



Luxembourg, 09 March 2017

Projects Directorate
Mobility Department
Strategic Roads Division
Operation nr: 2004-0330

PROJECT COMPLETION REPORT

FIER - TEPELENE ROAD PROJECT

Albania

The project involves the rehabilitation and upgrading of some 70 km of road between Fier and Tepelene on the north-south Albanian corridor

TABLE OF CONTENTS

Scope.....	3
Cost and Schedule	3
Performance.....	4
EIB Involvement	4
ESCS.....	4
Promoter’s Optional Final Comment	4

Scope

The project comprised the upgrading of the 71 km single carriageway road between Fier and Tepelene in central Albania, connecting to Greece along a major north-south road axis. It included the construction of a 37 km section on new alignment between Fier and Dames. The project purpose was to improve safety, capacity and travel speed.

At the time of appraisal, the section lay on the strategic core network identified in the context of the 2003 Regional Balkans Infrastructure Study (REBIS). More recently, the section has been included as part of the South East Europe Transport Observatory (SEETO) Route 2C and core Extended TEN-T network under Regulation EU 1315/2013.

The road was designed to Italian standards, with design speed varying between 80 to 100 km/hr in different sections. Lanes are 3.75 m wide with 1.50 m wide hard shoulders and 1.50 m wide verges. Climbing lanes are provided at three locations and escape lanes at another two locations.

An additional short bypass section, not foreseen at appraisal, was implemented at Bejar village to reduce negative local environmental effects.

The implementation arrangements adopted were as foreseen at appraisal. The project Promoter/Employer was the General Roads Directorate (later Albanian Road Authority). The project was implemented through two competitively procured works contracts using FIDIC Red Book conditions. Third party construction supervision was performed by an association of Italian companies originally financed and contracted by the EU Delegation in Tirana under the 2004 Community Assistance for Reconstruction, Development and Stabilization (CARDS).

The actual physical scope of the project and its subsequent operation are substantially as anticipated at appraisal.

Cost and Schedule

The forecast and outturn costs of the project are shown in Table 1 below.

Table 1 Project Investment Cost, at appraisal and outturn, EUR million

	Appraisal Forecast April 2005	Outturn Result December 2016
Works	66.1	91.1
Services	5.8	8.4
Land	4.5	4.6
Price Escalation	5.1	5.9
Interest (IDC)*	6.3	6.5
Sub Total	87.8	116.5
VAT	13.2	20.4
Total	101.0	136.9

* EIB loan only

In aggregate, the project outturn cost ex VAT was 33% higher than forecast at appraisal. The main reason was the higher than expected works costs which in turn were a result of the following: Employer risk variations; errors in the original bills of quantity; successful claims due to Employer default on obligations; as well as additional costs arising through assignment of one of the work contracts (after main contractor bankruptcy).

The average actual unit cost was EUR1.6 million per km which is within the normal range for these types of works in the region.

As foreseen at appraisal, the project was financed by the Government of Albania, European Bank for Reconstruction and Development and European Investment Bank. The CARDS 2004 programme financed, in large part, the design and supervision services.

The forecast and outturn schedule of the project are shown in Table 2 below.

Table 2 Project Schedule, at appraisal and outturn,

	Appraisal Forecast	Outturn Result
	April 2005	December 2016
Construction start	September 2005	November 2008
Construction completion	December 2009	August 2016

The project was almost seven years late. The reasons for the long delay include: (i) slower than expected procurement; (ii) suspension of the project for two years prior to works contract award due to change in priorities of the Government of Albania; (iii) inability of Employer, in practice, to ensure site access in a timely way; (iv) design changes due to inadequate initial design and Employer risk variations arising from unforeseeable ground or local conditions; (v) Employer risk variations due to third party activities (Kalivachi Dam project); as well as (vi) poor contractor performance including bankruptcy of one of the two main works contractors (the unaffected contract was completed in September 2012).

Performance

At the time of appraisal, the traffic demand on the section varied between 2,400 - 1,800 Annual Average Daily Traffic (AADT) with about 30% heavy vehicles (HV). It had been anticipated at appraisal that traffic might grow significantly over the period to 2015 to reach about 4,700 AADT whilst maintaining the HV share. Recent data shows that actual traffic is between 2,500 – 3,000 AADT, with 20% HV.

Given that the outturn cost is about one third more than the appraisal estimate and the current demand about one third less than the appraisal estimate, the current economic internal rate of return would be significantly lower than forecast at appraisal.

The quality of the final project output is satisfactory and delivers the intended increased capacity and improved road travel time intended at appraisal.

EIB Involvement

In coordination with the EBRD, the EIB performed the ex-ante review of the procurement decision making process for the two works contracts which constituted the eligible expenditure under the EIB loan. Subsequently, the EIB performed the physical monitoring of the project through review of progress reports submitted by the Promoter as well as through periodic, approximately annual, site visits. Physical monitoring was coordinated with EBRD.

The Promoter, or their supervising engineer, provided regular progress reports as well as a completion report in line with their obligations under the Finance Contract.

The EIB required that certain environmental, land acquisition and policy actions were performed prior to the first disbursement. These were met by the Promoter and Borrower.

ESCS

The Environmental and Social Completion Sheet (ESCS) has been published separately.

Promoter's Optional Final Comment

When consulted on the draft of this report, the Promoter had no comment.