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Report No. 39934

PROJECT PERFORMANCE ASSESSMENT REPORT

ALBANIA

NATIONAL ROADS PROJECT (CR. 2888-ALB)

EMERGENCY ROAD REPAIR PROJECT (CR. 3303-ALB)

DURRËS PORT PROJECT (CR. 3068-ALB)

June 26, 2007

Sector, Thematic and Global Evaluations
Independent Evaluation Group (World Bank)

Currency Equivalents (annual averages)

Currency Unit = Albanian Lek (ALL)

1996	US$1.00	ALL101.6
1997	US$1.00	ALL147.7
1998	US$1.00	ALL152.4
1999	US$1.00	ALL138.6
2000	US$1.00	ALL144.8
2001	US$1.00	ALL145.9
2002	US$1.00	ALL145.4
2003	US$1.00	ALL126.3
2004	US$1.00	ALL106.8
2005	US$1.00	ALL1O2.9

Abbreviations and Acronyms

EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EU	European Union
GoA	Government of Albania
GoI	Government of Ireland
GRD	General Roads Directorate
ICB	International Competitive Bidding
ICR	Implementation Completion Report
IEG	Independent Evaluation Group
IEGWB	Independent Evaluation Group (World Bank)
IFC	International Finance Corporation
IMO	International Maritime Organization
KF	Kuwait Fund
M&E	Monitoring and Evaluation
NATO	North Atlantic Treaty Organization
PDA	Port of Durrës Authority
PHARE	EU Assistance Program for Eastern Europe
PIU	Project Implementation Unit
PPAR	Project Performance Assessment Report
SDR	Special Drawing Rights

Fiscal Year

Government: January 1 to December 31

Director-General, Independent Evaluation	:	Mr. Vinod Thomas
Director, Independent Evaluation Group (World Bank)	:	Mr. Ajay Chhibber
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IEGWB Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examine project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEGWB Rating System

IEGWB's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEGWB evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEGWB website: http://worldbank.org/ieg).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Contents

This report was prepared by Peter Freeman, who assessed the project in June, 2006. Romayne Pereira provided administrative support.

Principal Ratings

National Roads Project (Cr. 2888-Alb)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Modest	Modest	-
Risk to Development Outcome	-	-	Significant
Sustainability***	Likely	Likely	-
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

Emergency Road Repair Project (Cr. 3303-Alb)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Modest	Modest	-
Risk to Development Outcome	-	-	Significant
Sustainability***	Likely	Unlikely	-
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

Durrës Port Project (Cr.3068-Alb)

	*ICR**	*CR Review**	*PPAR*
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Substantial	Substantial	-
Risk to Development Outcome	-	-	Negligible to low
Sustainability***	Likely	Likely	-
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.
**As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.
***As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

Key Staff Responsible

National Roads Project (Cr. 2888-Alb)

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	Luis Revuelta	Hans Apitz	Kemal Dervis
Completion	Cesar Queiroz Olivier Le Ber	Eva Molnar	Orsalía Kalantzopoulos

Emergency Road Repair Project (Cr. 3303-Alb)

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	Cesar Queiroz Elena Kastlerova	Eva Molnar Ricardo Halperin	Arntraud Hartmann
Completion	Cesar Queiroz Olivier Le Ber	Motoo Kosnishi Hossein Razavi	Orsalía Kalantzopoulos

Durrës Port Project (Cr.3068-Alb)

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Appraisal	Peter Parker	Eva Molnar	Arntraud Hartmann
Completion	Olivier Le Ber	Motoo Konishi	Orsalia Kalantzopoulos

Preface

This Project Performance Assessment Report (PPAR) covers three transport projects in the Republic of Albania:

- **Albania: National Roads Project** (Cr.2888-ALB) for which the World Bank approved a credit in the amount of US$25.00 million equivalent on June 20, 1996. The credit was closed on May 31, 2003, 23 months later than planned; US$0.12 million was cancelled.
- **Albania: Emergency Road Repair Project** (Cr.3303-ALB) for which the Bank approved a credit of US$13.65 equivalent on December 7, 1999. The credit was closed on December 31, 2003, 6 months later than planned to enable the completion of the Durrës-Morinë road feasibility study. US$0.64 million was cancelled.
- **Albania: Durrës Port Project** (Cr.3068-ALB); the credit amount was US$17.00 million equivalent approved on May 12, 1998. On July 7, 2000 the credit agreement was amended to partially reallocate funds from the goods category to works. The credit was closed on December 31, 2004, 12 months later than originally scheduled; US$0.07 million was cancelled.

The above projects were chosen for assessment to evaluate the impact of the political disturbances and economic shocks on the transport sector at a time when the country was transitioning from a command to a market economy.

The report is based on a review of project documents, including Implementation Completion Reports (ICR), Staff Appraisal Reports (SAR), Memoranda to the President, legal documents and project files, and on discussions held with Bank staff involved in the projects. An IEG mission visited Albania in June 2006 to review project results and met with various persons including government and local officials and project staff. The IEG mission undertook field visits to relevant road sites and to the Port of Durrës. These visits gave the mission the opportunity also to meet with beneficiaries and users of the facilities for the projects under review. IEG gratefully acknowledges the courtesies and attention freely given by these interlocutors, as well as the excellent support from the relevant ministries and the Bank's resident mission in Tirana.

Following standard procedures, copies of the draft PPAR was sent to government officials and agencies for review and comments but none were received.

Summary

This Project Performance Assessment report (PPAR) covers three inter-related transport projects in the Republic of Albania. Two are from the roads sector aimed at urgent rehabilitation and repair of deteriorated sections of the national road network and one concerns the upgrading of the country's main port and improving its commercial orientation. The projects are:The National Roads Project (Cr. 2888-ALB);Emergency Road Repair Project (Cr. 3303-ALB), and Durrës Port Project (Cr. 3068-ALB).

These were all important projects aimed at helping to restore the country's obsolete and degraded transport infrastructure in support of an economy transitioning from a command to a market orientation. During project implementation Albania went through a turbulent period of political disturbances and economic shocks following the collapse of a fraudulent pyramid scheme in which many people lost their savings, and then a massive influx of refugees fleeing to escape the conflict in neighboring Kosovo. This resulted in military convoys damaging main roads constructed to carry light traffic only, and part of the port of Durrës becoming a base for NATO forces and the Italian Police.

The objectives of the National Roads Project were to overcome a key infrastructure bottleneck to economic development by rehabilitating sections of national road and by improving maintenance and safety, promoting the development of the local contracting and consulting industries, and training local staff. Similarly, the Emergency Road Repair Project aimed to restore the serviceability of routes damaged by the military vehicles. The objective of the Port of Durrës Project was to improve the port's efficiency and effective capacity, taking environmental considerations into account. This was to be accomplished through increasing its commercial orientation through the establishment of an autonomous port authority, privatizing port operations, improving productivity and safety, and rehabilitating port infrastructure to accommodate anticipated traffic demand and attract transit traffic.

Implementation was inevitably affected by the civil and other disturbances. Problems included frequent power interruptions, disruption and delays in funding by parallel financiers, movements of military personnel, consignments of humanitarian aid and refugees, and the occupation of part of the port by some displaced families. In the face of these difficulties the project supervisory teams showed flexibility in adjusting implementation to meet the continuously changing circumstances. In the case of the port the team also played a mediation role on many issues beyond the normal mandate of such a team, but which succeeded in moving the project forward.

All three projects had notable achievements despite the difficult environment but they all also had some shortcomings resulting in an IEG **outcome rating** of **moderately satisfactory** in all three instances. For the road projects the greatest concern remains the lack of sufficient funding to keep the roads properly maintained, while the costs of upgrading the port infrastructure were seriously underestimated, resulting in a scaling

down of the scope of the works. There was also an underestimation of the time it would take to put in place new legislation and regulations needed.

On the other hand the **risk to the development outcome** of the port project is rated **negligible to low**. This is for two reasons; first, both international financial institutions and private sector investors have subsequently demonstrated support to continued development by investing in further projects and, second, the candidacy of Albania for eventual membership of the European Union has strengthened the likelihood of additional support. Unfortunately road maintenance does not enjoy the same kind of profile or attract foreign investment, (despite high economic returns), and is politically unattractive. Consequently the crisis in availability of maintenance funding is seen in a much more serious light and in the case of the road projects the **risk to development outcome** is rated as **significant.**

For the road projects **Bank performance** is rated **satisfactory** in the case of National Roads and **moderately satisfactory** in the case of the Emergency Project. In the latter case there were quality problems prior to mid-term review, and the supervision capability had to be improved thereafter and certain works re-done. These ratings also took into account, however, the lack of good data in a situation where rapid deployment in the field was essential. The **borrower performance** rating in both cases is **moderately satisfactory**. In the National Roads project there were serious delays in design and in land expropriation. Nevertheless, the borrower was on a steep learning curve and showed commitment in difficult circumstances. For the port project both the **Bank and the borrower performance** are rated moderately satisfactory. Inadequate preparation led to the scaling back of the project scope. Both parties also underestimated the time it would take to effect changes in legislation and the level of resistance to change by some individuals and departments. Some of the moves towards a more commercial approach only took place after project closure or are still pending. Despite these shortcomings both parties showed great flexibility in adapting to changing circumstances.

Overall, several important lessons emerge from these projects:

ROADS

- In conditions where government capacity is weak the establishment of a separate project implementation unit (PIU) for each operation may be necessary in the short term, but ways must also be sought to strengthen government capacity so that regular departments can take over PIU responsibilities in the medium term, after which PIUs can be wound up.
- Emergency credits can provide a quick response to a crisis situation, but should be kept as simple as possible if they are to be effective.
- Long term sustainability of a road network depends on a reliable funding stream. This can be achieved through either a road fund or by means of a multi year expenditure framework. However, as exemplified in Albania, unless there is government commitment to fund maintenance, current capital expenditures are likely to be seriously jeopardized in future years because of asset deterioration.

PORTS

- Organizational restructuring projects should not be planned in excessive detail up front, since it is very difficult to assess the degree of government commitment to reform and the time it will take to put the legislative and regulatory framework in place. Effective supervision provides an opportunity to adapt the details as the project proceeds. In these cases a more programmatic approach with milestones may be better suited, such as an adaptable program loan.
- The Port of Durrës project shows the dangers of proceeding with civil works on the basis of poor cost estimates and preliminary design. Although speed is important inadequate designs can lead to time losses during implementation and any reallocation of credit components, because of higher than expected costs, can jeopardize project outcome.
- The key lesson for the Bank in responding to an emergency unexpectedly arising during implementation is to ensure that all stakeholders are treated equally, and that a flexible attitude is taken so that the credit can be amended in response to changing circumstances.

Vinod Thomas
Director-General
Evaluation

1. Background

1.1 The Republic of Albania is a small country comprising about 29,000 sq. km. situated in the Balkan area of south-east Europe; on the west it is bounded by the Adriatic Sea, while Montenegro, Kosovo and Macedonia lie to the north and north-west; Greece has boundaries with the south and south-east. The population of 3.2 million is 42 percent urbanized.

1.2 Albania is a lower middle income country with a gross national income per capita of US$2,150 in 2006 and is one of the poorest countries in Europe with a quarter of the population living in poverty. However, it has made considerable progress since 1991 when it began transitioning from an isolated communist command economy to a market-based economy. There was a brief interruption in this advancement during 1997-99 which was a period of instability with large-scale disturbances due to the collapse of a fraudulent pyramid scheme, followed by a massive influx of refugees as a result of conflict in neighboring Kosovo.

1.3 The country has, however, since then resumed progress in restoring macroeconomic stability through solid economic growth, reductions in inflation and public debt and in June, 2006 signed a Stabilization and Association Agreement with the European Union (EU) as a first step down a long road to EU membership. Nevertheless, the International Monetary Fund, analyzing the state of the Albanian economy at the end of 2005, noted that the country was lagging behind its regional neighbors in investment in infrastructure and tourism.

1.4 Both the National Roads project and the Durrës Port Project became effective during the period of instability at which time there were frequent power outages, shortages of supplies and sporadic civil unrest. The port became a temporary base for North Atlantic Treaty Organization (NATO) forces and the Italian Police. In addition the exchange rate between the Albanian lek and the US dollar deteriorated resulting in the Government of Albania (GoA) having to increase its contribution to the project. The Emergency Road Repair project became effective slightly later in April 2000; it was intended through this project to restore serviceability to key road sections that had been badly damaged by the influx of heavy vehicles in NATO convoys traveling to Kosovo, and the flow of refugees moving in the reverse direction. Much of the paved road network had been constructed to light pavement standards during the communist era during which time virtually no private vehicles existed and traffic was invariably light.

1.5 Albania's strategic transport infrastructure consists of a road network of 18,000 km, including 3,000 of paved (mainly national) roads, a railway network with 440 km of main lines, an international airport and four ports of which Durrës is by far the largest. While road, air and sea traffic levels have grown substantially, rail traffic has fallen to insignificant levels reflecting the comparative advantage of road transport for short-haul loads and the operational difficulties faced by Albanian Railways.

2. National Roads Project (Cr.2888)

2.1 Under the previous government goods were mainly moved by a small fleet of publicly owned trucks. Private ownership of vehicles was forbidden, so the change of government and the introduction of market reforms led to a growth surge in the vehicle population which the road network was ill-prepared to receive. The National Road Project was the third road infrastructure credit in Albania; earlier projects were involved with upgrading rural roads, selected main roads, and the procurement of equipment for road maintenance in Tirana.

OBJECTIVES

Box 1. National Roads Project: Summary of Objectives and Components

OBJECTIVES	COMPONENTS (US$ MILLIONS)
(i) To overcome a key infrastructure bottleneck to economic development by rehabilitating and constructing national roads; (ii) To improve the maintenance and safety of national roads; (iii) To promote the development of the local contracting and consulting industries; and (iv) To train the General Road Directorate's (GRD) staff and develop strong cooperation between GRD and the University of Tirana. *Appraisal Cost* US$66.00 million Baseline cost US$57.70 million Contingencies US$8.30 million *IDA credit* US$25.00 million *GoA* US$5.00 million *Parallel financing* US$36.00 million *Final Cost* US$72.02 million (9.2% above appraisal estimate) *IDA credit* US$22.95 million *GoA* US$11.46 million *Parallel financing* US$37.61 million *IDA Financing* US$ IDA; 30.6% Government of Albania 15.3%	(i) Rehabilitation of about 90 km of national roads in the east-west and northern corridors (appraisal cost US$45.00 million; actual cost US$65.78million) (ii) Road maintenance and safety equipment (appraisal cost US$7.00 million; actual cost US$2.48 million) (iii) Supervision of works (appraisal cost US$1.14 million; actual cost US$2.27 million). (iv) Establishment of a road data bank, pavement management system and bridge management system (appraisal cost US$2.00 million; actual US$0.00 million) (v) Project coordination and technical assistance as well as to train GRD and Regional Road Directorate (RRD) executive staff in the management and modernization of the road sector, (appraisal cost US$2.30 million; actual cost US$1.49 million). *Parallel Financing Plan*: European Bank for Reconstruction and Development (EBRD) 16% Government of Ireland (GoI) 12% Kuwait Fund (KF) 11.4% PHARE (EU) 14.7%

2.2 Because of the deterioration in the SDR/US$ exchange rate and higher works' contract prices than estimated at appraisal, the GoA had to more than double its contribution to the project through counterpart financing. Moreover, the road

maintenance system component was to have been funded by the EU (PHARE program), but because the agreement was not ratified the funds did not materialize. The EU did, however, provide €0.45 million for the road safety component and did cover some of the additional costs incurred for supervision caused by project delays. After project closure the Government of Sweden also provided a grant of €0.14 million to start the preparation of a nationwide road data bank. This data bank was eventually completed under the Bank-financed Road Maintenance project (Cr. 3683-ALB, for US$34 millions, approved June 27, 2002).

2.3 The project objectives were clear and realistic, in line with the Country Assistance Strategy (CAS) of the time, and still relevant today. In particular the main pillars were to promote economic growth through support to private sector development, and to improve public services delivery. These goals also encompassed national priorities laid out in government strategy documents and reflected in the GRD Public Investment Plan. An additional aspect in the latest CAS, which will reduce the risk to development outcomes, is a governance filter applied to all current and future projects. This filter is based on four guiding principles: (i) efficient and transparent use of public resources; (ii) increased autonomy and depoliticization of public administration; (iii) support to decentralization; and (iv) the strengthening of advocacy and citizens' participation.

DESIGN AND IMPLEMENTATION

2.4 The project design took into account the modest administrative and financial capacity of the implementing agency, the GRD. Because of the complexities for GRD in dealing with six international financiers, one condition of effectiveness was the appointment of a project coordinator satisfactory to the Bank to advise GRD. In IEG's view this was a wise move.

2.5 Implementation delays occurred early in the project for two reasons. First, the initial designs prepared by domestic consultants, trained to construct pavements for light traffic only, were inadequate. Consequently the contractors had to prepare additional designs before the works could commence. Second, there were delays in land and property expropriation which meant that the contractors could not start work on some sites when they had planned to. There were also long delays because of the excessive time it took for the GRD technical department (unused to working with the private sector) to check and approve the designs. This meant that contractors either had to accommodate further delays or proceed with construction works at their own risk while still awaiting the approval of the designs. The situation was improved with the appointment of a PIU, the introduction of new legislation regarding expropriation, and the establishment of an expropriation department within GRD. This was a period when the GRD went through a steep learning curve.

2.6 There were eventually eight contracts awarded under the National Roads project. All road works contracts financed by the Bank were satisfactorily completed by May 2003 and the other donor-financed works were completed by the end of 2005. Thus the goal of overcoming infrastructure bottlenecks was achieved albeit later than anticipated at the outset. The original target to rehabilitate 90 km. of road was exceeded and in total 102.3 km. was finally completed. Over 3,800 person-years of employment were generated during the construction period. The time taken for traveling and the riding

quality for road users also improved appreciably. Some of the non-Bank financed works were delayed due to apprehension about the volatile political situation in the country. The longer time taken to complete the contracts meant increases in cost which were largely borne by GoA. Originally it was anticipated that the GoA share would be about 7 percent of the project, but in the end it was closer to 15 percent; on the other hand this clearly demonstrated the GoA commitment to the success of the project. The weighted average ERR of the IDA-funded portion of the contracts was 30 percent at appraisal and 24 percent at completion. This was satisfactory, but lower than envisaged because of the project delays and higher costs related to the civil upheaval.

2.7 Supervision was commendable overall, and especially during the periods of civil unrest in 1998 and 1999. The project had to contend with interruptions in the services of expatriate staff, power outages, an influx of refugees and NATO military personnel, as well as movements of humanitarian aid. During this difficult period the Bank supervision team maintained a dialogue with the other financiers and showed flexibility to adjust to changing circumstances. For example, the team was able to reallocate funds to components that made the most progress. The cost of the supervision was higher than planned mainly because of the project delays. IDA costs were double the original budget. The shortfall for the non-Bank supervisory costs was made good through a GoI grant delivered via the Italian Trust Fund and by a contribution from PHARE for the European-sourced contracts.

OPERATIONS AND MAINTENANCE

2.8 The GRD now regularly contracts out road maintenance activities providing local contractors with business opportunities that can help develop the sectors locally. GRD has also outsourced design and works supervision to recently established local consulting firms. The road sections inspected by IEG were found to be in full operation but with some maintenance issues observed such as the need for routine maintenance work including patching and repairs to edge erosion. Improved junctions have led to better visibility and improved surfaces have enhanced user comfort.

2.9 Road maintenance equipment to the value of US$2.2 million was procured under the project, while a further US$0.24 million was used to provide equipment to improve road safety. The National Traffic Police benefited from the purchase of 17 patrol vehicles. A new telephone system was installed for the GRD offices and essential office equipment was supplied (the ICR does not provide details on the extent and location). On the other hand, a radio communication system was sensibly cancelled due to excessive cost and was because it was deemed unnecessary with the advances of mobile telephony in the country.

2.10 Because of the volatile situation in Albania, the EU did not ratify the PHARE grant for additional road safety equipment intended to include items such as speed control devices, alcohol breath analyzers, lights, warning signs and special clothing. These items were eventually included in the Bank follow up Road Maintenance project.

2.11 The IEG mission noted that maintenance funding in Albania has been inadequate for the size of the country's 14,500 km road network (of which 3,136 km are national roads); in 2003 the maintenance budget for national roads actually decreased from the

previous year by €6.6 million. However, the follow-on Bank-financed road maintenance program at least covers periodic maintenance costs for these roads until 2008. After this date the government will have to ensure that provision is made for appropriate allocations. The IEG mission observed that there is some evidence that road maintenance is not as well-planned and executed as it could be. Coordination between planning for national and rural roads appeared to be disjointed and there is a severe lack of funds for the maintenance of feeder roads. In 2005 only 25 percent of the rural road network was in a maintainable condition, which meant that 8,000 km needed to be rehabilitated[1].

MONITORING AND EVALUATION (M&E)

2.12 The project Staff Appraisal Report listed two pages of monitoring indicators, but these were intended to assist the oversight of project implementation only. There were none at appraisal to measure progress towards achieving the project objectives. The concept of Key Performance Indicators used as a basis for comparison was developed after the appraisal of the project and came into effect during supervision in late 1998. Nevertheless, output indicators based on, for example, length of roads improved and percentage of equipment acquired, were introduced and it was possible to ascertain whether certain specified goals were achieved such as the introduction of economic analysis to support investment decisions. The quality of the project's M&E is rated **modest.**

FOCUS ON A KEY ISSUE: DEVELOPMENT OF LOCAL CONTRACTING AND CONSULTING INDUSTRIES

2.13 The project was designed to promote the development of the local contracting and consulting industries. This was a challenge because of the large size and complex nature of the road contracts which necessitated the procurement of contractors for each contract to be undertaken under international competitive bidding (ICB). Because of the lack of local capacity no local contractors were pre-qualified for ICB, but all the international contractors agreed to engage local contractors who were responsible for carrying out specific works and activities under the advice of the international contractors and the supervision of an international consulting team funded from the IDA credit.

2.14 This team led by a project coordinator also engaged local engineers, economists and technicians to support the supervisory function, significantly assisting technically, financially and managerially, in promoting the development of the local contracting and consulting industries through *in situ* training. These opportunities for local individuals and firms were highly beneficial in transferring knowledge and learning from experience; in the follow on Emergency Road Repair and Road Maintenance where ICB was not used the majority of the contracts were awarded to Albanian companies.

2.15 It had been envisaged that funds would be available from the EU for an extensive technical assistance and training program for GRD. After the PHARE grant did not materialize only some minor activities took place under this objective—mainly seminars organized by the Bank.

[1] The lack of coordination and sufficient funding is also noted in the final report of the 2005 Albania National Transport Plan (Phase 2), funded by the European Union.

2.16 The project had planned to provide practical experience for civil engineering students at the University of Tirana, but this did not take place because of lack of funding after the PHARE contribution was not ratified, although the Government of France did arrange a Soils Technology Seminar, attended by 15 engineers.

PERFORMANCE RATINGS: NATIONAL ROADS PROJECT

OUTCOMES:

TABLE 1 OUTCOME RATINGS BY OBJECTIVE

Objective	Relevance	Efficacy	Efficiency	Outcome
Overcoming key bottlenecks	High	High	Substantial	High
Improving maintenance and safety	Substantial	Modest	Modest	Modest
Promoting development of local contractors and consultants	Substantial	High	High	High
Training staff and students	Modest	Negligible	Negligible	Negligible

RATINGS:

2.17 The overall **outcome** of the project is rated **moderately satisfactory.** While it was a worthwhile project at a critical time and substantially achieved its physical objectives, it was flawed by the lack of funding for the training and some of the equipment components. On balance relevance, efficacy and efficiency are substantial, (the weighted average ERR at completion was still 24 percent—compared with 30 percent estimated at appraisal), but there are shortcomings, primarily delays, as well as problems concerning previously agreed commitments made by parallel donors. These shifts in the donors' positions, though, need to be considered in the context of the very risky situation prevailing in Albania at the time, which included sporadic civil unrest and general instability. The **risk to development outcome** is rated **significant** in view of the continuing serious concerns about the adequacy of road maintenance funding (see also later discussion in paragraph 3.9). **Bank performance** was strong throughout and the team showed flexibility and diligence in difficult circumstances. A **satisfactory** rating is appropriate. **Borrower performance** was **moderately satisfactory** reflecting the need for reworking of the designs inadequately prepared by local consultants close to GRD, and the substantial delays in design approval and land expropriation. Nevertheless, there is much evidence of commitment by the GoA and its agencies and there was evidence of progress along a steep learning curve as the project was implemented.

3. Emergency Road Repair Project (Cr. 3303)

3.1 This was an emergency project prepared in accordance with the Bank's policy (OP/BP 8.50) for emergency operations. It was intended to restore the serviceability of routes badly damaged by heavy refugee convoys, humanitarian aid, and NATO vehicles during the Kosovo crisis of 1997-98.

3.2 The project objective was relevant and appropriate in the circumstances. Although the project was not included in the CAS because it represented a response to a regional emergency, it nevertheless supported the broad CAS objective of poverty reduction as it was mainly focused on the poorest region of Albania and would create many local jobs. As described in the National Roads project and equally applicable in this case, the main pillars were to promote economic growth through support to private sector development, and to improve public services delivery. These goals also encompassed national priorities laid out in government strategy documents, and reflected in the GRD Public Investment Plan (see paragraph 2.3 for further details).

OBJECTIVE

Box 2. Emergency Road Repair Project: Summary of Objective and Components

OBJECTIVE	COMPONENTS/EXPENDITURES¤ (US$ MILLIONS)
To restore the serviceability of the main route connecting the Adriatic Sea (Port of Durres) to Kosovo, and of the Berat-Corovodë national road. *Appraisal Cost*: US$14.46 million; *Baseline cost*: US$12.68 million; *Contingencies*: US$1.78 million *IDA* US$13.65 million; *GoA* US$0.81 million; *Actual Cost*: US$13.84 million; *IDA*: US$12.99 million; *GoA*: US$0.85 million; *Cancelled*: US$0.62 million	Emergency repairs to restore 221 km. of the national road network to serviceable condition in five sections; repair work included patching of potholes, improving drainage, strengthening shoulders and replacing portions of asphalt paving (appraisal cost US$10.11 million; actual US$10.41 million) Equipment (for institutional support) including laboratory, office, environmental mitigation equipment, software, and a vehicle (appraisal cost US$0.30 million; actual US$0.31 million)* PIU operation and training, including preparation of design and bidding documents and a feasibility study for the Durres-Morinë road (appraisal cost US$2.27 million; actual US$3.12 million) ¤ This table reflects components as described in the PAD and ICR. Some items are better described as line expenditures than components * The US Trade and Development Agency also granted US$32,500 for part-time procurement advisory services to the PIU.

DESIGN AND IMPLEMENTATION

3.3 There were significant project risks due to the weak political and economic situation in Albania. The first area of risk concerned whether the GoA could commit to a medium term strategy for reforms in the sector and the second centered on whether there would be sound financial, implementation and procurement arrangements in place to expedite a rapid and effective project execution. To address the first problem prior to effectiveness a Letter of Commitment was obtained, signed by the Ministers of Transport and Finance and a separate PIU was created to provide supervision engineers and a procurement expert.

3.4 The project was prepared in only three months and the works were structured into relatively simple activities that could be prepared with a minimum of engineering risk. Some inaccuracies in design (unspecified in the ICR) were corrected as the project progressed. However, frequent interruptions in the electricity supply began to affect implementation. The contractors resolved this problem by purchasing under the project sufficient power generators for their offices and site operations.

3.5 A further issue was that the penetration macadam solution originally specified in the design for work was found to be neither suitable for the type of traffic using the roads, nor appropriate for the climatic conditions in the area. An asphalt concrete layer was specified in its place, but this led to cost increases because of the need to redo some completed work and introducing a new set of unit costs for the contractors. Given the funding constraints it was resolved by the Bank and borrower that the contractors would concentrate on those sections of road in the worst condition. IEG observations of the work done showed that these roads proved to be remarkably durable and the constraint upon resources does not appear to have been detrimental to the overall outcome. In fact, there were sufficient funds still available for additional works such as road marking and traffic signalization to the project which entailed a six month extension of the closing date to enable these additions to be completed.

3.6 With regard to supervision, in May 2001 the GoA expressed dismay about the poor quality of works and site supervision and the Bank sent two missions to investigate the concerns which were also taken up in the mid-term review in December 2001. The mid-term review mission concluded that while the quality of the works could have been higher, they had to be seen in the context of the emergency nature of the project. IEG does not agree with this argument, and believes the problem was purely due to inadequate supervision. It notes that the supervision was upgraded considerably after the review—some works were demolished and rebuilt, and the situation improved appreciably in the second phase of the project.

OPERATIONS AND MAINTENANCE

3.7 As in the case of the National Roads project, IEG found the roads sections it selected to visit were in full operation with some maintenance issues, mainly minor potholes. However in this case, the operation of the PIU had been fraught with difficulties because of its weak local capacity and high staff turnover. This caused delays in the procurement process in particular and eventually the GoA requested and the Bank agreed that the Emergency Road Repair PIU should be merged with the National Roads PIU and

a single director appointed. After this, there was a significant improvement in performance. There were no auditing concerns and feasibility work for a follow-on project was concluded without problems. In the medium term it is anticipated that such a "stand-alone" PIU will be phased out since the ultimate goal is to build the capacity of government by ensuring the assumption of full implementation responsibility.

3.8 The institutional development impact was moderate since institutional matters were not intended to be a focus in this project. However, project staff gained experience in procurement and pavement management. Over 20 persons were given the opportunity to attend overseas training courses and a further 90 received local training. However, it is not known to what extent this training was beneficial, since there was no way to measure the results. The intention, which was followed through, was to provide significant opportunities for strengthening local capacity in the subsequent Bank-financed Road Maintenance project.

FOCUS ON KEY ISSUE: NEED FOR IMPROVEMENT OF ALBANIAN ROAD MAINTENANCE

3.9 Both the road projects reviewed in this report were implemented under difficult circumstances and it is clear that a major problem still exists in respect of road maintenance. The IEG mission expressed concern about the state of maintenance and this was backed up by comments in the project information document for the latest Bank transport project in Albania which states: "Insufficient maintenance expenditures and a lack of professional management of assets has increased the rate of deterioration of the network and increased the costs of road users". The majority of expenditures by the GRD have been on capital investment in line with the National Transport Plan, but the level of recurrent expenditure on the national road network in 2004 was only US$21 million which is 40 percent below the level required to maintain the network in a sustainable condition, (see also paragraph 2.11). According to a World Bank study[2] some 68 percent of the national road network was in poor condition in 2000 and it is unlikely that it has improved significantly since this assessment was made.

3.10 A main priority for the GoA is the development of the road corridor to neighboring Kosovo (a substantial part of the Emergency Road Project). This is justified as the corridor passes through an area of Albania with the lowest per capita income and is seen as a strategically important future link with neighboring countries. Clearly, maintenance activities (despite their high ERRs) do not have the same appeal as new construction with politicians, because maintenance work is less visible, and it is less easy to find donor financing for recurrent expenditures. The IEG mission met with the Albanian Industry Federation which, while appreciating the need for new highways, expressed concern about the overall condition of the network and called for the establishment of a National Road Fund. However, such a fund would not necessarily be the required solution if government commitment is lacking. The Bank has assisted the GoA with developing a multi year expenditure framework and recommended that the level of expenditure be increased from two to three percent of GDP, partly to assist in catching up with the rehabilitation backlog. The Bank has also recommended that the road maintenance budget be increased by five percent a year. A further proposal was that

[2] World Bank (2004) A Framework for the Development of the Transport Sector in South East Europe, Washington DC

the current separation and disconnect between the management of the national and rural road networks be examined and the situation improved.

3.11 A recent welcome development in the latest Bank-supported transport project is to introduce, on a trial basis, performance-based maintenance contracts to increase efficiency and competitiveness (though not necessarily funding). This component of a larger project was approved only in February, 2007, so it is too early to judge its performance in terms of results. Nevertheless Bank experience internationally with this type of contract has generally been positive, provided there is sufficient experience and capacity in the appropriate government departments.

MONITORING AND EVALUATION (M&E)

3.12 The main outcome indicators used in this relatively straightforward project were measures of the average roughness of the roads, road user costs and the traffic volume using the roads. Before the project the average roughness for the sections of road was 10m/km and by project closure this had improved to 6m/km, the target set at appraisal. Average user costs were expected to be reduced by 20 percent by project closure—based on international experience—15 percent was achieved. Traffic volumes were anticipated to increase by 10 percent, but only rose by 5 percent. This shortfall was largely due to the very high traffic count figures used at the time of the analysis when there was heavy traffic due to massive military and refugee movements. There was also an absence of any reliable historical data. It was unknown for how long the increased exceptional traffic would continue. Nevertheless, the average ERR, although not 79 percent as predicted (over an estimated life of 10 years), was still a robust 21 percent when re-calculated in 2004 using proper traffic counts and a Highway Demand Model (HDM-III).

3.13 Some other indicators concerning the number of contracts to be awarded locally and expected reductions in travel time were also mentioned at appraisal, but no target was set—presumably because of the lack of information. Despite this, 12 contracts were awarded to newly-established Albanian firms and one was a joint venture between an Albanian company and a firm from neighboring Macedonia. The number of bids received for each of these contracts ranged from 3 to 11.

3.14 Improved access was not measured, but temporary job creation was significant in areas with deep poverty. A total of 8,290 person months was created for unskilled casual workers during implementation while 47 person years were provided for local individual consultants. The amount paid to local employees amounted to US$1.88 million. In addition the project generated 50 permanent maintenance jobs. Given the nature of the emergency repair project and the expectations of monitoring and evaluation at the time, the quality of the M&E should be rated **modest.**

SUMMARY OF OVERALL RATINGS

3.15 The project substantially restored serviceability of important sections of the national road network. Relevance was high as the project was in line with GoA's key priorities and efficacy substantial in that the work was successfully carried out. Some questions need to be asked regarding efficiency, however. Although the project was completed within budget and eventually to an acceptable standard, this was only after

investigations by the project team, following complaints from GoA about the quality of the works. After Bank reviews and interventions, supervision became more proactive and some of the works were demolished and rebuilt. Given that there was good progress indicated using local contractors and employment creation the overall rating for **outcome** is deemed **moderately satisfactory**.

3.16 Institutional support comprised some equipment, a vehicle and office furniture, but primarily involved training initiatives. Since this was an emergency project serious capacity building was deferred to the follow-on road maintenance project, but because the inadequate maintenance funding issue does not yet appear to have been satisfactorily resolved the **risk to development outcome** is rated **significant. Bank performance** is rated **moderately satisfactory.** The preparation was too hurried and could have been better, even though the team was working within the constraint of little or no data on which to base projections. During supervision the team showed flexibility and was able to make quick decisions to reallocate funds as necessary to make progress. Quality problems such as inadequately built structures were identified, however, and a plan of action had to be drawn up to attend to such problems; this led to a marked improvement in performance. The team also deserves credit for assisting in the maximizing opportunities for local contracts and employment. **Borrower performance** was similarly **moderately satisfactory**. The PIU failed to perform initially because of weak capacity. Nevertheless, the borrower is commended for the tough decision it took to merge the Emergency Road Repair PIU with the National Roads PIU to create a single entity that functioned satisfactorily. The GoA was on a steep learning curve, but demonstrated its commitment to the project and was proactive in helping to get issues resolved.

4. Durrës Port Project (Cr. 3068)

4.1 The Port of Durrës, Albania's main port, is 42 km from the capital, Tirana. It handles 77 percent of the country's import tonnage and 89 percent of the export tonnage. Like the two national roads projects, this project focused on eliminating a transport system bottleneck to the smooth flow of freight and passengers during a time of great upheaval.

Box 3. Port of Durrës Project: Summary of Objectives and Components

OBJECTIVES	COMPONENTS/EXPENDITURES ¤ (US$ MILLIONS)
To improve the efficiency and effective capacity of the Port of Durrës, taking environmental considerations into account by: (i) increasing its commercial orientation through the establishment of an autonomous port authority, privatizing port operations, improving customs procedures, and improving operations and safety and (ii) rehabilitating port infrastructure to accommodate anticipated traffic demand and attract transit traffic. *Appraisal Cost US$23.0 million* Baseline cost US$19.8 million Contingencies US$3.2 million *IDA Credit US$17.0 million* *GoA US$1.0 million* *Co-financing (OPEC) US$5.0 million)* *Final Cost US$25.1 million* *IDA Credit US$17.3 million*(fully disbursed) *Difference from appraisal due to exchange rate fluctuation* *GoA US$2.8 million* *OPEC US$5.0 million* *Note there were some discrepancies between the tables shown in the ICR in respect of the appraisal amount for civil works. The US dollar amount shown in the SAR and credit agreement is taken as the correct figure. Expenditure against customs modernization was not zero, but was included under the contract for anti pollution actions.*	***Original*** † *Port Rehabilitation and Repair* (i) rebuilding the windscreen and repairs to the armor of the main breakwater; (ii) quay repairs including rebuilding the coping beam face, grouting up voids, replacing tie rods and fenders; (iii) surfacing and drainage works and resurfacing access roads; (iv) Port Lighting (Appraisal 8.6 million; actual 13.0 million). *Navigation aids* (Appraisal 0.2 million; actual 0.00 million)# *Warehouses and offices* (Appraisal 1.5 million; actual 0.5 million) *Modernization of cranes* (i) 5 new cranes; (ii) rehabilitation of 7 cranes; (iii) spare parts (Appraisal 5.9 million; actual 3.1 million). *Anti-pollution actions* (i) equipment to contain oil spills; (ii) relocation of iron ore stockpile (Appraisal 0.4 million; actual 1.4 million). *Customs modernization* (Appraisal 0.4 million; actual 0.00 million). *Office equipment* (Appraisal 0.4 million; actual 1.7 million) *Studies* (i) Secondary ports study; (ii) survey of dredging material; (iii) oil pollution emergency plan; (iv) urban transport improvement study, City of Tirana (Appraisal 1.0 million; actual 1.1 million). *Technical Assistance* (i) establishment of a port training center; (ii) training delivery; (iii) training material (Appraisal 1.4 million; actual 4.4 million). # This item, comprising the replacement of buoys, was deleted from the project as it was carried out by the Italian navy. † Components were unchanged when the credit agreement was amended. Some funds were reallocated and some items dropped, see paragraph 4.3 ¤ This table reflects components as described in the PAD and ICR. Some items are better described as line expenditures than components

4.2 The disturbances in the country caused some disruption to the project because of the unexpected arrival in the port of NATO forces and Italian police, which made it impossible to carry out some of the proposed works, and because of escalating costs. It was not necessary to change the project objectives, but did entail revisions to the project components/expenditures in every category. These changes were approved in an amended credit agreement on July 7, 2000.

4.3 Box 3 shows the components as originally conceived. They were amended to partially reallocate funds from the warehousing, cranes and customs categories to the breakwater and quay rehabilitation. In addition provisions were made for technical assistance for the privatization and regulation of private operations in the Port of Durrës Authority (PDA), the establishment of a training center for the PDA, project audits and supervision work and project coordination. The list of technical assistance activities was also expanded to incorporate a land use plan and the implementation of security measures developed by the International Maritime Organization (IMO) after the original credit was approved. In addition funds were allocated to secure a customs zone through the introduction of cargo tracking systems and actions taken to relocate families illegally occupying part of the port premises.

4.4 The project objectives were and still are relevant to the CAS and government strategy to establish market-based policies in the transport sector with the further goal of harmonizing transport regulations with those of the EU. The project was also in line with the Public Investment Plan requiring substantial increases in public sector investments to develop Albania's inadequate and outdated infrastructure, thereby reducing bottlenecks to economic development. Clearly, the main port is a key infrastructure access point for the country and accordingly the objectives have a high relevance. As described in the National Roads project and equally applicable in this case, the main pillars of government policy were to promote economic growth through support to private sector development, and to improve public services delivery. These goals encompassed national priorities laid out in government strategy documents, and reflected in the GRD Public Investment Plan (see paragraph 2.3 for further details).

DESIGN AND IMPLEMENTATION

4.5 Quality at entry was moderately unsatisfactory. The SAR stressed the need to keep the project simple because it ought to be in tune with the absorptive capacity of the institutions involved, but both the design and its implementation in practice (because of the exceptional circumstances of the port's occupation by the military) called for many complicated issues to be unraveled. A more serious issue was that the level of engineering carried out during project preparation was only based on preliminary designs and the quantities used in bidding documents substantially underestimated the amount needed for the civil works. This resulted in the cancelling of the modernization of the customs facilities, some of the crane upgrading, and the scaling down of some of the rehabilitation works including some of the surfacing, and drainage subcomponents, the resurfacing of portions of the access roads and the deferment of a coping beam on four quays. Most of this work has since been completed using other financing sources such as the European Investment Bank (EIB) and PDA's own resources.

4.6 The up-front conditionality related to the port's legal framework was also unrealistic because it did not appreciate the considerable groundwork to precede any changes in the regulations and legislation; the IEG mission confirmed that this lack of realism negatively affected perceptions of Bank advice—meaningful accomplishment was only achieved in the later stages of the project. On the positive side the correct priorities were identified and appropriate safeguard policies were pursued. This type of project may be better financed by an adjustable program loan.

4.7 Normal project risks (not related to an emergency situation) were adequately assessed. The project team could not have reasonably anticipated the civil unrest caused by the failed pyramid scheme in which many people lost their life savings (see also paragraph 1.2), nor the crisis in Kosovo that resulted in a flow of often undocumented people through the port trying to escape to Italy. NATO forces set up a strategic base together with the Italian police on one of the quays. This obviously caused major disruptions to normal port operations, raised the costs of all activities and prevented some of the works from going ahead. Successive Bank missions coped admirably with this difficult challenge and created a good working relationship with all the parties concerned including NATO. Nevertheless, these disruptions led to a delay of over a year in implementation and the credit closing date was extended from December 2003 to December 2004. The Bank and the borrower also recognized the need for compliance with the international requirement for greater port security and ensured that guidelines imposed by the IMO were introduced. GoA is now in compliance with the IMO code for international ship and port security and has been further assisted in this under the International Criminal Investigative Training Assistance Program with the help of the U.S. Government.

4.8 Bank's performance in supervising the project was highly satisfactory since the team had to go well beyond their normal mandate to ensure that sufficient progress was being made. This involved participating in important discussions regarding port operations, but also included interaction with a wide range of government departments and agencies as well as nongovernmental stakeholders. In practice the Bank team was seen as being neutral and impartial. IEG's review of the supervision reports showed that the team proactively assisted in moving forward non-project issues in order to create the right environment for the project itself to make progress. Examples are minimizing the impact of the NATO presence, relocation of tank farms (for storage of fuel oil, diesel and aviation gas), the removal of impounded vessels and the relocation of families from port premises.

4.9 The removal of the families living in the port area was successfully accomplished. The credit funded the design cost of alternative housing for the affected people and the relocation and construction of the housing was undertaken by the GoA in accordance with Bank guidelines.

MONITORING AND EVALUATION

4.10 The project did not have a log frame matrix, but meaningful indicators were established to measure port efficiency such as ship waiting time (congestion factor), berth occupation, berth utilization rate and berth throughput. Ship congestion and berth utilization time improved substantially, though utilization fell just short of its target.

However, the improvements in the congestion factor were more due to the practice of mooring more than one vessel alongside each other, rather than substantial improvements in productivity.

4.11 The berth occupation rate was variable, but this was partly due to the fact that the berth throughput was over 40 percent higher than expectations. The annual general cargo tonnage handled per linear meter of berth increased from 700 to 1,200 tons/m of quay by project closure and continued to increase thereafter.

4.12 Through a privatization and manpower action plan the number of port staff was to have been reduced from 1,520 people in 1998 to 296 in 2003. Substantial progress was made, but the figure was only down to 526 by completion.

TABLE 2 PERFORMANCE INDICATOR RESULTS FOR DURRES PORT PROJECT

Performance Indicator	1996 Appraisal	2004 Target	2004 Actual	2005 Actual
Ship congestion factor (Days waiting for berth/time at berth)	1.0	0.5	0.5	0.4
Berth occupation rate % (Time berth occupied/time berth available x 100)	90	60	105*	100
Berth utilization rate % (Time ship worked at berth/time ship at berth x 100)	40	75	65	68
Berth throughput (tons per linear m. of quay)	300	700	1,200	1,235
Manpower (persons)	1,520	296	526	593

* More than one vessel docked in parallel at the same quay contributed to this figure

4.13 The very useful indicators were appropriately designed, implemented and utilized, but such measures of productivity are normal practice in port operations internationally. In this case the somewhat modest progress revealed by the indicators in improving productivity understates the considerable preparatory work involved in transforming the port of Durrës into a modern commercial operation. Monitoring and evaluation are, nevertheless, rated **substantial**.

FOCUS ON A KEY ISSUE: INCREASING THE COMMERCIAL ORIENTATION OF THE PORT

4.14 The project set up the basis for the PDA to operate on a commercial basis. It supported the preparation of a Port Law and related regulations aimed at establishing the port authority as a fully autonomous joint stock company. It clearly defined the governance of the port sector incorporating the private sector in a Supervisory Board. Stevedoring services were privatized and a system was created for gradually increasing the competition in the provision of these services over time. Bidding documents were prepared for the privatization of the mechanical services as well as the grain and cement

terminals and measures were identified and implemented to increase port security and create a customs zone. At the closure of the project full privatization was still in process and thus the benefits had not yet impacted the port's efficiency statistics.

4.15 Some of the legal and regulatory changes, (such as the creation of a customs zone) were originally expected early in project implementation. The substantial lag between the expectations at appraisal and the actual timing of events is attributed to unrealistic expectations of the project preparation team, an underestimation of the difficulties in achieving consensus between the various agencies, a slow-moving Albanian bureaucracy hampered by frequent changes in lines of authority, lack of political commitment from some individuals and even resistance to implementing some of the required reforms, as well as a one year delay due to civil unrest and disruptions of port operations. The process of privatizing the mechanical services was "put on ice" for a time allegedly because of a poorly defined action plan and objectives, and this, together with the employment of port police (not in the original plan) has been a primary reason why the manpower reduction figures were not fully reached.

4.16 Despite these difficulties, however, much progress towards commercialization was achieved. The Joint Stock Company was approved in principle in 1998 by the Council of Ministers and the necessary legal framework to fully implement the model of a "landlord" port was made possible through the Albania Port Authority Law in 2003, culminating in 2004 in the formal establishment of the new entity. As part of the credit agreement GoA committed to the implementation of a Privatization and Manpower Action Plan which included inter alia the setting up of two separate and competing profit centers for the operation of two embryo stevedoring companies that after 12 months would be privatized. GoA also agreed to a reduction of port staff from 1,520 persons to 296, although to date the port still appears overstaffed with a workforce of 593.

4.17 The stevedoring companies granted a license to operate as private entities, comprised staff previously employed by the port, and were established in 2000 with a two year contract after which they had to face open competition. There has been no challenge thus far to the hegemony of the original stevedores—additional licenses to operate have yet to be granted— but the efficiency of the existing operators has been improved through the introduction of an incentive scheme to increase the speed of cargo handling. Stevedoring fees have been based on the recommendations of Hamburg Port Consultants and the wharfage fee is based on a comparative analysis of competitor ports. Preferential tariffs for Albanian flagged ships have been abolished. Port revenues have steadily increased. In 2003 they increased by 21 percent over the previous year while the operating profit was a healthy 14 percent.

4.18 GoA and the Bank agreed at negotiations that the PDA would extend the customs zone to cover the entire port. This task, however, as the ICR indicated, turned out to be particularly difficult due to a resistance to change by the customs officials, difficulties in improving security including the relocation of about 100 families illegally occupying areas of the port, and the need to continuously review port logistics and layouts. It is to the credit of the supervision team that all these issues were eventually successfully resolved.

4.19 Despite fairly slow progress, the port continues to be modernized incrementally. Maintenance dredging began in July 2004 funded by the European Investment Bank (EIB), to allow larger ships to enter the port. Paving, drainage, improved lighting and utility connections have continued to be improved and the container handling capability has been increased. Construction of grain silos by a private investor has begun and International Finance Corporation (IFC) has supported the construction of a cement bagging terminal. EBRD and EIB are financing the construction of a new ferry terminal and associated on-land facilities. Other loans were obtained from the Kuwaiti Fund and OPEC. The pre-tax profit margin for the port in 2005 was US$4.35 million.[3]

ENVIRONMENTAL AND TECHNICAL ASSISTANCE ACTIVITIES

4.20 The project included provision for the removal of bitumen tanks and iron ore stockpiles to improve hazardous conditions. While the iron ore stockpiles were removed using the port's own resources, the credit was used to finance anti-pollution measures to improve the environmental and operational conditions, including the purchase of oil dispersants and equipment, the removal of the bitumen tanks, and office equipment for the newly created Environmental Department in the PDA. A dredging study was also carried out and an environmental assessment related to the management of risks associated with the fuel terminals. This component was thus undertaken in a highly satisfactory manner.

4.21 Other technical assistance activities included technical assistance related to future privatization, a land use plan[4], a port security plan, audits of the PDA, procurement advisory services and a five year action plan for traffic management for the nearby municipality of Tirana. A training center was established providing support for all aspects of port operation and dealing with environmental issues. In general these aspects were handled very satisfactorily.

SUMMARY OF OVERALL RATINGS

4.22 The specific objective to rehabilitate the port infrastructure to accommodate anticipated traffic demand and attract transit traffic was modestly achieved. Because of the cutbacks necessitated by the high cost of the civil works, although the quays were made serviceable, only some of the cranes were upgraded, only a few warehouses were built, but lighting was improved. Neither the cranes nor the quays were restored to the optimal level and the customs modernization had to be deferred. Traffic grew and the port has been able to cope with the increased flow of goods, but productivity did not improve to the level planned at appraisal. The objective to increase commercial orientation was however substantially achieved. The necessary legislation, regulations and support to separate the landlord and operational port functions were put in place. This did take longer than anticipated, though, and further progress still needs to be made in reducing the number of port staff, increasing competition between the stevedoring companies and privatizing the workshops. Relevance was high, efficacy substantial and efficiency modest, (the ERR of 11 percent was somewhat lower than the 18 percent

[3] Report on the Economic and Financial Activity of the Port of Durrës. Jan- Dec, 2005. Ministry of Public Works, Transport and Telecommunications.

[4] An interim measure until a full Port Masterplan can be prepared.

predicted at appraisal. The overall objective, taking these factors and environmental considerations into account (where there was very good performance) was substantially achieved, but there were some shortcomings. **Outcome** overall is considered **moderately satisfactory.**

4.23 Substantial progress was made in setting up the port for commercial operation with the establishment of appropriate legislation leading to the creation of an autonomous port authority, improvement of customs procedures and port security. Although progress was not as swift as had been hoped the impetus has continued after project completion with European financial institutions and private sector investors making further investments. The first steps along the road to considering Albania as a candidate for admission to the EU have strengthened the likelihood of further support and thus **the risk to development outcome** is considered **negligible to low**.

4.24 **Bank performance** is considered **moderately satisfactory** overall. Inadequate preparation led to a moderately unsatisfactory rating at entry. Supervision, however, was highly satisfactory given the challenging circumstances that the team faced. There is no doubt that the supervision was innovative, flexible and involved highly diplomatic maneuvering and negotiation skills. At times the Bank was seen as the impartial arbiter in disputes. However, this cannot fully compensate for the flaws in preparation and is consistent with the moderately satisfactory outcome.

4.25 **Borrower performance** is also considered **moderately satisfactory**. On the positive side the GoA took the necessary steps to create a legal and institutional framework for a modern port. This involved tough decisions regarding staffing and there was some opposition to the reforms, which took much longer to effect than anticipated. The project management unit performed well in coordinating the procurement and disbursement activities. Port management introduced changes, but has met some resistance in modernizing customs and privatizing the workshops. Staff numbers have slightly increased recently which is not in keeping with the model foreseen.

5. Lessons

5.1 The following main lessons can be extracted from these interconnected projects, taking into account the very difficult circumstances under which they were implemented:

ROADS

- In conditions where government capacity is weak the establishment of a separate project implementation unit (PIU) for each operation may be necessary in the short term, but ways must also be sought to strengthen government capacity so that regular departments can take over PIU responsibilities in the medium term, after which PIUs can be wound up.
- Emergency credits can provide a quick response to a crisis situation, but should be kept as simple as possible if they are to be effective.
- Long term sustainability of a road network depends on a reliable funding stream. This can be achieved through either a road fund or by means of a multi year

expenditure framework. However, as exemplified in Albania, unless there is government commitment to fund maintenance, current capital expenditures are likely to be seriously jeopardized in future years because of asset deterioration.

PORTS

- Organizational restructuring projects should not be planned in excessive detail up front, since it is very difficult to assess the degree of government commitment to reform and the time it will take to put the legislative and regulatory framework in place. Effective supervision provides an opportunity to adapt the details as the project proceeds. In these cases a more programmatic approach with milestones may be better suited, such as an adaptable program loan.
- The Port of Durrës project shows the dangers of proceeding with civil works on the basis of poor cost estimates and preliminary design. Although speed is important inadequate designs can lead to time losses during implementation and any reallocation of credit components, because of higher than expected costs, can jeopardize project outcome.
- The key lesson for the Bank in responding to an emergency unexpectedly arising during implementation is to ensure that all stakeholders are treated equally, and that a flexible attitude is taken so that the credit can be amended in response to changing circumstances.

Annex A. Basic Data Sheet

DURRES PORT PROJECT (CR.3068-ALB))

Key Project Data *(amounts in US$ millions)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	23.0	25.1	109.1
Credit amount	17.0	17.3*	101.2
Cofinancing	5.0	5.0	100.0

Project Dates

	Original	*Actual*
Negotiations	03/09/1998	03/09/1998
Board approval	05/12/1998	05/12/1998
Signing	06/09/1998	06/09/1998
Effectiveness	08/15/1998	12/04/1998
Closing date	12/31/2003	12/31/2004

* Difference partly due to exchange rate fluctuations.

Mission Data

	Date (month/year)	No. of persons	Specializations represented	Performance rating Implem. Progress	Objective	Dev.
Identification/ Preparation	06/1995	4	TM, TS, Economist, Consultant			
	11/1995	2	TM, TS			
	07/1996	3	TM, TS, Consultant			
Appraisal/Negotiation	12/1996	4	TM, TS, Consultants			
	11/1997	4	TM, ZTS, OO, Consultant			
	01/1998	2	TM, Consultant			
Supervision	07/1998	5	TM, TS, PS, OO, Consultant			
	12/1998	5	TM, Consultant, TSL, TS, OO			S
	07/1999	3	TM, PE, PO, RM		S	S
	10/1999	2	PTL, PS		S	S
	02/2000	4	PTL, SPOS, TS, PO		S	S
	06/2000	3	TM, PS, PO		U	S
	11/2000	3	PTL, PS, PO		S	S
	05/2001	3	PTL, SPS, PO		S	S
	12/2001	1	STS		S	S
	03/2002	4	TM, STS, PO		S	S
	09/2002	3	TM, STS, PO, LSS		S	S
	02/2003	2	TM, STS, PO		S	S
	07/2003	2	TM, PO		S	S
	03/2004	2	TM, PO		S	S
	07/2004	2	TM, PO		S	S

Abbreviations: TM=Task Manager, TS=Transport Specialist, STS=Senior Transport Specialist, LTS=Lead Transport Specialist, PO=Projects Officer, OO=Operations Officer, SPOS=Senior Port Operations Specialist, SPS=Senior Port Specialist, PA=Procurement Specialist, PTL=Program Team Leader, TSM=Transport Sector Manager, LSS=Lead Social Scientist.

EMERGENCY ROAD REPAIR PROJECT (CR. 3303-ALB)

Key Project Data *(amounts in US$ millions)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	14.5	13.8	95.1
Credit amount	13.7	13.0	94.9
Cofinancing	-	-	N/A

Project Dates

	Original	*Actual*
Negotiations	11/04/1999	11/04/1999
Board approval	12/07/1999	12/07/1999
Signing	04/14/2000	04/14/2000
Effectiveness	03/15/2000	04/14/2000
Closing date	06/30/2003	12/31/2003

Mission Data

	Date (month/year)	No. of persons	Specializations represented	Performance rating Implem. Progress	Objective	Dev.
Identification/ Preparation	Sep 1999	3	TL, TS, PO			
Appraisal/Negotiation	Oct 1999	7	TL, TS, Co, FA, PO, ES, Co			
	Nov 1999	5	RR, TL, TS, FA, PO			
Supervision	Feb 2000	3	TL, TS, PO		S	S
	June 2000	4	TL, TS, EC, PO		S	S
	Nov 2000	4	TL, STS, PS, PO		S	S
	Feb 2001	4	TSM, TL, STS, PO		S	S
	June 2001	3	TL, Co, PO		S	S
	July 2001	3	TL, STS, PO		S	S
	Dec 2001	4	TL, STS, PO, Co		S	S
	July 2002	3	TL, STS, PO		S	S
	Sep 2002	3	TL, STS, PO		S	S
	Feb 2003	3	TL, STS, PO		S	S
	July 2003	4	TL, STS, PS, PO		S	S
ICR	Mar 2004	3	TL, STS, PO		S	S

Abbreviations: Co=Consultant; EC=Economist; ES=Environment Specialist, FA=Financial Analyst; PO=Project Officer; PS=Procurement Specialist; RR=Resident Representative; STS=Senior Transport Specialist; TL=Team Leader; TS=Transport Specialist; TSL=Transport Sector Leader.
NOTE: The supervision teams always overlapped with at least two other projects among the Rural Roads Project, the National Roads Project, and the Road Maintenance Project.

NATIONAL ROADS PROJECT (CREDIT 2888-ALB)

Key Project Data *(amounts in US$ millions)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	66.0	72.0	109.1
Credit amount	25.0	23.0	92.0
Cofinancing	36.0	37.6	104.4

Project Dates

	Original	*Actual*
Negotiations	05/06/1996	05/06/1996
Board approval	06/20/1996	06/20/1996
Signing	07/17/1996	07/17/1996
Effectiveness	01/06/1997	01/06/1997
Closing date	06/30/2001	05/31/2003

Mission Data

	Date (month/year)	No. of persons	Specializations represented	Performance rating		
					Implem. Progress	Dev. Objective
Identification/Preparation	06/95(Identif)	3	TM, TEC, TS		HS	HS
	11/95(Prep)	3	TM, TEC, TS		HS	HS
Appraisal/Negotiation	02/96(Appr)	3	TM, TEC, TS		HS	HS
	05/96(Neg)	3	TM, LEG, DIS		HS	HS
Supervision	08/96	3	TM, TS, OA		HS	HS
	12/96	3	TM, TS, TEC		HS	HS
	09/97	3	TM, TS, PO		S	U
	03/98	3	TM, TS, PO		S	U
	12/98	4	SM, TM, TS, PO		S	U
	06/99	2	TS, PO		S	S
	09/99	3	TM, TS, PO		S	S
	02/00	3	TM, TS, PO		S	S
	06/00	3	TM, TS, PO		S	S
	11/00	4	TM, TS, PO, PA		S	S
	02/01	5	SM, TS, PO, OA, CONS		S	S
	07/01	3	TM, TS, PO		S	S
	12/01	4	TM, TS, PO, CONS		S	S
	06/02	4	TM, TS, PO CONS		S	S
	09/02	3	TM, TS, PO		S	S
	12/02	3	TM, TS, PO		S	S
ICR	06/02	2	Joint with Supervision Mission (PO, CONS)		S	S

Abbreviations: CONS=Consultant; DIS=Disbursement Officer, LEG=Legal Counselor; OA=Operations Analyst; PA=Procurement Analyst; PO=Project Officer; SM=Sector Manager; TEC=Transport Economist; TM=Task Manager; TS=Transport Specialist (Engineer).

BOTE: The supervision teams always overlapped with at least two other projects among the First Transport Project, the Rural Roads Project, the Emergency Road Repair Project, and the Road Maintenance Project – Following State of Emergency, Project implementation was halted two months (September and October 1998). Restart of implementation from November 5, 1998 onwards.

Annex B – Port Performance Indicators

Source: Port of Durrës Authority

TABLE B1
PORT PERFORMANCE INDICATORS,
PORT OF DURRES
1999-2005

ITEM	1999	2000	2001	2002	2003	2004	2005
	(Hours)	(Hours)	(Hours)	(Hours)	(Hours)	(Hours)	(Hours)
TIME IN PORT							
Avg. Time Waiting on Roads	36	45	49	38	36	34	23
Avg. Time Working	18	31	33	34	38	37	35
Avg. Time Waiting to Deberth	1.9	1	1	1.7	1.8	2.6	3.6
Avg. Time Not Working on Berth	15	19	25	23	22	20	17
BERTH PERFORMANCE	1999	2000	2001	2002	2003	2004	2005
Berth Congestion Factors	1.04	0.89	0.85	0.68	0.64	0.5	0.4
Berth Occupancy Rate	0.57	1.16	1.42		1.04	1.05	1
Berth Utilization Rate	51%	61%	57%	59%	63%	65%	68%
CARGO THROUGHPUT (tons)	1999	2000	2001	2002	2003	2004	2005
Imports	1,446,186	1,614,337	1,809,300	2,041,216	2,427,708	2,666,698	2,774,967
Exports	108,540	131,580	149,713	136,908	243,413	293,112	337,491
Total	1,554,726	1,745,917	1,959,013	2,178,124	2,671,121	2,959,810	3,112,458
Ferry Terminal	281,129	271,141	348,787	348,220	336,422	319,066	395,838
Total Minus Ferry Terminal	1,273,597	1,474,776	1,610,226	1,829,904	2,334,699	2,640,744	2,716,620
Vessel Calls (number)	1,071	1,125	1,070	1,087	1,152	1,274	1,349
Average Vessel Load	1,189	1,311	1,505	1,683	2,027	2,073	2,014
Throughput per linear m of quay	579	670	732	832	1,061	1,200	1,235