

**IPA National Programme 2011 for Albania**  
**Project Fiche No. 8**  
**"Improvement of rural roads in Albania"**

**1. Basic information**

**1.1 CRIS Number:** IPA/2011/ 023-035/8

**1.2 Title:** Improvement of rural roads in Albania

**1.3 ELARG Statistical code:** 02.11 Economic Criteria/Agriculture and rural development

**1.4 Location:** Albania

**Implementing arrangements:**

**1.5 Contracting Authority:** The European Union represented by the European Commission on behalf of the Government of Albania

**1.6 Implementing Agency:** European Bank for Reconstruction and Development (EBRD)

**1.7 Beneficiary:** The Albanian Development Fund (ADF)  
Project Manager  
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**Financing:**

**1.8 Overall cost (VAT excluded):** EUR 64 500 000

**1.9 EU contribution:** EUR 14 500 000

**1.10 Final date for contracting:** Two years following the date of the conclusion of the Financing Agreement

**1.11 Final date for execution of contracts:** Four years following the end date of contracting

**1.12 Final date for disbursements:** One year following the end date for the execution of contracts

**2. Overall Objective and Project Purpose**

**2.1 Overall Objective**

Improve access to social and economic services in the rural areas of Albania.

**2.2 Project purpose**

Improvement of roads network in rural areas.

### **2.3 Link with AP/NPAA / EP/ SAA**

The project complies with the priorities identified in the revised European Partnership<sup>1</sup> for Albania. It is also based on the findings of both 2008 and 2009 Progress reports as well as the 2010 Commission Opinion on Albania 's application for membership of the European Union (analytical report).

The revised Action Plan for the implementation of the national Transport Sector Strategy (2008-2013) was adopted in March 2009. The Institute for Transport was restructured to allow centralisation of transport data and updating of the National Transport Plan, including investment programmes and policies. It started the establishment and maintenance of a central transport database. However, overall institutional capacities still require strengthening and sustained efforts should be done in order to improve road maintenance.

The Stabilisation and Association Agreement (SAA) between the Government of Albania and the European Community which entered in force on 1<sup>st</sup> April 2009, 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.

The project is also in line with 5th Protocol of the Stabilisation and Association Agreement for land transport.

### **2.4 Link with MIPD**

The project is in line with two priority sectors of the MIPD 2011-13, namely the sectors "transport" as well as "agriculture and rural development". While the specific objective in the transport sector according to the MIPD "[...] will aim at modernising all transport modes in Albania [...], the specific objective under the agriculture and rural development sector is "[...] to improve overall the competitiveness of the agricultural sector."

### **2.5 Link with National Development Plan**

○ The National Strategy for Development and Integration (NSDI)

The improvement of the rural roads is a specific strategic goal of the NSDI, 2007-2013 under the strategic priority of a quick, balanced social, human and economic development.

The National Strategy for Development and Integration on its chapter 3.3. (Economic and social development) when dealing with the "Strategic priorities and policies of the Road Transport", mentions as one of the strategic policies to: "*Plan and undertake a major investment programme on the local and rural road network in cooperation with the local government*".

○ The Inter sectorial Strategy of Rural Development (SKZHR 2007-2013) prepared by Ministry of Agriculture, Food and Consumer Affairs in November 2007. 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.

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<sup>1</sup> The European Partnerships Document for Albania adopted by Council Decision of 18 February 2008 on the principles, priorities and conditions contained in the European Partnership with Albania and repealing Decision 2006/54/EC

## **2.6 Link with national/ sectoral investment plans**

- The Albanian National Transport Plan (ANTP)

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

The strategic objective aims at establishing a unique road transport network which would serve as a communication vessel to gradually balance the economic levels because:

- markets come closer
- over-populated areas are avoided
- traffic is optimally distributed, and would decrease the level of pollution and accidents.

## **3. Description of project**

This project intends rehabilitation of about 670<sup>2</sup> km of rural roads along the secondary network which have been identified by the Albanian Government with the assistance of the World Bank. About 70 km of rural roads are expected to be reconstructed from the financial contribution of IPA 2011 programme contribution and about 600 km are expected to be reconstructed by the financial contribution of the EBRD and EIB and IPA 2010 funds. The respective financial contributions are presented under item 3.4 Project Activities.

### **3.1 Background and justification**

This project is part of a multi donors programme to support the rehabilitation of 1,500 km of secondary and rural roads in Albania.

The project for improvement of rural roads under IPA 2010 programme for Albania will be implemented in joint management with the European Bank for Reconstruction and Development (EBRD) through one contribution agreement.

The priority sections to be financed under the framework of this project will be decided after completion by ADF of the prioritisation exercise for the core network of regional and local roads in the second Quarter of 2011. The selection of these roads will be done based on the priorities of the Regions, the economic analyses of EIRR<sup>3</sup> and social indicators such as poverty and, number of population benefitting from these roads. These studies have been prepared by an International Consultant in the framework of the project preparation facility financed by the World Bank, for 3,500 km of rural road network. Based on this list, and the coordination with other donors that finance the program, all the necessary economic analysis and other information will be sent by ADF to EBRD/EIB (and the EU Delegation) in order to agree on the list of roads to be financed.

Poor transport infrastructure is considered to be the main cause of difficulties for many people living in rural areas. A qualitative survey of the World Bank (2002) of both poverty and its causes, noted that after employment and income, many Albanians considered infrastructure problems to be the main cause of their difficulties and a significant factor in their low standard of living. 49 percent of rural producers stated that a lack of adequate transportation, primarily good roads, was their biggest marketing problem. Rural inhabitants and leaders acknowledged that poor road access makes it difficult for farmers to reach markets, contributes to rural to urban migration, and affects the delivery of health and education services.

The same survey states that, while real per capita consumption of the urban poor – the 19 percent who were poor in 2002 – grew by 19 percent during the period, the growth for the

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<sup>2</sup> This is a very preliminary cost estimation, based on an average cost of around 200,000 euros/km. The real costs will be available when the technical designs are completed. Therefore this figure might change.

<sup>3</sup> Economic Internal Rate of Return

rural poor was only 6 percent. Furthermore, consumption growth for even the lowest percentile rank of the urban population was higher than the growth for the highest percentile rank in rural areas. As a result, poverty rates in rural areas declined much more slowly than in urban areas. As a result in 2002, rural poverty rates were 50 percent higher than urban poverty rates but 118 higher in 2005. The share of rural poor has risen from 2 in 3 in 2002 to 3 in 4 in 2005 at the same time that the share of rural population has declined from 58 percent to 55 percent in the same period.

As already mentioned in section 2.6 the investments and maintenance of the rural roads is an important part of the ANTP as well. The strategic objective aims at establishing a unique road transport network which would serve as a communication vessel to gradually balance the economic levels because:

- markets come closer
- over-populated areas are avoided
- traffic is optimally distributed, and would decrease the level of pollution and accidents.

The overall length of the road network in Albania is about 15,000 km. The rural road network consists of: (i) 4,411 km of 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); 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. Indeed, local revenue sources, such as vehicle registration charges, are insufficient to finance rehabilitation and reconstruction of roads through the Local Governments Units Budget.

With the assistance of the World Bank, the Albanian Government through the Albanian Development Fund has prepared a strategy and investment plan for financing around 1,500 km-s of the core network of the rural roads in the country. The program has mobilized several different donors (World Bank, Opec, Fund for International Development, Islamic Development bank, Council of Europe Development Bank, Japanese International Cooperation Agency as well as EBRD, EIB, EU using IPA funds and the mechanism of WBIF).

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

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

**Sustainability:** The secondary (regional) roads will be passed to the Albanian Road Authority (ARA-former General Road Directorate) for maintenance purposes. This is a project covenant under EBRD and EIB loan agreement. The ARA will have the sufficient technical expertise and know-how for the maintenance and the expertise for contracting out the maintenance to private contractors and monitoring these contracts. For the local roads, 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 15% 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<sup>4</sup> 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**

#### **Activity 1**

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

#### **Indicators:**

At the end of the defect liability period:

- around 70 km-s with an average width of 6 meters of Rural Roads reconstructed according to the new engineering standards according to the interim design guidelines<sup>5</sup>
- reduction of travel time by 40% after the implementation of works
- technical quality of completed subprojects
- reduction in vehicle operating costs

### **3.4 Activities**

#### **Activity 1 Construction and/or rehabilitation of secondary and rural roads**

The civil works related to this project will be financially covered as follows:

- IPA 2011 National Programme for Albania EUR 14 500 000
- EBRD and EIB have already signed loan agreements with the Albanian Government at the amount of EUR 100 000 000. From this amount the contribution of EUR 50 000 000 should be considered as co-financing for the IPA 2010 rural roads project and the amount of EUR 50 000 000 should be considered as co-financing for the IPA 2011 rural roads project.
- In addition a grant of EUR 4 000 000 is provided via the WBIF<sup>6</sup> to cover the consultancy services related to the project. The consultancy services include preparation of detailed designs, supervision, project monitoring and project implementation support.
- Further more under IPA 2010 programme for Albania, Project Fiche no 6 rural roads, an amount of EUR 20 000 000 (IPA contribution) was already allocated for this project.

#### **Contract 1.1 Contribution Agreement**

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<sup>4</sup> “Albania, Urban Growth, Migration and Poverty Reduction (A poverty assessment)”, World Bank, 2007.

<sup>5</sup> The interim design guidelines were prepared by the World bank at the beginning of the program in 2008 to serve as standards for the improvement of rural roads, and were improved in 2010 with the inputs of the supervision consultant (an International Company, Louis Berger), after the implementation of the first round of contracts. The Terms of reference for the designer consultant for the design of the roads are prepared in accordance with the revised guidelines. These guidelines will be used until the ARDM (Albanian Road Design Manual) is approved and entered into force.

<sup>6</sup> The WBIF's grant resources originate from: the EC Instrument for Pre-Accession (IPA); grant contributions from the CEB, the EBRD and the EIB; and bilateral grant contributions from bilateral donors through the European Western Balkans Joint Fund (EWBJF). (Source: <http://www.wbif.eu/WBIF+Resources/>)

The IPA 2011 contribution of EUR 14 500 000 will be provided through one contribution agreement with European Bank for Reconstruction and Development (EBRD).

The project will be implemented in joint management with the European Bank for Reconstruction and Development (EBRD) through a contribution agreement following Article 53 (d) of the Financing Regulation and the corresponding provisions of the Implementing Rules. The EIB is associated with EBRD through a separate agreement.

This contribution agreement will allow for execution of civil works contracts related to the improvement of the selected road sections.

### **Contract 1.2** Construction and/or rehabilitation of secondary and local roads.

A contribution of EUR 100 000 000 is provided by EIB and EBRD. As described above under Activity 1, the amount of EUR 50 000 000 should be considered as co-financing for IPA 2010 and EUR 50 000 000 should be considered as co-financing for IPA 2011.

## **3.5 Conditionality and sequencing**

- ADF will complete the selection of the road sections to be improved by the project. ADF will arrange to complete in due time the related designs of the road sections selected to be improved by this project. Depending on the road sections to be financed some designs might be ready and the rest will be financed in the framework of WBIF contract.

- ADF in cooperation with the Local Government Units will make sure to complete and provide before the contract signature all the land ownership issues, expropriation and needed construction permits.

- 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. Maintenance agreements with Local Government Units will be signed in advance

- The Albanian Road Authority will be provided with sufficient funds for the maintenance of secondary roads that will be financed through the project.

## **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 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 funds from their own budget and the ones provided through the central government budget on improvement of rural roads.

Under IPA 2008 Programme financial contribution of EUR 8 million has been provided for reconstruction of the secondary road in Albania. The Supervision contract and the works

contract for reconstructing the concerned roads sections were signed in December 2009 and are foreseen to be completed by the end of February 2011 (probably after the final adoption of the Project Fiche, should then be changed accordingly – in case really finished).

This programme includes the following road sections:

Reconstruction of the rural road Asim Zeneli - Antigone, Gjirokaster

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

Reconstruction of the rural road connection Vermosh - Dogana, Shkoder

Reconstruction of the rural road connecting Ishull Lezhe – Shenkoll, Lezhe

Total length of the road sections covered under IPA 2008 Programme is 34 km.

Under IPA 2009 Programme for Albania an amount of EUR 9 000 000 has been foreseen for construction of rural roads. This project includes a contribution agreement with CEB (in cooperation with KFW).

Under IPA 2010 another amount of EUR 20 000 000 is already allocated for construction of rural roads. The partners for this project are European Investment Bank (EIB) in partnership with European Bank for Reconstruction and Development (EBRD) through the Municipality Window 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 operating 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.

This instrument has now been integrated in the "Western Balkans Investment Framework"<sup>7</sup>. It has two main objectives: i) to pool grants, loans and expertise together to prepare financing for a common pipeline of priority investment projects; ii) to strengthen coherence and synergies in donors' support to improve the positive impact and visibility of these priority investments in the beneficiary countries of the region.

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**

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<sup>7</sup> <http://www.wbif.eu/>

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. Finally, the necessary funds for the maintenance have to be ensured from the state budget and the local governments.

#### 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			64 500 000									
Contract 1.1, Contribution Agreement with EBRD	-	X	14 500 000	14 500 000	22.5							
Contract 1.2 EIB & EBRD Contribution	-	X	50 000 000			50 000 000	77.5			50 000 000		
.....												
TOTAL IB												
TOTAL INV			64 500 000	14 500 000	22.5	50 000 000	77.5			50 000 000		
<b>TOTAL PROJECT</b>			<b>64 500 000</b>	<b>14 500 000</b>	<b>22.5</b>	<b>50 000 000</b>	<b>77.5</b>			<b>50 000 000</b>		

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 contract	Project Completion
Contract 1.1 Contribution Agreement	N/A	2 <sup>nd</sup> Quarter 2012	4 <sup>th</sup> Quarter 2015

All projects should in principle be ready for tendering in the 1<sup>ST</sup> Quarter following the signature of the Financing Agreement.

## **6. Cross cutting issues**

### **6.1 Equal Opportunity**

The principle of equal opportunities between women and men will not be affected by the construction of these roads. There is a huge number of the population that will get benefit from these interventions ,equally men and women.

### **6.2 Environment**

An environment impact assessment will be carried out for each road as part of the design preparation consultancy. The Environmental Impact Assessment (EIA) will be carried out in accordance with the provisions of the EBRD and EIB as stipulated in the corresponding agreements. These provisions are in line with the EU EIA.

### **6.3 Minorities**

Minorities will equally benefit from the construction of these roads.

## **ANNEXES**

- I Log frame in Standard Format
- II Amounts contracted and Disbursed per Quarter over the full duration of Programme
- III Description of Institutional Framework
- IV Reference to laws, regulations and strategic documents
- V Details per EU funded contract:
- VI: Progress of the secondary and local roads program.

**ANNEX I: Logical framework matrix**

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name: IPA 2011		
<b>Improvement of rural roads in Albania</b>		Contracting period expires: Two years following the date of the conclusion of the Financing Agreement		Disbursement period expires: One year following the end date for the execution of contracts
CRIS Number:		Total budget : EUR 64 500 000	IPA budget: EUR 14 500 000	
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>		
Improve access to social and economic services in the rural areas of Albania	The decrease of transport costs, increase of access in the markets and social and economic service improved. Increase of the traffic volumes in 10% one year after the end of project at	Beneficiary assessment Impact evaluation studies INSTAT reports LGU economic and employment office data		
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>	
Improvement of roads network in rural areas	Proportional increase in traffic volumes one year after project road sections are improved or rehabilitated	ADF internal technical assessment Independent technical assessment Beneficiary assessment Traffic Assessment Baseline study, traffic 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	
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>	
<b>Result 1:</b> Secondary and local roads are improved in line with EU Standards	At the end of the defect liability period : - around 70 km-s with an average width of 6 meters of Rural Roads reconstructed according to the new engineering standards; - reduction of travel time by 40% after the implementation of works - technical quality of completed subprojects - reduction in vehicle operating costs	ADF quarterly report MIS Data; Feasibility studies Traffic assessment from ADF Evaluation report, Baseline data from Feasibility studies Baseline Study, Beneficiary assessment	ADF experience in project selection, project design excellent expertise in supervision of public works. ADF prioritization list has been completed and sent to EBRD/EIB ADF experience in project selection. ADF long cooperation with Local Government units in infrastructure projects.	
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>	

<p><b>Activity 1:</b> Construction and/or rehabilitation of secondary and local roads</p>	<p>one contribution agreement will be signed with EBRD</p>	<p>Total cost of the project : <b>€64 500 000</b>  <b>€ 14 500 000</b> EU/IPA 2011 Contribution-  <b>€50 000 000</b> EBRD and EIB Contribution (loan) –</p>	<p>The ADF has already selected the roads to be constructed in cooperation with the respective Regions.  Timely disbursement of funds  Construction permits for the roads that needs to be constructed are issued in advance.  Operations and Maintenance Agreements are signed in advance with the respective LGU-s.  Technical design is delivered on time  Environmental Impact Assessment prepared and delivered on time  Procurement process finished on time  Selection of a competent consultant to prepare design  Selection of a competent consultant to supervise the works.</p>
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ANNEX II: Amounts (in million EUR) Contracted and disbursed by quarter for the project

Year	2012				2013				2014				2015			
Contracted	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Contract 1.1		14.5														
<b>Cumulated</b>		<b>14.5</b>														
<b>Disbursed</b>																
Contract 1.1		4.5				4.5				4.5					1.0	
.....																
<b>Cumulated</b>		<b>4.5</b>				<b>9.0</b>				<b>13.5</b>					<b>14.5</b>	

### 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 specialized only in infrastructure works. ADF is led by a Board of Trustees, chaired by the Minister for Innovation and of Information and Communication Technology 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 activity of ADF is regulated through the law nr. 10130, ratified by the Albanian Parliament on 11.05.2009.

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 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.

It is a covenant on the loan agreement between the Albanian Government and the EBRD that all the regional roads will be passed to the Albanian Road Authority (ex-General Road Directorate) for appropriate maintenance. The details of the handover of the regional roads from the regional council to the ARA are being discussed and will be sanctioned through a Decision of the Council of Ministers. It is expected that most of the roads to be financed through this project will be in this category. The ARA carries out the maintenance services through contracting them to the private sector. In the loan agreement this agreement the government also committed to increase budget for the maintenance of roads to the ARA during the lifetime of the project.

Table 1: Expenses on Maintenance of National Roads (in thousands leks)

	<i>Year 2008</i>	<i>Year 2009</i>	<i>Year 2010</i>
Total expenses for the national road network	62 651 289	65 841 349	30 232 923
Maintenance expenses for the national road network	1 344 822	1 511 308	1 355 178

*Source: Ministry of Transport*

As it can be seen from the table the maintenance expenses have been increasing with around 11 % from 2008 to 2009 and decreasing with around 10 % from 2009 to 2010. Although a decrease from 2009 to 2010, the figures show a commitment of the Government to spend for maintenance if you consider that the total budget for the national roads was decreased by more than 50 % the same year.

Regarding the local roads, ADF has already established a contractual arrangement with the beneficiary Local Government Unit (LGU) whereby the LGU commits to maintain the road section before starting the investment. The project has a strong component of capacity building for the communal administration to improve the management of the road network. Some training is already being organized through the World Bank financing in all the regions where all the LGUs are participants. Also part of WBIF financing will further strengthen the capacity building component. The LGUs expenses on road maintenance have been increasing rapidly during the last three years as the whole road transport management of the LGUs did during these years.

Regarding the financing of local roads maintenance, the function is financed from the following sources:

- Unconditional grants from the Central Government to the LGUs
- LGUs own revenues
- Unconditional grants from the Central Governments to the respective LGU-s that are in charge of the regional rural roads

## **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" published in Official Newspaper Nr 8, page 279.

The law Nr.8652, date 31.07.2000: "On the organisation and functioning of the Local Government" published in Official Newspaper No 25, page 1269

### **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**

The project is in line with two priority sectors of the MIPD 2011-13, namely the sectors "transport" as well as "agriculture and rural development". While the specific objective in the transport sector according to the MIPD "[...] will aim at modernising all transport modes in Albania [...], the specific objective under the agriculture and rural development sector is "[...] to improve overall the competitiveness of the agricultural sector."

### **Link with National Development Plan (where applicable)**

- The National Strategy for Development and Integration 2007-2013
- The strategy for Regional Development of the year 2007
- The strategy of Rural Development of the year 2007

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.

### **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. The strategic objective of the Albanian National Transport Plan aims at establishing a unique road transport network which would serve as a communication vessel to gradually balance the economic levels because:

- markets come closer
- over-populated areas are avoided
- traffic is optimally distributed, and would decrease the level of pollution and accidents.

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

**Project implementation:**

The project will be implemented in joint management with the European Bank for Reconstruction and Development (EBRD) through one contribution agreement with the EU Delegation to Albania, according 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 year

**ANNEX 6 The progress of the Secondary and Local Roads Program**

The program has started its implementation at the end of 2008 and it is being financed by eight International Donors. The main goal of the program was to raise 400 million USD and invest in the full reconstruction of 1,500 km-s of core network of the rural roads.

At the beginning of the programme, a detailed study was made of the network of rural roads of the country in all the regions (Qarks) of the Country. Based on the updated inventories and socio-economic data collection on the potential impact of the roads the roads are proposed to each donor for financing. They represent the top priorities of the regions and are estimated to have a high impact in the life of the beneficiaries' communities.

The financing so far for the program are 105 mln USD, as detailed in the table below:

World bank/OFID/Albanian Government	40 mln Usd
EU Commission through IPA 2008	8 mln Euro
The Council of Europe Development Bank (CoEB)	40 mln Euro

Through this support around 365 km-s of rural roads are covered; out of which around 180 km-s or 20 road sections are finished and around 185 in other 18 sections will be finished within 2011 or beginning of 2012

On the other hand in cooperation with the Ministry of Finance, during this year ADF has finished the negotiations and the Albanian Parliament approved loan agreements within the

framework of the programme for an amount of around **184 mln USD**, as follows: European bank for Reconstruction and Development (EBRD-50 mln Euros); European Investment Bank (EIB – 50 mln Euros); Islamic Development Bank (IDB-40 mln USD); OPEC fund for International Development (OFID-additional financing 20 mln USD)

During 2011 we expect the loans financed by KfW (co-financed by IPA 2009) and JICA (The Japanese Agency for International Cooperation) to be ratified in the Parliament. Those loans would complete the financing of the programme. We have planned to contract during 2011 the civil works for 35-40 sections with a total length of around 400 km-s across the country.

As far as regards the roads construction of Roads financed under IPA 2008 the contract amount has been 7 423 091 Euro. The quantity of the works completed varies from 99.4% at Asim Zeneli - Antigone segment, 88.1% of the road Zhafzotaj- Bregdet, 63% of the road Vermosh – Doganë, 98,4% of the road Ish-SMT – Rrilë and 28,1% of the road Rrilë – Shën Koll.

Below is a list of roads and attached an indicative map (sections in red) of the locations of the roads that we are financing under the programme

### List of the road sections of the Secondary and Local Roads Programme

No	Region	Municipality / Commune	Name of the subproject	Beneficiaries	Length (in km)	Donor	Status
1	BERAT	OTLLAK	R" Rruga Nacionale - Lapardha"	13500	3.4	CEB (SLRP)	I
2	BERAT	VELABISHT, SINJE	Reconstruction of the road Ura e Gorices - F. Mbreshtan	12000	7.8	OFID (OPEC)	C
3	BERAT	VELABISHT, SINJE	Reconstruction of the road Mbreshtan - Sinje	12000	10.1	CEB (SLRP)	I
4	DIBËR	ZERQAN	Reconstruction of the road Ura e Qytetit - Zerqan	6424	6.3	CEB (SLRP)	I
5	DIBËR	F.CIDHEN, SLLOVE	Reconstruction of the road Perroi I Kapsit - Vleshe	10809	12	CEB (SLRP)	I
6	DIBËR	SLLOVE, KALA E DODES	Reconstruction of the road Vleshe - Vasie	10809	12.5	CEB (SLRP)	I
7	DIBËR	F.CIDHEN, SLLOVE, KALA E DODES	Reconstruction of the road Kuben-Perroi I Kapsit	10809	9.8	IDA SLRP & GoA	C
8	DURRËS	SHIJAK, MAMINAS	Reconstruction of the road Shijak - Maminas	18427	5	CEB (SLRP)	I
9	DURRËS	XHAFZOTAJ	Reconstruction of the road Xhafzotaj - Bregdet	13357	10.7	IPA 2008	I
10	DURRËS	BUBQ, ISHEM, THUMANE	Reconstruction of the road Bubq - Ishem	17600	13.4	CEB (SLRP)	I
11	ELBASAN	BELSH, FIERZE	Reconstruction of the road Belsh - Fierze	10440	9.9	OFID (OPEC)	C
12	ELBASAN	FIERZE, KAJAN, RRASE	Reconstruction of the road Fierze - Kosove	12738	8.7	CEB (SLRP)	C
13	ELBASAN	RRAJCE, PROPTISHT	Reconstruction of the road Urake - Golik	11000	8.6	CEB (SLRP)	I
14	FIER	B.FIER, KUMAN, ZHARREZ	Reconstruction of the road Sheq - Marinze	10865	15.7	CEB (SLRP)	C
15	FIER	B.FIER, KUMAN, ZHARREZ	Reconstruction of the road Strum-Qafa e Marinzes	10865	12.6	IDA SLRP & GoA	C
16	FIER	GRABIAN	Reconstruction of the road Kryqezimi Grabian - Autostrada Lushnje	6600	4.3	CEB (SLRP)	I
17	FIER	B.BALLSH, ARANITAS, SELITE	Reconstruction of the road Ballsh - Aranitas	18320	6.7	CEB (SLRP)	C
18	FIER	Hekal	Reconstruction of the road "Rruga Nacionale – Bylis	5500	5.5	CEB (SLRP)	I
19	GJIROKASTËR	ANTIGONE	Reconstruction of the road Asim Zeneli - Antigone	1727	7.5	IPA 2008	I
20	GJIROKASTËR	LUNXHERI, ODRIE	Reconstruction of the road Erind - Cajup	7427	14.2	CEB (SLRP)	I
21	GJIROKASTËR	LUNXHERI	Reconstruction of the road Valare - Erind	3000	5.4	OFID (OPEC)	C
22	KORCË	POJAN, VRESHTAS, LIQENAS	Reconstruction of the road Korite - Liqenas	10933	9.3	CEB (SLRP)	C
23	KORCË	VRESHTAS, POJAN	Reconstruction of the road Kryqezim - Lapidar	10933	10.5	OFID (OPEC)	C
24	KUKËS	UJMISHT,BUSHTRICE,GRYKCAJ	Reconstruction of the road Ura e Lapajve – Bushtrice	8061	7.2	CEB (SLRP)	I
25	KUKËS	UJMISHT,BUSHTRICE,GRYKCAJ	Reconstruction of the road Domaj-Ura e Lapajve	8061	11.5	IDA SLRP & GoA	I
26	LEZHË	KALLMET, NENSHAT	Reconstruction of the road Kallmet - Nenshat	11750	8.8	CEB (SLRP)	C
27	LEZHË	LEZHË, KOLSH,KALLMET	Reconstruction of the road LEZHË - Kallmet	11750	12.8	OFID (OPEC)	C
28	LEZHË	SHENKOLL	Reconstruction of the road ish-SMT LEZHË - Rrile	12243	8.1	IPA 2008	I

29	SHKODËR	KELMEND	Reconstruction of the road Vermosh - Dogane	6609	7.7	IPA 2008	I
30	SHKODËR	DAJÇ-BREGU BUNËS	Reconstruction of the road " Dajc - Gomsiqe"	16000	7.2	CEB (SLRP)	I
31	SHKODËR	SHKODËR	Reconstruction of the road Ajazem	4300	2.1	CEB (SLRP)	I
32	SHKODËR	VAUI DEJES, HAJMEL	Reconstruction of the road Vau I Dejes - Nenshat	11750	11.8	OFID (OPEC)	C
33	TIRANË	BALDUSHK	Reconstruction of the road Qender - Mustafa Kocaj	3000	8.4	CEB (SLRP)	I
34	TIRANË	BALDUSHK	Reconstruction of the road Ura e Farkes - Qender Fshat	3000	6.6	IDA SLRP & GoA	C
35	TIRANË	BËRXULLË	Reconstruction of the road Bërxull – Domje	6900	5.3	CEB (SLRP)	I
36	TIRANË	PREZE	Reconstruction of the road Rr. Nacionale-Preze	6062	3.2	CEB (SLRP)	I
37	TIRANË	SHËNGJERGJ / DAJT	Reconstruction of the road Shkalle – Shengjergj	13279	10.7	CEB (SLRP)	I
38	TIRANË	SHËNGJERGJ / DAJT	Reconstruction of the road Shengjergj - Erzen	13279	6.9	CEB (SLRP)	I
39	TIRANË	VAQARR	Reconstruction of the road Vishaj - Rruga Nacionale	14100	8.9	CEB (SLRP)	I
40	VLORE	XARRE, ALIKO	Reconstruction of the road F. Pllake - Cuke	15000	11.5	CEB (SLRP)	C
41	VLORE	XARRE, ALIKO	Reconstruction of the road Xarre - Fshati Pllake	15000	10.9	OFID (OPEC)	C
42	VLORE	SEVASTER, KALIVAC	Reconstruction of the road Sevaster - Kalivac	9337	9.4	CEB (SLRP)	I

\*I-Under Implementation; C-Completed

Indicative Map of the Secondary and Local Roads Programme projects location

