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Improving Secondary and Local Roads in Albania: Lessons from a Programmatic Approach

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Albania has made considerable progress since transition in overcoming the legacy of nearly forty years of autarky. But despite significant progress and some of the fastest rates of GDP growth in South East Europe, it remains one of the impoverished countries in Europe, with the majority of the population, and the majority of the poor, living in rural areas. These areas, despite the acknowledged links between infrastructure provision and poverty reduction, are currently poorly served by infrastructure, with the majority of the secondary and local road network in poor condition, and often impassable in inclement weather. Accordingly, in 2006, the Prime Minister established a task force to prepare a program to improve a significant proportion of the secondary and local network and requested the assistance of the World Bank to prepare, and contribute to the financing, of such a program. This Transport Note summarizes the experience of the World Bank and details the key factors underpinning what has become a very successful program, together with the main lessons learned.

The findings, interpretations, and conclusions expressed here are those of the authors and do not necessarily reflect the views of the Board of Executive Directors of the World Bank or the governments they represent.

Background

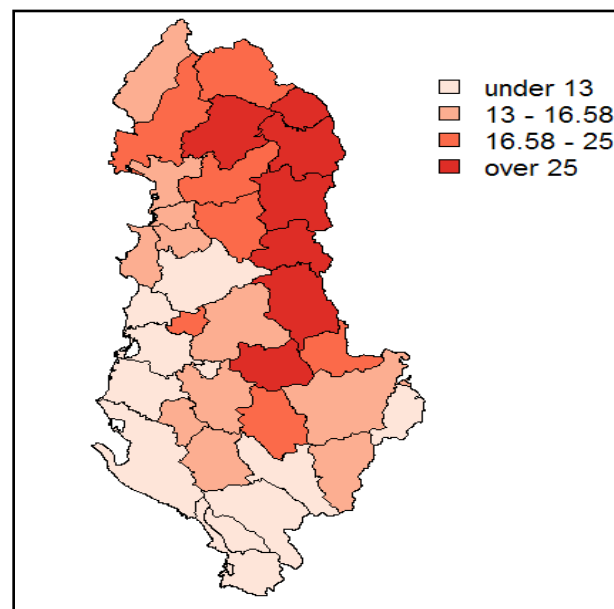
Albania has made considerable progress since transition in overcoming the legacy of nearly forty years of autarky. The country has successfully built the foundations of a market-based economy, created democratic institutions and gradually built capacity in the public administration to cope with political and economic transformation. These efforts resulted in some of the fastest rates of GDP growth in South Eastern Europe (SEE), which since 1998, and prior to the recent crises, averaged 7 percent per year in real terms.

However, despite considerable progress, Albania's per capita income, estimated at US\$ 3,740 (Atlas method) in 2008 still lags behind the European average. Significant progress has been made in terms of poverty,¹ with the incidence decreasing by half from one quarter to approximately one eighth between 2002 and 2008. The majority of the population, and the poor, live in rural areas, where despite the fact that agriculture accounts for nearly 16 percent of GDP, subsistence agriculture predominates.

Throughout the world, poor transport infrastructure has been recognized as a significant impediment for many people living in rural areas, inhibiting agricultural production, off-farm employment, and access to essential services. A qualitative survey² of 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.

Figure 1. Ratio of number of poor to total population by district (%) in 2008



Source: Based on World Bank (2007a).

¹ Defined as the fraction of the population whose real per capita monthly consumption is below Lek 4,891 (in 2002 prices), World Bank (2007a).

² World Bank (2003).

Figure 2. Before project



Transport infrastructure

The overall length of the road network in Albania totals about 15,000 km. This comprises 3,412 km of national, or primary, roads, managed by the General Roads Directorate (GRD) under the Ministry of Public Works, Transport and Telecommunications (MPWTT), and about 12,000 km of secondary and local roads. The latter endowed to the 12 regional councils, comprising directly elected mayors and commune chairs and the 308 communes and 65 municipalities, respectively. Since transition in 1991, much of the focus has been on the recovery and development of the national road network.

Figure 3. Transport infrastructure in Albania



The unfortunate concomitant is that the secondary and local road network has been neglected. Little of the network was paved, and over three

quarters (80 percent) was reported to be in poor or very poor condition – with many sections impassable in inclement conditions.³ The decentralization of the responsibilities for local service delivery to local governments had created a mandate that was unfulfilled – with inadequate resources resulting in inadequate maintenance.

Figure 4. After project



The Request of the Authorities

In 2006, the Prime Minister⁴ established a task force, headed by the Minister of Public Works, Transport and Telecommunications, to act as a steering committee for a program to pave a significant proportion of the secondary and local network and improve its management and financing. The authorities asked for the assistance of the World Bank to prepare and contribute to the financing of such a program. This was followed by a formal request for a Project Preparation Advance (PPA), subsequently approved, to fund preparatory work in July 2007.

Preparing the Secondary and Local Roads Project

The PPA was used to fund consultants to assist the implementing agency, the Albania Development Fund (ADF), in preparing the project. More specifically, this work was planned in two broad phases: The first phase included *inter alia*: (i) a review and proposals to update the current functional and administrative classification and network length of all classes of roads; (ii) a road inventory survey of the defined ‘active or core⁵’ secondary and local road network; (iii) the establishment of a Road Management System for all active secondary and local roads; (v) the necessary consultations to ensure that local communities were fully involved in the process;

³ World Bank (2006).
⁴ Prime Ministerial Order no 224, September 19, 2006.
⁵ The ‘lifeline’ secondary and local road network was defined as those links, which either formed the only link to a particular community, or whose close would entail excessive time and costs for road users in accessing, or egressing, a particular community.

(vi) the preparation of a framework document to manage any environmental impacts engendered by the project; and (viii) the selection of priority roads, ranked using defined criteria agreed with the implementing agency, on an objective basis.

The second phase included, *inter alia*, the preparation of detailed engineering designs and tender documentation for 400 km of roads, together with some interim design guidelines for suitable interventions, and the definition of a five year investment program for the project. In addition, training was provided to staff of ADF and local community administrations on maintenance needs and practices, and procuring and managing contractors to undertake maintenance. Training was also provided to residents of the local communities to undertake basic maintenance activities.

The Secondary and Local Roads Project

The Secondary and Local Roads Project had two broad objectives: (i) to improve access to essential services and economic markets, via the provision of all weather roads, for the resident population in the hinterland of 110 km roads within the project; and (ii) to design a program to facilitate the preparation of other donors in parallel.

Figure 5. Before project



The project proposed to achieve these objectives through; (i) the improvement of priority sections of the secondary road network across Albania; (ii) the improvement of priority sections of the local road network; (iii) the introduction of the private sector in the maintenance of the secondary and local road network; and (iv) the strengthening of the management of the secondary and local road network.

The project was formally co-financed with the OPEC Fund for International Development (OFID), and the Government of Albania. The contribution of each of the financiers is presented in Table 1.

Table 1. The financing of the project

	Financing sources (US\$ millions)		
	IDA	OFID	Government of Albania
Reconstruction of Secondary Roads	7.5	10	1.9
Reconstruction of Local Roads	1.6	5	0.4
Implementation and Institutional Support	10.9		2.8
Total	20	15	5

The key milestones of the project are presented in Text Box 1.

Text Box 1. Key Project Milestones

Formal request received for PPA	July 2007
PPA approved	October 2007
Concept Meeting	November 2007
Appraisal	March 2008
Negotiations	April 2008
Board Approval	June 2008
Effectiveness	September 2008
Mid-term review (scheduled)	November 2010
Project Close (scheduled)	December 2012

Achievements under the project

As of March 2010, the civil works have been either completed or substantially completed on four of the 11 road sections and are proceeding well on the remaining seven sections. All works are on schedule to be completed by the end of 2010. So far 26 communities have access to an all weather road for the first time, with an end of project target of 50 communities. Travel times have fallen by as much as 50 percent on the improved road sections. In addition, over 150 people in the local communities have been trained to procure and undertake maintenance activities.

Figure 6. After project



In addition, the 'lifeline' regional and local road network has been identified, an inventory undertaken, and the functional classification reviewed, resulting in a simplification of the ownership and management of secondary and local roads. Finally, a road database and asset management system for secondary and local roads has been established to facilitate the planning of expenditures and the management of the roads, and the program for the development of the secondary and local road networks has been prepared.

Interest from other donors

The program has attracted considerable interest amongst other donors (including the Council of Europe Development Bank, the European Union, the European Investment Bank, the European Bank for Reconstruction and Development, KfW and the Japanese International Cooperation Agency). The total amount of money committed, confirmed, or provisionally agreed with the authorities, now amounts to US\$ 530 million from all sources. This is estimated, at current unit costs, to be sufficient to reconstruct 1,700 km of regional and local roads.

Key success factors

The Bank team identified six key factors in the success of the project:

(1) *A solid foundation of analytical work.*

The project benefitted from a number of pieces of analytical work undertaken by the Bank. These included a Policy Note on the management and financing of the secondary and local roads network,⁶ a regional Secondary and Local Roads Study,⁷ an earlier Public Expenditure and Institutional Review,⁸ together with a study looking at opportunities in the agricultural sector in Albania.⁹

Figure 7. Before project



⁶ World Bank, (2007b).

⁷ World Bank (2007d).

⁸ World Bank (2006).

⁹ World Bank (2007e).

Key recommendations from these studies included: (i) identify the 'lifeline' regional and local road network; (ii) undertake an inventory of the 'active' regional and local road network; (iii) revise the functional classification of the road network to reflect the above; (iv) simplify the ownership and management of secondary and local roads, passing responsibility for the former to GRD; (v) create a road database and asset management system for secondary and local roads to facilitate the planning of expenditures and the management of the roads; (vi) introduce necessary data collection processes to maintain the asset management system, collecting condition, traffic etc.; and (vii) prepare a program for the development of the secondary and local road networks. All of these recommendations were accepted by the authorities and implemented through the project. The project design also benefitted from, and was consistent with, the recommendations of the recent review of the transport sector by the Independent Evaluation Group:¹⁰ (i) in a context of fiscal constraints – a programmatic approach allowing other donors to contribute may be the most effective; and (ii) projects that contribute to reducing the broader forms of poverty *per se* were especially important.

(2) *Strong political support.* The project received very strong support at the highest levels of the Government of Albania, from conception through preparation and subsequent implementation. As noted earlier, the original stimulus for the project was the establishment of the task force, headed by the Minister of Public Works, Transport and Telecommunications, to act as a steering committee for a program to pave a significant proportion of the network and improve the management and financing of the network.

Figure 8. After project



¹⁰ World Bank (2007c).

This high level of support was both an advantage and a disadvantage: the former in that it ensured full support for the project from all members of the governing coalition, and close support from key counterparts in ensuring that all issues were addressed as soon as possible to avoid any delay to project preparation. The latter, the associated risk in a pre-electoral context was that the selection of priority roads would be prejudiced by political considerations. The mitigation of this latter risk is discussed in subsequent paragraphs.

Transparent and objective selection process for roads. It was important to mitigate any suggestions of political bias, ensure that stakeholder were involved and the selection and prioritization of roads in the project was undertaken in an objective and transparent manner. Hence the selection was undertaken based on multiple criteria defined during the preparation of the program. The six criteria included: (a) economic returns – defined as the traditional net present value (NPV) and economic internal rate of return (EIRR), calculated by using the World Bank Road Economic Decision Model (RED); (b) social deprivation indicators, including the number of people living in the hinterland of the road, the number of people living in poverty in each commune, the proportion of female headed households, the proportion of people without a secondary level education, and unemployment;

Figure 9. During construction



(c) improved accessibility – measured in terms of expected reductions in travel times to commune or regional centers; and (d) economic potential – measured by the amount of cultivable land alongside the road that could be brought into use, and any planned/committed developments alongside the road. These criteria were allocated a

score, using a simple numeric scale, and those roads with the highest score were deemed to provide the greatest 'benefit'; There were two additional criteria for local roads: (a) the priorities of the community; and (b) the willingness of the community to contribute to maintenance costs. A schematic illustrating the approach is provided in Figure 10.

The list of criteria, the scoring mechanism for each, the ranking of the roads, and the selection of the priority roads to be funded through the project, were all made public on the website of the implementing agency and presented to the regions and communes in public meetings.

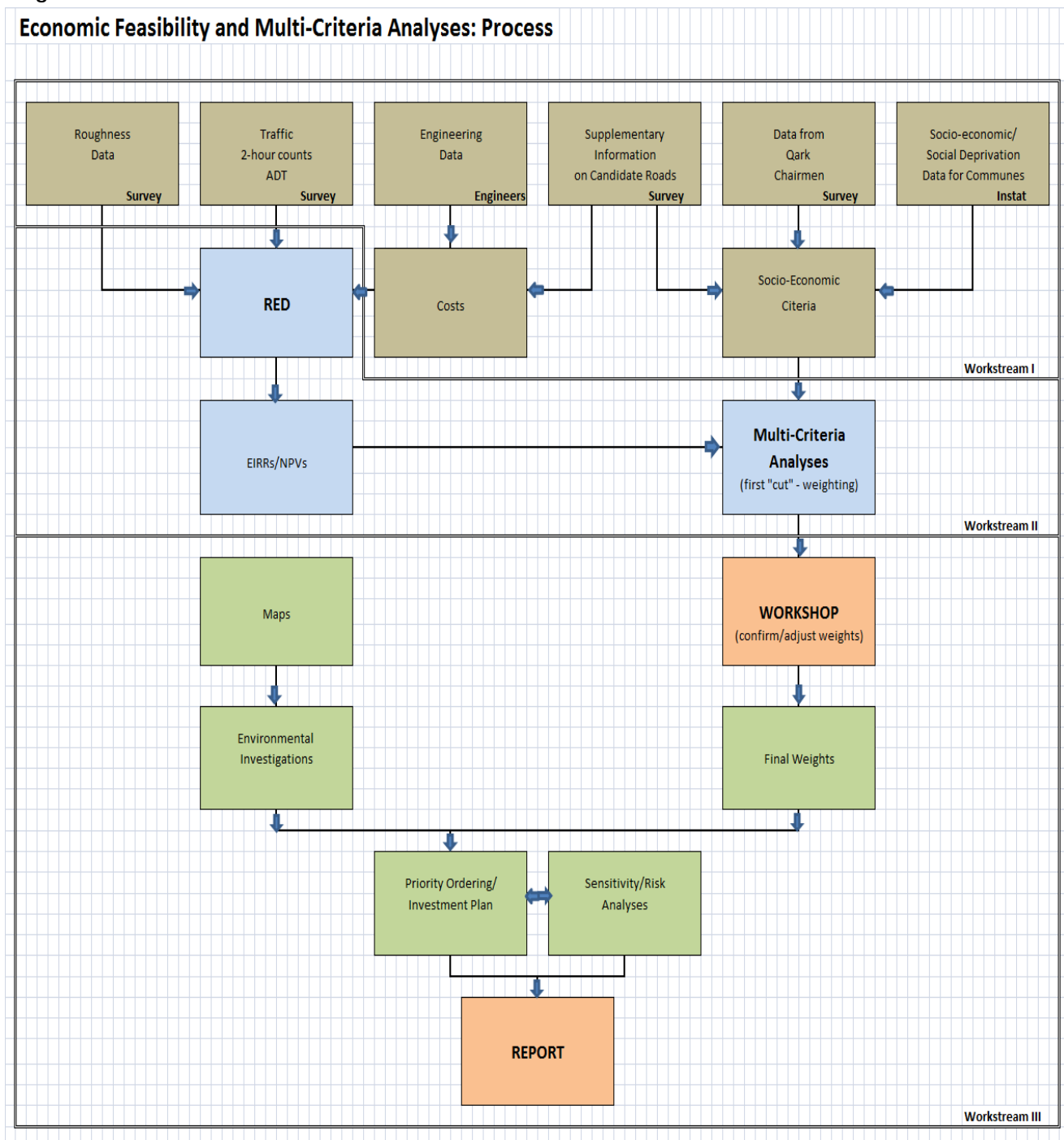
Additional constraints were considered in the selection process, namely whether or not a road section passed through an area with environmental designation, and/or near areas/structures of cultural or historical significance. In these cases, full Environmental Impact Assessments would be required. All selected road sections had to connect to a road of equal or higher standard in fair or better condition. And finally, reflecting the contemporary discussion about planning in coastal areas, no road could be developed in a coastal area, unless there was an approved development plan for the hinterland of the road.

(3) Strong and experienced implementing agency. The implementing agency for the project, the Albanian Development Fund (ADF), had previously implemented six World Bank projects since 1992, and a number of infrastructure investment projects for other donors in the rural areas. ADF had a tradition of working closely with the regional and commune authorities. ADF had 56 employees, 21 of which worked in the Infrastructure Department. For operational efficiency, day-to-day technical affairs are managed by four regional inspectors (located at the headquarters) and 11 technical inspectors (spread in the communes). ADF is headed by an Executive Director and a Board of Management chaired by the Deputy Prime Minister. Its legal status is a Charitable Trust, so it has the freedom to hire staff at salary levels competitive with the private sector, thereby obviating a problem in the public sector in Albania. It also ensures considerable managerial, financial and technical autonomy.

(4) **Strong supervision, with a mix of local and international staff, ensuring good knowledge transfer.** The one area of weakness in ADF at the preparation stage of the project was that the organization did not have substantial experience in road construction. To address this deficiency an experienced local road engineer was hired onto the ADF permanent staff to be supported and trained by an individual international consultant with experience of contract management, procurement guidelines of international financing institutions, and supervision of road projects. In addition, a firm of international consulting engineers was hired to

undertake the supervision of the civil works on all the roads under the entire program for all donors - a mix of international and local engineers, who would work with the regional and technical inspectors already within ADF to ensure the maximum knowledge transfer over the duration of the program. On the initial road sections being reconstructed within the project, where for some of the contractors it was the first time in working in a donor funded project, additional instruction and assistance to fulfill contractual obligations to the required standard, proved necessary, and this structure worked well.

Figure 10.



(5) Simplifying responsibilities in the sector. The earlier section noted the delineation of institutional responsibilities for the road network in Albania between the GRD, the unelected regional councils and the communes. The GRD employed some 594 staff in 2008, down from 800 at the start of 2007; 155 at the main office in Tirana, with the remainder at the seven Regional Road Directorates. This equates to one employee for every 5.5 kilometers of road (an improvement from 1:4 in 2007). The reform of this organization was a key priority for the government, and an Action Plan has been prepared with support under another Bank supported project. This plan was subsequently approved by the Council of Ministers,¹¹ a new Law was passed on October 15, 2009 and implementation is progressing, with support from the European Union. The main aim of this reform process is to transform GRD into the Albanian Road Authority (ARA) - a public enterprise run on commercial principles, with all maintenance contracted out to the private sector.

The secondary (regional) road network which extends for some 4,000 km was the responsibility of the Regional Road Units under the Regional Councils. These Units employ approximately 2,000 staff, mainly for administrative purposes – one member of staff for each 2 kilometer of road. The limited resources that were available for maintenance were consumed by the administrative overheads. The agreement reached with the authorities, and covenanted within the project, was that this network, after the review of the functional class, would be transferred to the reformed GRD (new ARA). Increased resources for maintenance would be provided from the national budget.

The rural road network under the responsibility of the communes also extended for approximately some 6,000 km. However, the preparatory work for the project had revealed a distinction between the length of the recorded network in the commune's records and the active network that was used and maintained, when funds allowed. The recorded network included a number of roads to old industrial sites, mines, forests, etc., which had fallen into disuse. The review of the function of each road led to these roads being declassified, or dropped from the records. This reduced the length of network in each commune by, on average 60 percent, with a corresponding reduction in maintenance requirements.

¹¹ The Council of Ministers Decision no.341, February 27, 2008, approved the reform action plan, and defined the responsibility of MoF and MPWTT to implement it. For that purpose a working group supported by EY TA was established in the MPWTT.

Key lessons from the project

The following represent the main lessons from the project:

(1) A sound strategy and action plan. For a programmatic approach of this type to be successful, particularly if it is to be attractive to other donors, there must be a strong strategy and action plan. This should include a robust independent feasibility study, illustrating the technical and social/environmental viability, together with a list of priority investments, developed to reflect both, the objective measures of economic efficiency, and the other broader contextual criteria, poverty, population, community preference, and agricultural potential.

(2) Challenge the accepted wisdom. Do not avoid challenging the philosophy of decentralization in the design of the project. The responsibility for the detailed design, tendering, contracting, and supervision of works were all undertaken centrally. This was contrary to earlier initiatives in the rural areas where the philosophy had been consistent with the decentralization agenda. However, earlier efforts had revealed the difficulty of ensuring consistent quality in the designs and the subsequent work. In addition, there were governance concerns in some of the communes and municipalities. The desire for a large program, prepared and started quickly, supported the centralization of design, procurement, and supervision to mitigate these issues. At the same time, training was provided in the project to strengthen the capacity of the communes to procure individuals to undertake simple maintenance activities, and individuals in the communities were trained to do this maintenance, creating employment opportunities.

(3) Ensuring quality designs for the interventions. There were no existing design guidelines for the secondary and local roads network in Albania. Standards for national roads existed but were outdated and in the process of being strengthened with technical assistance from the European Union. However, they excluded lower category, and lower cost, roads and structures, suitable for this program. Accordingly, some simple design guidelines were produced during the preparatory stage, and strengthened after initial experiences. In terms of actually preparing the designs, a walk through survey was found to be essential to ensure quality and prevent oversights: The first designs, in a number of cases, omitted key drainage aspects, retaining walls, and safety features – all of which would have been caught in a careful walk through the section.

(4) Include all structures in the project/program. Wherever possible, and if cost permits, include all structures in the project and program. Originally, structures had been excluded from the project and program, except, where absolutely necessary, as it was originally thought that resources would be insufficient to include these. Initial experiences found this to be a mistake, and subsequently, they were added to the database, and a reconstruction/rehabilitation program for all bridges and structures on the lifeline road network was prepared.

(5) Include the Environmental Management Plan (EMP) in the contract documentation. A number of the contractors had not worked within an IFI funded project before, and did not have experience of implementing an EMP. The supervision consultant, particularly where there were issues of site management, organization, and works quality, also initially tended to adopt a laissez-faire approach. The inclusion of the EMP in the contract documentation and an appropriate clause in the contract would strength compliance.

(6) Finally, strong Bank supervision remains necessary. Even with a solid and experienced supervision team, comprising a mix of international and local staff, together with a strong implementation agency, careful supervision by the Bank team has proved beneficial, if not necessary in ensuring sustainability of the works. The requirement that representatives of the employer and the supervision engineer to visit every section frequently with the Bank team, in a variety of weather, ensures that defects that could have been missed are noted and addressed.

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TO LEARN MORE

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