

IPA 2009 National Programme for Albania
Project Fiche N°9
Improvement of rural roads in Albania

1. Basic information

- 1.1 CRIS Number: 2009/021-642
- 1.2 Title: Improvement of rural roads in Albania
- 1.3 Sector: 02.11
- 1.4 Location: Albania

Implementing arrangements:

- 1.5 Contracting Authority: Delegation of the European Commission (EC) to Albania
- 1.6 Implementing Agency: Council of Europe Development Bank (CEB) in partnership with KFW through the Municipality Window Facility
- 1.7 Beneficiary: The Albanian Development Fund (ADF)
Project Manager
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Financing:

- 1.8 Overall cost: EUR 49,000,000
- 1.9 EC contribution: EUR 9,000,000
- 1.10 Final date for contracting: Two years following the date of conclusion of the Financing Agreement
- 1.11 Final date for execution of contracts: Four years following the end date for contracting
- 1.12 Final date for disbursements: One year after the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Improve living conditions in the rural areas in order to contribute to social and economic cohesion of Albania.

2.2 Project purpose:

Improvement of secondary and local roads along the secondary network in rural Albania as to facilitate access to essential services and economic markets, in the form of reduced user costs, for the resident population in rural areas in Albania.

2.3 Link with AP/NPAA / EP/ SAA

The project complies with the priorities identified in the revised European Partnership for Albania based on the findings of the 2007 Progress Report. Under the transport policy chapter, significant short and mid term priorities are listed, such as: the implementation of the national transport plan including the planning and budgeting of transport asset maintenance; the continuation with implementation of the memorandum of understanding on the development of the SEE core regional transport network and strengthen cooperation with SEETO; the taking of measures aiming at the improvement of road safety conditions; the taking of measures to prevent illegal construction along new roads; and the completion of the necessary institutional reforms to improve the transport asset management, prioritisation of investments, policy-making and involvement of the private sector, etc.

The Stabilisation and Association Agreement (SAA) between the Government of Albania and the European Community, signed in June 2006, provides in Article 106 that the parties should co-operate together in the field of road transport acquis, especially with the aim of modernising the Albanian transport modes, improving the free movement of passengers and goods, enhancing the access to the transport market and facilities, supporting the development of multi-modal infrastructures in connection with the main Trans-European networks, notably to reinforce regional links, achieving operating standards comparable to those in the Community, developing a transport system in Albania compatible and aligned with the Community system and improving the protection of environment in transport

2.4 Link with MIPD

This project is linked under the area of “Ability to assume the obligations of membership”, according to section 2.3.1 of the MIPD for the period 2009 – 2011 titled Component I – Transition assistance and institution building” *Agriculture and rural development*: Assistance with the aim to support the alignment to the agricultural acquis, to increase economic growth by developing agriculture and rural development sector and institution and capacity building with the aim to prepare the sector to absorb pre-accession funds as well as support to increase the competitiveness of agriculture and agro-food chain; improve availability of statistics.

2.5 Link with National Development Plan

- The National Strategy for Development and Integration

The improvement of the rural roads is a specific strategic goal of the NSDI under the strategic priority of a quick, balanced social, human and economic development

- The strategy of Rural Development

The project contributes especially to axe 3 of the rural development strategy, namely the improvement of the living conditions of the inhabitants of the rural area.

2.6 Link with national/ sectoral investment plans

- The Albanian National Transport Plan

The investments and maintenance of the rural roads is an important part of the ANTP.

3. Description of project

The project aims at the rehabilitation of about 300 km of rural roads along the secondary network which have been identified by the Albanian Government with the assistance of the World Bank. The project will be implemented in joint management with the Council of Europe Development Bank (CEB) following Article 53 (d) of the Financing Regulation and the corresponding provisions of the Implementing Rules.

3.1 Background and justification:

The overall length of the road network in Albania is about 15,000 km.

The network comprises 3,412 km of national, or primary, roads administered by the Ministry of Public Works, Transport and Telecommunications (MPWTT) and directly managed by the General Roads Directorate (GRD), and about 12,000 km of secondary and local roads. The secondary and local road network consists of: (i) 4,411 km of district (or secondary) roads, which provide rural links of district importance and are maintained by district road departments on behalf of the Ministry of Interior (MoI); (ii) 4,980 km of communal roads, including private access roads, which provide rural links of communal importance and are maintained by commune road departments on behalf of the Ministry of Interior (MoI); and (iii) 2,500 km of urban or municipal roads, which are maintained by the Municipal road departments on behalf of the Ministry of Territorial Planning and Tourism (MTPT)¹.

The priority given to the expansion of the national road network in recent years has resulted in inadequate emphasis on maintenance and the neglect of the local road network. Little of the local road network is paved, and about 75-80% is reported to be in a poor or very poor condition – with a number of sections impassable for much of the year. The decentralisation to local governments of the responsibility for managing local and municipal roads has contributed to increase the problems of inadequate maintenance. Indeed, local revenue sources, such as vehicle registration charges, are insufficient to finance rehabilitation and reconstruction of roads.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

¹ The proposed project will only consider the first two categories of local roads, the district/secondary roads and the commune roads, reflecting the significant differences in the problems facing roads in urban areas.

Project impact: Improved secondary and local roads will contribute to economic development and poverty alleviation of rural areas in Albania.

Sustainability: Operations and Maintenance Agreement (OMA) will be signed in advance with the local government beneficiary of the project. The OMA includes: (i) general principles for procuring and managing multi-annual maintenance contracts; (ii) confirmation that the costs of the multi-annual maintenance contract will be included in the Local Government Units budget for the next five (5) years; (iii) a draft multi-annual contract for routine maintenance for a five year period, to a standard consistent with the functional categorisation of the road. ADF will provide training to officials within the LGU who will be working on maintenance.

Catalytic effect: An efficient and effective local road network is interlinked to economic development and poverty alleviation. Over half of the Albanian population lives in rural areas, and around 25% of the rural population is estimated to live in poverty. Recent poverty assessments in the region shows that poor infrastructure and low market access contributed significantly to the decline of in agricultural productivity, with farmers living in the mountainous areas being affected the most. More recent studies elsewhere have supported these findings and also report positive differences in school enrolment and frequency in use of health services, between areas with and without all-weather roads.

3.3 Results and measurable indicators:

Result 1: Secondary and local roads are improved in line with EU Standards;

Indicators:

- Around 300 km-s with an average width of 6m of Rural Roads reconstructed according to the new engineering standards
- Reduction in travel time on project road sections in free flowing conditions
- Reduction in vehicle operating costs
- Proportional increase in traffic volumes one year after project road sections are improved or rehabilitated
- Final acceptance delivered

3.4 Activities:

This project is part of a multi donors programme to support the rehabilitation of 1500 km of rural roads in al Albania.

A service contract related to the design preparation of these works contracts was financed via a World Bank loan and by the National Budget of Albania. The priority sections to be financed will be decided after completion by ADF of the prioritisation exercise for the core network of regional and local roads in the second Quarter 2009.

Detailed designs for the first 400 km-s of roads are expected to be ready by the end of May 2009. The 300km to be rehabilitated under IPA financing are included in this design.

The IPA project will be implemented through a contribution agreement with Council of Europe Development Bank (CEB) in partnership with KfW, through the Municipality Window Facility.

Supervision of works for construction and/or rehabilitation of secondary and local Roads are ongoing and funded by World Bank.

Activity 1: Construction and/or rehabilitation of secondary and local roads

Contract 1.1: Contribution Agreement

The IPA contribution of EUR 9,000,000 will be provided through a contribution agreement with Council of Europe Development Bank (CEB) in partnership with KfW, through the Municipality Window Facility.

Contract 1.2 Construction and/or rehabilitation of secondary and local roads. A contribution of 40,000,000 will be provided by CEB.

3.5 Conditionality and sequencing:

- ADF will complete the selection of the road sections to be improved by the project. ADF will complete the related designs of the road sections selected to be improved by this project.
- ADF in cooperation with the Local Government Units will make sure to complete before the contract signature of all the land ownership issues, expropriation and construction permits needed.
- The maintenance of these roads will be done by the Local Government Units that will be trained by ADF in the framework of the program for this purpose.

3.6 Linked activities

EU through Cards 2001, 2002, 2003 and 2004 LCDP programs was focused on investing on local priority infrastructure, most of which rural roads.

World Bank through ADF community Works project I and II also were focused on local priorities mainly rural roads.

The World Bank Project on the Maintenance of Rural Roads

The Government of Albania spends each year at least 20 million USD on urban and rural roads through the competitive grants scheme. Since 2005, the Government of Albania distributes grants for road projects on a competitive basis. Each year 20 million USD are spent on the investments of local roads, around half of them are spent on projects of rehabilitation of rural roads.

Local Governments spend most of the investments on improvement of rural roads.

An EU technical assistance funded under CARDS 2004 is helping the Ministry of Transport and Telecommunications to prepare the roads designing and construction standards. The roads that will be financed through the project will be consistent with the new standards.

Under IPA 2008 Programme financial contribution 8 million Euros will go for reconstruction of the secondary road in Albania. The Project fiche include supervision

services contract and the works contracts for reconstruction of the following proposed roads sections.

Reconstruction of the rural road Antigone, Gjirokaster

Reconstruction of the rural road connecting Xhafezotaj – Fllake – Sea Coast, Durres

Reconstruction of the rural road connection Tamare - Vermosh, Shkoder

Reconstruction of the road rural connecting Lezhe – Rrile – Shenkoll - Tale, Lezhe

Total length of the above mentioned roads is 35 km.

In order to optimise the use of financial resources available and targeted in the Balkan Areas the European Commission has set up in collaboration with several financing institutions operation in the Balkan area (EIB, CEB, EBRD, KFW) the instrument "Municipality Window". The Municipal Window of the Infrastructure Project Facility (IPF) under the Multi-Beneficiary Programme for support to cooperation with International Financial Institutions (IFIs) allows the financing of a wide range of infrastructure projects to contribute to sustainable development in the Beneficiary country. The purpose is to support financially infrastructure investments of municipalities in the field of environment, transport, energy and social sectors by providing grant co-financing mechanisms with loans extended by IFIs to increase the affordability and accelerate the implementation of such investments for municipalities.

Adequate investments in municipal infrastructure are essential to ensure that many services such as roads transport sector are established in order to improve the living conditions of people and to comply with the EU *acquis* in the environmental field.

3.7 Lessons learned

There is a need for more systemic approach in investing in to the rural road network. Often the investments resulted in sections of rehabilitated roads not linked to each-other, therefore diminishing substantially the profitability in the transport conditions. Maintenance is a key issue related to the sustainability of the investments which need to be addressed properly. Therefore the institutional responsibilities related to the maintenance operation funding should be clearly defined before starting the investment. The local government units as described under the project article 3.2 of this project fiche should create the necessary capacities for the maintenance of their roads.

4. Indicative Budget (amounts in EUR)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1			49,000,000									
contract 1.1	–	X	9,000,000	9,000,000	18.4							–
contract 1.2	–	X	40,000,000			40,000,000	81.6			40,000,000		–
.....												
TOTAL IB			0	0		0				0		
TOTAL INV			49,000,000	9,000,000	18.4	40,000,000	81.6			40,000,000		
TOTAL PROJECT			49,000,000	9,000,000	18.4	40,000,000	81.6			40,000,000		

NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of the agreement	Project Completion
<u>Contract 1.1 Contribution agreement</u>	n/a	Q2/2010	Q2/2015

6. Cross cutting issues

6.2 Environment

The Albanian Development Fund has a methodology of evaluating environmental feasibility of road reconstruction projects. This evaluation is performed in the feasibility phase and the recommendation of effect attenuation reflects in project design. (Annex III: Environmental feasibility standard form on rural roads sub-projects)

ANNEXES

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3- Description of Institutional Framework
- 4- Reference to laws, regulations and strategic documents:
 - Reference list of relevant laws and regulations
 - Reference to AP /NPAA / EP / SAA
 - Reference to MIPD
 - Reference to National Development Plan
 - Reference to national / sectoral investment plans
- 5- Details per EU funded contract

Annex 1: Logical framework matrix in standard format (reflect all changes requested)

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number	
Improvement of rural roads in Albania		Contracting period expires 2 years following the date of conclusion of the Financing Agreement	
		Disbursement period expires four years after the end date for the execution of contracts	
		Total budget : €49.000.000	IPA 2009 budget: €9.000.000
Overall objective	Objectively verifiable indicators	Sources of Verification	
Improve living conditions in the rural areas in order to contribute to social and economic cohesion of Albania	The decrease of transport costs, increase of access in the markets and social and economic service improved The increase of the traffic	Beneficiary assessment Impact evaluation studies INSTAT reports	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Improvement of secondary and local roads. to facilitate access to essential services and economic markets, in the form of reduced user costs, for the resident population in rural areas in Albania	Reconstructed infrastructure for the pre-selected roads Increase of tourists and traffic flow Technical quality of completed subprojects	ADF internal technical assessment Independent technical assessment Beneficiary assessment	Good co-operation with the Albanian Development Fund and other interested institutions, devotion of the partners to the final goal -Financial Agreement signed -Compilation on time

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Result 1: Secondary and local roads are improved in line with EU Standards</p>	<p>By the end of the project:</p> <p>Around 140km-s with an average width of 6ml of Rural Roads reconstructed according to the new engineering standards</p> <p>Reduction in travel time on project road sections in free flowing conditions</p> <p>Reduction in vehicle operating costs</p> <p>Proportional increase in traffic volumes one year after project road sections are improved or rehabilitated</p> <p>Final acceptance delivered</p>	<p>ADF program report</p> <p>MIS Data; Feasibility studies</p> <p>Traffic assessment from ADF</p> <p>Evaluation report, Feasibility studies</p> <p>Baseline Study, Beneficiary assessment</p> <p>LGU economic and employment office data</p>	<p>ADF experience in project selection, project design excellent expertise in supervision of public works.</p> <p>ADF experience in project selection.</p> <p>ADF long cooperation with Local Government units in infrastructure projects.</p>
Activities	Means	Costs	Assumptions
<p>The following activities will be implemented under CEB/KFW responsibility</p> <p>Activity 1: Construction and/or rehabilitation of secondary and local roads</p>	<p>In accordance with Municipality Window modality the Signature of the Contribution agreement will be carried out with CEB in partnership with KWF</p>	<p>€49.000.000</p> <p>€9.000.000 EC Contribution</p>	<p>The ADF has already selected the roads to be constructed in cooperation with the Regions</p> <p>Technical design is delivered on time</p> <p>Environmental safe guard prepared and delivered on time</p> <p>Procurement process finished on time</p> <p>All necessary</p>

			<p>construction permits are issued before starting the works</p> <p>Restructuring of the General Roads Directorate has been accomplished.</p> <p>The maintenance will be carried out by the General Roads Directorate, after the reconstruction of the roads.</p>
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ANNEX II: amounts (in million €) Contracted and disbursed by quarter for the project

Year	2010				2011				2012				2013				2014				2015			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract 1.1		9.0																						
.....																								
Cumulated		9.0																						
Disbursed																								
Contract 1.1		6.3											1.8									0.9		
.....																								
Cumulated		6.3											8.1									9.0		

ANNEX 3: Institutional framework

The Albanian Development Fund is an autonomous agency established in 1993 based on the agreement between the Government of Albania and the World Bank to implement the project “Alleviation of the poverty in rural areas”. Until 1999, the ADF activity included three main components: Civil works in urban and rural infrastructure, the small urban credit system and the small rural credit system.

Since 1999, ADF is specialised only in infrastructure works. ADF is led by a Board of Trustees, chaired by the Deputy Prime Minister, composed from some members of the Central Government and representatives of Local Government associations. The Albanian Government through its board has supported ADF, including its activities in the implementation of the national policies and strategies.

The project is in a cross-cutting line between the transport sector and the local government services. Although the primary objective of the project will be to improve the transport through improving the secondary and local roads, currently these roads are under the ownership of the Local Government Units, the Regions own the secondary roads, while the communes own the local roads. The Albanian Development Fund will work with the Qark Councils in a consultative and participatory manner to agree their priorities for investment on local and secondary roads.

The implementing agency will be the Albanian Development Fund experienced in civil works in rural roads working in close cooperation with the Local Government Units.

Above is a list of the constraints the project is faced with and how the project is going to target these constraints

(i) Functional Classification – there are many sections of road that are categorised incorrectly in terms of their functional designation;

One of the primary tasks of the international consultancy will be to re-categorise the road sections based on their functionality. A decision of the Council of Ministers will sanction the new inventory of secondary and local roads.

(ii) Financing of local roads - Mechanisms to finance local roads are complex and have been changing over recent years, and financial resources (off-budget, on-budget or from donors) are unpredictable, and usually inadequate;

The investment list of the road sections will be carefully planned to cover the core rural network of transport. The sections improved will have a linkage with each-other and will be selected based on their impact.

(iii) Service delivery (for maintenance) and cost of local roads - There is evidence that sometimes local roads have inappropriate design standards, and lack open, competitive entry for road works, with the result that a disproportionate share of the available funds is consumed by administrative costs. There is a lack of appropriate legal framework - that designates ownership of and responsibility for secondary and local roads;

Regarding the local roads the project anticipates some contractual maintenance commitments from the communes before starting the investment.

(iv) Institutions for planning budgeting and monitoring are weak, and require improvements in transparency and accountability.

The projects has a strong component of capacity building for the communal administration to improve the management of he road network.

Methodology of beneficiary assessment and impact study currently used by the Albanian Development Fund

The objective of the impact evaluation is to assess the magnitude and distribution of both direct and indirect effects, and to determine what the results are of the infrastructure intervention on a predetermined set of indicators.

Since ADF investments consist of a wide variety of types of infrastructure, ranging from one subproject to another, The Monitoring and Evaluation Unit has developed a set of tools for assessing all types of subprojects.

The impact assessment tools rely primarily on survey-based data collection and quantitative analysis of these data. An important feature is to provide results that are representative of the project influence zone.

There is also place for qualitative assessment methods. Such methods (interviews, focus groups discussions) are developed and combined with the survey-based system as needed.

Conceptual framework

Infrastructure investments contribute to economic growth and improve the life quality. They contribute to economic growth by reducing the cost of production, by making possible the diversification of the economy and income sources, and by making other factors of production more productive. There is significant empirical evidence at the macroeconomic level of a positive correlation between infrastructure networks (including roads), and GDP per capita or growth rates. Quality of life is improved by creating amenities in the physical environment and by providing outputs, such as transportation and communication, which are valued in their own right, or other invisible/indirect outputs as it is the case of sewerage systems.

At the household level, rural roads can lead to increases in agricultural production and open up alternative non-farm employment, resulting in both higher overall earnings and more diversified sources of income. Roads reduce the transaction costs of looking for employment and thus contribute to making labour markets more efficient. Roads may also contribute directly to household wealth by having a positive impact on real estate values.

Transportation has the potential to bestow important consumption benefits by virtue of the increased personal mobility and communication it makes possible. It can also be a means to acquiring other goods and services, by improving access to education and health facilities and to markets. The establishment of roads can reduce and free up time to engage in more productive income-earning activities. To the extent that women are often responsible for these transport duties, rural roads can be expected to free up their time for employment opportunities and improved child care.

Rural Transport Interventions and Poverty Reduction

The situation of poor people in rural areas prior to the construction or improvement of roads is frequently characterised by the following factors:

- Poor communities are isolated for significant portions of the year as they lack reliable all - season road access.
- The majority of journeys are short, numerous and time consuming. They typically occur for production or subsistence needs, such as collecting water and fuel, crop production, harvesting and processing.
- Longer journeys are infrequent even though they may well be essential to livelihood strategies. Such journeys include visits to hospitals and clinics, marketing of produce, or searching for jobs.
- Poor people do not own motorised vehicles and can rarely secure access to them. Walking and non-motorised transport (head loading and bicycles) predominates.
- The transport burden for many domestic tasks tends to fall disproportionately on women, and social rules and customs often limit their access to available means of transport.

These factors act as constraints to improving monetary and non-monetary dimensions of well-being and thus to poverty reduction. Rural transport interventions are meant to alleviate each of these constraints (Gannon et al, 2001).

The short and long term distributive impacts of infrastructure projects, particularly on low income groups, are not well understood. In poor rural areas, lack of adequate and reliable transport, sewerage systems or water supply, can penalise households pursuing cash crop farming, reduce non-farm employment opportunities and access to social services, penalise the health and environment of the residents, etc. It is thus argued that infrastructure investments contribute to poverty reduction by removing major constraints faced by the poor in accessing jobs, markets, and services, and indirectly contribute to different aspects of the quality of their lives.

Method of Impact Assessment

The evaluation of infrastructure interventions includes the following elements:

- (ii) Collection of pre-intervention and post-intervention data in the treatment groups,
- (iii) Qualitative techniques, incorporated to supplement and triangulate the quantitative findings.

Links with the Project Cycle

The impact evaluation is fully integrated in the regular project cycle and is run as part of the activities of the project. Each step in the project cycle includes evaluation-related tasks. The setting up of baseline controls is done during project identification and preparation. The baseline data is collected prior to the start of project implementation, in the pre-feasibility and feasibility studies for each subproject.

By the time for appraisal, the impact indicators are selected and discussed with the relevant counterparts. During project implementation and supervision, the preparation for the follow-up survey is made.

The first or preparatory phase to the impact evaluation is the clarification of the objectives of the evaluation, the extract of the indicators according to these objectives, exploration of the data availability, etc. Below there is an overview of the rest of this process.

Main Steps in the Design and Implementation of the Impact Evaluation

During Project Identification and Preparation

- Designing the evaluation
- Forming the evaluation team
- Data collection instrument development
- Baseline data collection
- Data management and access

During Project Implementation

- Analysing the baseline data
- Writing up the findings and discussing them with policymakers and other stakeholders
- Making mid-term revisions to project design
- Preparing the follow-up survey

After Project Implementation

- Follow-up survey data collection
- Project impact data analysis
- Writing up the results and discussing them with policymakers and other stakeholders
- Incorporating the findings in design of future projects

The identification of the objectives of the evaluation, and the identification of the impact indicators of interest, are made through the use of a logical (log) framework as a commonly used tool for identifying project goals (the design of the matrix that matches information on project objectives with various performance and output benchmarks). This matrix is particularly important, as we deal with different sorts of infrastructure interventions, where the range of impact indicators can be very wide, going from transport-specific indicators to general social impact indicators (health, education) and general welfare indicators.

ANNEX 4: Reference to laws, regulations and strategic documents:

Reference to main laws:

The Law No Nr. 8308, date 18.03.1998: “On the road transports”

The law Nr.8652, date 31.07.2000: “On the organisation and functioning of the Local Government”

Link with AP/NPAA / EP/ SAA

European Partnership

Upgrade the country's infrastructure, in particular in energy and transport, in order to strengthen the competitiveness of the economy at large

SAA: Art 106 Transports

The cooperation between the parts will focus in priority fields related to the in the transport field of the Community.

The cooperation may focus, especially in the reconstruction and modernisation of the Albanian transport methods, improving the free movement of goods and passengers, by increasing, the access to the markets and transport means, including ports, airports, backing the development multi-modal infrastructure regarding the main trans-European main networks, especially to enhance the regional connections, achieving the operative standards comparative with the European ones, by developing a transport system in Albania in accordance with the Community system.

The Implementation of the Albanian National Transport Plan

Link with MIPD

Respond to the “considerable need for large infrastructure projects to help Albania meet *acquis* requirements, in compliance with the National Plan for the Approximation of the Legislation and the Stabilisation and Association Agreement (SAA)”.

Link with National Development Plan (where applicable)

- The National Strategy for Development and Integration
- The strategy for Regional Development
- The strategy of Rural Development

Link with National/ Sector investment plans

- The Albanian National Transport Plan

The investments and maintenance of the rural roads is an important part of the ANTP.

ANNEX 5- Details per EU funded contract (*) where applicable:

Project implementation:

The project will be implemented by the European Commission by joint management with the Council of Europe Development Bank (CEB) in co-operation with Kreditanstalt für Wiederaufbau (KfW) following Article 53 d (1) c of the Financial Regulation and the corresponding provisions of the Implementing Rules.

Execution of contracts:

The execution of contracts is in principle at the latest two years following the date of contracting. However, the date of execution of works contracts, contracts for the assistance for the supervision of the works may end beyond this period. As this project foresees relatively large infrastructure projects with several sub-components, it is considered as justified to prolong the execution period to four years.

The Municipal Window of the Infrastructure Project Facility:

In order to optimise the use of financial resources available and targeted in the Balkan Areas the European Commission has set up in collaboration with several financing institutions operation in the Balkan area (EIB, CEB, EBRD, KfW) the instrument "Municipality Window".

The Municipal Window of the Infrastructure Project Facility (IPF) under the Multi-Beneficiary Programme for support to cooperation with International Financial Institutions (IFIs) allows the financing of a wide range of infrastructure projects to contribute to sustainable development in the Beneficiary country. The purpose is to support financially infrastructure investments of municipalities in the field of environment, transport, energy and social sectors by providing grant co-financing mechanisms with loans extended by IFIs to increase the affordability and accelerate the implementation of such investments for municipalities.

Adequate investments in municipal infrastructure are essential to ensure that many services such as roads transport sector are established in order to improve the living conditions of people and to comply with the EU *acquis* in the environmental field.

The structure of the project has been elaborated considering the IFIs comprehensive experience in the financing of infrastructure projects and their true commitment to Community policy objectives as recalled in the *"Memorandum of Understanding between the European Commission, in liaison with the European Investment Bank, the European Bank for Reconstruction and Development, the International Bank for Reconstruction and Development, the International Financial Corporation, the Nordic Investment Bank, the Nordic Environment Finance Corporation, the Council of Europe Development Bank and the Black Sea Trade and Development Bank on co-operation in (i) economic development of the new EU member states of Central and Eastern Europe, Cyprus, Malta, and (ii) accession preparation in the EU candidate and potential candidate countries"* signed in June 2006.

The co-operation with the partner IFIs will allow the Commission, in line with the principle of sound financial management, (1) to pursue important political objectives, (2) to make the beneficiary countries benefit from a considerable leverage effect of EC grant funding, (3) to implement the Programme with economy of resources by capitalising on IFIs experience and technical expertise.

The Municipal Facility window is the result of discussions with all stakeholders since November 2006 to find the best way to address the infrastructure needs of IPA countries, and

to meet the EU requirements in the prospect of EU Accession. From the preliminary talks, it was agreed that municipalities will deserve special actions in this field.

A first round of meetings was organised at the end of 2006 to prepare future programming under the new IPA instrument.

On 10 November 2006, in the course of the **IFI day meeting**, the main priorities identified by the IFIs were the needs for infrastructure and support to market economy.

These priorities were endorsed on the occasion of the Multi-Beneficiary IPA programme Co-ordination meeting of **14 November 2006** attended by the National authorities and the EC Delegations. It was decided to set up a special area of intervention for IFI co-operation with the view to gathering actions conducted under Infrastructure and Market Economy.

The first meeting of the IFI advisory group², held on **15 March 2007**, decided to structure the IFI co-operation along three strands, the third being dedicated to Infrastructure. In 2007, emphasis was put on the preparation of infrastructure projects in financing Technical Assistance under the new instrument Infrastructure Project Facility. Budgetary constraints did not allow the financing of an investment support to municipalities.

On **5 March 2008**, on the occasion of the Steering Committee³ of the IFI Facilities, it was decided to launch a complementary window to the IPF, the Municipal Facility window with a focus on grant co-financing to remedy the very low income of the IPA countries which hinder financing of infrastructure projects.

² The IFI advisory group is a structure set up in March 2007 to support and improve the overall co-operation between IFIs and the Commission in the candidate and potential candidate countries, including co-operation under the Instrument for Pre-Accession Assistance.

³ The Steering Committee of the IFI Facilities is a structure set up to manage the Facility programmes SMEFF, MFF, MIF and EEFF combining EU grants with credit lines from the EIB, the EBRD and CEB in association with KfW. The members of the Steering Committee are the Commission and representatives of the IFIs participating in the Facilities.