good condition (four-lane divided road with paved shoulders), speeds are likely to be higher. Along SH3 in Korçë, conditions for motor vehicles appear to be good, but significant tourist traffic is anticipated. In these cases, it will be important to ensure safety of vulnerable road users by introducing infrastructure aimed at speed calming and installing safe pedestrian crossings. On other roads, such as SH64 in Korçë County and SH21 in Shkodër County, road beds are narrow, signage appears to be minimal, and significant roadside hazard conditions persist. In addition, SH21 is a mountainous road with steep side slopes and a substantial number of sharp curves. Although road upgrading in this subcomponent will not be possible, recommendations may be made for future consideration along with low-cost interventions aimed at managing speeds and improving roadside conditions. The designs of road safety interventions will defer to applicable European standards.

## **Component 2: Capacity Building for Municipalities (Total cost US\$1.0 million; IBRD: US\$1.0 million)**

12. The significant administrative and territorial reforms which consolidated responsibilities at the municipal level have empowered municipalities with much greater ownership and decision-making powers over key development objectives. However, it has also highlighted financial and capacity constraints in the execution of these new responsibilities. This component will provide support to municipalities in two areas of their new responsibilities which is the management and maintenance of their road networks and in maximizing the potential impacts from improved access on agricultural competitiveness and tourism potential. The following activities are envisaged:

*Subcomponent 2.1. Building Municipal Capacity to Manage and Maintain Road Networks (Total cost US\$0.5 million).*

13. This subcomponent will evaluate the current road investment, rehabilitation, and maintenance practices in project municipalities; support in the preparation of road investment, rehabilitation, and maintenance plans and strategies for multiyear programming; and will also assess the adequacy of maintenance finance. To support this objective this component will assist in the following activities:

- (a) **Review the regional and local roads sector at a national level.** This will include a review of the existing legal framework, institutional and managerial arrangements, subsector policies, financing, cost recovery and expenditures, regulatory framework, and the organization of coordination and monitoring.



- (b) **Enhance existing asset management systems to improve the planning and prioritization of maintenance and rehabilitation activities by helping to incorporate the prioritization system developed under the project into existing systems.** This will also include a review of the ADF's administered database, which the municipalities have access to and should continue to update. It will identify any deficiencies in its architecture, ease of access by municipalities, and provide recommendations on enhancing the GIS functions.
- (c) **Prepare a standard service-level agreement between the municipality and a contractor to improve the efficiency of maintenance execution.** It is anticipated that the bulk of LGU procurement of maintenance services will eventually be outsourced. It is desirable that these contracts not only be standardized and simplified, but also be convenient for contractors bidding on familiar standard forms. This task will develop such standard format contracts and actively promote their use.
- (d) **Provide a framework for sustainable maintenance finance.** This will include an assessment of maintenance needs and estimates of the cost for maintenance and rehabilitation for each of the municipalities. It will make recommendations on alternative revenue sources and support the development of multiyear programs.
- (e) **Build capacity in the project municipalities to effectively implement maintenance programs.** This element will develop the capacity of trainers in the ADF and municipalities, deliver the training program through site visits, provision of advice, and revision of training programs where necessary, and the monitor and evaluate the training program.
- (f) **Communication strategy and its implementation.** For municipalities to successfully manage their road assets, it is critical that citizens are fully aware that the roads belong to them and that they assume primary responsibility, financial or otherwise, for their maintenance. The communication strategy should include both communication materials such as pamphlets and brochures and community outreach programs.

*Subcomponent 2.2. Building New Economies (Total cost US\$0.5 million)*

14. This subcomponent will support selected municipalities for implementation of rural development programs such as the '100 villages' program. It will provide TA to the project municipalities to (a) review the ongoing activities of the Government and development partner programs in each of the project municipalities and to identify planned agro-tourism activities; (b) assess and prioritize high potential agro-tourism activities in the project municipalities; (c) support project municipalities in outreach to potential financiers including the Government, development partners, and the private sector; (d) support project municipalities in the preparation of specific proposals/grant applications/feasibility studies to attract investment funding for prioritized initiatives; and (e) support project municipalities in the effective implementation of key initiatives and participation in existing programs.

15. **Agriculture.** The focus will be on linking agricultural producers to local demand, including through local markets and tourism centers. The focus will be on production areas adjacent to the road infrastructure supported by the project. Potential activities could include supply chain activities for key agricultural products; recommendations for alleviating impediments in connecting roads, warehouses,



harvesting facilities, and regulations; and development of collection zones. This could also include supporting women smallholder farmers and women-led agricultural small and medium enterprises to start and/or enhance their participation in agri-food value chains in Albania.

16. **Tourism.** The focus will be on promoting agro-tourism and steering public and private investments in tourism-related infrastructure and services at the local level. Potential activities could include the promotion of 'Eat Albania' restaurants, local-level tourism activities, proposals to leverage private sector finance, and support to plan for tourism growth and mitigate any possible environmental and social impacts. Several of the villages (for example, Theth) benefiting from this project are existing and potential tourist attractions because of their preserved architecture and traditions. This aspect is viewed by the tourism industry as one of Albania's unique selling propositions and, therefore, important to maintain and enhance. The project will contribute to increased tourist visits to these villages and potentially increased local demand for accommodation and services. It will be important for the concerned municipalities to be aware of the risks and opportunities concerned and have in place a set of recommendations and actions that help manage them.

**Component 3. Implementation Management Support (Total cost US\$2.0 million; IBRD: US\$2.0 million).**

17. This component includes incremental operational cost of the ADF, development and maintenance of a GIS and prioritization database for regional and local roads, midterm evaluation, and capacity-building initiatives for the ADF. It will also include the implementation of a Project Impact Assessment to assess the project's impacts on key social, transport, agriculture, and tourism indicators.



## **ANNEX 2: IMPLEMENTATION ARRANGEMENTS**

### **COUNTRY: Albania** **Regional and Local Roads Connectivity Project**

#### **Project Institutional and Implementation Arrangements**

##### **Project Administration Mechanisms**

1. The project will be implemented by the ADF. The ADF was established in 1993, with the mandate to implement projects at the local government level, financed by either the Government or international donors. The ADF has the status of an independent legal entity (nonprofit organization) and has been the implementing agency for the World Bank-funded SLRP, which closed in 2013 with a highly satisfactory rating. Recently, the ADF is assigned with the same role for the ongoing Project of Integrated Urban and Tourism Development. The ADF has good technical, fiduciary, and management capacity: 70 staff in headquarters and two regional offices. During the peak period of projects funded by the GoA and international donors (2009–2011), the ADF was able to handle US\$380 million worth of civil works contracts. Over the next five years, the ADF is expected to implement projects of about US\$200 million or half of the workload that they can absorb.
2. The ADF will carry out all project activities, including procurement and FM, in both of which the ADF has good experience. The ADF will prepare a POM, of which a draft will be provided to the World Bank for concurrence by the effectiveness deadline.
3. The DS will be established within the ADF to implement the project. The DS will consist mainly of ADF staff (engineers, environmental and social scientists, and FM and procurement specialists) and representatives from the municipalities. It will also be strengthened with expert consultants, as needed, to ensure timely implementation in a construction-intensive environment. The World Bank assesses the DS as adequate and acceptable. The line of reporting of all the ADF staff and the DS will be to the ADF Director or his assigned person.

##### **Financial Management**

4. A FM assessment was carried out to determine the FM implementation risk and help establish adequate FM arrangements for the proposed project. As discussed in the institutional and implementation arrangements, the ADF has fiduciary responsibilities. The selected municipalities will have no FM responsibility but will provide the ADF with evidence of review and acceptance of the goods, works, and consultants' deliverables, as required, to ensure validity of payment request by contractors, suppliers, and consultants. The assessment showed that the ADF has adequate capacity to maintain adequate FM systems in compliance with the World Bank policies. The significant strengths that would provide a basis for reliance include the following: (a) FM arrangements proposed are similar to those of previous projects implemented and found to be adequate, (b) no significant issues in the audits of the previous projects implemented by the ADF, and (c) the ADF Finance Director and FM staff are experienced in the implementation of World Bank- and donor-funded projects. Overall, the FM risk level is assessed as moderate. To further strengthen the project fiduciary environment, a POM will be prepared. It will clarify



the roles and responsibilities of various institutions involved in the implementation and their interaction with the ADF, flow of relevant documents and evidence of approvals, and disbursement and reporting procedures specific to the World Bank and the project. The adoption of the POM will be a condition for project effectiveness.

5. **Country Public Financial Management (PFM) status.** Albania has participated in a number of detailed reviews of its PFM systems including, among others, three Public Expenditure and Financial Accountability (PEFA) assessments (2006, 2011, and 2016); a Public Expenditure Review (2006); a Public Finance Review (2013); annual EU-Support for Improvement in Governance and Management reviews; and other analyses by the World Bank, the International Monetary Fund (IMF), the European Commission, and other organizations.

6. The various reviews have plotted the significant progress that Albania has made in improving PFM. The last PEFA assessment for Albania, in 2016, concluded that Albania has advanced in some areas such as budget credibility, elements of fiscal transparency, monitoring of expenditure arrears, and procurement. Despite significant progress, lagging areas include (a) monitoring of extra-budgetary units, (b) public investment management, (c) better links between the sector strategies and budget, (d) systematic arrears monitoring, (e) implementation of internal audit and financial management and control, and (f) scope and nature of the external audit function.

7. **FM staff.** The ADF's organizational structure is adequately designed to achieve the organization objectives. It properly defines authority lines, roles, and responsibilities of departments and employees; ensures segregation of duties; provides a system of coordination for integrating the activities of individuals and departments; and ensures that the four-eye principle is honored. The roles and responsibilities of individuals and departments are defined in the ADF POM. The overall FM responsibility for the project will be borne by the ADF Finance Department. The Finance Department has an excellent track record and high observed compliance in disbursement and reporting with respect to the previous World Bank-funded projects. At present, the unit comprises six staff. Based on the information provided by the ADF, the World Bank team assessed that the workload within the department will remain at the same levels, due to scaling down in the other ongoing projects. Therefore, no additional staff will be required for the project. However, the World Bank will continuously monitor the staffing requirements to identify any potential gap. ADF management assigned a focal point responsible for communication with the World Bank team on FM matters. During project implementation, periodic and ongoing training on World Bank disbursement and FM will be provided to the finance staff as part of the World Bank-funded training program.

8. **Budgeting.** The operation will rely on country public budget and planning systems. The mechanisms for budgeting and opening the budget (release of funds) are considered adequate for the needs of the project. The ADF will be responsible for the preparation of the project's medium-term forecasts and annual budgets, whose process is regulated by the Ministry of Finance and Economy (MoFE) budget instructions. Project budgets and forecasts will reflect inputs from the Technical Departments involved with the project and will be based on the approved Procurement and Implementation Plan. These budgets will form the basis for allocating funds to project activities and, after expenditures are paid, for requesting funds from the World Bank. The project budgets and forecasts will be identified and monitored separately. The project's annual budgets, as part of the ADF annual budget documents, will be approved



by the MoFE and the ADF Board of Trustees. The project's budget will include the investment spending forecast to be financed by the loan proceeds and counterpart funds, if any.

9. **Accounting and maintenance of accounting records.** The ADF is using an acceptable FM software, which is adequate for maintaining and producing financial information for project management use. The project funds and expenditures will be accounted separately and the project chart of accounts will be defined based on the project activities. The accounting records for all project expenditures will be maintained by category and by component. Periodic reconciliation will be performed between general ledger and project bank accounts and the World Bank disbursement data.

10. **Periodic financial reporting.** Quarterly IFRs, containing at least (a) the statement of sources and uses of funds (with expenditure classified by category and component), (b) contract monitoring, (c) cash forecast for two subsequent periods, and (d) a DA statement will be submitted to the World Bank within 45 days of the end of each quarter. The format and content of the IFRs have been agreed during the appraisal and will be included in the POM. The annual project financial statements will be prepared in accordance with International Public Sector Accounting Standards on a cash basis. The financial reports will be prepared in U.S. dollars. The first quarterly IFRs will be submitted after the end of the first full quarter following the first disbursement. The IFRs will be the basis for documenting the use of advances made in the DA. The IFRs will be reviewed and confirmed every quarter by the World Bank team.

11. **Internal controls.** The ADF's Manual of Procedures provides a comprehensive internal control framework for approval and selection of the applications, authorization of the payments, and execution of the payments, accounting and reporting, as well as information security. In addition, a POM that will define the institutional and implementation arrangements will be prepared for the proposed project. The FM part of the manual will define the FM requirements specific to the project and the World Bank, covering the fiduciary controls, disbursements, and fund flows, and will define the roles and responsibilities of municipalities involved in the implementation and their interaction with the ADF with respect to the flow of documentation and evidence for the project expenditure. These written standards will clarify segregation of duties and responsibilities, including the level of authority and clear control over funds and assets, and will depict the key control activities that will ensure proper verification, authorization, and documentation of all project expenditure, proper contract financial monitoring, and duly approval evidence. The manual will also describe procedures for ensuring completeness of accounting transactions, reliability of accounting data, and regular financial reporting. The adoption of the POM will be a condition for project effectiveness.

12. **Annual audit.** The project's financial statements will be audited annually by independent auditors acceptable to the World Bank. In addition, annual audited financial statements of the ADF will be required. The auditor for the project will be appointed by the MoFE as part of an overall agreement for the audit of the nonrevenue-earning World Bank-financed portfolio in Albania. The audit service fee is covered by the MoFE. Specific terms of reference based on International Standards on Auditing are used for the projects covered by this agreement and are cleared by the World Bank. The audited project and ADF financial statements will be submitted not later than six months after the end of the reporting period. Pursuant to the World Bank Policy on Access to Information (July 2010), the ADF will have to disclose the audit reports within two months of their receipt from the auditors, by publishing the reports on their website. Following formal receipt of these reports, the World Bank will make them publicly available as well. At present, there are no overdue audits from the ADF.



### **Funds Flow and Disbursements**

13. The project will be completely financed by an IBRD loan. The loan proceeds will be disbursed on the basis of standard World Bank disbursement methods for investment projects. The currency of disbursements will be the same as the loan currency. A DA, denominated in U.S. dollars, will be opened at the Bank of Albania, specifically for this project, where the World Bank will advance loan proceeds.

14. Project funds will flow from the World Bank, either (a) through the DA, which will be replenished on the basis of the documentation specified in the Disbursement Letter, or (b) by using the direct payment method or the special commitment. Once the funds have been deposited in the DA, the Treasury Department at the MoFE, on the request of the ADF, will transfer loan proceeds from the DA to the ADF project bank accounts that will be maintained in a commercial bank, acceptable to the MoFE, to make project expenditure payments to third parties, that is, consultants, contractors, and suppliers. These bank accounts (one denominated in U.S. dollars and one in Albanian leks) will be managed by the ADF.

15. The World Bank will require either copies of the original documents evidencing eligible expenditures ('records') or unaudited IFRs, as specified in the Disbursement Letter. The use of the advances will be documented by quarterly financial reports; that is, the project would use unaudited IFRs instead of a detailed list of expenditures (statement of expenditures [SOE]). Should the World Bank determine at any time that the IFRs are not adequate to support the disbursement process, it reserves the right to revert to the traditional disbursement methodology (SOEs, summary sheets, and so on). Withdrawal applications will be sent to the World Bank every three months, the same as the frequency of the IFRs. However, for direct payments records will be required, consisting of documents such as invoices and receipts. In all cases, the ADF is required to maintain original documents evidencing eligible expenditures and making them available for audit or inspection. These documents should be maintained for at least two years after receipt by IBRD of the audit report and for a period required by the local legislation.

16. The IFR reporting on the use of the previous advance will also be the basis on which the World Bank agrees to advance additional funds, accounting for any unused portion of the previous advance as well as analyzing the realism of the forecasted activities and contracts. The advance will cover two quarters and will provide sufficient liquidity for the project to begin a number of activities.

### **Procurement**

17. Procurement will be conducted according to the New Procurement Framework, 'World Bank's Procurement Regulations for Investment Project Financing (IPF) Borrowers', issued in July 2016, for the supply of goods, works, and non-consulting and consulting services, and the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 and as of July 1, 2016. Under the New Procurement Framework, the PPSD is used to analyze and determine the optimum procurement approach to deliver the right procurement result. The PPSD provided a strategic assessment of the operating context and beneficiaries' capabilities, as well as the market, the different stakeholders, and the risks affecting the procurement processes, and it informed the Procurement Plan.



18. The ADF will be directly responsible for all project-related procurement. An initial review of project procurement capacity of the ADF was conducted in November 2017, which showed that the ADF has experience in World Bank procurement procedures and has shown satisfactory performance in procurement for World Bank-financed projects. The ADF has a solid management structure and is staffed with experienced procurement specialists. Diligence is also observed in record keeping and quality of evaluation. The procurement processing and contract management was rated Satisfactory, and the Implementation Completion and Results Report of the previous SLRP rated the performance of the implementing agency Satisfactory. The implementing agency is familiar with the World Bank’s bidding documents and procedures; however, continuous training on the New Procurement Framework is needed.

19. Procurement risk analysis. Overall risk analysis is rated Moderate based on the capacity of the implementing agency, especially to implement the new policy framework, and its experience in overall infrastructure projects; on the composition of the market place with an acceptable competition and availability of contractors; and, finally, on the nature of the project activities that are not complex or sophisticated (table 2.1).

**Table 2.1. Procurement Risks and Mitigations**

Risk Description	Description of Mitigation	Risk Owner
Complexity of the activities	Procurement activities will mostly comprise rehabilitation of rural roads and will not present implementation challenges.	ADF/Contractors
Availability of the contractors	International and local contractors shall be approached and their availabilities and capabilities are tested in previous projects.	ADF/Market
Packaging and sequencing	Contracts shall be packaged and sequenced to avoid interruption of circulation. The designs for the works of the first year will be available by project effectiveness.	ADF
Time and cost overrun	Close support and supervision during the contract implementation phase with adequate resources and tools from the ADF and World Bank’s team.	ADF/World Bank
Lack of procurement performance indicators linked to inability of collecting and interpreting data	Invest in systematic approach of procurement processing and introducing STEP system as a tool to tracking and monitoring.	ADF

Note: STEP = Systematic Tracking of Exchanges in Procurement.

20. The following project procurement arrangements will apply during project implementation:
- (a) **Selection methods for works.** The project is expected to use Request for Bids (RFBs) (for international markets for about four work contracts). Other methods, where justified, include Request for Quotations (RFQs) and Direct Selection. On works packages, the RFBs (Single Envelope), RFBs (Small works), and Standard Bidding Documents will be used.
  - (b) **Selection methods for goods and non-consulting service.** The project is not expected to purchase goods/equipment, but if the need arises during the implementation phase, the



following methods will be used (i) RFBs for both international and national markets, (ii) RFQs, and (iii) Direct Selection.

- (c) **Procurement of consultants.** The project is expected to use Request for Proposals with the following methods (i) Quality- and Cost-Based Selection (QCBS), (ii) Selection Based on Consultants’ Qualification (CQS), (iii) Direct Selection, and (iv) Selection of Individual Consultants.

21. **Procurement Plan and STEP.** An initial Procurement Plan (table 2.2) for the life of the project is be developed by the ADF and will be processed through STEP. It defines the market approach options and the selection methods and contractual arrangements and determines the World Bank’s reviews.

**Table 2.2. Procurement Plan**

Ref. No.	Activity Description	Type of Procurement	Selection Method	Review by World Bank (Prior/Post)	Contract Signing Date (Planned)	Contract Completion Date (Planned)
1	Rehabilitation of the road in Shkoder	W	RFB (Prequalification)	Post	November 30, 2018	November 30, 2019
2	Rehabilitation of the road in Pogradec	W	RFB (Prequalification)	Post	October 30, 2018	July 30, 2019
3	Rehabilitation of the road in Fier	W	RFB (Prequalification)	Prior	December 15, 2018	June 15, 2020
4	Rehabilitation of the road in the second year	W	RFB (Prequalification)	Post	April 30, 2019	March 30, 2020
5	Road safety improvement works	W	RFB (Small works)	Post	December 30, 2019	December 30, 2020
6	Consultancy services for (identification and supervision of) Road Safety Initiatives	CS	IC	Post	April 30, 2019	December 30, 2020
7	Design services for road rehabilitation	CS	QCBS	Post	September 15, 2018	February 15, 2019
8	Supervision services for roads rehabilitation	CS	QCBS	Post	October 15, 2018	December 30, 2021
9	Consultancy services for Building Municipal Capacity to Manage and Maintain their Road Networks	CS	QCBS	Post	November 30, 2018	June 15, 2020
10	Consultancy services for Building New Rural Economies	CS	QCBS	Post	November 30, 2018	December 30, 2019
11	GIS and prioritization database	CS	CQS	Post	November 30, 2018	December 30, 2019

Note: W = Works; CS = Consulting Services; IC = Individual Consultant.



22. **Prior review threshold.** Based on the satisfactory assessment, the project shall be subject to moderate risk prior review threshold, making the project mostly subject to post review (table 2.3).

**Table 2.3. Expenditure Categories and Procurement Methods**

Expenditure Category	Contract Value (US\$)	Procurement Method	Bank Prior Review
Civil Works	≥5,000,000	RFB/International	All ≥US\$15 million contracts
	<5,000,000	RFB/National	
	<200,000	RFQ/National	
	n.a.	DC	All
Goods	≥1,000,000	RFB/International	All ≥US\$4 million contracts
	<1,000,000	RFB/National	First contract
	<100,000	RFQ/National	First contract
	n.a.	DC	All
Consultant Services	n.a.	QCBS, QBS, FBS, LCS, and CQS <sup>a</sup>	≥USD 2 million; all SSS
	n.a.	SSS	≥US\$400,000 for IC
	n.a.	IC	

Note: a. CQS below US\$300,000 depending on the nature of assignment.

DC = Direct Contracting; QBS = Quality Based Selection; FBS = Fixed Budget Selection; LCS = Least Cost Selection; SSS = Single Source Selection.

**Environmental and Social (including safeguards)**

23. The ADF has extensive experience in managing environmental and social impacts of World Bank-financed infrastructure investments and other infrastructure projects financed by international finance institutions. The ADF project team includes experienced environmental and social specialists, who prepared the ESMF and RPF as they will be in charge of preparing or coordinating preparation of environmental due diligence documents such as the ESIA, ESMPs, and abbreviated RAPs. An initial screening of proposed subprojects (for the first year and subsequent years of project implementation) will be done in line with specific overall subproject eligibility criteria, which also include environmental specific criteria. Subprojects that do not meet the environmental and social screening criteria will not be considered for financing. As soon as the preliminary designs for the proposed subprojects are drafted, the ADF will review the documents and advise on the type of environmental and social due diligence documents or procedures. The ADF will consult with national environmental authorities on related requirements and incorporate those in the site-specific ESMPs, especially those related to natural habitat policy. Specific environmental and social due diligence documents will be prepared either by the consultant or the ADF for all subprojects once the preliminary designs are completed and technical details are available during project implementation following the guidance established in this ESMF.

24. The ADF will also supervise the implementation of the ESMPs. More specifically, the ADF will (a) monitor project progress as it relates to compliance with the ESMF guidelines and ensure that overall project implementation proceeds smoothly, (b) conduct construction site supervision, (c) collect



information from contractors and municipalities and report to the World Bank on implementation of the ESMF and site-specific ESMPs, and (d) organize and provide training sessions when needed.

25. For the project to remain category B, the ESMF defines the following environmental criteria for eligible subprojects:

- (a) Category A subprojects will not be financed.
- (b) For subprojects in nature-protected sites or significant natural habitats, only rehabilitation of the roads will be allowed and new construction will not be allowed. No activities will be allowed in or near 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-ways will be allowed only in the form of one- or two-lane roads.

26. During the implementation of the project, once the preliminary designs are ready, consultations will be organized to discuss environment and social issues as listed in the site-specific ESMPs, whereby the documents will determine whether there will be land impacts or not. For subprojects that will have land impacts, site-specific RAPs will be prepared as specified in the RPF. The implementing agency—ADF—will prepare the RAPs and will submit them to the World Bank for the approval. Upon approval, the ADF will facilitate the implementation of the RAPs. The works will start once the site-specific RAP is implemented. Typical impacts will be the acquisition of the strips of land, if any, agriculture or urban land, depending on the land use. Demolition of residential or commercial structures is not expected. Land acquisition will be financed by the respective ministry.

27. The consultations are organized to discuss the proposed preliminary designs of the first-year civil works, as well as the environmental and social issues as listed in the site-specific ESMPs. These issues also include, among others, the need for widening, safety, sidewalks, bike lanes, public lightening, and public transport facilities. The consultations are and will be organized by the design consultants in cooperation with the ADF and respective local governments. The terms of reference of the consultant designs now include consultation about proposed solutions and aspects concerning the communities. Given that the transport needs are not usually gender neutral and that gender issues are relevant to both infrastructure and service development in the transport sector,<sup>9</sup> the consultations are considering social dynamics and thus women are enabled to participate and have a voice to discuss the preliminary proposal designs for the road rehabilitation and improvement. The effect of the consultation is measured through an indicator that reports on organized consultation and whether these consultations have resulted in recommendations incorporated into designs. The indicator is disaggregated by gender to capture

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<sup>9</sup> In urban areas, men's primary travel tends to be directly to and from their place of work. Women's travel patterns, however, may be more complex; they frequently must reach not only their place of employment but also the market, a health clinic, or their children's school. Commercial bus companies, however, tend to provide better coverage in the form of a limited number of routes designed for relatively simple work-related travel. Proper solicitation of views by women could, therefore, reveal the need to pay particular attention to developing varied routes that better provide for women's multiple responsibilities.



soliciting of gender-related transport/infrastructure improvements. In addition, once the subprojects are completed, beneficiary assessments will be carried out to check the level at which community concerns are addressed, capture gender variables, and assess whether the patterns of the generally known benefits apply to this project.

28. A GRM will be established at the subproject level and project level. The subproject-level grievances will be recorded and kept with the respective local governments and copies will be kept with the implementing agency. The subproject-related grievance will be submitted to the respective local government or to the supervision depending on the phase, either preparation or implementation of the subproject. Grievance recording will be enabled at the project level, whereby submissions will be made available through the Internet, telephone, mail, or any other means.

### **Monitoring and Evaluation**

29. Monitoring and evaluation of results will be the responsibility of the ADF and will include (a) monitoring of project physical progress (that is, lengths of rehabilitated roads); (b) evaluation of project socioeconomic impacts (that is, benefits to local population and communities); and (c) evaluation of institutional capacity. To identify the channels through which the project can accelerate real income growth of the poor and the bottom 40 percent and adequately measure the relevant transport-induced effect on their livelihoods, baseline data collection will take place on selected roads, which are to be rehabilitated under the project. End-of-project survey data will also be collected and compared against a proper comparison group to capture project-related impacts on selected welfare and accessibility indicators. The methodological framework of analysis, scope for the study, and data collection techniques will be further refined during project implementation in close consultation with the ADF. Independent quantitative assessments will also be conducted to measure road improvement impacts on a number of transport-related and socioeconomic variables through the use of household and community-level data to be collected at the beginning and end of the project.

### **Role of Partners (if applicable)**

30. The parallel financing from EBRD is under consideration. EBRD expressed interest in separate support to the RLRCF and is considering matching the World Bank funding with a further US\$50 million loan, subject to internal approvals and conditional upon the Government's willingness and capacity to borrow. The project will also benefit from the ongoing support of development partners in three project municipalities, which include (a) **Shkoder**. The CEB is developing a master plan for the Albanian Alps area, (b) **Fier**. A tourism project with a EUR 40 million grant from the EU is under preparation to Fier as one of the beneficiary municipalities, and (c) **Pogradec**. The Albanian American Development Fund is developing a feasibility study for the tourism development in the village of Tushemisht.



## ANNEX 3: IMPLEMENTATION SUPPORT PLAN

### COUNTRY: Albania Regional and Local Roads Connectivity Project

#### Strategy and Approach for Implementation Support

1. The implementation support will focus on implementation of risk mitigation measures identified for key risks, namely, political and governance and sector strategies and policies, which are rated Substantial. Implementation support missions, including field visits, will be carried out semiannually and will focus on (a) technical aspects of works and (b) capacity strengthening.
  - (a) **Technical aspects of works.** Close cooperation and review of planned rehabilitation works will be carried out from the design phase until completion of works. Engineering inputs will be provided to all designs to ensure proper technical specifications and appropriate consideration of road safety and climate vulnerability. During bid evaluation, the review will ensure fair assessment of the technical aspects of bids. During rehabilitation and commissioning, technical supervision will be provided to ensure that technical, environmental, and social contractual obligations are met. The team's engineer will conduct site visits on a semiannual basis throughout project implementation.
  - (b) **Capacity strengthening.** As a part of the PDO, capacity strengthening will receive substantial focus during implementation and related supervision. This will include a regular dialogue with project municipalities and line ministries on the progress related to road infrastructure planning, investment prioritization, maintenance, and integration of road safety measures in design practices and consideration of climate resilience in designs. This will also include the activities supporting implementation of rural development programs such as the '100 villages' program.

#### Implementation Support Plan and Resource Requirements

2. The implementation support missions will involve road engineering, road safety, procurement, and safeguards specialists, a rural development specialist, and at least once annually an FM specialist. Particular focus will be on supervising the implementation of civil works and the road safety measures.
3. Capacity regarding environmental and social safeguards will be continuously monitored by the World Bank safeguards specialists who will participate regularly in project implementation support missions and provide inputs directly to the client during the ESMP and Request for Proposals preparation and works supervision.
4. The midterm review of the project, expected to take place in the first quarter of 2021, will include technical workshops to discuss road safety, climate-resilient infrastructure, and design challenges, as well as any lessons learned in support of rural development through TA.

**Table 3.1. Implementation Support Plan**

Time	Focus	Skills Needed
First 12 months	<ul style="list-style-type: none"> <li>• Procurement of consultancy services</li> <li>• Preparation of bidding documents</li> </ul>	<ul style="list-style-type: none"> <li>• Road engineering</li> <li>• Procurement</li> <li>• Safeguards</li> <li>• Project management</li> <li>• Road safety</li> <li>• Climate resilience infrastructure</li> <li>• Rural development</li> </ul>
12–48 months	<ul style="list-style-type: none"> <li>• Procurement and civil works</li> <li>• Implementation of consultancy services</li> </ul>	<ul style="list-style-type: none"> <li>• Road engineering</li> <li>• Procurement</li> <li>• Safeguards</li> <li>• Project management</li> <li>• Road safety</li> <li>• Rural development</li> <li>• GIS</li> </ul>
Other		

**Table 3.2. Skills Mix and Estimated number of Trips**

Skills Needed	Number of Staff Weeks (per Year)	Number of Trips (per Year)
Task team leader	8	2–3
Road engineer	6	2–3
Road safety specialist	3	2–3
Transport economist	4	1–2
FM specialist	4	2
Procurement specialist	8	2–3
Environment management specialist	3	2–3
Social development specialist	2	1–2
GIS specialist	2	1–2
Rural development specialist	3	1–2



## ANNEX 4: GENDER ANALYSIS AND THE PROPOSED ACTIONS

### COUNTRY: Albania

#### Regional and Local Roads Connectivity Project

##### **a. Analysis to identify project-relevant gaps between men and women, especially in light of country gaps identified through the Systematic Country Diagnostic and CPF**

1. Rapid economic growth experienced since the 1990s has not been evenly distributed among men and women. Women in Albania have a lower labor force participation rate than men: 58 percent versus 74 percent for men for the 15–64 age group (2016).<sup>10</sup> By comparison, in 1989 the women’s labor force participation rate was 85 percent (and 94 percent for men). During the transition period, public sector employment fell by over 70 percent, and this had a disproportionate impact on women, both in terms of lost employment in public sector enterprises and the loss of state-provided services such as childcare. Although the overall economy subsequently recorded high growth rates and achieved good rates of job creation, women have not managed to fully recover their position in the labor market. This can be partly explained by the fact that women’s employment tends to be concentrated in agriculture and in other sectors that have not experienced significant employment growth. As such, promoting women’s economic opportunities as part of the efforts to reverse poverty trends and boost shared prosperity is paramount.

2. While the 2013 election saw a marked improvement in women’s political representation (from 7 percent of parliamentary seats in 2009 to 27.9 percent in 2017),<sup>11</sup> which was mainly due to the gender quota introduced into the Electoral Code in 2009, women’s development opportunities in Albania are constrained by economic and sociocultural factors including family dynamics. Entrenched patriarchal norms and values continue to exert a strong influence on social, economic, and family life in the country. The traditional gender paradigm places women’s responsibilities mainly within the private sphere and men’s in the public sphere. The Kanun (customary law), which provides a framework of household gender divisions, continues to exert some influence in rural areas of Northern Albania. According to this customary law, men are responsible for representing the family outside of the home and making family decisions, while women are responsible for carrying out household tasks and raising children. Migration has had a significant impact on family life and gender relations in Albania. Around one-quarter of Albania’s population resides abroad, the majority of which are men, who send remittances back to their families in Albania. This had both positive and negative effects for women; it has increased their financial independence but has also increased their burden of carrying out household and agricultural chores.

3. Although women are much more likely than men to enroll in, and graduate from, tertiary education (graduation rates are 64 percent and 36 percent, respectively), there is marked gender segregation in subject choices; women are disproportionately concentrated in health (85 percent) and education (74 percent) fields, which do not often lead to well-remunerated occupations, while men dominate subject areas such as engineering, manufacturing, and construction (62.6 percent) and services (71.1 percent). Not surprisingly, gender segregation in education has translated into the labor market

<sup>10</sup> Institute of Statistics of Albania (INSTAT), Men and Women in Albania, 2017.

<sup>11</sup> Inter-Parliamentary Union 2014.



where, for example, less than 5 percent of all the employed women are in construction.<sup>12</sup> Women's labor force participation is particularly low among the Roma community (just 25 percent of Roma women are employed, compared with 59 percent of Roma men).

4. Albania's gender divide is most evident in rural areas. Although most of the rural women work in agriculture, women consistently receive less financial benefits working in agriculture than men, due to multiple factors including, but not limited to, unequal access to information, education, and productive assets.<sup>13</sup> Among the overall employed in the sector, a large share corresponds to unpaid family workers where women are overrepresented (61 percent) while majority of wage employees are men.<sup>14</sup> Only 6 percent of farms are owned or managed by women, despite women's overwhelming representation in the sector.

5. Poor quality/unsafe roads are likely to affect women more than men in Albania. Although the information on gender-differentiated needs for roads is scarce, some reports point to that direction: for example, a 2007 household survey<sup>15</sup> conducted in Tirana suggests that more women than men use public transport as their primary means of commuting to work. Others report lack of safe travelling options as one of the barriers to education that more girls than boys face. Domestic violence remains a cause of concern with significant share of women reporting to have suffered it by a partner during their life.

6. It must be noted that during the last decade the GoA has made some noticeable progress in terms of legislative changes to improve gender equality including the 2008 Law on Gender Equality, amendments to the Criminal Law to include coverage of domestic violence and quotas for women parliamentarians although there remain some challenges to implement them.<sup>16</sup>

#### **b. Specific actions proposed to address the gender gaps identified in (a) and/or to improve women or men's empowerment**

7. In line with the aspirations of the country's CPF and the World Bank's Gender Strategy to remove constraints not only for more but also for better jobs for women, and to reduce occupational gender segregation in the labor market, the project sourced a World Bank-executed TA to promote women's economic opportunities in Albania by working with the local stakeholders to explore opportunities to reach out and recruit women in a pilot road maintenance program as well as among the contractors' workforce in high-skill jobs. The proposed work is closely linked to one of the aims of the investment to modernize road maintenance practices where modernization relates not only to road inventory and conditions but to human resources practices, which include, among others, provision of equal employment opportunities for women and men. The work will be undertaken on a pilot basis with a number of municipalities and contractors to be selected in consultation with the ADF. Based on the results

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<sup>12</sup> Men and Women in Albania, 2017. Institute of Statistics of Albania (INSTAT); International Labour Organization Key Labour Market Indicators.

<sup>13</sup> FAO (Food and Agriculture Organization of the United Nations). 2014. *The Gender Gap in Agriculture in Eastern Europe - Results of Recent Country Rural Gender Assessments*.

<sup>14</sup> Davalos, M. E., and C. Cancho. 2015. *Insights into Key Challenges of the Albanian Labor Market*. World Bank.

<sup>15</sup> Pojani, D. 2010. *Public Transport and Its Privatization in East Europe: The Case of Tirana, Albania*. [www.openstarts.units.it/dspace/bitstream/10077/6159/1/45D\\_Pojani.pdf](http://www.openstarts.units.it/dspace/bitstream/10077/6159/1/45D_Pojani.pdf).

<sup>16</sup> Albania Country Profile, Organisation for Economic Co-operation and Development, Social Institutions and Gender Index: <https://www.genderindex.org/country/albania/>.



of the pilot, this will be rolled out in consequent road maintenance contracts that are expected to follow the pilot.

8. The proposed actions include (a) gender assessment to understand municipalities' needs and operational challenges to recruit women in road operations and focus group interviews with women to understand their needs and concerns toward taking up employment in roads works; (b) mapping the respective workforce of a sample of contractors to identify the share and the position of the employed women; (c) capacity-building trainings to the selected municipalities to enhance their skills to recruit women in a pilot road maintenance program and to mainstream best practices related to gender in road projects; (d) gender sensitization of various manuals, for example, curriculum of on-the-job trainings and operating procedures manuals to address any potential gender segregation of tasks that may be preventing women from performing a variety of tasks that they would wish to do/physically can; (e) examination of the contractors' views on the challenges and opportunities to employ women in their workforce and provision of recommendations to them in this regard, as well as the capacity-building trainings to strengthen their understanding and awareness of the risks of potential gender-based violence in the project sites and its prevention/mitigation mechanisms; and (f) a national event with municipalities/ADF/contractors to showcase results achieved with the selected stakeholders in this pilot and, more importantly, to produce a gender action plan reflecting concrete measurable commitments made by the stakeholders to promote women's employment throughout the project with an ultimate goal of increasing the share of women employed in the sector. The GoA is committed to increasing the number of women in high-skilled jobs in the workforce of the contractors and road departments of the participating municipalities by 10 percent (from 5 percent to 15 percent) by the end of this project. The ADF and the World Bank will use the action plan to monitor the achievement of this target as well as other goals to be identified in consultation with the ADF during the implementation of the TA.



## ANNEX 5: ECONOMIC ANALYSIS

### COUNTRY: Albania Regional and Local Roads Connectivity Project

#### A. Selection Criteria for the First-Year Program

1. The ADF selected the three roads to be included on the first-year program through a two-step prioritization process. The first step developed a long list of around 1,400 km of roads based on consultations between the ADF and the municipalities done in June 2017. The municipalities were asked to provide a list of potential regional/local roads in need of rehabilitation/upgrading that fulfil the required criteria (for example, tourism importance, agricultural potential, and population served). Thirteen workshops covering all 61 municipalities were organized by the ADF and based on this local consultation process, among a total network of around 10,000 km of regional/local roads, a list of around 1,400 km of regional/local roads, or 145 road sections, were included in the long list. For the long list of roads, the municipalities collected basic information in terms of the location, inventory, condition, and traffic, as well as data needed to define priorities based on a multicriteria analysis. Traffic data were collected for all roads during a four-hour period (8 a.m. to 12 p.m.) during one day for five vehicle types. Based on these data, the ADF performed a first multicriteria analysis to identify around 200 km, or 15 road sections, of high-priority roads. This multicriteria analysis was based on four indicators: (a) population served (direct plus indirect beneficiaries), (b) traffic, (c) agricultural importance (arable land), and (d) tourism importance (number of tourists per year). Tourism importance was given a weight of 40 percent and the other indicators 20 percent each.

2. For the 200 km of high-priority roads, the ADF helped the municipalities validate the available data and additionally send out engineers to perform a refined road condition assessment to define the required road work of each road section and its preliminary cost estimate during August 2017. Each proposed road work was subject to a CBA using the Roads Economic Decision Model to assess its economic justification. All roads are in poor condition with an average roughness of 15 IRI and carry on average 1,800 vehicles per day. In total, US\$109.0 million is required to rehabilitate this road network, which will directly benefit 251,799 persons and yield an NPV, at 8 percent discount rate, of US\$213.8 million. The ADF applied a second multicriteria analysis to the short list of about 200 km of roads to determine the selection of the first-year project roads (around 38 km). The multicriteria analysis considered the following five criteria with equal weights: (a) compliance with national tourism plan (Yes/No), (b) tourism accommodation capacity (number of beds), (c) direct beneficiary population (persons), (d) agricultural importance (arable land per km), and (e) economic efficiency (NPV per cost). As a result, three project roads in Fier, Pogradec, and Shkoder Municipalities ranked among the top four high-priority roads,<sup>17</sup> and as they met the project selection criteria, they were proposed for financing during the first-year program.

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<sup>17</sup> The project road Shengjin - Rane e Hedhun in Lezhe Municipality ranked 2nd on the priority list, but the current preliminary design considers the last 3 km to be green field new construction passing through protected landscape, and thus it did not meet the environmental criteria for financing. Once the detailed design is completed and the environmental impact becomes clear, the ADF and the World Bank will reevaluate the possibility for financing this road later during the project implementation.



Table 5.1. Multicriteria Priority Index

Road Name	Municipality	Road Length (km)	Multicriteria Parameters				Overall Index
			Compliance with National Tourism Plan	Tourism Capacity (beds)	Beneficiary Population (number)	NPV/Cost (number)	
Fier - Seman	Fier	18.0	Y	400	16,485	2.9	85
Shengjin - Rane e Hedhun	Lezhe	11.7	Y	32,000	17,131	5.4	75
Pogradec - Tushemisht	Korce	8.5	Y	214	54,634	2.1	65
Qafe Thore - Theth	Shkoder	17.5	Y	978	7,838	5.3	65
Rehabilitimi rruges Lezhe - ura e Milotit	Lezhe	11.7	N	300	16,000	5.7	60
Rrethrotullimi Koplik - Dedaj - Razem	Shkoder	11.5	Y	278	4,511	1.4	60
Rruga Liria - Rrashbull Durres	Durres	2.3	Y	2,800	10,537	-0.7	55
Rik i rruges Ura e Hoxhares - Darzeze	Fier	11.5	Y	400	2,990	-0.6	50
Rikonstruksion i rruges Sukth - Rrushkull	Durres	14.2	N	150	19,200	4.0	50
Rruga Novosele Poro - Faza 2	Vlore	24.3	Y	100	8,209	-0.7	50
Rikonstruksion - Rruge Torovice	Lezhe	19.4	N	0	10,068	1.0	35
Paskuqan - Aeroporti Rinas	Tirane	13.3	N	0	69,883	3.8	35
Ardenice - Shen Kozma	Fier	5.5	N	200	4,514	-0.6	30
Kthesa Qarr - Derik	Fier	7.1	N	0	5,669	-0.1	30
Slabinjë-Losnik-Velçan - Lakt.-Somotinë	Korce	25.0	N	0	4,130	0.5	10
Total		201.5					

### B. First-Year Program Roads

3. The first-year program of road works comprises three road sections totaling 38.2 km. Two roads are bituminous roads in poor condition and the other one is a gravel road in very poor condition. The current AADT ranges from 955 to 3,562 vehicles per day, comprising, on average, 5 percent buses and trucks and 95 percent cars, minibuses, and utilities. Table 5.2 presents the basic roads characteristics.

**Table 5.2. First-Year Program Characteristics**

Road Name	Length (km)	Width (m)	Surface Type	Roughness (IRI)	Traffic (vehicles per day)	Bus and Truck (%)
Fier - Seman	18.2	6.5	Bituminous	8.0	3,562	9
Pogradec - Tushemisht	4.0	5.3	Bituminous	11.2	955	6
Qafe Thore - Theth	16.0	3.5	Gravel	17.0	1,091	1
Total	38.2			12.1	2,254	5

4. The project roads directly serve a total of 78,957 persons. The beneficiary population varies from 487 to 8,741 persons per km with an average of 2,109 persons per km. The average investment cost per beneficiary is US\$600 per person. The project roads connect rural communities to nearby located significant economic centers or populated areas, which is vitally important for the economic development of the rural communities.

### C. Economic Evaluation Assumptions

5. To ensure that all project roads generate sufficient economic benefits that warrant investments, a CBA was conducted for the first-year program using HDM-4 that computes annual road agency and users' costs for each project alternative over the evaluation period. The quantities of resources consumed and vehicle speeds are calculated first and then multiplied by unit costs to obtain total vehicle operating costs, travel time costs, and CO<sub>2</sub> emissions. The resources consumed and vehicle speeds are related to traffic volume and composition, road surface type, geometric characteristics, and roughness.

6. The quantified benefits computed by HDM-4 comprise savings in vehicle operating costs, travel time costs, road maintenance costs due to the road improvements, and net costs of CO<sub>2</sub> emissions with the project. For the HDM-4 calculations, the following assumptions were applied:

- The discount rate is 8 percent and the evaluation period is 20 years.
- A conversion factor of 0.83 is applied to identify economic costs, deducting the VAT of the financial costs.
- The road works will commence in 2018 and construction will be carried out in one year.
- The average daily traffic annual increase rate is 3.8 percent per year from 2018 to 2022 and 3.0 percent per year thereafter for all vehicles, assuming an elasticity of 1.0 to gross domestic product (GDP),<sup>18</sup> based on international experience.
- Generated traffic is 30 percent of normal traffic, based on the expected average reduction of vehicle operating costs with the project (31 percent).
- Value of work time based on an average wage of lek 52,600 per month, 168 working hours

<sup>18</sup> The IMF economic outlook for Albania predicts an average increase in GDP of 3.8 percent per year from 2018 to 2022.



per month, and 25 percent overheads. Value of non-work time being a third of the work time.

- Social cost of carbon of US\$57.5 per metric ton in 2018 increasing to US\$87.5 per metric ton in 2037, based on medium scenario for the social cost of carbon derived from the 2017 World Bank guidance note on shadow price of carbon in economic analysis.<sup>19</sup>

7. Table 5.3 presents the vehicle fleet economic unit, basic characteristics, and the typical traffic composition on the project roads.

**Table 5.3. Vehicle Fleet Economic Unit Costs and Characteristics.**

Item	Cars	Utility	Mini Bus	Bus	Light Truck	Medium Truck	Heavy Truck	Artic. Truck
New Vehicle Cost (US\$)	25,000	30,000	60,000	125,000	30,000	60,000	85,000	130,000
New Tire Cost (US\$)	45	55	55	130	55	100	130	205
Fuel Cost (US\$/liter)	0.87	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Lubricant Cost (US\$/liter)	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Maintenance Cost (US\$/hour)	5.6	5.6	8.0	8.0	5.6	8.0	8.0	11.1
Crew Cost (US\$/hour)	2.8	2.8	3.6	3.6	2.8	3.6	3.6	4.4
Overhead Cost (US\$/year)	648	1,463	1,541	3,573	1,541	1,896	1,896	2,916
Interest Rate (%)	8	8	8	8	8	8	8	8
Work Time (US\$/hour)	4.36	4.36	4.36	4.36	0.00	0.00	0.00	0.00
Non-Work Time (US\$/hour)	1.45	1.45	1.45	1.45	0.00	0.00	0.00	0.00
Cargo Time (US\$/hour)	0.00	0.00	0.00	0.00	0.09	0.19	0.28	0.38
Annual Utilization (km)	10,000	30,000	30,000	40,000	30,000	40,000	45,000	45,000
Annual Utilization (hours)	400	1,200	1,200	1,750	1,400	1,750	2,100	2,100
Service Life (years)	16	20	8	25	20	25	25	25
Private Trips (%)	100	0	0	0	0	0	0	0
Number Passengers (#)	2.4	6.0	12.0	24.7	0.0	0.0	0.0	0.0
Work Trips (%)	75	75	75	75	0	0	0	0
Operating Weight (tons)	1.2	1.8	2.5	8.0	2.5	8.0	13.0	24.0
Standard Axle Loading (#)	0.00	0.01	0.04	0.70	0.10	1.25	2.28	4.63

8. The total financial capital cost for the first-year program is estimated at US\$39.10 million. Table 5.4 summarizes the financial construction costs and unit cost per km per road.

<sup>19</sup> The guidance note presents low and high scenarios of the social cost of carbon over time, from which a medium scenario (average values) was obtained.



**Table 5.4. Project Costs**

Road Name	Cost (US\$, millions)	Cost (US\$ per km)
Fier - Seman	23.34	1.282
Pogradec - Tushemisht	7.23	1.806
Qafe Thore - Theth	8.54	0.534
Total	39.10	1.024

**D. Economic Evaluation Results**

9. The overall EIRR of the first-year program is 22.8 percent and the NPV is US\$32.65 million. All roads have an EIRR of above 8 percent, ranging from 11.4 percent to 28.3 percent. Table 5.5 summarizes the economic evaluation results.

**Table 5.5. Economic Evaluation Results**

Road Name	NPV (US\$, millions)	NPV per Investment	EIRR (%)
Fier - Seman	15.03	0.52	24.2
Pogradec - Tushemisht	1.75	0.19	11.4
Qafe Thore - Theth	15.87	1.49	28.3
Total	32.65	0.67	22.8

10. Sensitivity analysis shows that all project roads are economically justified even if construction costs are 15 percent higher or if the annual traffic growth rates are 15 percent lower. Table 5.6 shows the results of the sensitivity analysis considering (a) increasing construction costs by 15 percent, (b) decreasing annual traffic growth rates by 15 percent, and (c) increasing construction costs by 15 percent and decreasing annual traffic growth rates by 15 percent. If construction costs were 15 percent higher and the annual traffic growth rates were 15 percent lower, the overall EIRR would reduce to 18.9 percent. Switching values analysis shows that construction costs would have to increase by 101 percent for the overall EIRR to reach 8 percent.

**Table 5.6. EIRR Sensitivity Analysis**

Road Name	Base EIRR (%)	A: Costs + 15%	B: Traffic – 15%	C: A + B (%)
Fier - Seman	24.2	20.6	23.4	19.8
Pogradec - Tushemisht	11.4	9.5	11.0	9.1
Qafe Thore - Theth	28.3	24.9	27.5	24.2
Total	22.8	19.6	22.1	18.9

**E. Greenhouse Gas Accounting**

11. HDM-4 was used to estimate the CO<sub>2</sub> emissions of the vehicle fleet before and after the rehabilitation works, showing that there will an increase in CO<sub>2</sub> emissions after the rehabilitation works. The net CO<sub>2</sub> emissions over the 20-year evaluation period is 38,324 tons, corresponding to 1,916 tons per year or 18 percent of the emissions without the project. The gross emissions without the project are 214,360 tons while the gross emission with the project are 252,684 tons. The observed increase on CO<sub>2</sub>



emissions is due to the generated traffic and the increase in vehicle speeds on the rehabilitated roads. The inclusion of the social cost of CO<sub>2</sub> emissions on the economic evaluation does not alter the economic evaluation results. Considering a low scenario of the social cost of carbon, the EIRR of the project increases marginally to 22.9 percent. Under a high scenario of the social cost of carbon, the EIRR of the project decreases marginally to 22.7 percent. Without the social cost of carbon, the EIRR becomes 23.1 percent.

#### **F. Public Sector Financing and World Bank Value Added**

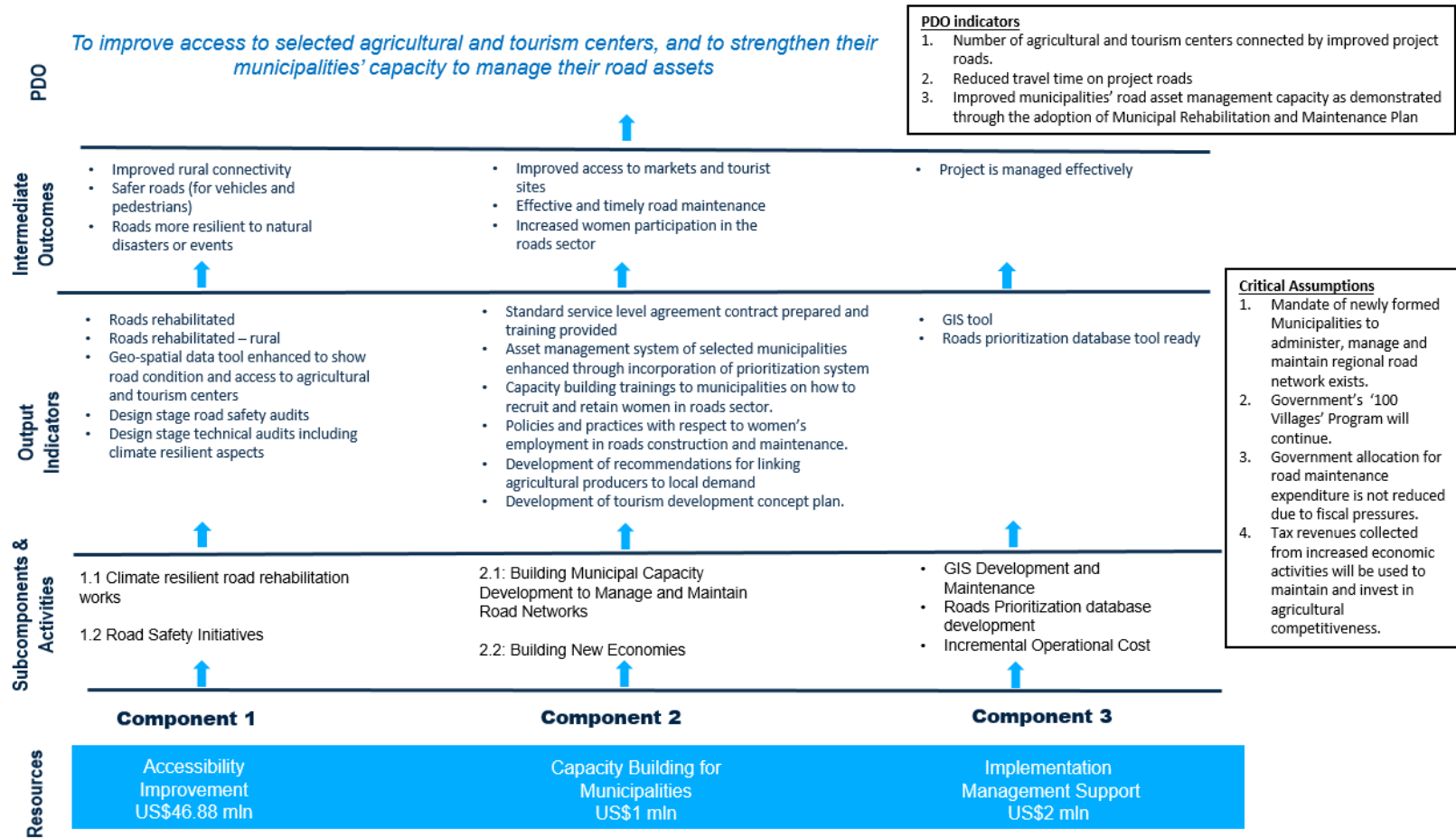
12. Public sector financing is the appropriate vehicle for financing the proposed local road improvements. The regional and local roads are typically public goods with low levels of traffic that cannot be used to recover investment and maintenance costs directly through road-based tariffs. The fuel prices (and excise taxes in Albania) are in line with other countries in the region. Any further attempts to raise funds from the users would cause undue burden to road users living in regional areas and could jeopardize the economic improvements otherwise anticipated to arise from accelerated agricultural and tourism developments. Nevertheless, the project follows the Maximizing Finance for Development approach by (a) contributing to an increase in tax revenues collected from increased activities in agriculture and tourism that will generate additional financial resources that can be used for road maintenance and enhancing agriculture competitiveness and (b) addressing transport connectivity bottlenecks related to tourism and agriculture development that would help attract private sector capital to the tourism sector for building hotels and other tourism facilities.

13. Beyond financing, the World Bank's value added is in addressing key sectoral challenges in investment planning and prioritization, and sustainable asset management at the municipal level. The World Bank's engagement in the project also helps leverage funds from other development partners as has been the case for the World Bank's SLRP. Finally, the World Bank brings expertise in areas such as construction quality control, environmental and social management, and fiduciary controls. In addition, the World Bank has a strong value proposition to bring international best practice to support climate resilience-oriented technical solutions in road designs.



ANNEX 6: Results Chain

COUNTRY: Albania  
Regional and Local Roads Connectivity Project



**Critical Assumptions**

- Mandate of newly formed Municipalities to administer, manage and maintain regional road network exists.
- Government's '100 Villages' Program will continue.
- Government allocation for road maintenance expenditure is not reduced due to fiscal pressures.
- Tax revenues collected from increased economic activities will be used to maintain and invest in agricultural competitiveness.