

Project Fiche – IPA National programmes / Component I

1 IDENTIFICATION

Project Title	Improvement of roads and water supply systems in rural areas
CRIS Decision number	2013 / 024-190
Project no.	09
MIPD Sector Code	Agriculture and rural development
ELARG Statistical code	02.11 - Agriculture and rural development
DAC Sector code	43040 - Rural development 14020 - Water supply and sanitation - large systems
Total cost (VAT excluded) ¹	EUR 46 000 000
EU contribution	EUR 22 000 000
Management mode	(i) Centralised management for the component concerning rural roads - EUR 12 000 000 (ii) Indirect centralised management for the component concerning water supply systems - EUR 10 000 000
EU Delegation in charge	Delegation of the European Union to Albania
Implementation management	The Albanian Development Fund (ADF) Project Manager Mr. Benet Beci, Executive Director of ADF Address: Rr. “Sami Frasheri”, Nr.10, Tirana Albania Phone: ++355 4 235597/8 Fax: ++355 4 234885 Email: adf@albaniandf.org Web: www.albaniandf.org
Implementing modality	Project
Project implementation type	(i) Works contract and service contract for supervision for the construction of rural roads (ii) Delegation agreement with Kreditanstalt für Wiederaufbau (KfW) for the water supply systems
Zone benefiting from the action(s)	Albanian communes and regions

¹ The total project cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

2 RATIONALE

2.1 PROJECT CONTEXT: ISSUES TO BE TACKLED AND NEEDS ADDRESSED

Rehabilitation of the rural infrastructure is one of the main objectives of the country's rural development strategy. About 47% of the actual population of the country lives in the rural areas of Albania. Although a considerable reduction in poverty rates was observed in rural areas, still the poverty rates are higher in the rural areas than in the urban ones. The poverty of the rural population is remarkably accompanied with the lack of the basic public infrastructure services and conditions, further impeding the economic development potential of these rural areas.

Bad or non-existent roads make the communication with the local markets for the agricultural products very difficult, create difficulties in the access to education and health services and present a serious obstacle to potential for tourism development. Improving the **road transport network** is expected to contribute to gradually diminishing regional economic disparities through reducing the effective distances to markets, optimally distributing traffic and avoiding overpopulated areas, and reducing the levels of pollution and accidents.

Another key factor for raising of living standards in the rural areas is **water supply**. The water infrastructure in rural areas is extremely run-down, so improvements are critical for rural development as a whole. In recent years, only a small number of water supply systems have been constructed. Water supply enterprises have been state owned. Long discussions whether or not to decentralise water enterprise management to local government units (LGUs) as well as the lack of proper management capacities on the part of LGUs, have both contributed delaying the issue of reconstructing water supply systems. Water purification and distribution infrastructure, if any, are also in dilapidated condition – often unable to maintain hygienic conditions. Here too, rural areas are in a disadvantaged situation. Coverage with potable water is 90.7% for urban areas and only 57% for rural areas. Therefore, ADF is currently implementing a project financed by KfW upgrading water supply in rural areas of northern Albania. Based on the experience of that project, IPA funding will be used to scale out this initiative to other rural areas of the country as well.

In this context, this project, by investing in rural roads and rural water supply systems, intends to **improve living conditions in the rural areas in order to contribute to social and economic cohesion** in Albania.

2.2 LINK WITH MIPD AND NATIONAL SECTOR STRATEGIES

Multi-annual Indicative Planning Document (MIPD) - 2011-2013

Chapter 3.4.3. of the MIPD mentions the improvement of water supply and sanitation infrastructure among the sector objectives for IPA support. As chapter 3.3.2. states, significant amounts have been invested into the construction and rehabilitation of rural roads over recent years, to alleviate poverty, and contribute to economic development. The sector is mentioned as a positive example of successful donor co-ordination. Overall, both the road transport and the water supply aspects of the project are going to contribute to raising the quality of life in rural areas, and the diversification of economic activities, leading to the creation of jobs – as mentioned under chapter 3.6.3. of the MIPD.

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 in 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”.

Further in its chapter 3.4.3 – Sector objectives for EU support over next three years, NSDI states that "the water supply and sanitation sector will be developed according to European Union standards, to improve living conditions, conserve the environment, and develop the economy in a sustainable manner. Furthermore, the Albanian National Action Plan for the Implementation of the SAA foresees in a mid-term time perspective activities providing a full rehabilitation of the water supplies and sewage network and to extend these services into poor areas. The Albanian Government has given high priority to the water and sewage sector and major achievements have already been made, but there are still quantitative and qualitative shortcomings."

The Inter-sectoral Strategy of Rural Development (SKZHR 2007-2013) prepared by Ministry of Agriculture 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.

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 road transport network which would contribute to gradually diminishing regional economic disparities through reducing the effective distances to markets, optimally distributing traffic and avoiding overpopulated areas, and reducing the levels of pollution and accidents.

The National Sector Strategy of Water Supply and Sanitation Services 2011-2017

The first objective of this strategy is the enlargement and the improvement of the quality of the services for water supply and sanitation. One of the priority measures to achieve the abovementioned is the increase of the access on the water systems and sanitation for urban and rural population. The objective is to cover with these services 98 % of the urban areas and 85% of the rural ones.

2.3 LINK WITH ACCESSION PARTNERSHIP (AP) / EUROPEAN PARTNERSHIP (EP) / STABILISATION AND ASSOCIATION AGREEMENT (SAA) / ANNUAL PROGRESS REPORT

European Partnership

In its Chapter 3.2 when mentioning the Medium-term priorities, this document states, as one of the economic criteria to be completed, the upgrade of the country's infrastructure, in particular in energy and transport, in order to strengthen the competitiveness of the economy at large.

Regarding the water sector, the EP aims at the further development and implementation of the national water and sanitation strategy as well as the rural strategy for water supply and sewerage. In addition, it calls for developing and starting to implement a strategy for progressive approximation to the *acquis* in the area of water supply and sanitation.

SAA / NPI SAA

The Stabilisation and Association Agreement (SAA) between the Government of Albania and the European Community which entered in force on 1st 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.

The Albanian National Action Plan, for the Implementation of the Stabilization and Association Agreement (**NPI SAA** for the period 2010-2014, approved by Decision of Ministers Council No. 812, date 06.10.2010) foresees as mid-terms activities providing a full rehabilitation of the water supplies and sewage network and to extend these services into poor areas.

Progress Report 2012

Chapter 3.2 of the Report states that insufficient road maintenance remains a cause for concern and that further investment in infrastructure is needed in order to attract investors and stimulate tourism. Road safety continues to constitute a major problem (Chapter 4.14)

According to chapter 4.27 of the PR, little progress has been achieved on water quality. The National Water Supply and the Sewerage Services Sector Strategies were adopted and the Water Supply and Sewerage Master Plan was developed. Adoption of the Water Law is pending. Local authorities have limited budgets and scarce administrative tools to develop the infrastructure and services required. Substantial investment is needed while current resources allocated remain limited.

2.4 PROBLEM ANALYSIS

Rehabilitation of Rural roads

Poverty in Albania is still more wide-spread in rural areas than in urban ones (15 to 10.7 %, INSTAT, UNDP, World Bank, 2008). Rural poverty has declined considerably with pockets of widespread poverty especially in mountainous areas. The lack of key infrastructure (especially roads, water, irrigation and electricity) is one of the main reasons for migration away from rural regions. The migration towards towns increased burdens on urban infrastructure and the balance between investment in urban and rural infrastructure is a critical issue for Albania.

According to a qualitative survey of the World Bank on both poverty and its causes, after employment and incomes, Albanians consider infrastructure problems to be the main cause of their difficulties and a significant factor in their low standard of living. 49 % of rural producers stated that a lack of adequate transportation, primarily good roads, was their biggest marketing problem. Rural inhabitants and community 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 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 MoI. However, local revenue sources, such as vehicle registration charges, are insufficient to finance rehabilitation and reconstruction of roads through the budget of Local Governments Units.

The Government of Albania with the support of several international donors started the Secondary and Local Roads Program to improve the situation of the core rural roads network in the country. The Program has joined 7 (seven) different donors and has invested in more than 1,000 km-s so far. The Albanian Development Fund (ADF) has created and updates a complete inventory with detailed data for about 3500 km of primary rural road network.

650 km-s of rural roads were envisaged to be constructed through the EBRD&EIB loan and IPA 2010 and 2011 support. Further 40 km of rural roads will be reconstructed with the IPA 2013 contribution (EUR 12 000 000). The full technical designs and tender documents will be available when the project starts its implementation. The design documentation will be prepared by the consultant hired by the ADF in the framework of the Secondary and Local Roads Program, relying on grants from the Western Balkans Investment Framework.

The selection of the roads to be financed through the program is based on the priorities of the final beneficiaries (regions and communes). The roads are selected based on the beneficiary population, other social indicators and calculation of the Economical Internal Rate of Return (EIRR) based on a methodology prepared as part of the Program preparation supported by the World Bank. An indicative list of projects to be financed by IPA 2013 will be found on Annex 6 of this PF.

Rural water supply systems

Problems with water supply, sanitation and waste collection and management in rural areas are among the most severe infrastructure issues. Water supply in rural areas is extremely run

down, and in bad condition, so improvements are critical for the wider rural development. Only a small number of water supply systems have been constructed in recent years.

Following political and socio-economic changes in Albania in the 1990s, responsibility for existing water supply systems has been transferred to Local Government Units (LGUs). However most existing water service providers are in urban areas and for many years water supply for the villages in rural areas has been largely neglected. Due to a lack of appropriate management capacities on the part of the LGUs, water supply systems do not operate in an efficient and sustainable manner. The Albanian Government, considering the difficult situation of the rural water supply systems, undertook a reform in the water supply and sewerage sector. In the framework of this reform in December 2007, all water supply and sewerage companies free from debt were transferred to the local government authorities. The investment needs and areas of interventions for water supply and sewerage in Albania are delineated in the “Water Supply and Sewerage Master Plan for Albania” (2012).

Regarding the rural water supply systems, previous interventions in the northern regions of Albania as Kukës, Dibër and Shkodër were implemented by ADF and financed by Kreditanstalt für Wiederaufbau (KfW) under the “Rural Water Supply Program” (phases I and II) as well as under the project “Social Investment Fund” IV. During the implementation of the aforementioned projects, ADF has acquired experience in the application of implementation tools such as databases creation, preparation of feasibility studies, prioritization of measures, monitoring of construction and training of operators.

The project appraisal for the III phase of the “Rural Water Supply Program” (EUR 24 000 000 through a loan from KfW) will be conducted at the beginning of the second quarter of 2013. The IPA 2013 contribution will provide further financial support (EUR 10 000 000) to the implementation of this strategic Program.

The selection process regarding the projects to be financed under the “Rural Water Supply Program” Phase III will follow the core steps² described below:

- Establishment of a long list;
- Preparation of feasibility studies;
- Establishment of a short list of projects suitable to be financed from the project based on the feasibility studies results and prioritization criteria;
- Submission of commitment agreements and local contribution of the eligible local governments prior to the design.

In the frame of the Rural Water Supply Program Phase III the investments in rural water supply systems which were previously focused on the north will be extended to other regions of Albania. It is estimated that about 100.000 inhabitants would benefit from the construction and rehabilitation of about 60 water supply systems schemes in about 140 villages.

2.5 LINKED ACTIVITIES AND DONOR COORDINATION

Since 2005, the Government of Albania distributes **grants for road projects on a competitive basis**. An average of 20 000 000 US\$ are spent on urban and rural roads through the competitive grants scheme, from 2010 the regional Development Fund scheme. Also, **Local Governments** spend most of the investments funds from their own budget and the ones provided though the central government budget on improvement of rural roads.

² Details will be determined at project appraisal.

As a main priority of Albanian Government the reconstruction and rehabilitation of regional and rural roads projects have been financed through years by **various donors**.

- The EU – through CARDS 2001, 2002, 2003 and the 2004 LCDP programs – was focussed on investing on local priority infrastructure, mostly on rural roads, as well as water supply projects;
- The World Bank – through the ADF community Works project I and II – also focussed on local priorities, mainly rural roads. There were also investments in the rural water supply systems;
- The Council of Europe Development Bank – through the Community Works III project – focussed in assistance with planning and infrastructure priorities in 16 LGU-s across the country. The project of 16 000 000 Euros was implemented by ADF in cooperation with the beneficiary LGU-s.

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 (OFID), Islamic Development Bank (IDB), Council of Europe Development Bank (CEB), Japanese International Cooperation Agency (JICA), KfW, as well as EBRD, EIB). From 2008, the program has raised more than 350 000 000 USD resulting in more than 1,000 km-s, reconstructed or in reconstruction.

EBRD & EIB has provided a loan of 100 000 000 EUR since 2009 for the programme of the Secondary and Local Roads. Other financing from IPA 2010 (18 500 000 EUR) and IPA 2011 (14 500 000 EUR) and WBIF (4 000 000 EUR) oriented to supervision and technical designs has been added to this loan.

The programme has contributed continuously to the reconstruction of regional and local roads programme. Financial contributions at a total of 51 500 000 EUR have been provided by IPA 2008, 2009, 2010, 2011 having as partners European Investment Bank, European Bank for Reconstruction and Development and KfW.

In the water sector, the **Rural Water Supply Program** Phase I and II, whose costs are estimated at 11 700 000 Euros, is a co-financing of the German Development Bank, KfW, at the amount of 10 000 000 Euros, and the Albanian Government, Communes and beneficiary villages at the amount of 1 700 000 Euros. The program implementation ends in December 2014. Through the programme 27 systems in 49 villages have been constructed which serve about 35.000 inhabitants. Furthermore another 5 800 000 Euros (incl. local contribution) for construction and rehabilitation of water supply systems are currently under implementation in the frame of the project “Social Investment Fund IV”. Complementary to the construction training of operational staff has been carried out. The requested support from IPA 2013 is intended to be implemented together with the third phase of the “Rural Water Supply Program” under which 24 000 000 Euros are going to be provided by KfW. The project appraisal will be conducted at the beginning of the second quarter of 2013.

The third phase of the program intends to scale out the investments to other regions of Albania. Furthermore the program intends to provide technical and commercial training to the operators of the systems in order to ensure the sustainability of the capital investments. Thus it ensures continuity and applies the experience gained by previous program.

Additional to the above the Albanian Government finances each year the reconstruction of rural water supply projects through the Regional Development Fund scheme.

2.6 LESSONS LEARNED

One of the main lessons from earlier infrastructure projects is the need to ensure the timely availability of all pre-conditions for construction. This includes the availability of land, economic and environmental studies and permits required by law. These will be preconditions for the approval of any project to be financed under the investment schemes co-financed by this IPA project.

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 must be clearly defined before starting an investment.

The maintenance of the regional roads in rural areas will be performed through the Albanian Road Authority for the secondary roads and through the Local Governments for local roads.

Albanian Road Authority is a department under the umbrella of Ministry of Transport. ARA has benefitted technical assistance from continuous support from EU, World Bank and other IFI-s working in the sector on improving the performance on road maintenance, including the management of performance based contracts with private contractors.

ADF with the support of the donors, as part of the programme, has invested in the capacity building of the LGUs for maintenance purposes for the local roads.

A sound capacity building program has accompanied also the investment measures in the KfW financing of Rural Water Supply Systems. Management and maintenance for rural water supply schemes are included in a training curricula and detailed manuals produced by ADF and its consultants. It includes “on the job” and more formal training and coaching for the LGU-s staff to operate and maintain the water supply systems, billing and accounting procedures, staffing and organization etc.

3 DESCRIPTION

3.1 OVERALL OBJECTIVE OF THE PROJECT

The overall objective of the proposed project is to promote sustainable social and economic development in Albanian rural areas.

3.2 SPECIFIC OBJECTIVE(S) OF THE PROJECT

The specific objective of the project is to improve the living conditions of the inhabitants and encourage economic development through small and medium size interventions into secondary and local roads, as well as rural water supply systems.

3.3 RESULTS

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

Result 2: Water supply systems in selected rural areas constructed, ensuring the population the right to access drinking water of quality according to hygienic norms.

3.4 MAIN ACTIVITIES

IPA funding will complement two large programmes financed by International Financial Institutions and implemented by the Albanian Development Fund.

Activity 1.1. Construct or rehabilitate selected secondary rural roads

(Works contract – EU Contribution 11 300 000 EURO)

The EU Delegation to the Republic of Albania will be the Contracting Authority for this contract. The contract will be tendered in accordance with the PRAG requirements.

Activity 1.2 Supervise construction of secondary rural roads

(Service contract for supervision of works for construction of the selected secondary and local roads - EU Contribution 700 000 Euro)

A Service contract for supervision of civil works will be signed. The EU Delegation to the Republic of Albania will be the Contracting Authority for the Contract 1.2 on behalf of the Beneficiary.

Activity 2.1 Construction of rural water supply systems in selected areas

(Delegation agreement with Kreditanstalt für Wiederaufbau - KfW)

The IPA contribution of 10 000 000 Euros will be provided through indirect centralised management and a Delegation Agreement will be signed with KfW.

(KfW loan contribution)

KfW will support the Government of Albania with a loan in the amount of 24 000 000 Euros for the civil works and investment related costs such as design and supervision, contingencies, as well as ADF administration costs and feasibility studies.

3.5 ASSESSMENT OF PROJECT IMPACT, CATALYTIC EFFECT AND CROSS BORDER IMPACT

Improved secondary and local roads will **contribute to economic development and the reduction of poverty** in rural areas of Albania. An efficient and effective local road network is interlinked to economic development. 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 elsewhere have supported these findings and also reported positive differences in school enrolment and frequency in use of health services, between areas with and without all-weather roads.

The **water supply in rural areas is extremely destroyed** and in bad condition, so improvements are critical to the wider rural development. A small number of water supply systems are constructed in these years. Water supply enterprises have been state owned and discussions on decentralization of water enterprise management to LGU-s and lack of capacities of LGU-s, have postponed the issue of reconstruction of new water supply systems.

The project is essential to the above mentioned problems and will contribute to the improvement of the living conditions, the reduction of disease rate, etc. in the benefiting villages.

3.6 SUSTAINABILITY

The maintenance of the regional roads in rural areas will be performed through the Albanian Road Authority for the secondary roads and through the Local Governments for local roads.

Albanian Government, through Ministry of Transport is responsible for elaboration and proposal of internal and external financing sources for the transport, construction and other fields of their activity. There is included also the contribution to ARA for the maintenance of national and secondary roads.

The maintenance of the water supply systems will be done by the Local Government Units (mainly communes). The current methodology developed and applied under the rural water supply projects includes a robust capacity building / training of operators component that is implemented by ADF in the framework of the program complementary to investment measures. In order to ensure the sustainability of the investments this approach will be implemented for the upcoming investments, too.

3.7 ASSUMPTIONS AND PRE-CONDITIONS

Assumptions

- Sufficient number of communes/villages meets the program criteria;
- ADF will complete in time the selection of the road sections to be improved by the project; (Indicative list of the possible road sections to be reconstructed is included under Annex 6 of the PF)
- ADF will provide in time the detailed design, BoQ and Technical Specifications related to works for rehabilitation of the selection of the road sections to be improved by the project;
- ADF and relevant LGUs will ensure that all necessary land, designs, studies and permits will be available by the time of construction;
- Water tariff increases are approved by responsible state authorities;
- Consumers are able and willing to pay agreed water tariffs;
- Tariff incomes cover the operating costs of the water supply system and allow for the financing of necessary maintenance and repair works;
- The loan agreement between the Government of Albania and KfW will be signed timely without which contracts for investment related design and supervision cannot be assigned;
- Good co-operation of the Albanian Development Fund, respective LGU-s and other stakeholder institutions;
- Communes/villages assume their agreed responsibilities sufficiently (financing, staffing);
- Measures are implemented according to time schedule.

Pre-conditions

- The selection of the roads to be financed through the program is made based on the priorities of the final beneficiaries (regions and communes). The roads are selected based on the beneficiary population, other social indicators and calculation of the Economical Internal Rate of Return (EIRR) based on a methodology prepared as part of the Program preparation supported by the World Bank. An indicative list of projects to be financed by IPA 2013 will be found on Annex 6 of this PF.
- There will be a formal confirmation of availability of national funds for operation (in the case of water) and maintenance before any construction work will commence.
- All documentation in terms of design, environmental impact assessment reports, construction permits, environmental permits and other permits requested by law, including certificates on land availability for construction, must be in place before any works contract will be signed.

4 IMPLEMENTATION ISSUES

The project will be implemented through centralized procurement for the rural roads component (EUR 12 000 000). The EU Delegation to Albania is expected to launch one works contract (EUR 11 300 000) and one service contract for supervision (EUR 700 000).

The project will be implemented through indirect centralised management with Kreditanstalt für Wiederaufbau (KfW) for the water supply systems component (EUR 10 000 000). The EU Delegation to Albania will sign a Delegation Agreement with KfW following Article 56 of the Financial Regulation and the corresponding provisions of the Implementing Rules.

4.1 INDICATIVE BUDGET

(please see overleaf)

Indicative Project budget (amounts in EUR) (for centralised management)

PROJECT TITLE			SOURCES OF FUNDING											
			TOTAL EXPENDITURE			IPA CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
			IB	INV	EUR	EUR	(%)	Total	%	Central	Regional/Local	IFIs	EUR	%
(1)	(1)	(a)=(b)+(c)+(d)	(b)			EUR	(2)	EUR	EUR	EUR	(d)	(2)		
						(c)=(x)+(y)+(z)		(x)	(y)	(z)				
Activity 1.1 Civil works contract				X	11 300 000	11 300 000	100%					0	-	
Activity 1.2 Supervision of the civil works contract				X	700 000	700 000	100%						-	
Activity 2.1 KfW contribution				X	24 000 000			24 000 000	100%			24 000 000	0	-
Activity 2.2 Delegation agreement with KfW				X	10 000 000	10 000 000	100%					0	-	
TOTAL IB														
TOTAL INV					46 000 000	22 000 000	47.82	24 000 000	52.18				-	
TOTAL PROJECT					46 000 000	22 000 000	47.82	24 000 000	52.18			24 000 000	-	

Indicative Project budget (amounts in EUR) (for centralised management)

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))

4.2 INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN BY QUARTER)

Contracts	Start of Tendering/ Call for proposals	Signature of contract	Project Completion
Contract 1.1 Civil works contract	Second Quarter 2014	Fourth quarter of 2014	First quarter of 2016
Contract 1.2 Supervision contract	Second Quarter 2014	Fourth quarter of 2014	First quarter of 2016
Contract 2.1 KfW contribution	N/A	Second quarter of 2014	First quarter of 2019
Contract 2.2 Delegation agreement with KfW	N/A	Second quarter of 2014	Firrst quarter of 2019

Note: The indicated project completion for the EU IPA funds allocated to the project component for the water supply systems depends on the timely signature of the loan contract with KfW without which contracts for investment-related designs and supervision cannot be assigned.

4.3 CROSS CUTTING ISSUES

4.3.1 *Equal Opportunities and non discrimination*

Not applicable.

4.3.2 *Environment and climate change*

An environmental impact assessment will be carried out for each road and water supply that is going to be constructed as part of the design preparation consultancy. The Environmental Impact Assessment (EIA) will be carried out in accordance with the provisions of the Albanian Law and KfW as stipulated in the corresponding agreements.

4.3.3 *Minorities and vulnerable groups*

Project activities target, inter alia, areas populated by minorities. The project is directly relevant for the elimination of poverty through the reduction of regional economic disparities.

4.3.4 *Civil Society/Stakeholders involvement*

All project financed under the rural roads and water supply components will be subject to local public consultations, in line with legal regulations.

ANNEX 1: LOGICAL FRAMEWORK MATRIX IN STANDARD FORMAT

LOGFRAME PLANNING MATRIX FOR Project Fiche		Project title and number	16. Improvement of roads and water supply systems in rural areas	
		Contracting period expires three years following the date of the conclusion of the Financing Agreement	Execution period expires One year following the end date for the execution of contracts	
		Total budget	46 000 000 €	
		IPA budget:	22 000 000 €	
Overall objective		Objectively verifiable indicators (OVI)	Sources of Verification	
<ul style="list-style-type: none"> To promote the sustainable social and economic development in selected Albanian rural areas. 		<ul style="list-style-type: none"> The decrease of transport costs, increase of access in the markets and social and economic service improved. Increasing the coverage with potable water networks in rural areas respectively in the programme participating villages 	<ul style="list-style-type: none"> National statistics ADF internal technical assessment Independent technical assessment 	
Specific objective		Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
<ul style="list-style-type: none"> To improve the living conditions of the inhabitants and encourage economic development through small and medium size infrastructure interventions into secondary and local roads as well as rural water supply systems. 		<ul style="list-style-type: none"> Ratio of rehabilitated roads in rural areas increases Supply of at least 80% of the population in the programme participating villages with healthy potable water, in line with EU and national standards. 	<ul style="list-style-type: none"> ADF quarterly report MIS Data; Feasibility studies Traffic assessment from ADF Evaluation report, Baseline data from Feasibility studies Baseline Study, Beneficiary assessment 	<ul style="list-style-type: none"> Water tariff increases are approved by responsible state authorities. Consumers are able and willing to pay agreed water tariffs. Tariff incomes cover the operating costs of the water supply system and allow for the financing of necessary maintenance and repair works.
Results		Objectively verifiable indicators (OVI)	Sources of Verification	Assumptions
<ul style="list-style-type: none"> Result 1: Secondary and local roads are improved in line with EU Standards Result 2: Water supply systems in selected areas constructed, ensuring the population the right to access drinking water of quality according to hygienic norms 		<p><i>At the end of the defect liability period :</i></p> <ul style="list-style-type: none"> Around 40 km-s with an average width of 6 meters of Rural Roads reconstructed (IPA funds only) according to the new engineering standards within a period of 3 years from starting the works. Reduction of travel time by 40% after the implementation of works Approx. 23 schemes of water supply systems (re)constructed (IPA funds only); About 37 000 inhabitants benefitting from new or improved water supply services (IPA funds only) 	<ul style="list-style-type: none"> ADF quarterly report MIS Data; Feasibility studies Traffic assessment from ADF Evaluation report, Baseline data from Feasibility studies Baseline Study, Beneficiary assessment 	<ul style="list-style-type: none"> Good co-operation of the Albanian Development Fund, respective LGU-s and other stakeholder institutions ADF will make available the detailed designs, technical specifications and bill of quantities for the works related to the reconstruction of selected secondary and local roads. Communes/villages assume their agreed responsibilities sufficiently (financing, staffing). Measures are implemented according to time schedule.

Activities to achieve results	Means / contracts	Costs	Assumptions
<p>Activity 1.1 Construct or rehabilitate secondary and local roads</p> <p>Activity 1.2 Supervise construction or rehabilitation of secondary and local roads</p> <p>Activity 2. Construct or rehabilitate water supply systems in selected communes.</p>	<ul style="list-style-type: none"> • Contract 1.1. - Works for construction of the selected secondary and local roads • Contract 1.2 - Service contract for Supervision of works for construction of the selected secondary and local roads.,- EU Contribution 700 000 Euro • The IPA 2013 delegation agreement with KfW. to support reconstruction of water supply systems. • KfW will support the Government of Albania with a loan for reconstruction of water supply systems 	<ul style="list-style-type: none"> • EU Contribution IPA 2013 - 11 300 000 EURO • EU Contribution IPA 2013 - 700 000 Euro • Water supply systems reconstruction IPA 2013 – 10 000 000 € • KfW loan agreement with GoA of 24 000 000 € 	<ul style="list-style-type: none"> • Sufficient number of communes/villages meets the program criteria. • ADF will complete in time the selection of the road sections to be improved by the project. • ADF and relevant LGUs will ensure that all necessary land, designs, studies and permits will be available by the time of construction • Water tariff increases are approved by responsible state authorities. • Consumers are able and willing to pay agreed water tariffs. • Tariff incomes cover the operating costs of the water supply system and allow for the financing of necessary maintenance and repair works. • The loan agreement between the Government of Albania and KfW will be signed timely without which contracts for investment related design and supervision cannot be assigned.

ANNEX 2 - DESCRIPTION OF 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 lead 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.

Currently, secondary and local 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 (County) Councils** in a consultative and participatory manner to agree their priorities for investment on local and secondary roads.

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.

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 3 - POLITICAL, LEGAL AND INSTITUTIONAL FRAMEWORK:

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.

This project is in line with the priorities foreseen in the European Partnership Document, the 2009 Progress Report and the 2010 European Commission Opinion on Albania's application for membership of the European Union as regards water quality alignment with EU standards is at an early stage. The national strategy for water supply and sewage, the new water law and most of the legislation for approximation with the Water Framework Directive and other directives in this sector have yet to be adopted. Albania is making steady progress on improving waste water collection and treatment and its drinking water supply infrastructure, but very significant investment is still required.

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 relates to the objectives and choices of the MIPD 2009-2011 under the "Economic Criteria", in particular to "*Regional development*: Support for regional development activities, notably regarding strategic sector planning, as well as investments in necessary infrastructure, focusing on less-developed areas of Albania." Furthermore, this project is linked under the area of "Ability to assume the obligations of membership to "*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."

ANNEX 4 – DETAILS PER EU FUNDED OPERATION (*) WHERE APPLICABLE:

Project implementation:

The project will be implemented through centralized procurement for the rural roads component (EUR 12 000 000). The EU Delegation to Albania is expected to launch one works contract (EUR 11 300 000) and one service contract for supervision (EUR 700 000).

The project will be implemented through indirect centralised management with Kreditanstalt für Wiederaufbau (KfW) for the water supply systems component (EUR 10 000 000). The EU Delegation to Albania will sign a Delegation Agreement with KfW following Article 56 of the Financial Regulation and the corresponding provisions of the Implementing Rules.

Execution of contracts:

For the implementation schedule please see respective chapter with indicative implementation schedule. As this project foresees relatively large infrastructure projects with several sub-components and a high number of construction sites, it is considered as justified to prolong the execution period to four years for water supply systems and have it two years for rural roads.

ANNEX 5 - POSSIBLE VISIBILITY ACTIVITIES

The EC rules for the visibility will be implemented. This will include the placement of billboards at construction sites and continuous update on the implementation of the project at the ADF website.

ANNEX 6 - IMPROVEMENT OF SECONDARY AND LOCAL ROADS – ROAD SELECTION

The list below is an indicative list of projects to be co-financed for IPA 2013.

Nr.	Region	LGU	Road	Length in km
1	Durres	Komuna Gjepalaj	Çizmeli – Shetel - Pinet	7
2	Elbasan	Kodovjat, Kukur	Reconstruction of segment Kodovjat - Kukur	17
3	Fier	Levan	Reconstruction of segment Kthesa e Qarrit - Bishan - Poro - Pish Poro -Bregdet	14
4	Fier	Komuna Zharrez	Kraps-Lalar-Mbyet	9.6
5	Gjirokaster	Qender Libohove	(1) Kthesa e Suhes-Labove e Kryqit	9
6	Korcë	Libonik, Pojan	Reconstruction of segment Libonik - Rrëmbec - Plasë	13
7	Shkoder-Lezhe	Velipoje, Shengjin	Shengjin-Baks Rrjoll	12
8	Shkodër	Kelmend	Reconstruction of segment Tamare – Vermosh, Lot 1 dhe 2	29
9	Tirane	Komuna Berxull	Berxull – Laknas	3.8
10	Tirane	Farke-Tirane	Roads connecting Farka with Elbasani Road	5.4
11	Tirane	Dajt	Tirane-Dajt road	10
11	Vlore	Selenice	Roads and bridge on Vjosa river	3
12	Vlore	Kote,	Ure e Drashovices - Kote	8
12	Vlore	Bashkia Himare	Himara Ring road	2.2