Document of
The World Bank

Report No: 17652-ALB

STAFF APPRAISAL REPORT

ALBANIA

DURRES PORT PROJECT

April 15, 1998

Infrastructure Sector Unit
Europe and Central Asia Region

CURRENCY EQUIVALENT

Currency Unit = Lek (Average Commercial Rates)

	Avg. 1992	Avg. 1993	Avg. 1994	Avg. 1995	Avg. 1996	Avg. 1997	Feb. 1998
US$1.00=	**75.1**	**102.1**	**94.7**	**93.3**	**101.8**	**146.8**	**156.3 Leks**

WEIGHTS AND MEASURES

Metric System

ALBANIA: FISCAL YEAR

January 1 - December 31

ABBREVIATIONS

ANALTIR	Albanian Organization Dealing with International Transport
BOT	Build, Operate and Transfer
ERA	Enterprise Restructuring Agency
EU	European Union
GDC	General Directorate of Customs
GOA	Government of Albania
GRD	General Roads Directorate
HMO	Harbor Master's Office
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
MPWT	Ministry of Public Works and Transport
MITT	Ministry of Industry, Transport & Trade
OPEC Fund	The OPEC Fund for International Development
PDA	Port of Durres Authority
PIP	Public Investment Plan
PMU	Project Management Unit
SOE	Statement of Expenditure
TOR	Terms of Reference

Vice President	Johannes Linn, ECA
Country Director	Arntraud Hartmann, ECC02
Sector Director	Ricardo Halperin, ECSIN
Responsible Staff	Peter Parker (Task Team Leader), Marc Juhel (Sr. Port Oper. Spec.), Valbona Kullakshi (Project Officer), Takao Ikegami (Procurement Specialist), Kanthan Shankar (Environmental Specialist), Zvi Ra'anan (Consultant) & Francois Boulanger (Consultant)

ALBANIA

DURRES PORT PROJECT

Credit and Project Summary

Borrower:	Republic of Albania
Guarantor:	Not Applicable
Implementing Agencies:	Ministry of Public Works and Transport (MPWT) and the Port of Durres Authority (PDA)
Beneficiaries:	Ministry of Public Works and Transport (MPWT) and the Port of Durres Authority (PDA)
Poverty:	Not Applicable
Amount:	SDR 12.6 million (US$17.0 million equivalent)
Terms:	Standard IDA terms, with 40 years maturity
Commitment Fee:	0.50% on undisbursed credit balances, beginning 60 days after signing, less any waiver.
Onlending Terms:	Not Applicable
Financing Table:	Schedule A
Net Present Value:	US$17.7 million at 10% discount rate
Project Objectives:	The objective of the project is to improve the efficiency and effective capacity of the Port of Durres, taking environmental considerations into account, by: (i) increasing the commercial orientation of the Port of Durres through establishing an autonomous port, privatizing operations, improving Customs procedures, operations and safety; and (ii) rehabilitating port infrastructure to accommodate anticipated traffic demand and attract transit traffic.
Project Description:	The project includes: (i) port civil works, i.e. breakwater reconstruction, berth strengthening and resurfacing, warehouse and office refurbishing (US$11.4 million); (ii) provision or rehabilitation of port equipment: navigation aids, port lighting, cranes, anti-pollution equipments and miscellaneous

materials (US$8.6 million); (iii) physical improvements required for Customs modernization (US$0.5 million); (iv) secondary ports development, dredging and oil pollution emergency plan, and urban transport studies (US$1.0 million); (v) technical assistance for the privatization process and for project supervision, and training of port staff (US$1.5 million).

Benefits and Risks: The assistance provided under the project in reorganizing the Port of Durres' activities and institutions on a market basis and rehabilitating transport infrastructure is expected to contribute significantly to improving transport efficiency, reducing costs and meeting transport demand. The main quantified benefits include reductions in ship waiting time, reduction of damage to port cargo, lower cargo handling costs and increased revenue from ship dues. Unquantified benefits include improvement of safety and environmental protection.

One risk is that GOA would fail to implement agreed institutional reforms, i.e., reduce staff and privatize most of the operations, adopt appropriate Port Authority regulations, or create a fiscal zone. However, the Port of Durres Authority and Ministry of Public Works and Transport have already established an autonomous port, privatized some port operations, and transfered the Harbor Master's Office to civilian control. GOA appears fully committed to the economic reform process of which this project is an integral part. A second risk is that traffic would fail to develop as forecast. The Albanian economy is in transition, and a number of heavy industries remain closed and their outlook is incertain. However, even under low traffic assumptions, the economic return for the project is estimated to be 13 percent. Taking those considerations into account, project risks are considered to be acceptable. The additional risk of political instability cannot be assessed.

Project ID: AL-PA-40818

Estimated Costs (US$ million)

Component	Local	Foreign	Total
(a) Civil Works	3.5	4.6	8.1
(b) Navigation Aids	0.0	0.2	0.2
(c) Lightings	0.0	0.5	0.5
(d) Warehouses	0.7	0.8	1.5
(e) Cranes	0.0	5.9	5.9
(f) Anti-Pollution Actions	0.0	0.4	0.4
(g) Customs Modernization	0.2	0.2	0.4
(h) Miscellaneous Equipment	0.0	0.4	0.4
(i) Studies	0.15	0.85	1.0
(j) Technical Assistance	0.15	0.85	1.0
(j) Training	0.0	0.4	0.4
Project Base Cost	***4.7***	***15.1***	***19.8***
Contingencies			
Physical (12% CW, 10% Eqt)	0.6	1.4	2.0
Price (6%)	0.3	0.9	1.2
TOTAL PROJECT COST	**5.6**	**17.4**	**23.0**

Financing Plan (US$ million equivalent)

	Local	Foreign	**Total**
Government	1.0	-	1.0
IDA	4.6	12.4	17.0
OPEC	-	5.0	5.0
Total	**5.6**	**17.4**	**23.0**

Estimated IDA Disbursement Schedule

IDA Fiscal Year	1998	1999	2000	2001	2002	2003
Annual	2.0	5.5	4.5	3.0	1.0	1.0
Cumulative	2.0	7.5	12.0	15.0	16.0	17.0
Percentage	12	44	71	88	94	100

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I. THE ECONOMY AND THE TRANSPORT SECTOR

A. Background

1.01 Albania emerged from one of the harshest communist regimes in the early 1990s, increasing its per capita income from $310 in 1992 to $800 in 1996 (Atlas methodology), supported by impressive progress in macroeconomic stabilization and structural reforms. However, a fragmented social structure with weak allegiance to the nation state, coupled with unrealistic expectations of a rapid catch up on the economic front, created conditions for massive social unrest. These were triggered by the collapse of pyramid schemes in early 1997. Liabilities from this collapse reached an estimated one-half of 1996 GDP. The arrival of a multi-national protection force in April 1997, the formation of a new Government in July, the restoration of security in many areas, and the rapid mobilization of assistance by external donors, have subsequently led to some measure of stability. The immediate challenge for the new Government is to put the country back on the path of sustained private sector-led growth, including further fiscal consolidation, completion of the structural reform agenda, and the provision of basic infrastructure.

1.02 Despite rehabilitation works carried out during the early 1990s, most of Albania's infrastructure remains in poor condition, which is a significant constraint to implementing the stabilization program and promoting economic development. The country's main port and airport both require rehabilitation. The main road network is in significantly worse condition than elsewhere in post-Communist Europe. About one-third of the population is effectively cut off from markets because rural roads are in such poor condition. About 400 municipalities cannot be reached by telephone. Electricity outages are still frequent. The water supply is unreliable, affecting production and public health. Overcoming infrastructure bottlenecks at Albania's main port is the objective of the proposed project.

1.03 Albania has also been implementing a successful privatization program during the last several years. Following privatization of state farms and cooperative land, the previous government focused on the sale of small- and medium-sized enterprises. Currently, only a few of these enterprises remain public. The project supports the privatization of operations at the Port of Durres.

B. The Transport Sector

1.04 **System and Infrastructure.** The transport system is based on: (i) a road network of about 16,000 km; (ii) a rail network of 447 km of main lines and 230 km of secondary lines, which are standard gauge, and none are double track or electrified; (iii) the main port of Durres with 2,563 m of quays, and the secondary ports of Vlore, Sarande and Shengjin (para. 2.02) which are described in Chapter II; (iv) inland navigation on the Drin river; and (v) an international airport at Tirana (Rinas) with a 2,700 m runway The transport system is generally adequate in extent, but much of it is still in poor condition despite rehabilitation carried out during the last several years.

1.05 **Sector Transformation.** Prior to 1991, the Government emphasized transport by railways, and goods were moved to or from the railhead by a fleet of small, publicly owned trucks. Private automobiles and commercial road transport were forbidden, and there was little international transport. Market reforms have had a dramatic effect on transport demand. Railway freight traffic fell from 6.6 million tons in 1990 to 521,000 tons in 1996 due primarily to the closure of uneconomic mines and heavy industries, and the liberalization of road transport (**Annex 1.1**). Distances are relatively short in Albania, which, coupled with the development of small-scale agricultural and commercial activities and transport deregulation, has favored the development of road transport. From a low base, the number of registered automobiles has grown 30-fold and the number of trucks and buses four-fold since 1990. The road fleet totaled about 114,540 vehicles in 1996 (**Annex 1.2**), and is expected to continue growing at around 12 percent p.a. in the near future. Even considering the remaining public sector trucking fleet, six times as much freight was moved by road as by rail in 1996. Traffic at the port of Durres recovered to about 1.17 million tons in 1996 (990,000 tons of conventional traffic plus 180,000 tons of ferry traffic), about the same total traffic as in 1992. The number of scheduled airline passengers at Rinas Airport has tripled since 1992, reaching 283,013 in 1996 (**Annex 1.3**). Road transit traffic is also growing, with around 600,000 road vehicles entering or leaving Albania in 1996 (**Annex 1.4**).

1.06 The Government has taken a number of steps since 1991 to establish market-based policies in the transport sector, with the objective of harmonizing transport regulations with those of the European Union (EU). The road vehicle fleet, formerly owned almost exclusively by the Ministry of Public Works and Transport (MPWT, formerly organized as the Ministry of Industry, Transport and Trade, and Ministry of Construction and Tourism) and other ministries, is now 90 percent privatized. Truck transport and interurban bus transport are significantly deregulated. Road transport issues which remain to be addressed include further improving the road financing system, vehicle overloading, high road accident rates, air pollution due largely to vehicle emissions, emerging congestion in Tirana, and insufficient fees charged to transit vehicles to cover road damage. Other issues include strengthening MPWT and other transport organizations, assisting the Albanian organization dealing with international transport (ANALTIR), and further reducing the regulations of interurban bus transport. Initial advice on these matters was provided by a transport adviser financed under the Transport Project, and this is being followed up in part by advisers financed by The Netherlands. A road safety program and improvements in road financing were initiated under the Transport Project and Rural Roads Project. Old trucks of Eastern European origin with high axle loads, fuel consumption and pollution are being replaced with newer, more efficient vehicles.

1.07 Intra-urban buses are owned by the municipalities and subsidized by the central government. Consultants have recommended clarifying the division of responsibilities between central and local governments, reorganizing the Tirana Bus Company, concessioning some operations, improving the remaining operations, and increasing

tariffs, with a view to preparing a PHARE financed technical assistance project. MPWT is presently reviewing these options. However, no significant work has been done on the streets in Tirana, which are becoming a significant problem. Albania's automobile population has exploded from about 2,000 to 60.000 during the last five years, streets are deteriorating and congested, Tirana has no experience in traffic engineering, and air pollution is increasing to unacceptable levels. The project, therefore, includes an urban transport study, focusing on traffic improvement measures and the rehabilitation of streets in Tirana. Draft Terms of Reference for the Tirana Urban Transport Improvements Study are shown in **Annex 1.5**.

1.08 The Government investigated the future role of the railways under the Transport Project, which is also helping finance the rehabilitation of the Durres - Tirana rail line. Albania Railways has reduced its staff and curtailed services to more closely correspond to current traffic levels. The Government signed an agreement with a German company to rehabilitate the main airport at Rinas under a build, operate and transfer (BOT) arrangement. Reconstruction of the main runway started in late 1996.

1.09 **Investments.** The Government invested only about US$6.0 million per annum in transport and communications during 1986-90, and virtually no infrastructure maintenance was carried out prior to 1994. As a consequence, most transport infrastructure is in poor or fair condition, and roads, ports and the Rinas airport in particular are not capable of adequately handling the volume of traffic which is currently offered. The Government has begun to address this problem by increasing transport investments beginning in about 1994 within the limit of its financial capacity:

Table 1.1 Investment Expenditures (US$000 equivalent), 1992-1996

	1992	1993	1994	1995	1996 (est)
Road	1,750	1,530	7,700	19,270	35,300
Rail	260	290	447	5,120	3,300
Ports	700	970	1,010	2,290	5,000
Airports	---	---	0	10	6,700
Others	---	200	1,710	3,310	n/a.
TOTAL	**2,710**	**2,990**	**10,867**	**30,000**	**50,300**

1.10 The Bank has been assisting the Government to prepare a rolling Public Investment Plan (PIP) during the last three years. The 1996-98 PIP notes that substantial increases in public sector investment are required to develop Albania's inadequate infrastructure, which is an impediment to economic development. It notes that external financing of the PIP is expected to become much more significant, as implementation gets under way on the large number of infrastructure projects for which financing has been recently secured. The PIP recommends total investments of US$1,191 million during 1996-98, of which US$896 million would be financed externally and US$295 million domestically. Based on an assessment of sectoral priorities, the PIP recommends that US$303 million (26 percent) of this amount be allocated to transport during 1996-98.

Considering the high economic rates of return currently estimated for most transport investments, and the fact that the actual pace of investments will be largely determined by the availability of concessionary foreign financing, the 1996-98 transport investment program is considered to be reasonable.

C. Previous IDA Involvement in the Transport Sector

1.11 The first project in Albania, the Critical Imports Project (Credit 2404-ALB, 1992), financed port equipment and spare parts, 20 urban buses, and a small amount of railway communications equipment as an immediate response to critical needs. The ongoing Transport Project (Credit 2499-ALB, US$18.0 million IDA, US$8.0 million Kuwait Fund, 1993) seeks to accommodate the increase in road traffic, rehabilitate and commercialize the port of Durres, and assess the role of the railways. It includes the improvement of 84 km of main roads, equipment for the Tirana road maintenance district, repair of quays and port surfaces and provision of equipment for the port of Durres, the rehabilitation of rail tracks, and technical assistance and studies. Project implementation was, until March 1997, generally satisfactory, with some delays resulting from the transfer of the General Roads Directorate (GRD) from the Ministry of Industry, Transport and Trade to the Ministry of Construction and Tourism and slow decision making by the Executive Secretariat of the Project Management Unit (PMU). The Government has significantly increased the road maintenance budget as agreed under the project. An Albanian/Italian joint venture (Albinfrastrukture) resulting from the privatization of the state-owned National Roads Asphalting Enterprise is working successfully under the project, competitive bidding procedures for the procurement of works and equipment are being applied with good results, and all buses (except urban lines) and most truck companies have been privatized with the assistance of project advisers. However, due to collapse of public order from March through August 1997, the implementation and management of the project was significantly disrupted. Several contractors installations were damaged. All foreign contractors and advisors left Albania, but most had returned as of October 1997. Working conditions are still not fully normal (new managers in most positions, low salaries, lack of familiarity with IDA projects, slow provision of counterpart funds), but the Government is taking reasonable steps to resolve remaining problems.

1.12 The Rural Roads project (Credit 2732-ALB, US$15.0 million IDA, US$16.2 million Italy, US$3.6 million Government, 1995) aims at promoting agricultural development by rehabilitating and maintaining rural roads serving agricultural areas, and at improving access to economic and social services for rural population centers. It also focuses on reducing poverty and increasing employment through the use of labor intensive methods. It includes rehabilitation and upgrading of 975 km of rural roads, improvement of rural road administration, provision of transport equipment, and a study of the future organization and management of the rural roads network. Project implementation has started well, but was similarly paralyzed for about nine months by the Spring 1997 events. While problems remain, the Government has appointed a new project coordinator, and work has resumed on 17 rural roads contracts.

1.13 The National Roads Project (Credit 2888-ALB, US$25.0 million IDA, US$5.0 million from the Government of Albania (GOA), US$9.0 million Italy, US$12.0 million European Bank for Reconstruction and Development (EBRD), US$8.0 million Kuwait Fund for Arab Economic Development, US$7.0 million European Union (Phare) 1996), seeks to overcome a key infrastructure bottleneck to economic development by rehabilitating and constructing national roads; to improve the maintenance and safety of national roads; to promote the development of the local contracting and consulting industries; and to train GRD's staff and develop strong cooperation between GRD and the University of Tirana. The project became effective on January 6, 1997, but the Spring 1997 events delayed implementation of the project by about six months and disrupted the approval of project cofinancing. Following a meeting of cofinanciers in November 1997, processing of cofinanciers projects has resumed. The project coordinator has also resumed his work in Albania.

1.14 The main lesson learned from ongoing projects is the importance of keeping project objectives and scope simple so as not to exceed the limited absorptive capacity of Ministry and other local staff. This lesson has been taken into account in the design of the project.

II. PORTS

A. General

2.01 The port subsector is under the authority of the Department of Transport Development (**Annex 2.1**). Its authority includes every aspect of port activities: infrastructure management, handling, storage, and delivery of cargo. Harbor Master activities such as maritime traffic control currently are the responsibility of the Navy (para. 2.04) The Navy also carries out hydrographic surveys in port access channels, and manages the navigation aids along the coastline and the beacon network for ports access.

2.02 Albania has four ports: Durres (located 40 km west of Tirana), Vlore (90 km south of Durres), Sarande (160 km south of Durres), and Shengjin (60 km north of Durres). Durres handles 90 percent of the country's international maritime traffic. It has 9/10 berths (2,000 m) with a draught from 7.5 to 11.5 m. Its 2.5 km dredged entrance channel is 8.5 m deep, and the tide never exceeds 0.30 m. With these conditions, the port can accommodate vessels up to 25,000 dead weight tons (dwt). Two/three berths are dedicated to bulk traffic, the other seven/eight handle break-bulk and general cargo. The port operates 30 electric quay cranes (5 to 15 tons, plus one 40 ton) and four 10-ton bridge cranes. The second port of the country, Vlore, offers three berthing places which are each 100 m long and five to nine meters deep. One berth is equipped with two electric quay cranes of 5-tons capacity, 40 years old, transferred from the port of Durres 20 years ago. Vlore is also the most important fishing port of the country. Before 1992 the Government invested heavily in Vlore, but these investments were discontinued before becoming operational following the change in economic policy. Roughly 1,700 m of new breakwaters have already been built to date, and the area devoted to fishing boats

is now available for sheltering. To complement this project, there are plans to convert the existing port into a passenger terminal for ferries and a facility for leisure boats and sea tourism. The future role of the new port at Vlore has yet to be defined, because of its closeness to Durres, and needs further investigation as new traffic patterns develop. PHARE plans to finance a master plan for the port of Vlore, while the role of the two other secondary ports (Sarande and Shengjini) will be investigated under a Secondary Ports Development Study to be carried out under the project.

B. Port of Durres

Corporate Structure and Management

2.03 In each port, Port Management answers to the Department of Transport Development of the MPWT, and manages all port activities, operations, and maintenance. The main activity is cargo handling and storage operations, followed by ship calls management. Infrastructure management appears neglected, mainly because of lack of financial means, but also because all planning decisions must be cleared at the central ministerial level, causing considerable delay. Strictly speaking, port management lacks any commercial function, since tariff decisions were formerly handled by the Government. However, after the 1990 change of regime, and mainly because of the weakening of the central administrative power, the port authority had to establish case by case agreements with several port users that were applying for special tariffs and in other matters. The General Law for State Enterprises of August 1992 applies to the ports and provides for the establishment of a Local Port Council responsible for port operational structure, development planning, and staff management. A Government Decree establishing an autonomous port authority in Durres was approved by the Council of Ministers on December 9, 1996. However, a Statute establishing a Joint Stock Company and complementary Port Regulations governing the relationship between the Government, the port and port users are required to assure the commercial independence and provide a regulatory framework for the port. These were discussed and a first draft prepared at a Port Regulation Workshop held on January 27, 1998. **The Statute establishing a Joint Stock Company and complementary regulations approved at the level of the Port of Durres and MPWT were discussed and agreed at negotiations. Approval of the Statute establishing a Joint Stock Company and appointment of the members of its Supervisory Council, and approval of the Port Regulations, would be conditions of credit effectiveness.**

2.04 Other port services are given by the Harbor Master' Office (HMO) which is responsible for navigational safety in the port, two privatized pilot companies who provide pilotage and mooring services, a maritime service company which supplies tugs, launches and floating crane, as well as maintaining depths by means of its dredges (since sunk), and a private contractor who provides garbage disposal services. While the sea channel is under the authority of the Port of Durres Authority (PDA), subordinated to MPWT, navigational aids and the authority to move ships falls under the responsibility of the HMO, subordinated until recently to the Ministry of Defense. This pattern has led to

conflicts between the Harbor Master and PDA. A law placing the Harbor Master's Office under MPWT was decided by the People's Assembly and decreed on January 21, 1998.

Staffing

2.05 The Port of Durres employed 1,520 people at the end of 1997, roughly divided into 1,200 for handling activities, 200 for workshop activities, and 120 administrative staff. The high level administrative staff includes 14 engineers, 13 accountants, and 12 port officers. Considering the structure and average level of traffic about 1.0 million tons in 1996, 55 percent of which is bulk cargo, the port is overstaffed. The average productivity per worker stands around 800 tons p.a., far below common rates of 2,000-5,000 tons for ports with little or no container traffic, or over 10,000 tons where there is a large ferry or container component. A workforce reduction program actually started in 1997, and 40 staff already left under its provisions. The port workforce will be further significantly reduced under the project as discussed below.

Budgeting and Accounting Functions

2.06 **Port Cargo Services**. These activities include loading and unloading, storage and delivery of cargo and are directly managed by PDA. It has its own operating budget and an accounting system based on the accrual method. Being a state-owned public enterprise, PDA prepares quarterly financial reports and compares actual performance to the budget. PDA's annual capital and operating budgets are prepared by port management and require approval by MPWT. Once approved, the Port Manager has a fair amount of leeway in its execution.

2.07 PDA uses a commercially oriented accounting system for its cargo services. It closes its accounts quarterly, and prepares its balance sheet, profit and loss accounts and associated schedules. It compares, wherever applicable, actuals with the budget and with prior years' figures. PDA's Financial Department invoices and collects directly from its clients, maintains its own bank account and uses these resources to finance its operating expenses directly. PDA is also allowed to periodically update its tariffs to keep in step with inflation. PDA has a qualified internal controller accountable directly to the Port manager.

2.08 **Ship Services**. These activities include provision of navigation aids, channels and berthing facilities for ships, pilotage, towage, and channel maintenance. Pilotage is paid for directly by vessel operators to one of two privatized pilot companies at maximum tariffs fixed by MPWT. Towage is provided and charged by a parastatal company. Budgetary and accounting functions relating to the latter two activities are therefore not relevant to project finances. Vessel dues, however, are collected by the HMO and remitted to the Ministry of Finance. Harbor Master costs were part of the Defense Ministry's budget and calculated at 2 percent of ship dues collected, as discussed in Chapter 3. As these dues are supposed to represent recovery of channel and breakwater costs, MPWT will need to keep careful accounting of this source of revenue and suitable

budgetary adjustments made with the Finance Ministry. As far as port infrastructure management is concerned, the port authority can only draw on its own or MPWT revenues, which is one reason why infrastructure maintenance has been neglected in the past.

2.09 **Auditing**. The concept and activities of independent professional auditing, that is, the verification and certification of accounts by public or professional accountants or auditors, was virtually non-existent in Albania in the past. A few nascent independent external auditing companies have recently been established, and the Ministry of Finance is assisting with training. As for project accounts, the Government relies at present on the basic functions of checking and inspection by designated staff within each Ministry. In order to assure quality and reasonable cost, the IDA and the Government employed a single foreign auditing company to audit the project accounts for all ongoing IDA operations. It is expected that this arrangement would be applied to the present project and extended to cover the PDA accounts which would also be audited under the project.

Traffic, Operations and Maintenance

2.10 **Traffic**. Albanian maritime traffic through the port of Durres increased from 2.0 million tons in 1970 to a peak 2.8 million tons in 1988. However, transport demand has changed dramatically since then as a result of the economic transformation. Traffic through Durres declined from its 1988 peak to 840,000 tons in 1992 due primarily to the falloff in uneconomic mining and industrial activities. From 1992 to 1994, bulk traffic (except grain) then increased by 57 percent, general cargo traffic grew 32 percent, and the importation of grain, mostly emergency food amounting to 327,000 tons in 1992, fell by 80 percent. However, ferry services at the ports of Durres, Vlore and Sarande increased from 3-4 ship calls per month in 1992 to 5-6 calls per day by 1995. About 330,000 tons of freight moved by RoRo ferries in 1995 so that total port traffic increased during that year to 950,000 tons. Transit traffic through and to/from Macedonia is developing. Container traffic is also growing rapidly from a low base (1,000 imported TEUs in 1994 to 1,500 in 1996). PDA needs to adapt to these changing traffic patterns. While 1995 witnessed a strong growth in the ferry traffic, combined with an overall stagnation of the conventional traffic, 1996 has seen some revival of the latter and some slowing down of the former: total port traffic reached close to 1.2 million tons in 1996 --a 19 percent increase over 1995-- but with a distribution conventional/ferry closer to 85/15 compared to 66/34 in 1995. Exports are driven by chromium ore and ferrochrome, which almost recovered their 1994 level after a 50 percent drop in 1995, and the resumption of coal exports gains momentum with a 50 percent increase in 1996. Imports of grain too are increasing significantly, as are sugar and fertilizers (a 75 percent and 44 percent increase in 1996 for these two). A flow of containers on conventional ships is also developing on the Istanbul-Izmir-Durres itinerary. The 1997 traffic, despite the disturbing events of the spring, does not seem to have suffered significantly from this situation, the first ten months suggesting only a 3 percent drop. Traffic statistics are shown in **Annex 2.2**.

2.11 **Operations**. The port of Durres has not experienced any real capacity problem, and is not likely to run into any in the near future, as far as infrastructure is concerned, provided that basic rehabilitation and maintenance requirements are met. However, equipment for general cargo handling is generally in very poor condition. The Port Master Plan study identified 12 cranes to be scrapped and another 12 in need of rehabilitation; the rehabilitation of seven cranes and the purchase of five new ones are included in the project. Furthermore, should higher traffic levels materialize, port throughput can be easily increased through improved cargo handling productivity. Rehabilitation of existing equipment and change in working practices could increase bulk cargo handling capacity to about 3.0 million tons p.a., and general cargo handling capacity to 1.4 million tons p.a. (against an all time 1988 peak of 667,000 tons) under a conservative estimate of 1,000 tons per linear meter per annum. There is therefore significant room for additional throughput provided the handling equipment is available and operations are efficient. Since the spring disturbances resulted in losses of all handling equipment spare parts, the project also includes financing a new set of spares for cranes and yard equipment.

2.12 As of today, due to deficient port equipment, ineffective working practice, and cumbersome administrative procedures --in particular customs-- ships often waste considerable time lying idle at the dock or waiting to proceed to the berths. This situation began to be addressed under the Transport Project, through a technical assistance component which helped port managers to improve port operations somewhat, in particular truck and railcar movements, and staff discipline. Operational indicators show that over the last three years, PDA managed to substantially reduce the number of vessels forced to wait: from 73 ships in 1993, with an average 50 percent idle time at berth, to 38 ships in 1995. However, 7 percent of non-ferry ships still have to wait an average of 29 hours until operations can start. This is clearly unwarranted, given existing port capacity. The technical assistance included in the project will continue addressing these administrative and regulatory issues, while the privatization of cargo handling operations and warehousing, supported under the project, should contribute to an improvement of operational productivity.

2.13 At present, Customs procedures impede the efficient operation of the port because customs clearance must take place before ships can be discharged or subsequently leave the port. This procedure was changed for ferry traffic by creating a fiscal zone at the ferry terminal, i.e. the ferries now unload and leave and customs clearance occurs thereafter. The success of the project is contingent upon the extension of this fiscal zone to the entire port area. The Ministry of Finance's General Directorate of Customs (GDC) expressed it's concern that the port is not sufficiently secure to extend the fiscal zone. PDA has now constructed a fence, which however still needs to be extended beyond the ferry terminal area, and this and other security improvements would be financed under the project in accordance with the final engineering study for port improvements which is underway. The Minister of Finance wrote to IDA expressing his willingness to extend the fiscal zone to the entire port area as soon as the physical improvements required to secure the zone under Customs control are completed, and provided a preliminary list of

required improvements to the appraisal mission. The design and list will be refined under the final engineering study for the project, and the works will be carried out under the project by June 30, 1999, 1998. **The arrangements for extending the Customs fiscal zone to the entire port area by June 30, 1999 were agreed at negotiations.**

2.14 **Maintenance**. Maintenance of infrastructure, apart from dredging in the access channel, has long been almost non-existent. The Transport Project helped finance rehabilitation of pavement and aprons in the most dilapidated port areas. Complementary pavement, drainage, and navigation aids rehabilitation are included in the proposed project. Superstructure maintenance has also been widely neglected, with warehouses and utilities networks in need of major repairs. The project proposes to rehabilitate a minimum number of warehouses to allow for the easier privatization of commercial activities, and to finance a new port lighting network for an improved operational schedule. Maintenance of the handling equipment is carefully carried out by PDA; as a result, it has been able to keep some 30-year old cranes in operation. Since PDA will remain, at least for the time being, the owner and operator of the quay cranes, the port workshop will still have to maintain them. Technical assistance included in the project will help establish and monitor a yearly maintenance schedule of the port assets, including precise definitions of the related accountabilities and budget implications.

Investments and Planning

2.15 Investments at the Port of Durres resumed in 1994, beginning with the most urgent civil works, and some equipment financed by the Kuwait Fund under the Transport Project (para. 1.09). The Transport Project also financed the design of a Port Master Plan, which included proposals for future investments, and institutional studies. A feasibility study for a new ferry terminal was also prepared. Planned future investments include notably the proposed project, the construction of a new ferry terminal for about US$12.0 million equivalent (para. 4.09), and US$1.5 million for various civil works -- repair of damage, fences and repairs to the oil wharf-- financed from PDA's own budget in 1997.

C. Privatization of Port Operations

2.16 **Port of Durres Authority (PDA)**. The proposed credit will be made contingent on the progressive privatization of all port operations, with PDA remaining in the role of landlord of the infrastructure, and temporarily owner of some of the heavy equipment, as discussed below. The existing port land and buildings will be revalued as part of the privatization exercise and the land and other existing infrastructure will be transferred from GOA to PDA's accounts, as a GOA equity contribution to a financially autonomous PDA. Any equipment not transferred to the private sector or scrapped, will remain among PDA's fixed assets and be rented out to operators as needed. PDA will be responsible for the administration of leases and operating contracts, security, lighting and other utilities, maintenance of the infrastructure and some of the heavy equipment, planning and development, as well as for the collection and dissemination of port information and for

the commercial promotion of the port as a whole. It will also initially be responsible for the administration of the Technical Profit Center.

Privatization and Staffing Plan

2.17 GOA has already privatized some of the activities which were formerly carried out by PDA. These are pilotage, tallying, water supply to ships, agency functions, trucking, cleaning and food services. Towage, dredging and other marine services have been transferred to the responsibility of a separate, parastatal company, which will be privatized under the mass privatization scheme currently being implemented. The Marine Services company is a profitable enterprise, according to information received from its management, although its equipment is old and inadequately maintained. The dredger however was sunk during the Spring 1997 riots, which means that future dredging operations will have to be contracted out. Any potential strategic investor will, therefore, need to refurbish some equipment and probably have to invest in new tugs. Several foreign operators have nevertheless expressed interest.

2.18 **Trucking and Miscellaneous Port Services.** PDA has sold the truck fleet to former port employees. About 171 truckers and support service staff are expected to be separated from PDA. The port cleaning staff (22 persons) have requested to leave PDA to form their own cleaning company to be contracted by the port on an annual basis, at least for the first year. Another group of 27 port workers will form a private enterprise to run the Seaman's Club in the port.

2.19 **Cargo Handling Services.** With regard to Stevedoring, Porterage and Warehousing, PDA is in the process of setting up two separate and competing Profit Centers, with a total staff of 750 employees, as of March 1, 1998, to operate as two embryo stevedoring companies, for a trial period of about 12 months. They will remain under the tutelage of PDA's management during this period, after which time they will be expected to be privatized as cargo handling contractors. Either or both can then seek partners in the form of strategic investors. In addition to these two cargo-handling units, PDA will also set up a separate Technical Profit Center with 429 employees, which will sell its services to the cargo handling operators as required and be privatized (or absorbed into the cargo operating companies) on September 30, 1999. It is expected that about 585 employees would leave the port when these companies are privatized, and would receive one year salary as a redundancy, paid from the port budget. These arrangements are summarized in a PDA Privatization and Manpower Action Plan, shown in **Annex 2.3**. Several private operators have expressed an interest in the the grain handling operation , expected to be between 200-400 thousand ton per year once all the flour-mills become operative again. Specifications are therefore being prepared by PDA for inviting bids from potential operators. PDA employees currently engaged in discharging grain would be taken on by the private operator as part of the operating agreement. It was also agreed that this whole process will be done with the assistance of the Consultant Privatization Expert, under the implementation phase of his ongoing contract, plus an extension, if necessary, which would be financed retroactively under the proposed project. **The**

Government and PDA agreed at negotiations on the PDA Privatization and Manpower Action Plan and thereafter to implement the Plan, including not increasing total port staff above the end-1997 level of 1,520, with redundant workers paid a separation payment of one year's salary from the port budget.

2.20. **The parastatal Maritime Services Company**, previously separated from PDA, owns and operates two tugs, (the dredge it also owned, was sunk during the Spring riots) and a floating crane, is to be privatized under the mass-privatization scheme i.e. to be turned into a joint stock company. To this end, the assets of the company have already been valued and shares are to be issued and sold for vouchers and/or cash. The sale of redundant or obsolete assets will then be done by the newly formed enterprise. Subsequently, a strategic investor will be sought to purchase a dominant part of the shares.

Equipment

2.21 Cargo-handling equipment (new and refurbished cranes and other heavy equipment), which cannot be transferred to any single operator, will remain the responsibility of PDA until such time as it can be auctioned to operators or scrapped (if no further economic use is indicated). Because of the small number of containers currently passing through the port, and the likelihood of contracting more than one cargo-handling operator, the number of containers initially handled by each is likely to be less than that which would justify a large investment in a ship-shore container crane. Such a crane would therefore have to be rented out to operators on an hourly rate basis, similar to the system employed by many European port authorities.

III. THE PROJECT

A. Project Objectives

3.01 As discussed, there is a critical need to overcome infrastructure bottlenecks to economic development in Albania. Within this framework, the objective of the project is to improve the efficiency and the effective capacity of the Port of Durres, taking environmental considerations into account, by (a) increasing its commercial orientation by establishing an autonomous port authority, privatizing port operations, improving Customs procedures, and improving operations and safety; and (b) rehabilitating port infrastructure to accommodate anticipated traffic demand and attract transit traffic.

B. Project Description

3.02 The project comprises the rehabilitation of berths, the breakwater, and warehouses, and the construction of customs installations at the port of Durres. It also includes the rehabilitation and supply of cranes, navigation aids, port lighting and

environmental protection equipment, as well as technical assistance for commercialization and privatization, and training and studies. In particular, the project includes:

a) *Port Civil Works*: these are the main rehabilitation and strengthening works required to enable the port of Durres to cope with the expected traffic in terms of volume and safety standards. Berth structures are in a generally bad state, due to poor initial materials and workmanship and subsequent corrosion. The works comprise (see Map No. IBRD 28506):
   - rebuilding the windscreen and repairs to the armor of the main breakwater (which was constructed during World War II), the poor state of which may otherwise endanger all port operations;
   - full repairs to quays 1 and 6, which would otherwise become unsafe to operate within 5 or 6 years (which could lower port throughput by an estimated 20 percent);
   - rebuilding or recasting the coping beam face of quays 2 to 4, 7 and 8, and grouting up voids in quays 2 to 4;
   - replacing tie rods in the east quay;
   - new fenders;
   - surfacing and drainage behind quays 4, 5 and 6, and between quay 2 and the PDA office;
   - resurfacing the road from quay 8 to the new port road and surfacing new access roads to the container yard and to the east quay.

   Cost estimate (5 percent tax included): US$8.1 million.

b) *Navigation Aids*: the entrance channel to the port of Durres has been badly maintained; half of the buoys are missing and others need to be replaced. Lights do not function. Consequently, larger vessels such as bulk carriers can only enter the port during daylight hours. Safety standards also require the replacement of the buoys in the entrance channel. Cost estimate : US$0.2 million.

c) *Port Lighting*: a new lighting network is required on the entire port of Durres area. Cost estimate: US$0.5 million.

d) *Warehouses and Offices*: Following the recommendations of the Port Master Plan Study, up to three port warehouses would be rehabilitated to provide a bonded warehouse for Customs and facilitate leasing or concessioning. The HMO office, burnt in the Spring 1997 events, would also be rehabilitated. Cost estimate (5 percent tax included): US$1.5 million.

e) *Modernization of Cranes*: The Port Master Plan Study recommended the rehabilitation of up to 12 quay cranes prior to any new investment in quay handling equipment, depending on the volume and nature of traffic to be handled. The economic assessment updated the traffic forecasts in the light of the last developments, taking also into account the productivity improvements expected

from an increased participation of the private sector in cargo handling activities, and concluded to the need to rehabilitate 7 cranes and to purchase 5 new ones. Additional spare parts will be provided for all port cranes and yard equipment. Cost estimate: US$5.9 million.

f) *Anti-Pollution Actions*: The oil terminal facility in the Port of Durres is very close to the beach and is a potential risk for the marine environment in case of an accidental oil spill. Although no major accident has occurred yet, the Port Authority should have available the minimum equipment required to prevent any spill to expand along the seashore. This would include a minimum length of floating dams, together with a basic supply of dispersants and related equipment. The bitumen tanks located in the port, as well as the stockpile of iron ore, would be relocated under the project to improve both environmental and operational conditions. Cost estimate: US$0.4 million.

g) *Customs Modernization*: The project would help finance the physical improvements required to expand the fiscal zone to the whole port area. Cost estimate: US$0.4 million.

h) *Miscellaneous Equipment*: The project would finance office equipment and miscellaneous working materials for the Port of Durres Authority, the Harbour Master's Office, the Institute of Transport Studies in Tirana, and the Project Management Unit in MPWT. Cost estimate: US$0.4 million.

i) *Studies*: It is proposed to include a study on the future role of the secondary ports in Albania. In relation to the prevention of possible pollution in the port area, there is also a need to know as precisely as possible the conditions and possible contamination status of the soils in the port basins and in the entrance channel. A survey including sampling, physical and chemical analysis of the materials likely to be dredged for maintenance or deepening purposes will therefore have to be carried out. Furthermore, the Port Authority should also have an Oil Pollution Emergency Plan. An Urban Transport Improvements Study for the City of Tirana is also included (para. 1.07): Cost estimate: US$1.0 million.

j) *Technical Assistance*: Assistance will be provided to the Port Authority in privatization and the regulation of private operators, following up on project preparation work financed under the Transport Project. Assistance in establishing a training center will also be provided based on the findings of an UNCTAD training specialist. A project coordinator would also be provided. Supervision of port works will also be provided. Cost estimate: US$1.0 million.

k) *Training*: The project would provide for adequate training of port staff and private operators, either in Albania or abroad. A Port Training Center would be established under the project. An allowance will be made for translation of

pedagogic documents and professional handbooks in Albanian. Cost estimate: US$0.4 million.

C. Cost Estimate

3.03 The estimated cost of the project, including contingencies, amounts to US$23.0 million equivalent, with a foreign component of about US$17.4 million equivalent, or 76 percent of the total cost. The costs of the different project components based on US$1 = Lek 140 exchange rate, November 1997, are given in Table 3.1 below.

Table 3.1: Project Components and Cost Estimate
(in US$ million including taxes)

Component	Local	Foreign	Total	Foreign (%
(a) Civil Works	3.5	4.6	8.1	57%
(b) Navigation Aids	0.0	0.2	0.2	100%
(c) Lighting	0.0	0.5	0.5	100%
(d) Warehouses	0.7	0.8	1.5	53%
(e) Cranes and Spares	0.0	5.9	5.9	100%
(f) Anti-Pollution	0.0	0.4	0.4	100%
(g) Customs Modernization	0.2	0.2	0.4	60%
(h) Miscellaneous Equipment	0.0	0.4	0.4	100%
(i) Studies	0.15	0.85	1.0	85%
(j) Technical Assistance	0.15	0.85	1.0	85%
(j) Training	0.0	0.4	0.4	100%
Project Base Cost	***4.7***	***15.1***	***19.8***	***76%***
Contingencies				
Physical (12% CW, 10% Eqt)	0.6	1.4	2.0	
Price (6%)	0.3	0.9	1.2	
TOTAL PROJECT COST	**5.6**	**17.4**	**23.0**	**76%**

3.04 Construction cost estimates are based on quantities from preliminary engineering designs,and on unit costs provided by PDA for works recently executed in the port. Final engineering studies are underway, and are expected to be substantially completed and bidding documents prepared by June 300, 1998. The foreign component is estimated from a breakdown of cost elements.

3.05 Costs for the technical assistance and studies are based on an average of US$18,000 per m/m (except the cost of a project coordinator, US$15,000 per m/m), while

costs for supervision of rehabilitation works are equivalent to 3 percent of the construction costs excluding contingencies. Costs of equipment and materials are based on estimates provided by the Port Master Plan study. Costs for training MPWT/PDA staffs are estimated at US$2,000 per m/m, taking into account that most will be in-house training and that the most expensive item in international training, traveling, would mostly take place inside Europe. All technical assistance, studies, training, materials and equipment costs are exempt from taxes and duties.

3.06 A physical contingency of 12 percent for civil works and 10 percent for equipment has been included in order to cover possible increases in quantities, which is reasonable given the nature of the works. Price contingencies have been applied to base costs, expressed in US$ in accordance with Bank guidelines, for each year 1999 to 2002, as follows: 3.1, 2.9, 2.8 and 2.7 percent, an average of 6.0 percent for the project.

D. Financing Plan

3.07 The Borrower would be the Republic of Albania. The Association would provide a credit of US$17.0 million equivalent, the OPEC Fund (The OPEC Fund for International Development) would provide an already approved credit of US$5.0 million equivalent, and the Government would contribute US$1.0 million equivalent (4.4 percent). It is expected that the OPEC Fund Loan Agreement would become effective by October 31, 1998. This contribution is considered the maximum compatible with the Government's budgetary possibilities. A proposed financing plan is shown in Table 3.2 below. **The proposed financing plan, including cofinancing arrangements with the OPEC Fund, was discussed and agreed at negotiations.**

Table 3.2: Financing Plan
(US$ millions including contingencies)

Component	Local	Foreign	Total	GOA	OPEC[1]	IDA
Civil Works	4.1	5.5	9.6	0.9	5.0	3.7
Navigation Aids	-	0.2	0.2	-	-	0.2
Lighting	-	0.6	0.6	-	-	0.6
Warehouses/Workshop	0.9	0.9	1.8	-	-	1.8
Cranes Rehabilitation	-	1.4	1.4	-	-	1.4
New Cranes	-	4.0	4.0	-	-	4.0
Equipment Spare Parts	-	1.4	1.4	-	-	1.4
Anti-Pollution Actions	-	0.5	0.5	-	-	0.5
Customs Modernization	0.2	0.3	0.5	-	-	0.5
Miscellaneous Equipment		0.5	0.5			0.5
Studies	0.3	0.7	1.0	0.1	-	0.9
Technical Assistance	0.1	1.0	1.1	-	-	1.1
Training	-	0.4	0.4	-	-	0.4
TOTAL PROJECT	**5.6**	**17.4**	**23.0**	**1.0**	**5.0**	**17.0**

E. Status of Project Preparation

3.08 The project has been prepared on the basis of a recently completed Port Master Plan Study, and a technical study of berth condition completed in September 1996 and funded under the ongoing Transport Project. In addition, advisors financed under the Transport Project made recommendations for institutional improvements. Final engineering studies and bidding documents are also under preparation, expected to be

[1] Joint Financing

substantially completed in June 1998, financed under a Japanese Grant which the Association gratefully acknowledges.

3.09 The privatization of commercial port operations is being prepared with the assistance of privatization consultants funded under the ongoing Transport Project. A Port Privatization Workshop took place in September, 1996, and a Port Regulations Workshop in January 1998 to set the stage for further processing. In accordance with the conclusions of the Privatization Workshop, the progressive privatization of most port operations will take place under the project, based on the recommendations of, and aided by, consultants currently engaged in preparing suitable "packages" for privatization. A commercially oriented joint stock company would be established at the Port of Durres prior to project effectiveness (para. 2.03).

F. Implementation and Monitoring

3.10 MPWT would be responsible for the overall management, administration and coordination of the project. The project would be implemented by MPWT and PDA, with the assistance of a Project Management Unit (PMU) located in MPWT, which would report through the Director of Transport to the Minister of MPWT. The PMU is already helping implement the ongoing Transport Project (then called an Executive Secretariat) The PMU, with the assistance of a procurement specialist experienced in procurement under the World-Bank rules, would review and follow up on procurement and bidding documents related to the project, monitor and coordinate project implementation, assemble in a quarterly report all information related to project implementation, and liaise with the International Development Association's (IDA's) supervision missions. It would be assisted by an Economist, as well as by a Project Coordinator financed under the project. The project would finance additional equipment and materials to help the PMU attend to its duties under the project. **The continuing composition and responsibilities of the PMU were agreed with GOA at negotiations. The conditions of employment and the related terms of reference of the Project Coordinator (Annex 3.1) were also discussed and agreed at negotiations. The appointment of the Project Coordinator will be a condition of Credit Effectiveness.**

3.11 Consultants would be employed to assist PDA staff in civil works and equipment rehabilitation/supervision under terms and conditions acceptable to IDA (**Annex 3.2**). The procurement of technical assistance, training, and studies would also be under their respective responsibility following submission to the Association, for review and approval, of the evaluation of the proposed experts. **During negotiations, agreement was reached on the terms of reference for: (a) supervision of civil works and equipment rehabilitation (Annex 3.2), (b) Secondary Ports Development (Annex 3.3), the Environmental Assessment of Durres Port (Annex 3.4); Technical Assistance for Privatization (Annex 3.8); and the Tirana Urban Transport Improvements Study (Annex. 1.5).**

3.12 There are no transport project lending profiles available for Albania. However, on the basis of achievements under the Transport Project, it is expected that the rehabilitation works starting in the first and second year with a maximum construction period of two years and a half would require a project implementation period between four and five years. The civil works would be implemented in two years. Rehabilitation and procurement of port equipment would also be completed during the first two years and a half of project implementation. The technical assistance and training component would take place throughout the entire four/five year period in order to provide continuous advice to PDA, with a particular stress on the privatization process during the first two years of project implementation. The three studies on Secondary Ports Development, Analysis of Dredged Materials, and Oil Pollution Emergency Plan, and the Tirana Urban Transport Improvements study would be completed during the first two-year period of project implementation. The implementation schedule for project activities is shown in **Annex 3.5**. With credit effectiveness expected in the fourth quarter of 1998, and start of project implementation in January 1999, the project would be completed by December 31, 2002, and the proposed Credit's closing date would be June 30, 2003. The PMU would submit quarterly progress reports to the Association detailing the implementation of every project component activity including Monitoring Indicators (Annex 3.9). **During negotiations, agreement was reached with the Government on the project implementation plan, monitoring criteria, and reporting arrangements.**

G. Procurement

3.13 The project's procurement arrangements, are summarized in Table 3.3 below.

Table 3.3: Procurement Arrangements
(US$ million, including contingencies)

Component	Procurement Method ICB	Others	Total Cost
Civil Works	9.6 (3.7)	-	9.6 (3.7)
Navigation Aids	-	0.2[a] (0.2)	0.2 (0.2)
Lighting	0.6 (0.6)	-	0.6 (0.6)
Warehouses/Offices	2.0 (2.0)	-	2.0 (2.0)
Cranes	5.4 (5.4)	-	5.4 (5.4)
Equipment Spare Parts	-	1.4[a] (1.4)	1.4 (1.4)
Anti-Pollution Actions - Goods	-	0.35[a] (0.35)	0.35 (0.35)
- Minor Works		0.15[b] (0.15)	0.15 (0.15)
Customs Modernization	-	0.3[a] (0.3)	0.3 (0.3)
Miscellaneous Equipment	-	0.5[a] (0.5)	0.5 (0.5)
Studies	-	1.0[c] (0.9)	1.0 (0.9)
Technical Assistance	-	1.1[c] (1.1)	1.1 (1.1)
Training	-	0.4[c] (0.4)	0.4 (0.4)
TOTAL PROJECT	**17.6** **(11.7)**	**5.4** **(5.3)**	**23.0** **(17.0)**

Note: Figures in brackets are the respective amounts financed under the IDA credit.

[a] International Shopping

[b] Minor Works, to be procured through shopping

[c] Consultant Services according to Bank Guidelines

3.14 Detailed procurement arrangements are shown in **Annex 3.6**. Among the rehabilitation works, six separate contracts (for quays/breakwater repairs and fendering, pavement and drainage, and warehouses and offices rehabilitation), of estimated value between US$0.5 and US$7.2 million equivalent, excluding contingencies, would be procured through International Competitive Bidding (ICB) procedures. Contractors for these works would be prequalified, except for warehouse and office rehabilitation contracts, in accordance with the Bank's Procurement Guidelines dated January 1995 (amended as of September 1997). For ICB works, a 7.5 percent margin of preference for domestic contractors would be applied on bid evaluation, provided the criteria for eligibility for domestic preference as outlined in paras. 2.54, 2.55, and Appendix 2 of the Guidelines are met thereto. All contracts would be subject to prior review and approval by IDA. The OPEC Fund, which is providing joint cofinancing for the civil works component of the project, will also be subject to IDA's procurement guidelines. Some minor works under the anti-pollution component will be procured through shopping (2 contracts for a total amount of US$0.15 million).

3.15 Equipment for lighting, new cranes, and crane rehabilitation (total contracts estimate US$6.0 million) would be procured through ICB. Equipment for navigation aids, customs, spare parts, anti-pollution actions, and miscellaneous office equipment, estimated to cost $200,000 or less, up to an aggregate amount of $3.0 million, would be procured by International Shopping (IS) in accordance with the Bank's Guidelines for Procurement. For procurement through ICB, goods manufactured in Albania would be granted a preference of 15 percent or related duties whichever is less, provided the criteria for eligibility for domestic preference as outlined in paras. 2.54, 2.55, and Appendix 2 of the Guidelines are met thereto. The first two IS packages for equipment would be subject to IDA's prior review. Other contracts would be subject to ex-post review after contract award.

3.16 Consulting services, technical assistance, training and studies would be procured in accordance with Bank's Guidelines for the Use of Consultants published in January 1997 (revised September 1997) except for the Privatization Consultant (contract estimate US$0.2 million) which would be procured through single source. The privatization consultant was initially recruited through a competitive selection process under the Transport Project. Single source procurement is considered necessary to assure continuity and cost effectiveness. IDA financed contracts with consulting firms estimated to cost $100,000 or more and with individual consultants estimated to cost $50,000 or more, and each single source contract would be subject to prior review by the Association.

3.17 A Country Procurement Assessment Report was completed in 1997. The Borrower will follow procedures consistent with the Bank's Procurement Guidelines. The Project Procurement Schedule includes the schedule of major procurement steps.

3.18 Procurement would be a main responsibility of the PMU (para. 3.10) and their procurement advisers. Procurement information to be provided to IDA would include: (a) prompt reporting of contract award information, and (b) comprehensive explanation of revised costs estimates for individual contracts and the total project, revised timing of procurement actions, and compliance with aggregate limits on specified methods of procurement. The General Procurement Notice would be issued on April 16, 1998 and the Project Launch Workshop held in June 1998. **During negotiations, agreement was reached with the Government on all procurement arrangements.**

H. Disbursements

3.19 The proposed IDA credit would be disbursed against the project components as shown in Table 3.3:

Table 3.4: Disbursement Categories

Category	Description	Amount US$ million equivalent	Percent of Expenditures to be Financed
1	Civil Works	5.1	48 %
2	Goods	8.0	100 % of foreign expenditures, 100 % of local expenditures (ex-factory costs), and 80 % of local expenditures for other items procured locally
3	Consultants for:		
	(a) Studies	0.8	90 %
	(b) Technical Assistance	0.9	100 %
	(c) Training	0.4	100 %
	Unallocated	1.8	
4.	**TOTAL**	**17.0**	

3.20 With the exception of contracts valued at US$200,000 or less, all withdrawal applications will be fully documented. Disbursements against contracts valued at US$200,000 or less would be made on the basis of statements of expenditure (SOE). **During negotiations, agreement was reached with the Government that documentation to support expenditures financed under SOE's would be maintained by the Borrower and made available for review to IDA supervision missions.**

3.21 Retroactive financing up to a total of US$575,000 equivelant would be provided for payments made by the Borrower after November 30, 1997 but before signature of the Credit Agreement. This would allow to keep up the momentum on the privatization process of port commercial services by providing technical assistance services following the first Privatization Workshop.

3.22 To facilitate disbursements, IDA's share of the project would be financed through a Special Account (revolving fund) which would be opened by the Borrower in a commercial bank acceptable to IDA. The authorized allocation for the Special Account would be US$1.0 million, equivalent to about four months of project expenditures (financed by IDA) during the five year disbursement period for the project. Funds for equipment and spare parts would be withdrawn by the Borrower from the Special Account after approval of the ICB, IS, Minor Works or direct procedures and related contract awards by the Association. Replenishment for technical assistance and for consultants for construction supervision would be made on the basis of appropriate documentation. Replenishment of the Special Account would follow IDA procedures.

3.23 A schedule of disbursements, based on the Project Implementation Schedule, is given in **Annex 3.7**. As discussed, there are no sectoral disbursement profiles available, Albania being a recent IDA member. However, on the basis of achievements under the Transport Project, it is expected that the rehabilitation works starting in the first and second year with a maximum construction period of two years and a half would require a project implementation period between four and five years. Furthermore, the limited range of the project, the urgency of the need for the works, equipment and TA, and the interest demonstrated by the central Government and PDA on processing the project, would guarantee a reasonable project implementation period of four to five years. With a fourth quarter 1998 credit effectiveness date and a January 1999 - June 30, 2003 project implementation period (para. 3.12), the proposed credit would be fully disbursed six months later or by December 31, 2003.

I. Environment

3.24 The project is based on the rehabilitation and improved maintenance of existing infrastructure. The project has, therefore, been placed in Category B in accordance with the provisions of OD 4.01. Port civil works would be subject to a limited environmental review. Durres harbor is not significantly polluted at present, but this may change as traffic grows. PDA regulations require that ships' waste be collected, and this is done at present by a private company, which may need upgrading its processing capacity in the future. The rehabilitation of berths and the improvement of port operations under the project, as well as the survey of port soils, the preparation of an Oil Pollution Emergency Plan, and the provision of anti-pollution equipment, are expected to help improve the enforcement of environmental regulations (para. 3.11). Under clauses in the bidding documents, contractors will be responsible for keeping every worksite pollution-free and for returning job sites to their original condition.

J. Reporting, Accounting and Auditing

3.25 ***Reporting.*** The PMU is presently implementing the Transport Project satisfactorily. The PMU, in consultation with PDA, would establish the types of information to be made available to management for monitoring the progress of the project, and the procedures and timing for its submission to the PMU. This would cover the progress and problems in execution of civil works and equipment procurement, institutional development, financial performance and studies. The key performance indicators for the project are set out in **Annex 3.9**.

3.26. The PMU will prepare and submit to IDA annual reports no later than March 15 of each year of project implementation. The report would contain the following two sections: (a) Annual Progress Report; and (b) Annual Work Plan for the Project

(a) *Annual Progress Report* would be prepared by the PMU, in collaboration with PDA, and cover the progress of each project component, key performance indicators, and the traffic and financial accounts for PDA;

(b) *The Annual Work Plan* would be prepared by the PMU and contain a plan for the implementation, updated disbursement profile, and target key performance indicators during the coming year. Budgets, which would be based on the appraisal estimates, would be amended where necessary to reflect changes in costs and scope of institutional development components and studies.

3.27 In order to assure timely reporting to IDA, the PMU would also submit a quarterly report in a format agreeable to the IDA. The quarterly report would cover the progress and expected completion date for civil works and equipment contracts, progress of the institutional components, studies and training program, and activities of the PMU. It would also cover the financial management of the project as elaborated below, including comparisons of actual physical and financial outputs, and updated six month project forecast; (b) project financial statements including sources and applications of funds, expenditure by category statement and special account reconciliation statement; and (c) procurement management report showing status and contract commitments. **The arrangements for progress reports were agreed at negotiations.**

3.28 ***Accounting***. The MTWT and PMU will maintain financial management systems - including accounting, financial reporting, and auditing systems, adequate to ensure that they provide to the Bank accurate and timely information regarding project resources and expenditures. When project implementation begins, the Borrower and the PMU will have in place accounting and internal control systems that accord with International Accounting Standards and that reliably record and report all assets and liabilities and financial transactions of the project and provide sufficient financial information for managing and monitoring project activities. Detailed accounts will be kept for each project component and its sub-components.

3.29 ***Auditing***. The project accounts were recently audited and the final report is under preparation. The financial statements, the Special Account and the Statements of Expenditure would be audited at the end of each fiscal year during implementation of the Durres Port Project, in accordance with international standards on auditing, by independent auditors acceptable to IDA. The audit would include: (a) assessment of the adequacy of accounting and internal control systems to monitor expenditures and other financial transactions and ensure safe custody of the project-financed assets; (b) a determination as to whether the borrower and the PMU have maintained adequate documentation on all relevant transactions; (c) verification that expenditures submitted to the Bank are eligible for financing; and (d) identification of any ineligible expenditures. Copies of the audit reports will be submitted to the Bank within six months of the close of the country's fiscal year. The audit report will cover both the compiled account of expenditure incurred during the fiscal year as well as the statement of Expenditures used for withdrawals from the special account. Special attention shall be made to confirm the transparency and accountability of the use of funds from the beneficiaries. Terms of Reference for the audit and the selection of the auditor would be reviewed by the Bank every year. It was agreed that MPWT/PMU would keep in place the same audit arrangements as in the three ongoing credits for the Transport (Credit 24990ALB), Rural Roads (Credit 2732-ALB), and National Roads projects (Credit 2888-ALB).

3.30 ***Internal Controls***. The audit of the PMU for the Transport Project found that there were no major problems with internal controls but that some improvements were required in the adequacy of the accounting system (para. 3.25). A simple but efficient financial management system would be developed prior to the project launching with the assistance of qualified financial consultants. It was agreed that the establishment of the Special Account managed and operated by the PMU will take place in a commercial bank. According to Albanian Treasury regulations, funds of the credit account for the SA will pass through the Albanian Treasury account in the Bank of Albania. The procedure is similar to that currently being followed for the National Roads Project (Credit 2888-ALB) and Rural Roads (Credit 2732-ALB). **These accounting and auditing arrangements and requirements were also agreed at negotiations**.

IV. PORT FINANCIAL EVALUATION

A. Sources of Revenue

4.01 The main port services are currently rendered by four separate entities, as follows:

a. Pilotage and Mooring: two privatized companies;
b. Towage: a separate government-owned entity (Marine Services) intended for privatization, which also does port dredging;
c. Navigational Aids and Clearance for entry and departure: the Harbor Master's Office, who at present comes under the Ministry of Defense; and

d. Stevedoring and shoreside handling of cargo: the Port Of Durres Authority (PDA).

4.02 As the Pilotage and the Towage concerns are financially self-sufficient enterprises, revenues to finance port operations and investments are generated only by the HMO, which levies harbor dues from vessels, and by PDA, which collects port tariffs for services it renders to vessel operators and owners of cargo.

4.03 Whereas revenues from port tariffs (charges for services) are retained by PDA to finance its operations, including maintenance and a part of investments, harbor dues collected by the HMO go directly to the Ministry of Finance. The Government transferred the HMO from the Ministry of Defense to MPWT (para. 2.04), but the funds will continue to flow to the Treasury. As GOA will be servicing the debt created by the proposed new credit out of its revenues and from PDA's taxes, it is not proposed that this fund-flow be changed.

B. Present Financial Situation

4.04 Despite a drastic reduction (78 percent) of its overall throughput between 1988 and 1994*, PDA has remained a profitable public enterprise. Traffic has resumed growth since then (up to about 40 percent of the 1988 figure in 1996), especially the most profitable type of traffic, namely that of ferries and Ro-Ro vessels (para. 2.10). Other general cargo traffic also grew, except for greatly varying imports of grain. On the cost side, expenditure was reduced not only by the variable operating cost of reduced cargo handling, but also by a limited decrease in staff and by neglecting maintenance and rehabilitation works of the port's infrastructure and equipment, the latter being the principal cause for much of the rehabilitation now required.

4.05 The following is a summary of PDA's and HMO's financial results for 1993-96:

* *For indicative figures, see GEM Consultants' Final Economic Report, in the project files.*

Table 4.1: Financial Results of PDA and HMO, 1993-96
(thousands of Leks, US$=100 Leks)

PDA	1993	1994	1995	1996
Operating Revenue	581,195	503,028	478,814	694,000
Operating Expenditure	428,083	320,243	351,731	503,100
Operating Ratio (%)	75	64	73	72
Working Ratio (%)	70	60	70	68
HMO (**)				
Harbor Dues	n.a.	180,000	183,000	217,000
Expenditure (budgeted)	n.a.	3,600	3,660	7,000

* *HMO figures are as reported verbally by the Ministry of Defense; no detailed revenue accounts were available.

note: Working ratio is the ratio of total working expenses to total operating revenue. Total working expenses means all expenses relating to operations, including administration and adequate maintenance, but excluding provision for depreciation and interest on long-term debt. Total operating revenues means revenue from all sources related to operations. Operating ratio means the ratio of total operating expenses to total operating revenues. Total operating expenses means total working expenses plus provision for depreciation.

C. Effect of Privatizing Operations

4.06 Agreement has been reached on the progressive privatization of all port operations on the basis of leases or concessions, which should leave the PDA with a reduced role of landlord-steward of these port assets which have not been transferred to the private operators (para. 2.18). Eventually, it will be only the existing port infrastructure which will remain in public hands. The current financial position of the enterprise is, therefore, not necessarily relevant to the future financial performance of PDA. Several scenarios have been analyzed for the purpose of the financial evaluation, from that where no change from PDA's present functions have taken place, to a situation where all operations in the port are given by private contractors. During the course of the project, it is expected that financial performance indicators for PDA will fall somewhere between these two extremes. Forecasts of financial performance for years 1997-2003 are presented in **Annexes 4.1 and 4.2.**

4.07 PDA as a "landlord" authority, would be a relatively small organization, currently estimated at about eighty employees with responsibility for maintaining the infrastructure, including utilities, like water and power supply, in good running order, security and lighting of the port area, administration of contracts with lessees and concessionaires, master planning, port data collection, processing and dissemination. Such an organization would have a small, professional staff to plan and supervise the maintenance and other activities, which would be largely contracted out. Its revenue would come mainly from leases and concessions, the terms of which could be either such as to provide PDA with a fixed annual revenue or else of a risk sharing nature (depending on the capacity and nature of the lessor and the negotiated terms agreed between the parties).

4.08 The 585 members of staff to be rendered redundant during the process of partially privatizing port operations, will be paid one year's base salary as compensation in accordance with Albanian law, to be financed out of the PDA budget.

D. Additional Investments

4.09 It is proposed that the OPEC Fund participate in funding the project, for the equivalent of US$5 million (para. 3.09). In addition to project investments (see chapter 3), GOA is in the process of obtaining loans, for a total of approximately US$11.6 million equivalent, from the European Investment Bank and the European Bank for Reconstruction and Development, for the construction of the first phase of a modern Ferry Terminal (the total investment is estimated at US$12 million equivalent). These loans will be serviced by revenues from harbor dues paid by Ro-Ro vessels calling at the new Ferry Terminal.

4.10 The new assets financed by GOA through these loans, as well as those that will be financed under the present project, will be transferred to PDA's books on entering in operation, as has already been the case with the new assets financed under the Transport Project.

4.11 Thanks to its accumulated profits, PDA could also resume last year investments through its own funds, with US$0.41 million invested in 1996, and US$1.5 million estimated for 1997.

E. Financial Forecasts and Targets

4.12 Financial forecasts are presented in **Annexes 4.1 and 4.2,** and notes on their calculation in **Annex 5.5**. Based on these, the most appropriate financial target for PDA would be to achieve an average return for each fiscal year beginning January 1, 1999 of no less than 5 percent on a three year average of net fixed assets. During the period prior to privatizing operations (1998), PDA should achieve a working ratio of less than 72 percent and an operating ratio of less than 78 percent, unless agreed otherwise with IDA. **These financial targets were agreed at negotiations.**

4.13 The GOA presently receives about US$1.9 million in harbor dues each year plus about US$0.3 million in taxes from PDA. Taking into account increased traffic through the port of Durres, the project is expected to generate additional harbor dues. Furthermore, increasing the profitability of PDA and the operating companies under the project will generate higher aggregate corporate profit tax revenues for GOA. It is estimated that GOA will receive an approximate average of US$2.0 million per year during the period 1997-2011 in revenues from harbor dues and taxes. This additional cash flow alone will be sufficient to service the IDA and OPEC Fund debt under the project.

V. ECONOMIC EVALUATION

A. Background

5.01 The project supports key objectives in Albania's development strategy, namely the rehabilitation of infrastructure needed to achieve a supply response in an affordable manner and the privatization and commercialization of state owned enterprises. The project is consistent with the Bank's Country Assistance Strategy Paper reviewed by the Board on September 14, 1993, which identifies infrastructure bottlenecks as a significant constraint to implementing the stabilization program and promoting economic development. The project complements and follows on to the three transport projects under implementation, and takes their lessons into account (paras. 1.11-1.14). The Government has made substantial progress in adopting market-based transport policies since the start of the economic transformation in 1991, and despite the setback of the Spring 1997 events, there are no major policy distortions that will affect the implementation of the project. The GOA has demonstrated its willingness to make major policy reforms in cooperation with IDA, and the project continues these policy reforms in the port sector. IDA's presence also serves as a catalyst to attract cofinancing for a high priority project.

5.02 Albania is in the process of transforming to a market economy. The assistance provided under the project in reorganizing the Port of Durres on a commercial basis, privatizing port operations, and rehabilitating transport infrastructure is expected to contribute to the transformation of the economy, improving transport efficiency and reducing costs. However, it is difficult to quantify all the benefits of this process. The economic benefits of the project were, therefore, estimated on the traditional basis of reducing ships' turnaround time, reducing pilferage and damage to cargo, increasing Customs collection, in addition to enhancing revenues to GOA from ship dues and taxes on port operators and PDA. External net benefits from the development of private port and port-related operations could not be quantified and were not therefore included in the calculations. This means that the actual economic return is likely to be larger than that shown in this analysis.

B. Cost-Benefit Analysis

Methodology

5.03 The financial and economic analysis of the project are based on consultant studies including a review of project investments, the Port Master Plan, a feasibility study of proposed ferry terminal improvements, and information provided by PDA. The results are summarized below, while operational assumptions and consultants' reports are retained in the Project file.

5.04 Project benefits include increases in: (i) after-tax financial cash flows generated by PDA and by the future private operating companies, based on the financial analysis presented in Chapter 4; (ii) taxes paid by PDA and by the future private operating companies; and (iii) HMO revenues. (iv) Customs revenues. All but the first of these items accrue directly to GOA. Additional economic benefits include: (i) savings from reduced ship waiting time, of which it was assumed that 60% would accrue to Albania based on experience in other countries, through reduction in freight rates and/or an appropriate increase in vessel charges once project investments are operative; and (ii) savings from reduction of pilferage. Benefits such as possibly increased transit traffic were not quantified, nor were economic externalities arising out of private operations generated by the project.

5.05 The analysis was based on market prices, except that labor was valued at 60% of the market rate. Around 25% of the work force is currently unemployed in Durres, and presumably a higher proportion (say 40%) among less skilled workers typical of those expected to become redundant under the project. It was assumed that 60% of redundant workers would find alternative employment, i.e. the same proportion as the rest of the Durres work force, including work rehabilitating the port under the project. Labor was shadow priced during the first ten years of project implementation (1998-2007) on the presumption that the economy would improve and unemployment decline by that time. It should be noted that the opportunity cost of Government funds, plus the overhead costs of collecting taxes, are both high at present. Increases in Government revenues under the project, however, were not shadow priced in order to be conservative.

5.06 The net economic benefits stemming from Environmental and Safety Improvements (breakwater rehabilitation, oil spill prevention component) were not quantified in order to be conservative, although their costs were included in the analysis. The main reason for these improvements is to comply with international regulations and ship owners' expectations, and to prevent possible port closure due to an accident.

Traffic Forecast

5.07 Traffic was projected up to the year 2011 for each imported or exported commodity, based on interviews with major industries and ministries involved, as well as

macro-economic forecasts, as shown in **Annex 5.1**. A lower traffic forecast was also prepared in order to perform a risk analysis.

Alternative Scenarios

5.08 The reference situation is the case where the project is not implemented, i.e. no investments are made and no institutional improvements are achieved. In this case, infrastructure would continue to deteriorate based on the engineering studies carried out for the project, resulting in a considerable loss of cargo handling capacity. In addition, productivity would not improve in the absence of institutional reform. Based on the traffic forecast, ship time in port would also increase significantly.

5.09 Two investment alternatives were considered. The first (lower cost) option consists of rehabilitating two quays (7 & 8) so that they could accommodate heavy duty traffic (bulk and containers), and carrying out preventative maintenance on other quays (see Map). The second (higher cost) option consists of repairing all quays and the breakwater. Under the first option, it is expected that quays 5 & 6 would become unsafe to operate and would need to be shut down within five or six years. However, bulk traffic is expected to partially recover during this period, so that both quays 7 & 8 would be needed to accommodate bulk traffic and containers would need to be stored elsewhere. However, quays 5 & 6 are located right in the middle of the port operating area, so that they would then have to be rehabilitated at that time to avoid impeding port operations, especially container handling. The breakwater would also need to be rehabilitated at that time so as not to jeopardize operations. Because the cost of carrying out those works at a later stage would be much higher (due to site installation costs and disturbance to operations), only the second option was considered further.

5.10 Estimates were made for three scenarios as explained further below: (a) the project as proposed; (b) the project without institutional improvements; and (c) the project assuming a low traffic forecast. The economic evaluation is shown in **Annexes 5.2 - 5.4**, and explanatory notes in **Annex 5.5**, with the following results:

Table 5.1: Results of the Economic Evaluation

	Economic Rate of Return	Economic Net Present Value at 10% discount rate (US$000)
Project as Proposed	18.9 %	17,659
Project without Institutional Reforms	13.0 %	6.783
Project as proposed, low traffic scenario	13.0%	4,187

C. Project Risks

5.11 The most significant project risks are that the Government would fail to implement agreed institutional reforms, or that the traffic would fail to develop as forecast. Institutional improvements are directed at lowering labor costs and at making more efficient use of assets. By increasing the number of shifts and workable days and modifying customs' procedures, productivity improvements are likely to lead to less vessel time at berth, and reduce ship turnaround time in port, thus increasing throughput per berth. Under the project, the GOA will reduce port staff, privatize most operations, reorganize the port as a joint stock company , create a fiscal zone, and transfer of HMO to civilian control. In the event that none of these reforms were carried out, the project is still estimated to be economically justified with an ERR of 13.0 percent (para. 5.10). Moreover, PDA and MPWT have already established an autonomous port, privatized some port operations, passed a Decree transferring the HMO, and initiated actions in other areas. The Government has also successfully carried out other market reforms in the transport sector supported in part by IDA. This risk is, therefore, considered to be acceptable.

5.12 A second project risk is that traffic would fail to develop as forecast. Although traffic has resumed growth and nearly come back to its pre-crisis levels, the Albanian economy is in transition, a number of heavy industries remain closed and their outlook is uncertain, and further social unrest is possible. A risk analysis has been carried out assuming lower future traffic levels. The analysis takes into account uncertainties concerning the traffic of the following commodities: (i) chrome, construction materials, coal and superphosphate, each of them coming from mines or plants that might close down or be unable to increase production; (ii) imported grain, subject to unexpected future fluctuation of domestic agriculture; and (iii) ferry traffic, which partially depends on the date of completion of the new ferry terminal. In addition, other traffics were assumed to grow more slowly. Under these adverse assumptions, the economic return for the project is estimated to be 13.0 percent, which is acceptable (para. 5.09).

5.13 An additional risk is that redundant workers would be reemployed at unproductive jobs in the public sector. However, Albanian Railways, the most likely candidate, has been steadily reducing the size of its work force for the last several years, uneconomic industries which were closed in the early 1990s are not expected to reopen, and the GOA is considering further measures to reduce the size of the civil service.

5.14 There are no particular technical risks associated with the project. However, berth strengthening works, which can always reveal unexpected difficulties, will require adequate daily supervision.

5.15 Taking the above considerations into account, project risks are considered to be acceptable.

VI. AGREEMENTS AND RECOMMENDATIONS

6.01 During negotiations the following matters were discussed and agreed on with the Borrower:

a) The arrangements for extending the Customs fiscal zone to the entire port area by June 30, 1999 (para. 2.13);

b) the Privatization and Manpower Action Plan, including not increasing total port staff above the end-1997 level of 1,520 (para. 2.19 and Annex 2.3);

c) Financing Plan, including cofinancing arrangements with the OPEC Fund (para. 3.07);

d) The continuing composition and responsibilities of the PMU (para. 3.10);

e) Project Implementation Plan, and monitoring and reporting arrangements (para. 3.12 and 3.27);

f) accounting and auditing arrangements and requirements (paras. 3.28-3.30); and

g) PDA should achieve an average return for each fiscal year beginning January 1, 1999 of no less than 5 percent on a three year average of net fixed assets. During the period prior to privatizing operations (1998), PDA should achieve working ratio of less than 72 percent and an aggregate operating ratio of less than 78 percent, unless agreed otherwise with IDA (para. 4.12).

6.02 During negotiations, understandings were reached with the Borrower on the arrangements and TOR for:

(i) the Tirana Urban Transport Improvements Study (Annex 1.5);
(ii) the Project Coordinator (Annex 3.1);
(iii) Supervision of Civil Works and Equipment Rehabilitation (Annex 3.2);
(iv) Advisors (Annex 3.2);
(v) Secondary Ports Development (Annex 3.4);
(vi) Technical Assistance for Privatization (Annex 3.8); and
(vii) Environmental Assessment of Durres Port (Annex 3.5).

6.03 Approval of the Statute establishing a Joint Stock Company at the Port of Durres, appointment of the members of its Supervisory Council, and approval of the Port Regulations (para. 2.03), and appointment of the Project Coordinator (para. 3.10) are **conditions of Credit Effectiveness.**

6.04 With the above agreements reached, the project is suitable for a SDR 12.6 million (US$17.0 million equivalent) credit under the standard IDA terms, with 40 years maturity including a 15 years grace period, to the Government of Albania.

Freight and Passenger Transport by the Public Sector, 1993-1996

Designation	Unit (000)	1993	1994	1995	1996
TRANSPORT OF GOODS					
Total	**tons**	**8,420**	**4,540**	**3,978**	**2,654**
	t-km	**146,926**	**115,216**	**133,300**	**71,700**
of which:					
1) Railways	tons	539	522	574	521
	t-km	53,989	52,662	52,793	41,600
2) Roads	tons	7,881	4,018	3,404	2,133
	t-km	92,937	62,554	80,468	30,100
VOLUME OF LOADING AND UNLOADING					
Total	**tons**	**1,095**	**972**	**1,638**	**1,891**
1) Ports					
Sub-total	***tons***	***828***	***793***	***1,311***	***1,609***
Durres	tons	774	662	988	1,174
Vlore	tons	15	78	235	314
Sarande	tons	11	20	30	26
Shengjin	tons	28	33	58	96
2) Railways	tons	267	179	327	171

Evolution of the Road Vehicle Fleet, 1990-1996

	Cars	Buses, mini-buses	Tractors, Pickups (0.8 t)	Light Trucks (2.0 t)	Medium Trucks (5.0 t)	Heavy Trucks (12 t)	Trailers	Grand Total
1990 (public)	2,362	1,798	984	5,573	5,543	831	540	17,631
1992 (Nov.)	18,942	3,819	10,440	7,663	5,620	924	711	48,119
1994 (April):								
-public	*7,586*	*2,500*	*860*	*1,452*	*1,518*	*96*	*786*	*14,798*
-private	*53,935*	*4,298*	*11,132*	*5,226*	*4,628*	*1,150*	*274*	*81,243*
Total	61,521	6,798	11,992	6,678	6,146	1,246	1,060	95,441
1995 (Dec.):								
-public	*5,865*	*977*	*893*	*821*	*1,086*	*66*	*1,340*	*11,048*
-private	*62,828*	*5,955*	*11,211*	*6,888*	*7,559*	*1,584*	*2,571*	*98,596*
Total	68,693	6,932	12,104	7,709	8,645	1,650	3,911	109,644
1996 (Dec.):								
-public	*3,689*	*685*	*categories*	*changed,*	*2,169*		*432*	*7,293*
-private	*63,589*	*6,926*	*total :*		*28,443*		*3,065*	*107,247*
Total	**64,771***	**7,118**			**29,798**		**7,293**	**114,540**

Source: INSTAT (Instituti i Statistike), Tirana;
Date : November, 1997.

ALBANIA
DURRES PORT PROJECT

Air Transport Activity at Rinas Airport, 1993-97

Passenger traffic

	1993	1994	1995	*1996*	1997 Jan.-Mar.
Number of flights					
Domestic/foreign joint ventures	647	287	441	*929*	189
Foreign companies	2,014	2,147	2,376	*2,861*	586
Total	**2,661**	**2,434**	**2,817**	***3,790***	**775**
Number of passengers					
Departures	66,010	80,809	109,155	*148,650*	28,623
Arrivals	64,113	77,383	104,188	*134,360*	22,873
Total	**130,123**	**158,192**	**213,343**	***283,013***	**51,496**

Freight traffic

In 1996, the imports through airfreight totaled 738 tons, and the exports 135 tons.
Airmail totaled 110 tons in and 33 tons out.

Source : INSTAT (Instituti i Statistikes), Tirana
Date : November 1997

ALBANIA
DURRES PORT PROJECT

Cross-Border Road Traffic, 1996

		Cars		Buses and vans		Empty trucks		Loaded trucks		TOTAL	
NATIONAL TRANSIT											
Foreign vehicles	entering	41,988	*+20%*	5,728	*-24%*	1,227	*-46%*	21,192	*-57%*	70,135	*-26%*
	leaving	35,435	*+23%*	3,200	*-12%*	14,033	*-22%*	5,503	*-88%*	58,171	*-40%*
Local vehicles											
	leaving	186,829	*+283%*	15,951	*+15%*	4,325	*-10%*	39,867	*+218%*	236,972	*+232%*
	entering	191,175	*+255%*	6,167	*+280%*	21,779	*-22%*	9,411	*-31%*	228,532	*+136%*
Total											
	entering	**228,817**	***+173%***	**11,679**	***-8%***	**5,552**	***-22%***	**61,059**	***-2%***	**307,107**	***+85%***
	leaving	**226,610**	***+174%***	**9,367**	***+78%***	**35,812**	***-22%***	**14,914**	***-75%***	**286,703**	***+48%***
INTERNATIONAL TRANSIT											
	entering	3144	*-3%*	423	*-50%*	33	*-80%*	684	*-94%*(1)	4284	*-74%*
	leaving	1528	*+44%*	215	*-43%*	109	*-96%*	1029	*-61%*(1)	2881	*-81%*
GRAND TOTAL											
	entering	231961	*+167%*	12102	*-11%*	5585	*-23%*	61743	*-17%*	311391	*+71%*
	leaving	228138	*+172%*	9582	*+70%*	35921	*-26%*	15943	*-78%*	289584	*+38%*
Entering + leaving		**460099**	***+170%***	**21684**	***+13%***	**41506**	***-26%***	**77686**	***-47%***	**600975**	***+53%***

Note: The percentages in italics are the evolution as compared to 1995 figures. The figures are projected from data over 9 months.
(1) Decline likely due to re-opening of border between Greece and FYR of Macedonia.

Source : INSTAT (Instituti i Statistikes), Tirana.

ALBANIA

DURRES PORT PROJECT

Tirana Urban Transport Improvements Study

Terms of Reference

A. INTRODUCTION

1. The Municipality of Tirana and the Ministry of Public Works and transport (MPWT) are mounting a series of actions aimed at improving urban transport in the capital, a city of about half a million inhabitants. These terms of reference are for a new urban transport study (hereafter called the Study) for which the client will commission outside consultants.

2. Albania has moved from a virtually car-less country of a few years ago (2,400 autos in 1990, all government owned) to a state where a significant portion of the 65,000 autos (115,000 motor vehicles) clog streets of Tirana, which are ill equipped to handle either moving or stopped traffic. Traffic and parking unfold largely in a spontaneous way, since control devices and processes are scarce, as is enforcement. The municipal public transport company is weak in terms of vehicles, facilities, staff and management skills, and may give way to a set-up based on private operators. The Municipality's annual capital and recurrent expenditures (all purposes) have been only about $14 million per year, 90% of the budget being a transfer from the central government. There is no institutional capacity for traffic management and/or urban transport planning in the municipal structure, the Government's Institute of Transport Studies (ITS) being the only source of local expertise in this general sector.

3. The information base for urban transport planning is mostly out-of-date. The latest urban development plan dates from 1990, done following the then orthodox spatial planning, without any economic or financial dimensions. In 1995, Regional Consulting (Austria) carried out a study regarding land use in Tirana, and related these to road network, motorization and traffic; this study offered ideas about future spatial development of the city and its transport network, and the institutional and legal framework needed for effective urban planning, but did not go to the level of discussing specific projects or other practical actions. Adding to several narrow-focus studies carried out by ITS in the 1987-1992 period, Tirana's public transport has recently (in 1994) been studied by international consultants (TRANSURB, Belgium), who produced a development plan for public transport, inclusive of an action program to be implemented by the Bus Transport Enterprise and Tirana Municipality. A follow up of this study in the form of technical assistance is underway (by CGEA, France); it consists of training Tirana Municipality staff in public transport management and regulation. On the traffic side, the most relevant recent development has been the new Albanian Road Code, together with its implementation regulations, which has laid out a comprehensive legislative basis needed for traffic management.

B. OBJECTIVES OF THE PROPOSED STUDY

4. The objectives of the proposed Study is to develop a proposal for short-to-medium term actions in traffic and transport, as well as a data bank whose usefulness would extend beyond this particular exercise. The Study is meant to take a more multi-modal view than the preceding ones, stress basic data collection, adopt a strategic orientation, and include technical assistance to build a nucleus group in the local government to implement the most urgent actions. Moreover, it is expected to prepare a multi-component transport investment project to a level sufficient for appraisal by potential donors and/or lenders.

5. More specifically, the Study would:

(i) create a basic data base regarding the transport system, both the supply and demand aspects, to be used as inputs for planning as well as for traffic/parking operations management;

(ii) carry out a wide-ranging diagnosis of the current urban transport situation and prospects;

(iii) propose a short-to-medium term urban transport strategy for Tirana in terms of traffic and parking operations, public transport operations and road infrastructure; public transport elements of the strategy may be taken over from the studies cited above;

(iv) propose a resource-constrained 5-year (1999-2003) program of investments, as well as legal, institutional, organizational and regulative actions, consistent with the strategy, to be carried out by the Municipality of Tirana, and/or other relevant government bodies;

(v) develop the investment parts of the program (in terms of designs, cost estimates, justification, schedules and implementation arrangements) to a level sufficient for appraisal by international finance institutions; investments scheduled to be start in the first year of the period should be developed to a ready-to-tender level (as specified below);

(vi) define in practical terms the next steps leading to the implementation of the key recommended legislative, organizational, regulative or financial actions, by the city and/or the national government; and

(vii) propose studies and direct technical assistance needed for Tirana Municipality to bring the proposed investments from the appraisal stage to tendering and beyond, implement non-investment propositions and otherwise build local capacity to carry out similar activities in the future.

6. The Study is **not** meant to be a long-range planning exercise, and is not meant to produce a master plan for roads and public transport systems. The pressures of the moment and the low

absorptive capacity of local institutions place a constraint on the depth and extent of the work possible and necessary at this time.

SCOPE OF WORK

7. In line with the above expectations, the Study will have three parts. The first part will consist of data collection, diagnostic analyses, and a proposed strategy; the second will focus on the action program; and the third will focus on implementation capacity of the Municipality of Tirana. The following three sections of these terms of reference are organized accordingly.

Part I: Current Problems, Trends, and Issues

8. The focus of this part of the Study is to create a bank of essential data, sufficient for diagnostic work, and subsequent strategy and action plan making. The Consultants are **not** expected to carry out comprehensive (city wide) household surveys, modeling and forecasting, but only selective traffic and network surveys. Prior to the commencement of the Study, the Municipality of Tirana will assemble a list of data available to them, including reports from the above cited transport studies. This part of the Study will consist of the following tasks:

9. **Task I-1: Data Collection**. Data sought will comprise:

- city and motorization data from published sources or municipal/national government archives: area, land use patterns and growth characteristics, population, densities, economic base, employment, household economic data, income distribution, etc.; ownership data and trends for 2- and 4-wheeled motorized and non-motorized vehicles; breakdown between individual vs. institutional ownership;

- a detailed inventory of primary and secondary roads, including functional category, geometric characteristics, signs, markings and signals, lighting, pavement type, and pavement/drainage condition (visual survey only); the inventory is to be entered into a computerized data base compatible with the latest version of the World Bank's Highway Design Model (HDM);

- a selective inventory and condition survey of the tertiary network;

- inventory of terminals and other major transport facilities;

- traffic surveys (exclusive of intersection traffic surveys that may be necessary for subsequent design tasks): (1) hourly classified traffic counts to be carried out by the Consultants on major radial and ring roads, according to a plan of screen lines and cordons to be developed by the Consultants after they carry out the road inventory; for orientation, it is envisaged that 20 counting stations will be needed; (2) daily (week-long) counts to be done at 5 locations where hourly counts were made; (3) travel speed surveys for major itineraries; (4) road-side, terminal and in-vehicle traveler surveys (the last two for public transport passengers). Traveler surveys are expected to yield the first-cut estimates of: peak traffic volumes and daily variations; origin-

destination patterns, trip purposes, lengths and frequencies and trip-maker characteristics; modal split between walking, bicycling, public transport (regular and para-transit), private and non-private cars on major roads;

- traffic and parking management policies in place or proposed;

- public transport system (supply): organization, fleet, services, fares, staffing and costs, passengers and revenues (from past studies);

- public transport policies of the Municipality, or those proposed by the recent studies;

- charges for road use and/or vehicle ownership (gas or other tax, registration, parking charges, etc);

- vehicle operating costs (adjusted costs from HDM may be used), travel time and other traveler costs;

- levels of current (and perspective) municipal/national spending for traffic, roads and public transport in Tirana, by source, amount and subject, against total current and capital spending by Tirana Municipality;

- a survey of investments and /or other actions underway or imminent;

- organization, jurisdictions, staffing and financing of local government, role in urban transport relative to that of the national government.

10. **Task I-2: Diagnostic Report.** A concise diagnostic report on urban transport in Tirana will be made on the basis of the data collected in Task I-1, and subsequent analyses. The consultants are specifically asked to establish linkages between symptoms ("problems") observed on the street, or reported by various segments of the community and institutions, and weak spots or development bottlenecks in regulative, investment, financial and institutional spheres. Major issues are to be identified. It is emphasized that this is a crucial task of the Study.

11. **Task I-3: Urban Transport Strategy for Tirana**. A preferred strategy for the short-to-medium term will be prepared and cross-referenced to some set of objectives ("vision") for economic and social development of the city. The strategy will consist of priority instruments drawn from some or all of the following action areas: capital investments (including rehabilitation), current spending (e.g. for maintenance), other technical instruments (e.g. pricing, traffic restraints, other traffic management, enforcement), institutions, organization, jurisdiction, regulation, resource generation, balance between current/capital spending, and other. Close cooperation with the Municipality and the Ministry of Public Works and Transport will be required in this task. All financial aspects of the strategy will present the narrow sectoral views against the wider perspective of municipal finance.

Part II: Five-year Action Program

12. The Action Program will be an operational expression of the proposed strategy. It will consist both of the direct measures (e.g. investments) to improve the efficiency and quality of urban transport, and measures to improve the delivery system (local institutions) so that they can take an increasing role in implementation, monitoring and planning further actions. As concerns the investments, the focus will be on proposing low-cost road and traffic improvement schemes, policies and operational measures aimed at alleviation of immediate and short term problems, while also making the most effective use of the existing road network and facilities. A special attention is to be paid to measures to protect and enhance the performance of walking, bicycling and public transport modes. Schemes and policies must be capable of rapid implementation in the context of low capacity of local institutions.

13. For the works schemes recommended in the Action Program which would involve civil works, the Consultants will produce designs, schedules, cost estimates, and cost-benefit analysis, all at the level permitting appraisal by potential international donors and/or lenders. For equipment purchase and installation (such as traffic signal systems), the consultant will prepare functional specifications, cost estimates and justification in cost-benefit terms. For technical assistance, training etc., the consultant will prepare the terms of reference, cost estimates, and justification in non-quantitative terms. The proposed tendering methods for each category of recommendations will be stated. The output should be in the form of stand-alone technical papers (please consult the section on reports below).

14. For those elements of the Action Program which are recommended for implementation in the first year of the 5-year period, subject to Tirana Municipality's and MPWT agreement, the preparation will include designs and bid documents which would permit tendering without any further technical work. Tender packages will be prepared using standard procurement documents used by the World Bank.

15. For all other elements of the Action Program, next steps and their schedule will be specified to bring them from where this part of the Study left off to the actual implementation in the field. As necessary, the terms of reference will be written for preliminary and/or detailed engineering, as per the next steps specified. If a full-scale feasibility study is deemed necessary for any one element of the proposal, the terms of reference for such a study should be included.

16. Given the size of the budget envisaged for this Study, a series of measures have been pre-selected for priority consideration and preparation. These are presented below as a sequence of tasks. After the Consultants complete the data collection and diagnostic part of the Study, they will advise the client as to the utility of adding, redefining or dropping tasks.

17. **Task II-1: Traffic Signals Program**. An action program is to be developed to upgrade traffic control in Tirana, through installation of new control equipment, some degree of interconnection, and enforcement. The specific tasks will include:

- traffic data collection and analysis at major intersections;

- development of alternative policies of installing, programming, extending, interconnecting, and/or otherwise upgrading signal installations;

- comparison of alternatives, and justification for the recommended one;

- consultation with and within the Municipality, leading to selection of the most attractive option;

- for the selected option, preparation of a functional plan which will define, inter alia:

* the extent, location and type of signal control proposed (if any);
* the extent, location and type of linking (if any);
* the type of data transmission proposed;
* other facilities necessary for the system to function (e.g. detectors, etc.)
* the proposed maintenance plan and arrangements;
* designs for improved layout at intersections;
* costs estimate including all civil works, on-street and central equipment etc.;
* justification in cost-benefit terms;
* recommended bidding procedure (1-stage or 2-stage bid);
* an implementation schedule; and
* technical and commercial bidding documents

18. **Task II-2: Central Area Traffic Scheme**. It is proposed to implement a comprehensive scheme for pedestrians, bicyclists, motor vehicles, public transport, and parking for the central area of Tirana. The objectives of the scheme are to: (i) improve conditions for the movement of people within the area, giving preference to non-motorized and public transport modes; and (ii) improve accessibility to the central area and interfaces between access routes and the central area network. The fundamental elements of the scheme will be:

- allocation of streets and sub-zones to different uses, i.e. pedestrian-only area, traffic routes, bike-only routes, public transport preferential routes, loading/unloading, ...

- a circulation plan based on the above allocation;

- improved road connections between the central area and outlying areas, with the aim of improving access to the central area but protect its internal activities;

- intersection improvements in the area;

- improvements to terminals, if any;

- revised traffic signals in conjunction with the Traffic Signal Program (Task II-1 above) and the intersection plans, and

- protection of environmentally sensitive sub-areas.

19. **Task II-3: Traffic Management Schemes for Conflict Points**. Several major intersections and/or road sections outside the central area, which are known to experience operational or safety problems, will need to be improved in terms of layout, channelization, signs and markings, bus bays, etc.. In the first week of the Study, the client will prepare and pass on to the Consultants a provisional list of these.

20. **Task II-5: Parking Management**. The consultants will analyze the current parking situation and practices in the central area, and propose a rudimentary parking management program. This may involve the allocation of on-street parking among short- and long-term parkers, the location of signs and/or meters, parking charges, and a proposed administrative/enforcement arrangement.

21. **Task II-6: Horizontal and Vertical Signing Program**. Horizontal and vertical road signing in Tirana is generally not of a good standard. The component will:

- prepare a rudimentary traffic signing program for the central area, and arterial roads outside the center, involving about ____ km of streets and roads;

- ensure consistency with other programs; and

- assess the equipment and budgetary needs for the program.

22. **Task II-6: Road Rehabilitation Program**. On the basis of the road condition survey, the Consultants will develop a prioritized 5-year rehabilitation for Tirana roads. This will involve the following sub-tasks:

(1) definition of rehabilitation standards and unit costs with respects to cross sections (including widening), surface and pavement treatment; basic traffic engineering; and drainage;

(2) rehabilitation program definition and cost estimation; cost estimates will be made by section, with accuracy of plus or minus 15%, presented to distinguish the costs of works, equipment, detailed design/supervision, physical contingencies, land acquisition, price contingencies, and taxes.

(3) prioritization according to the traffic function, present condition, cost, and economics; economic evaluation should be based on savings in vehicle operating costs and travel times, with results expressed in both net present values and internal rates of return; given uncertainties about traffic growth and composition, the use of first-year method is encouraged, to be supplemented by sensitivity analyses; also, the use of HDM model for prioritization (and economic evaluation) is encouraged;

(4) preparation of designs and bid documents for the first year program, including physical surveys, location of utilities, pavement designs and specifications (including surface treatment), traffic engineering designs, technical and commercial volumes of bidding documents, implementation schedule, and final cost estimates (10% accuracy sought).

23. **Task II-7: Legal and Policy Reforms**. In addition to physical schemes and investments, the Consultants will propose critical actions involving legal (jurisdictional) and policy actions, whether these be by the Municipality of Tirana, or by branches of the national government.

24. **Task II-8: Financial Analysis**. This task is listed last, which does not imply that it should be the last to get done. The Consultants will carry out a first-cut analysis of Tirana Municipality finances, for both sources and applications, establishing a realistic resource constraint within which the proposed action program must fit. Propositions to improve resource generation are invited, especially as concerns funding and cost recovery for urban roads.

Part III: Building Implementation Capacity

25. The Study will take place at a very difficult time in that the Municipality of Tirana does not have any traffic engineers in its employ. It is therefore necessary for the Consultants to go beyond spelling out exact steps to be taken in moving from propositions in the Action Program (Part II above) to their implementation, and set out who is going to manage this process in the short term, and what to do in parallel to build up the local capacity to carry out these tasks in the future. This will include the following tasks:

26. **Task III-1: Institutional Analysis.** Evaluation of the municipal organization for technical activities including the structure, distribution of roles and responsibilities, personnel in terms of numbers and skills, work practices, facilities and equipment, financial resources, and the coordination with national and other agencies/parties.

27. **Task III-2: A staffing Plan for a Road and Traffic Management Unit (or Division).** This would include a recommended staffing set-up to be financed through technical assistance, aiming for the capacity to manage the implementation of the Action Program. It is expected that a combination of expatriate and local staff will be necessary. A cost estimate for the plan will be developed.

28. **Task III-3: Training Plan for the Local Staff**. This is expected to combine on-the-job-training with external training and/or hiring, with a schedule for gradual introduction of local staff into the Unit's management and other positions. A cost estimate for training will be provided.

29. **Task III-4: Traffic Police**. The above three steps will also be carried out for the Traffic Police to the degree not covered by the ongoing safety improvement program.

STUDY ADMINISTRATION

30. **The Budget**. It is expected that the Consultants' team will be a combination of expatriate specialists and the local staff. The nominal budget for the Study is about 35 person-months for expatriates and 25 person-months for local staff, all of which would be spent in Tirana over 8-12 calendar months, counted 30 days from the mobilization order.

31. **Appointment and Preparation Schedule**. The schedule for the appointment of consultants and for the completion of the work is expected to be as follows:

RFP issued by to selected consultants by	_____
Consultants proposals received by	_____
Negotiate and prepare draft consultants contract	_____
Review of evaluation and draft contract by	_____
Consultants contract signed	_____
Consultants commence work	_____
Consultants complete draft final report	_____

32. **Location of Work**. The Study will be carried out in Tirana, in offices arranged for by the Ministry of Public Works and Transport.

33. **Provision of Support**. The Consultant will be responsible for the provision of all logistics for the conduct of the Study including data processing equipment, vehicles (including running costs), secretarial staff, translation /translators, office supplies, photocopier/photocopies, printing of reports etc. Counterpart personnel of the Municipality of Tirana, Transport institute and the Ministry of Public Works and Transport will be provided at no charge to the preparation study. The authorities will provide technician staff for traffic counts and other site checks at no charge to the consultants.

34. **Consultants' Study Team**. In their proposal, the composition of the study team will be defined by the Consultants on the basis of their appreciation of the requirements of the preparation study. The core team, expected to have continuous presence in Tirana throughout the Study is likely to include:

- a transport engineer/planner (team leader);
- a traffic engineer;
- road engineer.

35. Shorter-term visits may be called for by experts such as a geometric designer, traffic signal specialist, transport economist and other.

36. **Outputs and Reporting**. In line with standard practice, the following reports will be required, in Albanian and English:

- a brief Inception Report, one month after the start in the field;

- Diagnostic and Strategy Report, four months after the starting date;

- a self-contained Final Report, focusing on the proposed Action Program and the Implementation Plan, but also briefly summarizing the diagnostic and strategy aspects;

- Technical Reports, one for each element of the Action Program, such as cited in the Scope of Work above;

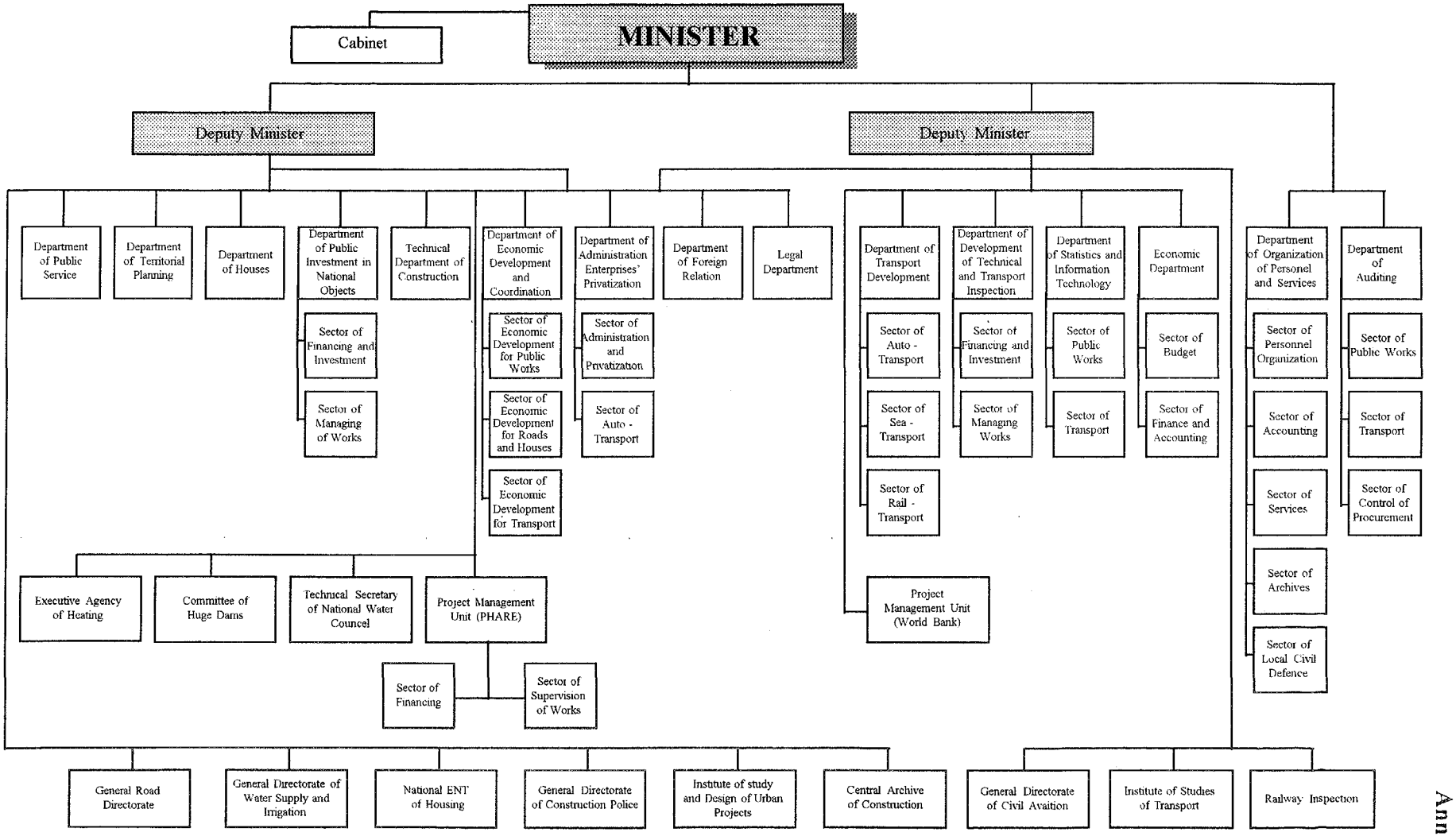
- Tender packages for the first-year program;

- brief Monthly Reports on progress, problems and next activities.

ALBANIA

Durres Port Project

Organization Chart of the Ministry of Public Works and Transport



Annex 2.1

ALBANIA
DURRES PORT PROJECT

Traffic through the Port of Durres, 1993-1997

	current handling mode	1993	1994	1995	1996	1997 (9 mos.)
Exports through the port						
Chrome ore	bulk	79,979	89,243	46,120	73,288	35,987
Chrome concentrate	bulk	12,792	30,176	39,810	19,081	18,336
Ferro-Chrome	bulk	31,501	40,092	28,445	44,232	21,855
Cast iron	bulk	10,000	--	6,533	--	--
Coal	bulk	--	--	17,882	24,110	521
Superphosphate	bulk	--	--	4,178	25,901	11,289
Sulfur	bulk	--	--	8,938	1,585	700
Various cargo as general cargo	general cargo	5,544	1,464	4,535	4,180	4,902
Various cargo in containers	containers	2,609	2,746	1,249	1,505	1,049
Wine in transit from Macedonia	tankers unloaded into trucks	5,641	10,017	14,217	--	--
Transit cargo	break bulk/general cargo	--	--	591	--	--
Subtotal		148,066	173,738	172,498	193,882	94,640
Exports through ferry terminal						
Subtotal	truck/trailer, container	--	--	110,603	59,185	38,903
Total exports		148,066	173,738	283,101	253,067	133,543
Imports through the port						
Wheat, barley, maize	bulk	306,000	66,000	23,296	218,924	68,660
Rice	bags on pallets/pre-slung	31,193	1,504	5,607	18,017	7,824
Flour	bags on pallets/pre-slung	121,529	84,547	34,356	114,216	87,161
Sugar	bags on pallets	33,789	28,463	43,867	79,286	24,996
Cement	bags on pallets	19,175	93,760	96,160	140,752	298,827
Urea, nitrate, phosphate, sulfur	bulk	--	13,832	29,960	80,127	33,535
Coal/cokes	bulk	39,312	21,765	27,462	28,008	16,370
Silicium sand	bulk	--	4,129	--	--	--
Building materials (bricks, tiles, steel)	on pallets	--	--	11,717	30,781	19,905
Liquid (naphta, petrol, oils)	liquid	550	104,215	154,907	48,816	11,322
Foodstuffs	bags/boxes on pallets/pre-slung	33,944	22,017	16,497	16,890	9,046
Miscellaneous					26,745	17,295
Transit cargo		304	5,315	2,504	--	
Subtotal		585,796	445,547	446,333	802,562	594,941
Imports through the ferry terminal						
Subtotal	truck, container	--	--	222,394	119,006	78,225
Total imports		585,796	445,547	668,727	921,568	673,166
Grand total import/export through port		733,862	619,285	618,831	996,444	689,581
Grand total import/export ferry terminal		--	--	332,997	178,191	117,128
Grand total		733,862	619,285	951,828	1,174,635	806,709

ALBANIA
DURRES PORT PROJECT

PDA Privatization and Manpower Action Plan

			PDA staff by Department					
	Date	*Action*	*Management*	*Operations*	*Economic*	*Technical*	*Services*	*Total*
	01 Jan 9	**Initial PDA Staff**	140	792	32	519	37	1520
1/	01 Mar 98	Cleaning & Seamen's club Privatized	4		8	13	20	45
2/	01 Mar 98	2 General Cargo Profit Centers Created	46	704				750
3/	(01 Apr 98	Truckers Fleet Privatized		30				30)
4/	01 Jan 99	Technical Profit Center Created	46			383		429
5/	01 Jan 99	2 General Cargo Profit Centers Privatized						750 (433*)
6/	30 Sep 99	Technical Profit Center Privatized						431(152*)
		Remaining PDA Staff (landlord port with equipment)	**44**	**88**	**24**	**123**	**17**	**296**

NOTE: *staff expected to leave and receive compensation packages. All redundant staff will receive one year compensation in accordance with Decision No. 96 of the Council of Ministers dated February 24, 1997.

ALBANIA
DURRES PORT PROJECT

Project Coordinator
Terms of Reference

A. INTRODUCTION AND BACKGROUND

1. The Durres Port Project will operate through a five-year implementation period (1998-2002) and will provide for rehabilitation of the port infrastrucuture facilities and equipment in Durres, and for transfer of port commercial operations to private operators through a concessioning process. In addition, it will assist in the development of the technical and managerial capacity of the Port of Durres Authority (PDA) as a landlord port authority.

2. Port works will be undertaken under FIDIC organization with the PDA as the "Employer," international consultants in collaboration with local engineers/consultants acting as the "Engineer," providing adaptive designs, if required, and construction supervision, and private contractors responsible for detailed implementation.

3. The project will be implemented by the Ministry of Public Works (MPWT) and PDA with the assistance of a Project Management Unit (PMU) located in MPWT. The PMU will be assisted by a Project Coordinator, who will be an experienced international consultant. He/she will commence the assignment with a six-month inception phase immediately following approval of the project scheduled for about June 1998. During the inception phase, the Project Coordinator will the PMU to prepare and coordinate the physical implementation of the project, which is scheduled to start in January 1999, focusing on the execution of port rehabilitation works, including the prequalification and bidding processes for the selection of contractors.

4. On the basis of the above, the Project Coordinator will be an international consultant with wide knowledge and experience in project management and procurement. He should be experienced in project coordination, have carried out a similar assignment elsewhere in the region, and employed by the firm for at least three years. The duration of services would be 30 months.

B. OBJECTIVES

5. The Project Coordinator will provide a single channel of command for the project to ensure that an up-to-date focus of knowledge and managerial experience is available for appropriate planning, financial monitoring and progress reporting to the Government of Albania (GOA) departments, to the World Bank (IDA), and to other project donors. The Project Coordinator will expand PDA's capacity to manage the project, whilst remaining within PDA's established structure. An important responsibility of the Project Coordinator is

to ensure that the funds provided are utilized so as to maintain the proper balance between project beneficiaries and maximize overall benefits.

C. SCOPE OF WORK

6. The Project Coordinator will be responsible to the Chief of the PMU who in turn will report to the Minister of MPWT. The PMU will be supported by professional/supporting staff and the specialists of other departments within PDA. The Project Coordinator will work closely with, and receive support from, the international consultants in charge of the supervision of port works. He will be required to work for a period of 30 months (para 4 above), and during the six first months of this period he will act with reduced support. His main responsibilities during this period will be organization of the project, and selection of the required project support. The main tasks of the Project Coordination are described below.

7. **Project Coordination.** The Project Coordinator, through the PMU, will be responsible for liaison between MPWT, PDA, with other Government ministries as required, with IDA, and project cofinanciers, and with the international consultants. He will ensure that an official, practical and efficient liaison is maintained with other responsible entities for Government programs, in particular the management of other potential port development programs along the coastline.

8. **Planning and Budgeting of Works.** The Project Coordinator will be responsible, through the PMU, for annual and quarterly reports, as required by the IDA. He will provide detailed plans for implementation and ensure that the PDA, the consultants and any other project-related bodies are fully involved and provide all required basic information. He will coordinate preparation of the project budget, and ensure that any administrative procedure for both budget, preparation and expenditures are in compliance with prevailing Government and IDA regulations.

9. **Resource Allocation and Release of Funds.** The project budget will be contained in the investment budget for ports of MPWT but will be clearly separable since the IDA credit and cofinancier's participations (OPEC Fund) will flow through a special account operated at a commercial bank in Tirana. The Project Coordinator will be expected to:

(i) provide documented submission of withdrawal applications to IDA and other cofinancier to permit this account to be replenished in time to ensure that payments to contractors are not delayed, and that the progress of works and services are adhered to; and

(ii) arrange provision of letters of credit to permit the consultants to undertake the international procurement required by the project, and to make payments to the consultants in accordance with their contract.

10. **Selection of International Consultants Services and Equipment Required for the Project.** An early and urgent task of the Project Coordinator will be to advance the selection,

and negotiation/award of contract to the international engineering (supervision of works) consultants team, as well as arrangements for the privatization consultants and implementation of the training program. Following this award, he will provide assistance to the consultants in all matters connected with relations with Government, and ensure maximum utilization of the consultants in accordance with consultants' Terms of Reference.

11. He will assist the consultants in defining items requiring international procurement, including vehicles and equipment for use by GOA personnel and the consultants during the implementation of the project. He will arrange letters of credit following IDA approval of these items, and create and maintain an assets register for all Government equipment and goods procured under the project.

12. **Issue of Guidelines for and Finalization of Pre-qualification and Bidding Documents.** The Project Coordinator is responsible for the rapid and correct appointment of contractors. He will, with the supervision consultants, finalize the pre-qualification and bidding documents, after issuance of related procedures in accordance with IDA guidelines. He will provide the advice and support required such that PDA is able to rapidly and effectively undertake the above pre-qualification and bidding processes.

D. REPORTING, MONITORING OF PROGRESS, QUALITY AND FINANCIAL PERFORMANCE

13. **Reporting.** The efficient disbursement of project funds to the Government of Albania by the IDA and cofinancier depends upon proper reporting to them of physical progress, development of institutions, quality of works, and financial performance. It is the responsibility of the Project Coordinator to provide such reporting on time, and to meet the content requirements as may be required from time to time by IDA. Reporting, Accounting and Auditing requirements are shown in paras. 3.25-3.30 of the Staff Appraisal Report.

14. **Monitoring.** The Project Coordinator will be responsible for providing financial monitoring of all expenditures under the credit and for requesting such assistance from the consultants and the PDA to ensure this occurs. This includes, among other requirements, quarterly and annual progress and financial reports to the GOA, IDA, and cofinancier, in accordance with their reporting requirements.

15. **Quality Performance.** The Project Coordinator will also provide comprehensive information on rehabilitation and new construction works, including the extent of work progress, labor involvement, work quality and payments due and made to contractors, and the overall situation. He will include progress reports on institutional developments, including consultant and contractor support and performance of consultants. He will provide copies of any amended design proposals, consultants construction manuals and port operational performance indicators. The basic monitoring framework will be as provided in the Annex 3.11, Project Monitoring Indicators, but will be supplemented and, if required, improved in cooperation with the consultants.

16. **Financial Performance.** Another responsibility of the Project Coordinator will be to prepare and provide to GOA, IDA, and cofinancier, quarterly statements on all financial records including (i) withdrawals from IDA credit, OPEC Fund, GOA's participation with copies of disbursement requests and related documentation, (ii) records of transactions of the Project account including copies of bank statements and balances, and (iii) information on any outstanding claims to IDA and to the Project by contractors or arising from procurement.

E. TECHNICAL SERVICES TO PDA

17. The Project Coordinator will provide to PDA any details of technical standards required, results of any technical audits which have not been conducted locally, and, in general, information of any important aspect of the project.

F. ESTIMATED MANPOWER

18. Preliminary estimate of Project Coordinator's manpower amounts to 30 m/m.

ALBANIA
DURRES PORT PROJECT

Supervision of Rehabilitation Works
Terms of Reference

A. SCOPE OF WORKS

1. The Government of Albania (GOA) has requested assistance from the World Bank, International Development Association (IDA), and other donors for a program of rehabilitation and strengthening of infrastructure facilities in the Port of Durres. The Port of Durres Authority (PDA), under the tutelage of the Ministry of Public Works and Transport (MPWT), will be responsible for the supervision of the works to be carried out by prequalified contractors selected through International Competitive Bidding (ICB) procedures.

2. The project includes the following elements:

a) *Port Civil Works*: The works comprise:
- rebuilding the windscreen and repairs to the armor of the main breakwater (which was constructed during World War II), the poor state of which may otherwise endanger all port operations;
- full repairs to quays 1 and 6, which would otherwise become unsafe to operate within 5 or 6 years, thus lowering port throughput by an estimated 20%;
- rebuilding or recasting the coping beam face of quays 2 to 4, 7 and 8, and grouting up voids in quays 2 to 4;
- replacing tie rods in the east quay;
- new fenders;
- surfacing and drainage behind quays 4, 5 and 6, and between quay 2 and the PDA office;
- resurfacing the road from quay 8 to the new port road and surfacing new access roads to the container yard and to the east quay.

b) *Navigation Aids*: the entrance channel to the port of Durres has been badly maintained; half of the buoys are missing and others need to be replaced.

c) *Port Lighting*: a new lighting network is required on the entire port of Durres area.

d) *Warehouses and Workshop*: Following the recommendations of the Port Master Plan Study, up to three port warehouses would be rehabilitated to provide a bonded warehouse for Customs and facilitate leasing or concessioning.

e) *Modernization of Cranes*: Seven cranes will be rehabilitated, while five new 5-ton cranes will be procured.

2. The rehabilitation works will be packaged according to the following contract groupings:

a) civil works: breakwater strengthening, berths rehabilitation and fendering
b) pavement and drainage
c) warehouses and workshop refurbishment
d) cranes rehabilitation
e) new cranes
f) lighting network; and
g) navigation aids.

The total implementation period of the whole program would be forty eight (48) months with individual contractual periods varying between twelve (12) and twenty four (24) months. The maintenance period for each contract would be twelve (12) months.

3. On behalf of MPWT, the PDA proposes to invite technical and financial proposals from shortlisted Consultants to assist in bid evaluation, construction supervision, and maintenance services of the works on the basis of the available designs and bidding documents. The Consultants' team will be assisted by a PDA team designed for supervision of each contract.

4. The supervision team and man-months (m/m) for the supervision of all works and equipment contracts, would be proposed by the Consultants on the basis of the contracts' characteristics and construction periods, and would include, at least, a chief Engineer, a Mechanical Engineer, and an Inspector/Surveyor. The Consultants would indicate the support required from PDA's staff for each contract.

B. DUTIES AND RESPONSIBILITIES OF THE SUPERVISION CONSULTANT

5. The Supervision Consultant will administer the works contracts and ensure that contractual clauses, whether related to quality or quantities of work, are respected. He/she will make the necessary measurements and control the quality of works, and will make all engineering decisions-including improvement of designs, if necessary-required for the good implementation of the contract. However, the Supervision Consultant will seek prior approval of the PDA to:

(a) issue any variation order with financial implications, except in an emergency situation, as reasonably determined by the Supervision Consultant;
(b) issue variations in work quantities;
(c) sanction additional items, sums or costs;
(d) approve the subletting of any part of the works; and
(e) approve any extension of the Time for Completion.

6. The Supervision Consultant will carry out the following tasks:

(a) issue the order to commence the works;
(b) administer the civil works contracts, approve the materials and quality of the works in accordance with the contractual specifications;
(c) approve the Contractor's work program and the source of materials;
(d) approve the Contractor's working drawings including variations thereof, approve the setting-out of the works and, give instructions to the contractor in this regard;
(e) ascertain and determine by measurement the value of the works in accordance with the Contract;
(f) issue interim certificates for monthly payments, and certify completion of parts or the totality of the works;
(g) order tests of materials and of completed works, and order the removal of improper or substandard works
(h) ensure that operational safety is met before commencing the works, and issue any work plan or drawing in that respect;
(i) inspect the works during the maintenance period, and issue the maintenance certificate in consultation with PDA;
(j) provide on-the-job training to all seconded PDA personnel; and
(k) advise PDA on all matters related to the execution of the contracts including processing of the Contractors' claims.

C. DUTIES AND RESPONSIBILITIES OF THE RESIDENT ENGINEER AND ITS STAFF

7. The Resident Engineer and its staff are under overall control of the Supervision Consultant (the Engineer's Representative), and shall carry out such duties and exercise authority as may be delegated to him by the Engineer. The main responsibilities of the Resident Engineer are to:

(a) inspect performance of works in compliance with specifications, order, supervise or perform tests on materials and approve or disapprove the contractor's plant and equipment;
(b) check systematically the progress of the work, examine and attend the measurement of any work that is about to be covered, and order, if required, uncovering of unsatisfactory works and its satisfactory reconstruction;
(c) check Contractor's invoices, claims and other statements with respect to arithmetical errors and compliance with the contract;
(d) supervise the contractor in all matters concerning safety and care of the works, and direct operations in case of an emergency situation

affecting the safety of life, of the works, or of adjoining property;

(e) verify and, if necessary, correct the "as built" drawings supplied by the contractor;

(f) carry out, at least, three maintenance inspection visits during the Defects Liability Period (equivalent to the one-year contractual maintenance period); and

(g) carry out such duties, as may be delegated in writing from the Consultant, under the terms of the contract.

D. ADDITIONAL CLAUSE

8. The Consultant, in the person of the Resident Engineer should advise and help PDA in the prequalification of Contractors and in the evaluation of bids for each of the seven contracts. He will, if and when required by PDA, visit Durres for as many days as required, and advise the procurement/selection team established for the prequalification process and for the evaluation of bids. He would take an active and important role in the preparation of the bids evaluation report. The fees for this service should be specified in the Consultant's offer duly separated from those of supervision of works (for which these T.O.R. are mainly meant) on the base of daily fees. Therefore, the Resident Engineer (or, as an exception, any other member of the team and/or of the Consultants' firm) should have significant experience in procurement under International Competitive Bidding (I.C.B.) according to IDA procedures. He should be experienced in supervision of rehabilitation works, have carried out a similar assignment elsewhere in the region, and employed by the firm for at least three years.

E. REPORTS AND DOCUMENTS

9. The Consultants shall furnish to the PDA the following reports and documents in: English:

(a) Monthly Progress Reports (5 copies) commencing at the end of the month following the date of agreement signed between the Contractor and PDA for construction of works, and ending at the end of the month in which the issue of the provisional completion certificate, i.e., the starting date of the one-year contractual maintenance period, takes place;

(b) Completion Report (10 copies) at the time of the final completion of works (Final Completion Certificate issued at the end of the contractual maintenance period);

(c) As-Built drawings (one original and five copies) of the project as soon as possible after completion of the project; and

(d) Maintenance Inspection Reports (10 copies) after each maintenance inspection.

10. The Consultant should carry out, at least, three maintenance inspection visits during the one-year maintenance contractual period to be established for the maintenance of works after completion.

11. The Contractor shall provide the Consultant furnished office and residential space, and transportation free of charge as per bidding documents. The Contractor shall also provide additional technical services duly justified.

12. The Consultant and its expatriate staff shall be exempt from payment of income tax. The PDA shall assist the Consultant in obtaining any entry/exit visa, or other official formalities required to satisfactorily fulfill their work. However, the cost of the same shall be borne by the Consultant.

13. Any reports, documents, drawings, and in general, any available information related to the design and execution of the works shall be made available by the PDA to the Consultant.

14. All documentation related to works is, and will remain after completion of works, PDA's property. The Consultant can not use or dispose of this documentation without previous written consent.

F. ESTIMATED MANPOWER

15. An initial estimate of required Consultants' manpower (30 m/m Resident Engineer; 6 m/m Mechanical Engineer; and 18 m/m Inspector/Surveyor) amounts to 54 m/m. The Consultants should provide an estimate of the local manpower (in m/m and qualifications) required from PDA.

ALBANIA
DURRES PORT PROJECT

Secondary Ports Development Study
Terms of Reference

A. BACKGROUND

1. The Albanian economy is now being transformed from a central planning system to a market economy. In this context, the Government is revising its port development policy in order to adapt the sector to the new economic pattern. While the new institutional framework is being designed with the general view to enhance the autonomous administrative and financial management of the commercial port sector, there is a complementary need for a comprehensive assessment of the present and future potential of all existing port facilities along the Albanian shoreline.

2. The port sector is under the authority of the Transport Directorate in the Ministry of Public Works and Transport (MPWT). Its authority includes every aspect of port activities: infrastructure management, vessels calls management, handling, storage, and delivery of cargo. The Navy carries out hydrographic surveys in port access channels, and manages the navigation aids along the coastline and the beacons network for ports access. The Harbour Master's Offices, which grant ships entrance and departure authorization, operate for the time being under the Ministry of Defense.

3. There are four ports along the Albanian shoreline: Durres (located 40 km south of Tirana), Vlora (90 km south of Durres), Saranda (160 km south of Durres), and Shengjini (60 km north of Durres). Durres handles 85 percent of the country's international maritime traffic. It has 9/10 berths (2,000 m) with a draught from 7 to 9.85 m. The second port of the country, Vlora, offers three berthing places of 100 m long each and five to nine meters deep. Vlora is also the most important fishing port of Albania. Saranda and Shengjini do not handle any significant amount of traffic.

4. The port of Durres has already been subject of a Port Development Master Plan Study, financed under the World Bank supported First Transport Project. The European Union is now financing under the PHARE program a Master Plan Study for the port of Vlora, which is underway. In order to complete the development strategy of the national port sector, MPWT has asked the World Bank to include within the Durres Port Project now being financed a development study of the two secondary ports of Saranda and Shengjini. This study is the subject of the present terms of reference.

B. OBJECTIVES OF THE STUDY

5. The purpose of the present Secondary Ports Development Study is to provide a development perspective for the ports of Saranda and Shengjini, consistent with the plans

under consideration for Durres and Vlora, as presented in the existing and ongoing studies. The Consultants will therefore have to carefully take into account the conclusions of these works when carrying out the present study.

6. The ports of Saranda and Shengjini are handling mostly passengers and fishing activities, with little commercial traffic. In order to determine an appropriate development scenario for these ports, the following questions will have to be reviewed:

(a) assessment of the technical conditions of present infrastructure and equipment in the ports;
(b) assessment of current operating conditions of the port facilities;
(c) environmental assessment of the port areas and of port operations;
(d) statistical review of recent activities and assessment of potential market demand for various kinds of port services in the short, medium and long term;
(e) assessment of the role to be played by the two ports within the Albanian national transportation system on one hand, and within the regional development planning on the other; and
(f) in the light of the above considerations, proposals of specific development options, including appropriate institutional arrangements, in consistency with the overall integrated coastal zone management policy to be implemented nationwide.

C. SCOPE OF CONSULTING SERVICES

7. The Consultants shall perform all engineering work, the collection and analysis of every technical, operational and economic data, as required to attain the objectives set forth in paras.5 and 6 above. The Consultants shall conduct these studies in consultation with MPWT, through the involvement of the Transport Directorate and the Saranda and Shengjini port offices. The Consultants shall, however, be solely responsible for the analysis and interpretation of all data received and for the findings, conclusions and recommendations contained in their reports.

8. In particular, the Consultants' activities will include, without being limited to, the review and analysis of the following aspects:

8.1 Technical Assessment of Existing Port Facilities

The Consultants will review the present physical conditions of existing port facilities, including all marine structures, berths, wharves, operational areas, warehouses, buildings, equipment, maritime access and navigation aids.

The Consultants will also pay a particular attention to land access to the ports areas, in terms of road access, port gates, separation between port and city traffic, and between passengers and cargo traffic.

8.2 Operational Assessment of Existing Port Facilities

On the seaside, the Consultants will review prevailing nautical conditions, including bathymetric conditions, currents, swells, winds, siltation if any, and define the optimal parameters for safe operations under the existing circumstances, i.e. ship size, draught, speed, mooring and berthing practices, etc.

On the landside, the Consultants will review prevailing working arrangements, operation of cargo handling equipment, use of available operational areas, open storage areas, warehouses, parking space, customs clearance practices, traffic management in the port and through the port gates.

8.3 Environmental Assessment of Port Areas and Port Operations

The Consultants will carry out a survey of the existing environmental conditions in the ports, including, as far as necessary, soils sampling in the port basins. They will identify any potential environmental hazard linked to future port activities, and propose appropriate mitigation measures accordingly.

8.4 Statistical Review and Assessment of Potential Market Demand

The Consultants will review past and present activities in the ports of Saranda and Shengjini, as documented in port statistics kept by MPWT, and, as far as possible, in Customs statistics. However, the rapidly changing economic background means that past statistics may bear limited relevance only when it comes to assessing future potential market demand. The Consultants will investigate this market potential in the following areas:

- *Commercial Activities*: although these are fairly limited today, the Consultants will consider to what extent commercial traffic handling could be part of future port activities, and in particular whether coastal shipping, as an alternative to land transport, might play a significant role in future national transport pattern; environmental and safety considerations, in particular for transport of oil products and fertilizers/chemicals, may also be important considerations for future modal split.

- *Passengers Traffic*: the development of ferry connections with neighboring countries appears to be among the most promising options for growth of secondary ports' activities.

- *Fishing Activities*: this is a traditional area, the future of which has to be assessed in the new economic context.

- *Recreational Activities*: the foreseen development of tourism in Albania, and in particular along the seashore, should offer new opportunities for the ports of Saranda and Shengjini. The Consultants will assess this potential in connection with the other planned developments of the country's infrastructure, in particular transport and hotel services.

8.5 ***Role of the Secondary Ports in National and Regional Development Planning***

Building upon the results of the market assessment described above, the Consultants will propose a scenario integrating the ports of Saranda and Shengjini within the national transport network development planning, while taking into account their specific potential as regional development poles for the Southern and Northern parts of the country.

8.6 ***Proposals of Development Options***

Based on their findings, and after having reached an agreement with the Albanian Authorities on the overall role of the secondary ports at the national and local levels, the Consultants will propose appropriate development options for the short, medium and long term, addressing in particular the following issues:

- *Local Institutional Arrangements*: different options, like management of the port facilities directly by the Municipalities, or concessioned to the local/regional Chamber of Commerce or equivalent, or concessioned to one or several private operators, depending upon the mix and size of operations, will be reviewed.

- *Integration within the Integrated Coastal Zone Management Strategy*: the Consultants will make sure their proposals are consistent with the principles implemented nationwide for coastal areas development and management, in particular as far as environmental protection policy is concerned.

- *Physical Development Projects*: the Consultants will identify development projects consistent with the overall framework outlined above, defining their main parameters and potential sponsors: investors, operators, local or foreign, at the regional or national level.

D. TIME SCHEDULE AND REPORTING REQUIREMENTS

9. The Consultants will complete the work program in no longer than seven working months, time for MPWT's review not included, according to the following reporting schedule:

(a) within one month of the starting date, an Inception Report outlining the Consultants' preliminary findings and describing the detailed work program will be submitted to MPWT;

(b) within four months of the starting date, a Draft Report including Tasks 8.1, 8.2, 8.3 and 8.4: will be submitted to MPWT;

(c) within two months after having received approval or comments from MPWT on the Draft Report, a Draft Final Report including revised Tasks 8.1, 8.2, 8.3, 8.4 and Tasks 8.5 and 8.6, will be submitted to MPWT; and

(d) within one month after having received approval or comments from MPWT on the Draft Final Report, the Final Report including revised Tasks 8.1, 8.2, 8.3, 8.4, 8.5 and 8.6, will be submitted to MPWT.

10. The Final Report will include an Executive Summary summing up the main findings and recommendations of the Consultants. Floppy disks and a reproducible copy shall be provided for the purpose of reproducing the text of the study.

11. It is expected that the total work input should be within 12 man-months and will include the involvement of a Port Engineer, a Port Operations Specialist, a Transport Economist and an Environmental Expert.

ALBANIA
DURRES PORT PROJECT

Environmental Assessment of Durres Port
Terms of Reference

A. BACKGROUND

1. The Albanian economy is now being transformed from a central planning system to a market economy. In this context, the Government is revising its port development policy in order to adapt the sector to the new economic pattern. While the new institutional framework is being designed with the general view to enhance the autonomous administrative and financial management of the commercial port sector, there is a complementary need for a comprehensive assessment of the present and future potential of existing port facilities, together with a thorough assessment of the environmental conditions prevailing in the port marine areas.

2. The main objective of the modernization program is to rationalize the management and operations of the port through a new definition of the respective roles of the public and private sectors, a new legal and institutional framework, and the devolution of all commercial operations to private operators via an appropriate mode of concessioning, the port authority being transformed into a landlord authority. However, before entering this process, one of the prerequisites is to establish a clear and comprehensive picture of the environmental background against which the port is and will be operating.

B. OBJECTIVES OF THE STUDY

3. The purpose of the present study is to review the prevailing environmental situation in the port of Durres, identify any existing or potential threat to the port and maritime ecosystem coming from present or potential future activities, and propose any prevention or mitigation measures required to prevent any detrimental evolution to materialize.

C. SCOPE OF CONSULTING SERVICES

4. The Consultants shall perform the collection and analysis of all operational, physical and environmental data, as required to attain the objectives set forth in para. 3 above. The Consultants shall conduct these works in consultation with the Ministry of Public Works and Transport (MPWT), and with the Port of Durres Authority (PDA). The Consultants will be solely responsible for the analysis and interpretation of all data received and for the findings, conclusions and recommendations contained in their reports.

5. In performing the services described in the present Terms of Reference, the Consultants will review the different areas susceptible to entail environmental hazards and to require consequently appropriate remediation or prevention measures. Typically,

environmental protection management in ports includes several specific components, which can be grouped according to the following distribution: (i) impact of marine structures; (ii) ship waste management; (iii) dredging activities; and (iv) accidental pollution.

- *Impact of Marine Structures*: these are of two kinds, short term or long term impacts. Short term impacts are those linked to immediate interaction of structures components with port waters, like effects of antifouling paints on steel piles, which can have detrimental consequences on local marine fauna. Long term impact are those coming from lasting disturbances to the coastline balance brought about by the construction of new facilities, in particular breakwaters. By disrupting an existing sand littoral drift, they may result in beach enrichment upstream of the port, and coastal erosion downstream. Both can be dangerous: the former may result in siltation in the port accesses, and therefore require dredging, the latter may see the coastline receding, sometimes endangering human settlements and threatening seashore ecosystems. Appropriate arrangements preferably must be worked out at the project design stage, which will often require physical modeling, to decide upon the mitigation measures needed to stabilize the coastline and counteract the impact of the new construction, while protecting the most vulnerable coastal areas. Mitigate this phenomenon after it began to take place usually will require designing physical arrangements including groynes and other seashore stabilization methods to prevent the process from expanding.

- *Ship Waste Management*: the MARPOL international convention makes it mandatory for ports to make available collection and treatment facilities to handle ship generated waste. The International Maritime Organization (IMO) published in 1995 a comprehensive Handbook on Port Collection and Treatment Facilities, which should be proposed systematically as a basic reference to deal with this issue in any Bank-financed project. The Consultants will review the existing situation in Durres and identify any appropriate steps to be taken, if need be.

- *Dredging Activities*: capital and maintenance dredging may have several impacts on the marine environments. In particular, disposal of dredged materials must be handled with due consideration given to any possible contamination. The London Dumping Convention spells out the maximum acceptable levels in connection with specific disposal options. The Consultants will review any existing documentation on the quality of soils in the port basins and entrance channels in Durres, and carry out an adequate sampling program in order to determined through laboratory analysis the present conditions of soils in both ports. Following this determination, an assessment of the suitability of existing dumping sites, and if required, the identification of new ones, will have to be carried out. Main contaminants to be looked for include, without being limited to:

⇒ *heavy metals*: cadmium, mercury, copper, nickel, lead, zinc, chromium, arsenic

⇒ *organochloropesticides*: hexachlorobenzene, pentachlorobenzene, hexachlorobutadiene, heptachlorepoxide, endosulphane, DDE, DDT, DDD, etc.

⇒ *polycyclic aromatic hydrocarbons (PAHs)*

⇒ *polychlorinated biphenyls (PCBs).*

- *Accidental Pollution*: Oil spills are the most common threat, and in accordance with the MARPOL convention, ports handling oil products must be equipped with appropriate equipment to fight and contain any accidental spill within the port area. Countries signatories to the MARPOL convention--and to the OPRC treaty on oil pollution preparedness, response, and co-operation--must also maintain adequate response capacity to an oil spill emergency, and have a national oil emergency plan spelling out the ways and means to tackle any accidental oil pollution. Regional emergency plans are in fact highly advisable: beside ensuring regional consistency in addressing pollution emergencies, they would also allow for shared equipment and resources pool, all the more important that availability of concessional financing will generally be limited on a country basis. The Consultants will review the present situation in Durres, identify any potential shortcoming, and propose an action plan to address them. In doing so, the Consultants will be advised to review the outcome of the mission recently carried out by IMO-REMPEC, which will be made available to them by MPWT.

6. Specific attention must also be paid to arrangements made to safely handle hazardous cargoes on the port areas. This can entail establishment of appropriately protected confinement areas, and preparation of adequate regulation to ensure proper handling and transit of such shipments. The Consultants will review the present situation in Durres, identify any potential shortcoming, and propose an action plan to address them.

7. The Services shall be carried out in two phases, as follows:

7.1 Phase 1: Diagnosis of the present situation and identification of any existing or potential environmental threat, including soils sampling and analysis. The Phase 1 Report shall provide a comprehensive description of the prevailing environmental conditions in the two ports.

7.2 Phase 2: Elaboration of action, prevention and mitigation plans to be implemented. Specific consideration will be given to the need to establish a regular follow-up process, under which the PDA will have to timely monitor the evolution of the port's environmental conditions. A clear methodology, including practical steps and adequate benchmarks indicators, shall be included in the Phase 2 Report.

D. TIME SCHEDULE AND REPORTING REQUIREMENTS

9. The Consultants shall commence field work within fifteen calendar days of the notification of the contract. They shall submit the following reports within the time periods and in quantities indicated:

Phase 1 Report:	10 copies in English	4 months after notification
Phase 2 Report:	10 copies in English	6 months after notification
Final Report:	20 copies in English	1 month after review and approval/comments of the Phase 2 Report by the Administration

10. The reports shall be presented in draft form and contain a concise summary of all major findings and recommendations of the Consultants. The draft reports shall be carefully edited and complete, so that production of the Final Report can proceed without delay. The Final Report will bind together the Phase 1 and Phase 2 Reports and incorporate any comments made by the Albanian Authorities after review of the two preliminary documents. Floppy disks shall be provided for the purpose of reproducing the text of the study.

11. It is expected that the total work input should be within 10 man-months and should include the involvement of an Environmental Expert and a Port Operations Specialist, plus a field survey and laboratory team.

ALBANIA
DURRES PORT PROJECT

Project Implementation Plan

ACTION	RESPONSIBLE	DATE
I. Project Inception Phase		
(i) Retention of Transport Project Management Unit (PMU) and PMU Secretariat	MPWT	May 1998
(ii) Definition of Civil Works contracts	PMU, PDA	June 1, 1998
(iii) Finalization of prequalification documents for Civil Works contracts under responsibility of PMU Secretariat, after approval by PMU and IDA	PMU	June 1, 1998
(iv) Shortlisting and call for proposals for International Supervision Consultants team (ISC)	PMU, PDA	June 1, 1998
(v) Selection of Project Coordinator	MPWT, PDA	June 1, 1998
(vi) Prequalification of contractors for Civil Works contracts	PMU, PDA	September 1, 1998
(vii) Estimated credit effectiveness date	MoF, MPWT	October 1, 1998
(viii) Selection of ISC	PMU, PDA	October 1, 1998
(ix) Establishment of Special Account	PMU, MoF, MPWT	October 1998
(x) Effectiveness of OPEC Fund cofinancing	MoF, MPWT	?
(xi) Quarterly progress reports to GOA, IDA and OPEC Fund	PMU	Firt progress report for period ending December 31, 1998
II. Supervision Consultants for Civil Works		
(i) Shortlisting & call for proposals for ISC (inception phase)	PMU, PDA	June 1, 1998
(ii) Hiring of ISC (inception phase)	PMU, PDA	October 1, 1998
(iii) Advice on bidding	PMU, PDA	October 1998-January 1998
(iv) Supervision of Civil Works contracts	PMU, PDA	June 2001
III. Civil Works		
(i) Definition of Civil Works contracts (inception phase)	PMU, PDA	June 1, 1998
(ii) Removal of bitumen, iron ore and rehabilitation of the	MPWT, PDA	September 1, 1998

HMO office	PMU, PDA	September 1, 1998
(iii) Prequalification of contractors (inception phase)	PMU, PDA, ISC	October 1998- June 2001
(iv) Appointment of PDA staff as collaborators and counterparts with the ISC for supervision of Civil Works	PMU	November 1, 1998
(v) Finalization of bidding documents for Civil Works contracts under responsibility of PMU Secretariat, after approval by PMU and IDA	PMU, PDA	March 15, 1999
(vi) Selection of contractors for Civil Works contracts and signature of contracts	PDA, ISC	March 1999- June 2001
(vii) Supervision of Civil Works contracts including timely mobilization and start quality control, control of cost, measurements and scheduled progress under ISC and local counterpart staff		
IV. Equipment : Lighting, Cranes, Customs Modernization		
(i) Bidding	PMU, PDA	November 1998
(ii) Evaluation award, contract signature	PMU, PDA	March 1999
(iii) Delivery and installation	PMU, PDA	March 1999 to - March 2000
V. Equipment : Navigation Aids, Anti-pollution Actions, Miscellaneous Equipment		
(i) Solicitation of price quotations	PMU, PDA	November 1998 (anti-pollution actions : Sept 98)
(ii) Evaluation award, contract signature	PMU, PDA	March 1999
(iii) Delivery and installation	PMU, PDA	March 1999 to March 2000
VI. Studies, Technical Assistance and Training		
(i) Secondary Ports Development Study	PMU, MITT	June 1998 - June 1999
(ii) Analysis of dredged materials and Oil pollution emergency plan studies	PMU, PDA, MITT	June 1998 - June 1999
(iii) TA experts and training to PDA staff	PMU, PDA	June 1998 - December 2002

Abbreviations
HMO : Harbor Master's Office
MPWT : Ministry of Public Works and Transport

MoF : Ministry of Finance
PMU : Project Management Unit
PDA : Port of Durres Authority
ISC : International Supervision Consultants

Project Implementation Principles

1. **Rehabilitation and Modernization Components.** They will be managed and implemented by the PDA, relying on its technical staff, supported as needed by technical assistance under a works supervision contract.

2. **Overall Project Coordination.** The Executive Secretary of the PMU is the Project Coordinator. The Projects Implementation Unit will provide the Port of Durres Authority with any assistance it may require in carrying out Project implementation tasks. The technical assistance and training program will be managed and implemented by the Project Coordinator.

Project Procurement Plan

3. A detailed Procurement Plan for the different project components is presented in Annex 3.6.

Project Supervision

4. Permanent project supervision responsibilities will be vested with the Project Coordinator. Quarterly progress reports will be submitted to the Bank, including in particular :

(a) status of procurement operations for each component ;
(b) updated Project procurement plan ;
(c) updated Project implementation timetable ;
(d) status of credit commitments and disbursements ;
(e) updated disbursement schedule ;
(f) utilization of the Special Accounts ;
(g) development indicators, including in particular :
- monthly port traffic statistics, including container and ro-ro/ferry traffic,
- average dwelling time in port of time-sensitive cargoes,
- cargo handling productivity ratios for general cargo and bulk commodities.

5. The Project Accounts and the audited accounts of the Port of Durres Authority will be submitted yearly to the Bank.

6. Bank supervision missions will take place at least twice a year, or according to project requirements, and will include a Transport Economist, a Port Specialist, and at least once a year a Financial Analyst. They will follow the proposed supervision plan below :

Timing	Staff Weeks	Staffing	No of Trips	No of Field Weeks
FY1998	14	Task Manager : 8 sw Port specialist : 4 sw Financial Analyst : 2 sw	5	6
FY1999	16	Task Manager : 8 sw Port Specialist : 4 sw Environmental Specialist : 2 sw Financial Analyst : 1 sw Procurement Spec. : 1 sw	6	8
FY2000	16	Task Manager: 8 sw Port Specialist : 4 sw Environmental Specialist : 2 sw Financial Analyst: 1 sw Procurement Spec. : 1 sw	6	8
FY2001	15	Task Manager: 8 sw Port Specialist : 4 sw Financial Analyst: 1 sw	5	6
FY2001	15	Task Manager: 8 sw Port Specialist : 4 sw Financial Analyst: 1 sw	5	6
FY2002 ICR	15	Task Manager: 8 sw Port Specialist : 4 sw Financial Analyst: 1 sw	5	8
Total	**91**		**32**	**42**

ALBANIA
DURRES PORT PROJECT
PROJECT PROCUREMENT PLAN

Component	Total Cost US$ million	Number of Contracts	Procurement Method	Issuance of Invitation to Bid	Submission of Bids	Signing of Contract	Completion
Civil Works	11.6						
Berth strengthening and resurfacing	9.6	2	ICB	10/98	12/98	03/99	06/2003
Warehouses/ Offices	2.0	4	ICB	10/98	12/98	03/99	06/2000
Equipment and Materials	8.9						
Navigation aids	0.2	1	IS	11/98	01/99	03/99	03/2000
Spare parts	1.4	7	IS	11/98	01/99	03/99	12/1999
Anti-pollution actions							
- Goods	0.35	3	IS	10/98	12/98	03/99	12/1999
- Minor Works	0.15	2	S	10/98	12/98	03/99	12/1999
Customs modernization	0.3	2	IS	11/98	01/99	03/99	12/1999
Miscellaneous equipment	0.5	3	IS	11/98	01/99	03/99	12/1999
Lightning	0.6	1	ICB	11/98	01/99	03/99	09/2000
Cranes	5.4	2	ICB	11/98	01/99	03/99	12/2000
Studies	1.0	4					
Secondary Ports	*0.02*	*1*	Ind. Cons.	06/98	08/98	10/98	01/1999
Dredged Materials	*0.24*	*1*	QCBS	10/98	12/98	03/99	06/2000
Pollution Plan	*0.24*	*1*	QCBS	10/98	12/98	03/99	06/2000
Traffic Management Study	*0.50*	*1*	QCBS	10/98	12/98	02/99	06/2000
Technical Assistance	1.1	*3*					
Privatization	*0.2*	*1*	Sole Source	04/98	04/98	05/98	06/1999
Supervision	*0.4*	*1*	QCBS	06/98	08/98	10/98	06/2003
Project Coordinator	*0.5*	*1*	QCBS	06/98	08/98	09/98	12/2001
Training	0.4	1	QCBS	08/98	10/98	12/98	06/2003
TOTAL	23.0						

ALBANIA
DURRES PORT PROJECT

Estimated IDA Disbursement Schedule
(US$ Millions)

IDA Fiscal Year	1998	1999	2000	2001	2002	2003
Annual	2.0	5.5	4.5	3.0	1.0	1.0
Cumulative	2.0	7.5	12.0	15.0	16.0	17.0
Percentage	12	44	71	88	94	100

ALBANIA
DURRES PORT PROJECT

Technical Cooperation in Privatizing Port Operations
Terms of Reference

A. BACKGROUND

The rehabilitation of the port of Durres, Albania's principal port, is currently being financed by loans from IDA and OPEC Development Fund, for port infrastructure and equipment, and by the European Bank for the ferry and Roro terminal. The port currently handles approximately one million tons of dry cargo, which is about 90% of the country's seaborne trade.

The process of rehabilitation includes not only the port's physical assets but also a reform of its administration. The present port administration is responsible for cargo discharge and loading from/to ships in port, storage of such cargo and it's receipt or delivery. It does so by means of its personnel - currently numbering 1518 people- and the equipment and physical facilities available. It is also responsible for the maintenance in good working order of such equipment and facilities.

The Albanian Government (GOA) has decided to transform the port management into a commercial "Joint Stock Company" (PDA), while retaining control of all the shares. The port's management, instead of being answerable directly to the Ministry of Public Works and Transport (MPWT), will henceforth answer to its own Supervisory Council, whose members, representing GOA, private sector interests and labor, are to be nominated by the Ministry of Economy and Privatization (MPEP) and MPWT. The functions and responsibilities of PDA will be mainly those of a landlord and operations supervisor, whereas port operations are to be privatized.

The privatization plan agreed between GOA and IDA has already been set in motion through the reorganization of the present port staff into three distinct profit centers, two for operations and one for civil and mechanical maintenance. These are embryonic future companies, which will continue operating under PDA's over-all management until the end of the year, when they are expected to be separated as private cargo-handling and maintenance enterprises. This transformation implies a considerable reduction in staff employed within the port. It also means a new set of relations between PDA, its client operators, port users and GOA and other parties involved in port operations.

GOA has therefore decided to engage a consultant, expert in the process of privatization, to help achieve the reforms described. Such consultant will be expected

actively to participate in the process of commercialization and privatization of port activities and not merely to advise on how to carry out such a process.

During the preparation of the project by IDA, a privatization expert was engaged by GOA to assist in drawing up a plan for privatizing port operations, converting PDA progressively into a landlord port authority and devising an equitable scheme for rendering redundant that part of the staff which is currently underemployed. The new assignment will require the consultant to follow up on the work already done and help with the plan's realization.

B. OBJECTIVES OF THE ASSIGNMENT

1. The setting up private cargo-handling companies and other private enterprises for port and port-related operations. Assisting PDA with the formulation and signing of appropriate contractual agreements with such enterprises. Help PDA set up an acceptable administration for managing the port.

C. DESCRIPTION AND SCOPE OF TASKS

2. The consultant will :

a) critically review existing plans for the privatization of port operations;

b) help draw up organizational frameworks for the proposed operating companies and monitor their progress while still affiliated to PDA:

c) assist and advise in the preparation of contracts between PDA and the newly formed operating companies, including the Maritime Services Co., and advise with regard to suitable charges for concessions and leases;

d) help PDA with its reorganization, and with the preparation of administrative and operating procedures;

e) draw up draft regulations for port users, to be approved and published by PDA;

f) advise, if so requested, the operating companies-in-the-making on appropriate equipment for their operations;

g) help with identifying, if so requested, potential strategic partners and investors in the various operating companies; and

h) design suitable mechanisms for the control by GOA of monopoly abuses.

D. DURATION OF ASSIGNMENT

3. The assignment is expected to require 6-9 man months (to be detailed in the offer), of which a half at least will have to be spent in Albania. The assignment should conclude 12 months after the work begins.

E. REPORTING AND INTERACTION WITH ALBANIAN AUTHORITIES

4. After the first month, the consultant will prepare an short Initiation Report, in which he will indicate what amendments, if any, he proposes to these Terms of Reference, and how he proposes to carry out the designated tasks. This report will be discussed with PDA and GOA representatives, and agreement will be reached on how to proceed. During the course of the assignment he will prepare short monthly progress reports for discussion with the Albanian authorities.

5. At all stages the work should be closely coordinated with PDA, the managements of the putative private companies and with representatives of MPWT.

F. QUALIFICATIONS

6. The consultant should have extensive experience in the process of privatizing port operations and a demonstrable record of successful accomplishments in the administrative reforms in ports. He should also be able to communicate his views both orally and in written form in the English language (a working knowledge of Italian would be an advantage). He should be able to work harmoniously with local counterpart staff.

ALBANIA

DURRES PORT PROJECT

Project Monitoring Indicators

	Actual 1996	Proj. 1997	1998	1999	2003
1. Ship Congestion Factor (Ship Waiting Rate):					
Days waiting for berth/Time at berth x 100	20	18	15	12	5
2. Berth Occupation Rate:					
Time berth occupied/Time berth available x 100	90	80	75	70	60
3. Berth Utilization Rate:					
Time ship worked at berth/Time ship at berth x 100	40	45	55	65	75
4. Berth Throughput Indicator:					
Annual general cargo tonnage handled per linear meter of berth	300	300	400	500	700
5. Manpower Management:					
Total number of PDA staff at year end at each stage of the privatization process (Reference Annex 2.1 of the Staff Appraisal Report)	1,579	1,520	1,477	296	296

Note: The financial performance of PDA should also be monitored in accordance with para. 4.12 of the Staff Appraisal Report. Indicators and targets subject to refinement following receipt of 1997 data. These indicators will be included in the quarterly progress reports to be prepared by the PMU.

ALBANIA
DURRES PORT PROJECT

Annex 4.1

Durres Port Financial Projections, 1997-2003
Revenue and Expense Accounts
(leks 000)

	1996	1997	1998	1999	2000	2001	2002	2003
Revenues	(actual)	*						
Stevedoring fee	-	-	-	22,000	23,700	25,500	29,600	35,900
Technical fee	-	-	-	17,800	15,600	16,300	17,900	20,500
Stevedoring	385,100	386,679	398,279	-	-	-	-	-
Workshop	120,600	92,260	95,000	-	-	-	-	-
Construction	15,000	8,757	9,000	-	-	-	-	-
Others	6,100	723	5,000	5,150	5,305	5,464	5,628	5,796
Parking	7,300	4,423	6,000	6,180	6,365	6,556	6,753	6,956
Entrance fee	3,600	4,000	4,000	4,120	4,244	4,371	4,502	4,637
Lease/storage	14,000	23,248	18,000	18,360	18,727	19,102	19,484	19,873
Interest	5,000	-	-	-	-	-	-	-
Ferry*** and mooring	137,300	174,529	183,256	192,419	202,040	212,141	222,749	233,886
Total	694,000	694,619	718,535	266,029	275,980	289,434	306,615	327,549
Expenses								
Wages and Salaries	298,100	309,892	310,000	72,292	74,461	76,695	78,996	81,366
Materials	60,900	42,267	60,900	30,450	30,450	30,450	30,450	30,450
Maintenance	60,300	55,685	60,300	30,150	30,150	30,150	30,150	30,150
	-							
Utilities	17,500	28,321	29,000	29,000	29,000	29,000	29,000	29,000
Insurance	4,000			4,000	4,000	4,000	4,000	4,000
Exchange rate losses	(10,700)							
Other expenses	44,700	56,945	60,000	10,000	10,000	10,000	10,000	10,001
Subtotal	474,800	493,111	520,200	175,892	178,061	180,295	182,596	184,967
Depreciation**	28,300	39,912	40,000	28,303	28,304	29,433	29,954	30,107
Total	503,100	533,023	560,200	204,195	206,365	209,728	212,550	215,074
Profit	**190,900**	**161,596**	**158,335**	**61,833**	**69,615**	**79,706**	**94,065**	**112,475**
Working Ratio	0.68	0.71	0.72	0.66	0.65	0.62	0.60	0.56
Operating ratio	0.72	0.77	0.78	0.77	0.75	0.72	0.69	0.66

Notes:

* projected from 9 months;
** in 1999, assets are revalued prior to privatization and redistribution
*** only Net ferry revenues are here included as ferry terminal investment were excluded.

'Source: Consultant and Mission estimates- January 1998

ALBANIA
DURRES PORT PROJECT

Durres Port Financial Projections, 1997-2003
Fund Flow (US$000)

	1996 (actual)	1997 *	1998	1999	2000	2001	2002	2003
SOURCES								
Surplus in thousand US$	1,909	1,114.5	1,092.0	426.4	480.1	549.7	648.7	775.7
add: depreciation**	283	283	275	276	195	195	203	207
Own Fund Surplus	2,192	1,397	1,367	702	675	745	852	982
Subtotal	2,192	1,397	1,367	702	675	745	852	982
Credits			3,000	5,000	5,000	6,100	1,900	
Total Sources	2,192	1,397	4,367	5,702	5,675	6,845	2,752	982
USES								
Investments	870	1,000	3,000	5,000	5,000	6,100	1,900	1,000
Interest payments				38	75	121	135	135
30% profit tax	573	334	328	128	144	165	195	233
Increase (decrease)in W	749	63	1,040	537	456	459	522	(385)
Total uses	2,192	1,397	4,367	5,702	5,675	6,845	2,752	982

Notes:

* projected from 9 months;

** in 1999, assets are revalued prior to privatization and redistribution

'Source: Consultant and Mission estimates- January 1998

ALBANIA
DURRES PORT PROJECT

Average Growth Traffic Forecast, 1997-2011

	Handling Mode		forecast					
	1996	future (> 2000)	1997	1998	1999	2000	2005	2011
Exports through the port								
Chrome ore	bulk	bulk	110,000	140,000	170,000	170,000	170,000	170,000
Chrome concentrate	bulk	bulk	40,000	55,000	70,000	80,000	102,103	136,827
Ferro-Chrome	bulk	bulk	50,000	55,000	65,000	70,000	112,736	199,718
Cast iron	bulk	bulk	8,000	8,000	9,000	10,000	12,763	17,103
Coal	bulk	bulk	22,000	25,000	30,000	40,000	51,051	68,414
Superphosphate	bulk	bulk	0	0	8,000	9,000	12,763	17,103
Sulfur	bulk	bulk	8,000	8,500	9,000	10,000	12,763	17,103
Various cargo as general cargo	general cargo	general cargo	4,000	3,500	3,000	2,500	2,500	2,500
Various cargo in containers	container	container	4,000	5,000	6,000	7,000	11,274	19,972
Wine in transit from Macedonia	liquid bulk	liquid bulk	10,000	10,000	10,000	10,000	10,000	10,000
Transit cargo	75% break bulk/25% in containers	10% break bulk/90% containers	500	500	700	1,000	3,713	17,922
Subtotal			256,500	310,500	380,700	409,500	501,664	676,662
Exports through ferry terminal								
Subtotal	truck/trailer on ferry boat	truck/trailer on ferry boat	47,700	50,562	53,596	141,900	199,650	268,950
Total exports			560,700	671,562	814,996	960,900	1,202,979	1,622,275
Imports through the port								
Wheat, barley, maize	bulk	bulk	110,000	120,000	130,000	150,000	170,000	170,000
Rice	break bulk (bags)	80% break bulk/20% container	18,979	20,118	21,325	22,605	28,850	38,662
Flour	break bulk (bags)	80% break bulk/20% container	107,292	113,730	120,553	127,787	163,092	218,558
Sugar	break bulk (bags)	80% break bulk/20% container	81,524	86,415	91,600	97,096	123,922	166,067
Cement	50% bulk/50% break bulk	75% bulk/25% break bulk	158,602	174,462	191,908	211,099	269,421	361,050
Urea, nitrate, phosphate, sulfur	75% bulk/25% break bulk	75% bulk/25% break bulk	80,000	84,800	89,888	95,281	110,457	131,892
Coal/cokes	bulk	bulk	30,000	30,000	30,000	30,000	30,000	30,000
Silicium sand	bulk	bulk			5,000	10,000	20,000	20,000
Building materials (bricks, tiles, steel)	50% break bulk/50% general cargo	50% gen./ 25% cont./25% break bulk	33,203	36,523	40,175	44,193	56,403	75,585
Liquid (naphta, petrol, oils)	liquid bulk	liquid bulk	48,363	51,264	54,340	57,601	73,515	98,517
Foodstuffs	75% break bulk/25% in containers	100% in containers	40,000	42,400	44,944	47,641	60,803	81,482
Transit cargo	75% break bulk/25% in containers	10% break bulk/90% containers	3,000	3,150	3,308	3,473	12,895	62,239
Subtotal			710,962	762,862	823,042	896,774	1,119,357	1,454,052
Imports through the ferry terminal								
Subtotal	truck/trailer on ferry boat	truck/trailer on ferry boat	141,512	150,003	159,003	268,000	385,250	525,950
Total imports			852,474	912,865	982,045	1,164,774	1,504,607	1,980,002
Grand total import/export through port			967,462	1,073,362	1,203,742	1,306,274	1,621,021	2,130,714
Grand total import/export ferry terminal			189,212	200,565	212,599	409,900	584,900	794,900
Grand total			1,156,674	1,273,927	1,416,341	1,716,174	2,205,921	2,925,614

Source: Consultants GEM and appraisal mission

ALBANIA
DURRES PORT PROJECT

Economic Evaluation
Project as Proposed
(US$ 000)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011-2017
Economic fund flow from PDA #	*44*	1,040	631	617	669	749	845	947	1,062	1,191	1,336	1,498	1,137	1,214	1,303
Economic fund flow from stevedores	*0*	0	509	845	867	941	991	1083	1173	1268	1363	1468	1570	1689	1830
Economic fund flow from technical co.	*0*	0	652	961	996	1026	1022	1073	1122	1177	1233	1297	1358	1433	1526
-Economic fund flows without project #	*44*	1,040	1,271	1,534	1,616	1,767	1,554	1,631	1,765	1,912	2,057	2,221	1,922	2,004	2,073
- Project costs		3,000	5,000	5,000	6,100	1,900									
- Ferry terminal investments EB-financed		2,500	2,500	2,500	2,500	1,600									
After-tax incremental operational fund flow	***0***	**-5,500**	**-6,979**	**-6,612**	**-7,685**	**-2,551**	**1,303**	**1,472**	**1,592**	**1,724**	**1,874**	**2,042**	**2,143**	**2,332**	**2,586**
Tax paid by PDA	*326*	328	128	144	165	195	233	258	312	334	358	379	405	424	451
Tax paid by the stevedoring Co's	*0*	0	218	362	371	403	425	464	503	543	584	629	673	724	784
Tax paid by the technical Co.*	*0*	0	258	390	405	418	416	438	460	483	507	534	561	593	633
- Tax paid by PDA without project	*326*	328	402	453	474	512	448	460	489	517	536	562	598	627	651
Incremental tax	***0***	**0**	**202**	**443**	**468**	**504**	**626**	**700**	**785**	**844**	**912**	**981**	**1,040**	**1,113**	**1,217**
Ship dues ##	*1,900*	1,957	2,016	2,576	3,653	3,763	3,876	3,992	4,112	4,235	4,362	4,493	4,628	4,767	4,910
Ship dues at const. tariff, without project	*1,900*	1,957	2,016	2,076	2,138	2,202	2,269	2,337	2,407	2,479	2,553	2,630	2,709	2,790	2,874
Incremental ship dues	**0**	**0**	**0**	**500**	**1,515**	**1,560**	**1,607**	**1,655**	**1,705**	**1,756**	**1,809**	**1,863**	**1,919**	**1,977**	**2,036**
Increase in Customs collection **	***0***	**0**	**0**	**0**	**0**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
60% value savings in ship time in port	*0*	274	377	429	495	575	686	719	756	792	831	874	921	974	1,033
Savings from reduction of pilferage	*0*	0	0	0	0	48	108	177	258	353	466	602	766	966	1,212
TOTAL INCREMENTAL ECONOMIC FLOW	0	-5226	-6400	-5239	-5207	1136	5330	5723	6097	6470	6893	7362	7789	8361	9084

Internal economic rate of return **18.9%**

Economic Net Present Value at 10% discount rate **17,659**

Notes:
Labor cost shadow priced at 60% of market cost ;
To finance renovated ferry terminal, ship dues raised by 25% in 2000 and another 37% in 2001;
* The Technical company will be maintaining equipment and infrastructure for the private stevedores and PDA respectively
** This represents a 2% increase in Customs collection resulting from collecting previously evaded duty.
*** PDA's 1997 Net Cash Flow is after a US$ 1million contingency for severance pay and other investments.

ALBANIA
DURRES PORT PROJECT

Economic Evaluation
Project Without Institutional Improvements
(US$ 000)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 to 2017
Economic fund-flow from PDA	44	1,553	1,661	2,142	2,227	2,372	2,483	2,670	2,832	3,002	3,167	3,360	3,525	3,742	4,001
- Economic fund-flow from PDA without project	44	1,553	1,661	1,961	2,040	2,188	1,972	2,038	2,119	2,200	2,256	2,330	2,435	2,517	2,586
- Project costs		3,000	5,000	5,000	6,100	1,900									
-Ferry terminal investments, EB financed		2,500	2,500	2,500	2,500	1,600									
After-tax total financial incremental		**-5,500**	**-7,500**	**-7,319**	**-8,413**	**-3,316**	**511**	**632**	**713**	**802**	**911**	**1,030**	**1,090**	**1,225**	**1,415**
Tax paid by PDA	334	584	621	667	714	760	796	856	908	962	1,015	1,077	1,130	1,199	1,282
- Tax paid by PDA without project	327	389	416	491	511	548	494	510	530	551	565	583	610	630	647
Incremental tax	**0**	**196**	**205**	**176**	**203**	**213**	**302**	**346**	**377**	**412**	**450**	**494**	**520**	**569**	**635**
Ship dues	1,900	1,957	2,016	2,576	3,653	3,763	3,876	3,992	4,112	4,235	4,362	4,493	4,628	4,767	4,910
- Ship dues without project	1,900	1,957	2,016	2,076	2,138	2,202	2,269	2,337	2,407	2,479	2,553	2,630	2,709	2,790	2,874
Incremental ship dues	**0**	**0**	**0**	**500**	**1,515**	**1,561**	**1,607**	**1,655**	**1,705**	**1,756**	**1,809**	**1,863**	**1,919**	**1,977**	**2,036**
Increase in Customs collection	**0**	**0**	**0**	**0**	**0**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**	**1,000**
60% value savings in ship waiting time	0	0	0	426	448	473	500	527	556	588	624	665	711	764	826
Savings from reduction of pilferage	0	0	0	0	0	48	108	177	258	353	466	602	766	966	1,212
Total economic benefits (non-cash)	**0**	**0**	**0**	**426**	**448**	**521**	**608**	**704**	**814**	**941**	**1,090**	**1,267**	**1,477**	**1,730**	**2,038**
TOTAL INCREMENTAL ECONOMIC FLOW	***N.R***	***-5,304***	***-7,295***	***-6,218***	***-6,246***	***-22***	***4,028***	***4,337***	***4,610***	***4,911***	***5,261***	***5,653***	***6,006***	***6,501***	***7,124***

Economic rate of return **13%**

Net Present Value at 10% discount rate **6783**

Notes :
(See Annex 5.2)

ALBANIA
DURRES PORT PROJECT

Economic evaluation
Project as Proposed, Worst Traffic Scenario
(US$ 000)

	199-	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 to 2017
Economic fund-flow from PDA ##	44	980	553	468	492	529	554	584	655	740	845	951	535	542	560
Economic fund-flow from the stevedoring Co's	0	0	280	699	650	660	642	656	670	683	691	702	703	709	718
Economic fund-flow from the technical Co.	0	0	612	952	880	858	796	786	780	776	767	763	750	745	742
-Economic fund-flow without project ##	44	980	767	847	898	939	725	764	849	947	1,043	1,161	800	835	864
- Project costs		3,000	5,000	5,000	6,100	1,900									
-Ferry terminal investments EB financed		2,500	2,500	2,500	2,500	1,600									
After-tax economic incremental FF	**0**	**-5,500**	**-6,823**	**-6,228**	**-7,476**	**-2,391**	**1,267**	**1,262**	**1,257**	**1,252**	**1,261**	**1,255**	**1,188**	**1,161**	**1,156**
Tax paid by PDA	326	302	171	145	153	164	172	181	203	229	262	295	166	168	174
Tax paid by the stevedoring Co's	0	0	120	300	278	283	275	281	287	293	296	301	301	304	308
Tax paid by the technical Co.	0	0	241	386	356	346	320	315	313	311	307	306	300	298	297
- Tax paid by PDA without project	326	302	238	263	278	291	225	237	263	294	323	360	248	259	268
Incremental tax	**0**	**0**	**294**	**569**	**508**	**502**	**542**	**541**	**540**	**540**	**542**	**541**	**519**	**511**	**510**
Ship dues	1,900	1,957	2,016	2,576	3,653	3,763	3,876	3,992	4,112	4,235	4,362	4,493	4,628	4,767	4,910
- Ship dues without project	1,900	1,957	2,016	2,076	2,138	2,202	2,269	2,337	2,407	2,479	2,553	2,630	2,709	2,790	2,874
Incremental ship dues	**0**	**0**	**0**	**0**	**1,515**	**1,561**	**1,607**	**1,655**	**1,705**	**1,756**	**1,809**	**1,863**	**1,919**	**1,977**	**2,036**
Increase in Customs collection	**0**	**0**	**0**	**0**	**0**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**500**	**500**
60% value savings in ship time in port	0	193	234	303	307	362	421	426	430	437	443	449	456	462	469
Savings from reduction of pilferage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total economic benefits (non-cash)	**0**	**193**	**234**	**303**	**307**	**362**	**421**	**426**	**430**	**437**	**443**	**449**	**456**	**462**	**469**
TOTAL INCREMENTAL ECONOMIC FLOW	***NR***	***-5,307***	***-6,295***	***-5,357***	***-5,146***	***534***	***4,337***	***4,383***	***4,432***	***4,484***	***4,555***	***4,608***	***4,581***	***4,611***	***4,671***

Economic rate of return **13%**

Economic Net Present Value at 10% discount rate **4187**

(°) $1,000,000 exceptional investment (financing of severance payments) out of PDA's budget.

Notes:(See Annex 5.2)

ALBANIA
DURRES PORT PROJECT

Notes on the Economic and Financial Evaluation

1. The following assumptions were made in addition to those mentioned in the main text.

A. PRIVATIZATION OF OPERATIONS

2. The financial forecast assumes that as of the beginning of 1999, all port operations are privatized and PDA becomes a "landlord authority", owning and leasing infrastructure, buildings and heavy equipment. The schedule of privatization and manpower reduction used in this evaluation is as agreed during the appraisal mission and summarized in Annex 2.3. Organizational details and distribution of costs between PDA and the future private operators has been done in accordance with privatization plans and cost analysis data provided by PDA's Financial Department (included in the project files).

B. REVENUES

3. PDA's revenues after 1999 consist mainly of royalties i.e. stevedoring and technical companies' fees, as well as of leasing revenue. The rate of the operating fee paid by the operators to PDA is based on an estimate provided by PDA's Financial Department and on the appraisal mission financial forecasts. The economic evaluation is based on the same assumptions and includes all revenues and taxes generated by the new operating companies, in addition to those of the PDA (in Annexes 5.2 and 5.4). Also included are enhanced Customs revenues (2% of 1997 Customs revenues in the most likely scenario [Annex 5.2], and 1% in the worst case scenario [Annex 5.4]). This increase in Customs collection will result from the project's funding of Customs hardware and systems, which will make the evasion of duties more difficult.

C. SALARIES

4. PDA salaries have been assumed to remain constant in real terms in the financial forecasts. In the medium or long term, salaries may increase, but this will be compensated by further decreases in manpower. In the economic evaluation, salaries have been shadow-priced at 60% of their actual 1997 cost for the first ten years of the project (para. 5.05).

D. DEPRECIATION

5. Depreciation calculations are based of the revalued assets in operation at normally accepted rates (4-5% for infrastructure -excluding the breakwaters- and buildings, and 7-12% for various equipment items). Residual book values were assumed for investments such as berths and breakwater reconstruction.

E. EXCHANGE RATE

6. The exchange rate used in the forecasts is an estimated average for 1997, at the time of appraisal 145 Leks for 1 US$. The effect of further devaluation of the Lek will only improve PDA's financial performance:

- All revenues directly related to vessel operations, such as Port dues and berthing dues, are received in US dollars.
- Operating costs and revenues are in Leks.

MAP SECTION

IBRD 28506

ALBANIA
DURRËS PORT PROJECT

ROADS
RAILROADS
BUILDINGS

PROJECT COMPONENTS
RESURFACING AREAS
WAREHOUSE REFURBISHING
BREAKWATER REHABILITATION
NAVIGATION AIDS
QUAY 1 — BERTH RECONSTRUCTION OR STRENGTHENING

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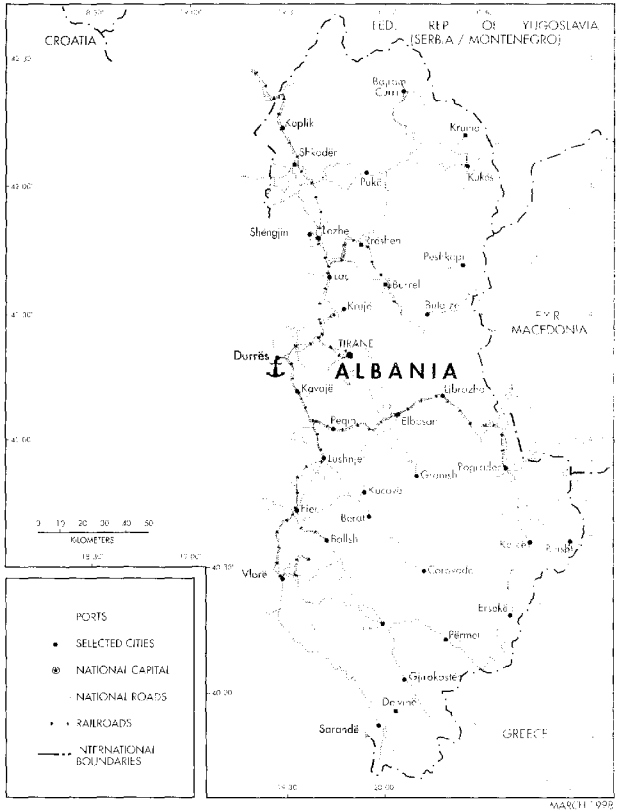

PORTS
SELECTED CITIES
NATIONAL CAPITAL
NATIONAL ROADS
RAILROADS
INTERNATIONAL BOUNDARIES

MARCH 1992