

## **Albania in Transition: International Assistance for Roads but not Public Transport**

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### **1 ABSTRACT**

It is well known that international financing of enormous road projects in developing countries, justified primarily on “economic” grounds, has fueled the rapid growth in private automobile use with grave environmental consequences. During the transition to a market economy after the fall of communism, Albania has been the recipient of substantial amounts of foreign assistance in the transport sector, which has taken two forms in the capital, Tirana: (1) Technical assistance and funding for the preparation of numerous urban transportation plans and studies, mostly by foreign consultants (2) Financial aid for the implementation of various road infrastructure projects but not for public transport. This paper reviews the outcomes of this assistance.

### **2 INTRODUCTION**

It is well known that international financing of enormous road projects in developing countries, justified primarily on “economic” grounds, has fueled the rapid growth in private automobile use with grave environmental consequences (see Hook 1994; Gutner 2002). While the World Bank’s (2007) self-evaluation of the assistance to the transport sector during 1995-2005 concluded that past performance has been effective especially for intercity highway construction and rehabilitation, it also concluded that in the future transport lending must focus on issues such as traffic congestion, environmental damages, safety, efficiency, and affordability.

In the case of Albania, during communism (1944-1990) private car ownership was forbidden and public transport was poor. As of 1990, Tirana, Albania’s capital, was a very compact and flat city with a population of 300,000. Its streets were virtually free of motorized vehicles and most travel was on foot and by bicycle. Buses, which were the only form of public urban transport, were used for voyages that would have required more than one half hour of walking. There were no intercity highways and travel around the country was very slow.

Since 1990, Tirana experienced a population explosion to well over 800,000, owing to rural-urban migration, and now contains almost one third of Albania’s population. In this process, a dual city was formed, with the inner city becoming much denser and taller and the peripheries expanding in all directions with squatter settlements, almost entirely devoid of infrastructure. In addition, big box retail and light industrial sprawl emerged along the main intercity roads. During this period, car ownership skyrocketed. Now approximately two thirds of the households in the inner city own a car, but substantial portion of households that own cars limit their use to recreational travel on weekends. Tirana has been transformed into a city choked with automobile traffic and pollution and treacherous pedestrian conditions. Bicycle use has been reduced to a minuscule level and is perilous. However, most daily travel is still on foot and the main mode of motorized travel is still by bus (Figure 1 and 2).



Fig. 1: Traffic jams in Tirana's central area.



Fig. 2: Buses stuck in traffic in Tirana.

During the transition, Albania has been the recipient of substantial amounts of foreign assistance in the transport sector, which has taken two forms in Tirana: (1) Technical assistance and funding for the preparation of numerous urban transportation plans and studies, mostly by foreign consultants (2) Financial aid for the implementation of various road infrastructure projects but not for public transport.

Most donors' funds in the 1990s were allocated for intercity infrastructure because the national road network was in worse conditions than the urban road network (World Bank 2004). One consulting team reported that up to that time investments in urban road infrastructure had corresponded to the typical level of low-income countries in Southeast Asia and sub-Saharan Africa (PADCO 2002). Meanwhile, government operational subsidies to the public bus company ranged from \$500,000 to more than \$1 million per year representing 30-50% of its income (TECNIC and Transurb 2000).

Since 2000, the local government income in Tirana has increased considerably. In addition, large earmarked grants and credits were received from foreign donors. As a result, substantial urban improvement projects have taken place in the last decade. However, the bulk of transport investments has been for roads. At the same time public bus lines in Tirana (with one exception) were privatized (by Albanian companies) and subsidies for public transport are now limited \$200,000 year for the one remaining publicly-owned line. Overall, the locally-based subsidies for public transport have been tiny relative to the substantial international funds, which have been allocated for road infrastructure (see Table 1 and Chart 1).

	Allocated Funds Yearly Average (1996-2000)*
Sidewalk repairs	\$13,818
Traffic signs and signals	\$314,000 (1998)** \$23,000 (2000)
Road maintenance/repair	\$1,089,682 (average) \$71,800 - \$2,075,000 (range)
Public works total (including road and sidewalk repairs and traffic signs and signals)	\$5,320,000
Public transport	\$760,000
Other (including trade, culture, administration, public health, education)	\$12,920,600
<b>Total average yearly budget 1996-2000</b>	<b>\$19,000,000</b>

\*100 Lek ~ 65 US cents (2000 exchange rate)

\*\* Including the establishment of a traffic signals enterprise

Source: City of Tirana, reported in T.E.C.N.I.C. and Transurb 2000.

Table 1. City of Tirana budget, 1996-2000.

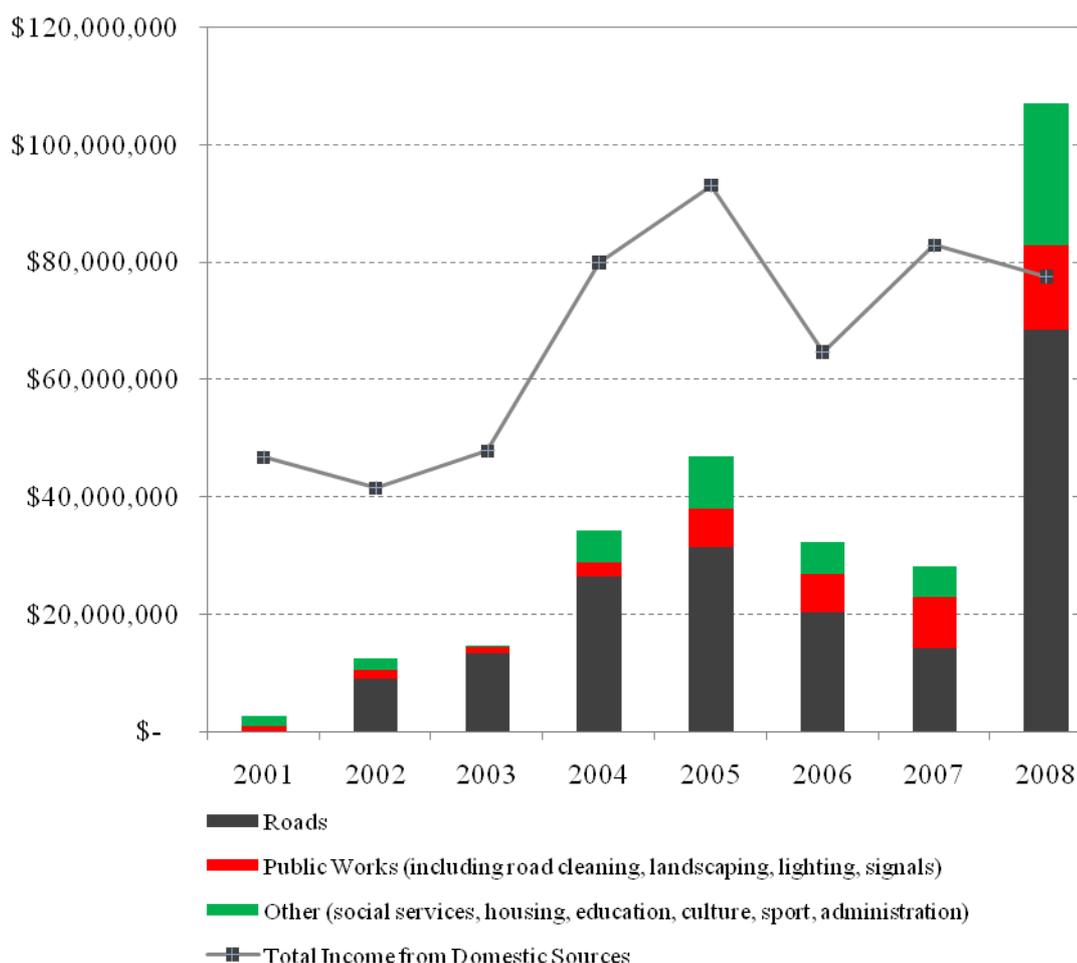


Chart 1: City of Tirana budget 2001-2008.

### 3 FOREIGN TECHNICAL ASSISTANCE AND FUNDING FOR PLANS AND STUDIES

Since the beginning of the transition, foreign donors have funded no less than ten urban transport plans and studies for Tirana, prepared mainly by foreign consultants (in some cases invited by the City, in others hired directly by the donor organization). In most cases, the principal recommendation of these studies was to strengthen the public transport sector.

- In 1993-1995, a Brussels-based transportation planning firm, Transurb Consult (now Transurb Technirail), prepared a study on the reorganization of the public bus system in Tirana, funded by the European Commission PHARE program.
- In 1995, Regional Consulting, a Vienna-based urban planning firm funded by the Austrian government, prepared a master plan for Tirana, which contained a large transport element.
- In 1997-1999, the French transportation company CGEA (now part of Veolia Transport) funded by the European Commission PHARE program, led a technical assistance program in Tirana, which sought to help transfer institutional and financial authority for public transport from the central government to the City of Tirana.
- In 2000, T.E.C.N.I.C. Consulting Engineers, a Rome-based firm, and Transurb Consult prepared a large comprehensive transport study for Tirana (TUTIS), funded by the World Bank.
- In 2005, AlbanianTech Project (an Italian-Albanian cooperation) funded by the United Nations Development Program prepared an urban development strategy, which included a number of transport recommendations for Tirana.
- In 2006, Peter Guest, a British parking consultant, prepared a detailed parking study for Tirana.
- In 2007, an Albanian urban planning non-profit organization, CoPlan, carried out a comprehensive study of public transportation services in the Tirana metropolitan area, funded by the SOROS foundation.
- In 2007, the European Commission and FIAB, an association of bicyclists in Bari, Italy, provided 166,700 Euro for a one year training program in transportation planning for the City of Tirana staff, in the framework of the MO.S.T. Programme for sustainable mobility
- In 2008, the Albanian chapter of an international non-profit environmental organization, the Environmental Center for Administration and Technology (ECAT) in collaboration with a German consultant (Rainer Graichen), prepared a new “sustainable urban transportation study”, funded by the EU LIFE program, the German Ministry of the Environment, and the European Bank for Reconstruction and Development (almost 300,000 Euro).
- In 2008, in the framework of the New Neighborhood Programme Italy-Albania Interreg/Cards 2004-2006, the Transportation department of the Polytechnic University of Bari in Italy, in collaboration with several Albanian partners, prepared a study on the future sustainable planning of urban transport in Tirana, focusing on the optimal positioning of an intercity bus station.
- The World Bank and the Dutch government offered \$1.7 million (credit) and \$1.5 million (grant) respectively for the preparation of the Tirana Regulatory Plan, which is currently (early 2010) awaiting approval. The regulatory plan was prepared by a Swiss company, Urbaplan, and CoPlan.
- This year (2010) the City of Tirana will release for public review a new “Masterplan for Sustainable Urban Transport Development” that, in the next twenty years would create 100 km of new segregated public transport lanes, including about 20 km of at-grade tram lanes, as well as introduce many innovative traffic management devices. The details on costs, consultants, and funding sources have not been made public yet.

These studies contained detailed recommendations. Some of earlier studies focused on the reduction of government subsidies in the public transport sector, through the gradual introduction of competitive mechanisms and, eventually, full privatization, with the City acting as a monitoring authority. Consultants also provided assistance in drafting contracts between the City and private operators and standardizing financial and audit procedures. Other regulatory and institutional reforms in the public bus sector were also proposed, including the creation of local and/or regional bus transport associations or agencies in charge of service coordination and the increase and/or liberalization of public transport fares. Several studies proposed

the introduction of pricing mechanisms in urban transport, such as the application of parking charges in main streets and in residential neighborhoods. The 2006 study by Peter Guest, in particular, provided detailed guidelines in this respect, based on the example of other European countries.

In addition, the studies also made many recommendations for physical interventions, with the purpose of supporting public transport and non-motorized modes, the principal of which was the creation of exclusive bus lanes, starting with heavily used corridors such as the Ring Road and the main Boulevard and creation of exclusive pedestrian areas in the center. The 2008 sustainable urban transportation study, in particular, was a strong proponent of the creation of a Bus Rapid Transit system in Tirana (25.3 km at first and another 12.2 km in a later stage, with an estimated total cost of 97 million Euro). A few studies mentioned the introduction of light-rail in the main urban corridors and in corridors leading to the newly formed suburbs.

These plans and studies provided valuable recommendations on sustainable transport development, consistent with international concepts. However, in large part the studies mainly reiterated what had been set forth in earlier studies and most of them were not implemented (Punavija 2008). In most cases, funding was secured only to prepare the studies, with no provisions for implementation.

Some studies focused on road improvements, TUTIS in particular (which estimated that \$60 million were necessary for road upgrades), including recommendations such as: construction of a small ring road around the center (which would allow the center to be pedestrianized) and construction of a third ring road, which would serve as a by-pass for heavy-traffic.

Unfortunately, studies and plans were not widely circulated and most were not even translated into Albanian. Commonly, current public administration employees are unaware of their existence. Despite recent freedom of information laws in Albania, the study reports are not easily obtained and commonly treated as confidential and often cannot even be found (epic efforts were required in procuring some of the studies).

The reasons for the failure to implement these plans were multiple. Several consulting firms noted in their reports a number of challenges that they feared would undermine successful plan implementation. The principal problem was that the City simply did not have the resources to carry out these plans. Other problems included: excessive centralization and scattered institutional responsibilities among public sector agencies responsible for urban transport; lack of motivation of the Albanian staff due to low wages; low levels of concern about environmental issues; lack of staff trained in transportation planning; and an inadequate legislative framework (Regional Consulting 1995; CGEA 1999; T.E.C.N.I.C. and Transurb 2000; Peter Guest 2006; ITS 2006).

#### **4 FOREIGN FINANCIAL ASSISTANCE FOR PROJECT IMPLEMENTATION IN TIRANA**

The three main foreign donors in Albania have been the World Bank, the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB).

Albania joined the World Bank in 1991. World Bank's total commitments to the country to date (for all types of projects, not just transportation) total approximately \$925 million. Support for the capital's transport sector has included the following:

- In 1993, the World Bank initiated a countrywide "Transport and Infrastructure Project", which was meant to (a) assist the Ministry of Transport and Communications and transport organizations to adopt market based transport policies; (b) accommodate the expected growth of road traffic by rehabilitating and completing/extending main roads and by improving their maintenance and safety. By 1999, \$18.5 million had been disbursed. The Tirana component of this project included assistance in road maintenance through the provision of equipment.
- In 1998, the World Bank committed \$15.86 million (credit) for an "Urban Land Management Project", to provide essential urban infrastructure (including roads and other infrastructure and services, but not public transport) to underserved or neglected areas in Greater Tirana and to strengthen the institutions responsible for the delivery of urban services at the national and local levels.
- In 2002, the World Bank approved a \$30 million loan for a country-wide "Road Maintenance Project". By 2005, \$18.7 million had already been disbursed, with the Tirana urban roads component absorbing \$1.83 million.

- In 2005, the World Bank approved a \$20 million loan for a countrywide “Transport Project”. The Tirana component of this project included the rehabilitation of 3.5 km stretch of the Middle Ring Road and a pilot traffic management program, which provided for improvements in signs and signals, intersections, pedestrian crossings, and road pavement.
- In 2008, World Bank approved a \$20 million loan for a “Secondary and Local Roads Project” which targeted mainly rural areas, but also provided some funds for urban roads (1,000 – 1,500 km of roads in total). The project was also meant to support the introduction of the private sector in road maintenance on the road network.

The European Investment Bank (EIB) has financed various sectors in Albania since 1995; its investments have reached 304 million Euro in total; of these, 138 million have been for national roads construction and upgrading. The only program that will benefit the Tirana transport sector is a national “Secondary and Local Roads Program”, for which EIB is offering 50 million Euro in total. As of 2009, the program is still under appraisal.

The European Bank for Reconstruction and Development has been very active in Albania’s transport sector as well. Its investments that affect Tirana’s transport sector include:

- In 2006, in the framework of the “Tirana Municipal Transport Project”, the EBRD approved a €14.6 million loan for the widening and upgrading of various Middle Ring Road stretches (3.5 km), the rehabilitation and development of other priority components of Tirana’s municipal roads, and the construction of an interchange on the intercity highway. By 2008, EBRD had already provided 4.5 million Euro for the Middle Ring Road upgrades.
- In 2007, the EBRD provided a 500,000 Euro credit for the creation of a computerized traffic management center.
- In 2009, the EBRD provided a 24 million Euro loan and a 400,000 Euro grant for the construction of a 5.75 km section of the Outer Ring Road stretch (which will cost 40 million Euro in total) and an overpass at a city exit point.
- As of 2009, the EBRD is considering providing a 24.0 million Euro long term debt facility for the construction of a shopping mall in the outskirts of Tirana, with a gross leasable area of 39,000 m<sup>2</sup>. The project is part of a general plan to develop a chain of shopping and entertainment centers across Albania, following the development of another suburban mall in 2005 (Qendra Tregtare Universitare). The project will be required to comply with national and EU environmental, health and safety standards and requirements.

## 5 CONCLUSION

The substantial international support for travel within Tirana has largely bypassed the needs associated with the vast majority of travel within the City. Foreign funds for Tirana’s transport sector were provided for road construction and improvements rather than public transport, notwithstanding the fact that all the internationally funded studies highlighted the need for assistance in this sector.<sup>1</sup>

The reasons for this disparity within the same constituency have not been publicly stated. However, several factors emerge as likely factors. International organizations and governments prefer to fund one-time projects with discrete visible outcomes, meaning roads, rather than improving ongoing operations, such as bus systems. On the national level, elites have more concern about improving the conditions for car travel, than public transport.

However, some of the international financial institutions that are active in Tirana have provided public transport financing for other East European cities, which were perhaps more active in requesting funds for this purpose.<sup>2</sup> In Albania, on the other hand, despite the democratic forms of government since 1990, the

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<sup>1</sup> Foreign funds have mostly been loans rather than grants, which make Albania dependent on outside providers through debt repayment for lengthy periods. In addition, a large share of the funds has found its way back to the donor community through expert fees for planning.

<sup>2</sup> For example, for EBRD’s public transport financing in East Europe see the following EBRD web pages:

**Lviv, Ukraine** <http://www.ebrd.com/projects/psd/psd2009/39299.htm> (up to 38 million Euro for the public transport company, currently under evaluation)

absence of longer political traditions or precedents for popular representation still hinders the effective conversion of public desires into public policy. A general distrust of government institutions of all levels still persists and there is no public belief in any possibility of successfully pushing for change (Pojani 2010). Therefore, the reasons why transport problems have not been tackled at a sufficient level are mainly political rather than technical and financial.

Naturally, an adequate road infrastructure is an important component of a good public bus system. Many necessary road repairs, upgrades, and construction in Tirana would not have been possible without foreign financial help. However, the public transport system also deserves its share of attention and funds considering its poor condition in comparison to other European countries and its importance and high usage in Tirana. A relatively small portion of the overall international funding for transport may have had a major impact on the adequacy of public transport, preservation of the ability to travel by bicycle, and the conditions for pedestrian traffic.

Tirana is in a very favorable position in the sense that its transport problems and adverse transport externalities may be substantially alleviated without exceptional public investments due to the high density, moderate population size, and flat terrain of the city. As a result, much urban travel could be conducted on foot, by bicycle, or with short bus rides. Strategies with a high impact but moderate cost are set forth below:

- 1) Making street conditions friendly to pedestrians,
- 2) Pedestrian only zones in central areas,
- 3) Traffic calming in residential neighborhoods,
- 4) Exclusive lanes for busses and bicycles, which are adequately protected from car traffic,
- 5) Reasonable parking fees,
- 6) Scrap programs for old, polluting vehicles,
- 7) Adequate taxation to encourage the use of “clean” vehicle technologies.

Investments in public transportation should focus on improving the bus system (rather than introducing high cost rail systems). A second step would be the creation of Bus Rapid Transit (BRT) system. These are financially realistic and environmentally sustainable strategies. The Albanian public sector must play an active role in requesting funds for these specific purposes rather than be conditioned by the requirements and ideologies of donor organizations.

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**Warsaw, Poland** <http://www.ebrd.com/projects/psd/psd2009/39169.htm> (up to 200 million Euro to extend 29 km of tram lines, currently under evaluation)

**Krakow, Poland** <http://www.ebrd.lt/projects/psd/psd2004/34554.htm> (20.5 million Euro for the public transport company, 2004)

**Check Republic** <http://www.ebrd.net/new/pressrel/1994/102dec14.htm> (30 million ECU for the intercity bus company, 1994)

**Brasov, Romania** <http://mos.ebrd.com/country/country/romania/cs.htm> (10 million Euro for the public transport company, 2005)

**Kaunas, Lithuania** <http://www.ebrd.uz/new/pressrel/2004/97july8.htm> (10 million Euro for 50 new urban buses, 2004)

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