



REPUBLIKA E SHQIPËRISË

**RESULTS-BASED ROAD MAINTENANCE AND SAFETY PROJECT
(P132982)**

PROJECT OPERATION MANUAL

PROJECT MANAGEMENT TEAM (PMT)

AUGUST 2018

ABBREVIATIONS AND ACRONYMS

AADT	Average Annual Daily Traffic
AIS	Accident Information System
ANTP	Albanian National Transport Plan
ARA	Albanian Road Authority
Bank	World Bank (IBRD)
BMS	Bridge Asset Management System
DLI	Disbursement-Linked Indicators
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECA	Europe and Central Asia
ECAPDEV	(Multi-Donor Programmatic Trust Fund) Europe and Central Asia Capacity Development
EIB	European Investment Bank
EIRR	Economic Internal Rate of Return
EMF	Environmental Management Framework
EMP	Environmental Management Plan
EU	European Union
EUR	Euro
GDP	Gross Domestic Product
GoA	Government of Albania
HDM4	Highway Development and Management Model
Hybrid PBMC	Performance-based Maintenance Contract combining lump-sum and bills of quantity components
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IFC	International Finance Corporation
IFIs	International Financial Institutions
IFRs	Interim Financial Reports
IMF	International Monetary Fund
IoT	Institute of Transport
IMRSC	Inter-Ministerial Road Safety Council
IPA	Instrument for Pre-accession Assistance
iRAP	International Road Assessment Program
IRI	International Roughness Index
LEK	Albanian Lek
LoS	Level of Service
LS	Lump Sum
MOI	Ministry of Interior
MOF	Ministry of Finance
MIE	Ministry of Transport and Infrastructure
NPV	Net Present Value
NSDI	National Strategy for Development and Integration
PforR	Program for Results
P and PS	National roads classified as “Primary” and “Primary-Secondary”

PAD	Project Appraisal Document
PAP	Project Affected Peoples
PBC	Performance-based Contract
PBMC	Performance-based Maintenance Contract
PDO	Project Development Objective
IPF	Investment Project Financing
PIP	Project Implementation Plan
PMT	Project Management Team
POM	Project Operating Manual
PSIA	Poverty and Social Impact Analysis
RAP	Resettlement Action Plan
RAMS	Road Asset Management System
RRMSP	Results based Road Maintenance and Safety Project
RS	Road Safety
SLA	Service Level Agreement (as proposed between MIE and ARA)
SAA	Stabilization and Association Agreement
SEETO	South East Europe Transport Observatory
STS	Social Transparency System
TA	Technical Assistance
TOR	Terms of Reference
US\$	United States Dollars
WB	The World Bank
WBIF	Western Balkan Investment Framework

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6. INTRODUCTION AND LEGAL DOCUMENTS

1. The purpose of the Results-based Road Maintenance and Safety Project Operation Manual is to establish and maintain a system for the implementation and management including financial, procurement, safeguards aspects. As it reflects the provisions of the Loan Agreement between Government of Albania and the World Bank and disbursements letters, this manual will serve as guide for the implementing agency, Albania Road Authority (ARA) and its Project Management Team. The POM has been endorsed by the Minister of Infrastructure and Energy, received with no Objection regarding the content and compliance with the legal documents, and fiduciary and safeguards policies and guidelines. **The POM will be reviewed on annual basis, or at any time when the project is restructured and legal agreement amended. Any change, update or modification will be made in agreement with the Minister of the line ministry responsible for transport and will be effective after the World Bank No Objection.**
2. Important key dates associated with RRMSP and the World Bank loan
 - the Loan Agreement was signed on April 10th, 2015
 - expected Loan effectiveness is September, 2015
 - the project start date is March 27, 2015
 - the actual project closing date is December, 31, 2021
3. Other documents that govern the implementation of the Results-based Road Maintenance and Safety Project (RRMSP), include: (i) the Project Appraisal Document, (ii) the Environmental and Social Management Framework, and templates of Environmental Management Plan and Resettlement Action Plan, (iii) the World Bank Procurement and Consultant Guidelines and standard bidding documents, (iv) the World Bank Financial Management policies and disbursement procedures for the loan proceeds, and (v) the GoA Treasury procedures as applicable and agreed in relation to payments for goods, works and services financed by the project.

7. RRMSP OBJECTIVES AND DESCRIPTION

7.1 Project Development Objective (PDO)

4. The objectives of the Project are to: (a) maintain the condition and improve the safety of the Borrower's Primary¹ Road and Primary-Secondary² Road networks, and (b) strengthen sustainable and efficient road asset management and safety practices, for the benefit of road-users.
5. The primary beneficiaries, road-users, are expected to benefit from improvements in road maintenance, through reduced travel times and vehicle operating costs and improved road safety. Road safety improvements will reduce both the social costs and the economic losses associated with road accidents.
6. In parallel, (i) ARA will receive assistance to improve road maintenance outcomes and capacity building in the areas of Performance-based Maintenance Contracting and road asset management processes; (ii) the Inter-ministerial Road Safety Council (IMRSC) will receive support in road safety policy planning and development.

¹ "Primary Roads" means Albania's highways and main road corridors.

² "Primary-Secondary Roads" means Albania's roads, other than Primary Roads, that connect major cities and tourist hubs, as well as lead to border crossings with neighboring countries, within Albania.

7.2 PDO level and intermediate Results Indicators

Results Indicators measuring the achievement of PDO

- | | |
|----|---|
| 1. | Road Condition, as a function of the average IRI of the Project network does not deteriorate
-- Maintenance Indicator |
| 2. | Decrease of fatalities on an annual basis across the national road network
-- Safety Indicator. |
| 3. | Preparation and implementation of fully-costed multi-year maintenance plans on an annual basis -- Sustainability Indicator. |

Intermediate Results Indicators by Project Components

1	Length of Project roads under routine maintenance through PBC.	Component 1
2	Social Transparency System (STS) being used to monitor feedback trends, with issues closed out and monthly reports being prepared. (Trends disaggregated by gender).	Component 1
3	iRAP ³ surveys completed and showing an in Safety Star ratings across the Project roads.	Component 1
4	Length of national road for which condition survey data obtained and entered into RAMS database.	Component 2
5	Road Safety Media Campaign developed and in use	Component 2
6	Accident Information Database enhanced and in use by end of Year 2.	Component 2
7	Preparation of Transport Sector Strategy	Component 3
8	Finalize Beneficiary Impact Assessments and Completion Reports	Component 4

7.3 Project Description and Components

7. **The Project seeks to ensure that existing road network investments can be maintained and that road asset management and safety systems can be introduced sustainably** through: (a) maintaining the Project roads under 5-year hybrid Performance-based Maintenance Contracts; (b) the provision of technical assistance (TA) to improve road safety capacity at both ARA and the IMRSC; (c) the provision of TA and institutional support to improve operating efficiencies within ARA, targeted at road asset management, and (d) technical and advisory support to complete and develop sector strategies and programs.

Project Scope

8. **The focus of this Project is on Performance-based Maintenance and safety improvements to high volume roads within the national network. The Project roads comprise that part of the National road network, classified as primary 1033KM (P) and Primary-Secondary 298.07Km (PS) The Project will maintain 1335.07Km of P roads; and PS roads to be maintained are identified on a *location Map* in Annex 3 Location map, and summarized in tables Contract Packages, Contracts Costs and Performance, List of Project Roads**

Contract packages and List of project roads

³iRAP – The International Road Assessment Program

Contract no.	Network Length (km)			
	P	PS	S	Total
A	213.29	59.70	0	278.99
B	239.15	46.85	0	286.00
C	284.34	135.08	0	419.42
D	293.66	57.0	0	350.66
Total	1,033	298.63	0	1335.07

Contract no A	Region (N=North C=Center S=South)	Network	Road ID	Road Name
A-B	C	Primary	SH1-N	Tirana - Hani I Hotit
A	N	Primary	SH5	Shkodër -Kukës
A	N	Second Primary	SH41	Ura e Bunës - Muriqan
A	N	Second Primary	28	Melgushë (K/Rr.Nr.1) - Mjedë
A	N	Second Primary	208	Hani Hotit - Tamare

Contract no B	Region (N=North C=Center S=South)	Network	Road ID	Road Name
B	C	Primary	SH2	Tirana - Durrës (autostrada)
B	C	Primary	A3	Tirana - Elbasan (Motorway)
B	N	Primary	SH6	Milot - Skuraj - Peshkopi
B	N	Second Primary	SH32	Lezhë - Shëngjin - Kune
B	N	Second Primary	SH44	K/Rr.Nr.6 - Dogana Blladë
B	C	Second Primary	SH60	Kryqëzim Rinas - Rinas - Qafe Kashar
B	C	Second Primary	SH52	Vorë - K/Rinas - F.Krujë
B	C	Second Primary	218	Maminas-Hamallaj-ShenPjeter

Contract no C	Region	Network	Road ID	Road Name
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	(N=North C=Center S=South)			
C	C	Primary	SH 3	Elbassan - Kapshticë
C	C	Primary	SH 4N	Durrës - Fier (NEW)
C	C	Primary	SH 7	Elbassan - Rrogozhinë
C	S	Primary	SH 9	Qafë Thanë - Doganë
C	S	Second Primary	SH 62	Pogradec - Tushemisht
C	S	Second Primary	SH 72	Lushnje - Berat – Çorovodë
C	S	Second Primary	70	Elbassan -Cerrik
C	S	Second Primary	71	Elbassan- Kacivel-Qafe Molle - Maliq
C	S	Second Primary	59	K/Paper – Cerrik - Banje

Contract no D	Region (N=North C=Center S=South)	Network	Road ID	Road Name
D	S	Primary	SH4-O	Tepelene- Kakavijë (old)
D	C	Primary	SH4-N	Levan-Tepelen (NEW)
D	S	Primary	SH8	Fier - Vlorë
D	S	Primary	SH8	Pusi Mesinit-Sarandë
D	S	Primary	A2	A2 Levan -Vlore (new part of SH8)
D	C	Primary	SH85	K/Shkozet - Plepa
D	S	Second Primary	SH97	Ura e Kranesë - Konispol (Q.Botë)
D	S	Second Primary	SH99	Sarandë Urae Gajdarit K Qafë Muzinë

Contract no.	Region (N=North C=Center S=South)	Network	Road ID	Road Name
A-B	C	P	SH1-N	1_Tiranë - Hani i Hotit (new)
B	C	P	SH2	2_Tiranë - Durrës (autostrada)
C	C	P	SH3	3_Elbassan - Kapshticë
B	C	P	A3	A3_Tirane - Elbassan (new Motorway)
C	C	P	SH4-N	4_Durrës - Fier (NEW)
D	S	P	SH4-O	4_Tepelene- Kakavijë (old)

D	C	P	SH4-N	4_Levan-Tepelen (NEW)
A	N	P	SH5	5_Shkodër -Kukës
B	N	P	SH6	6_Milot - Skuraj - Peshkopi
C	C	P	SH7	7_Elbasan - Rrogozhinë
D	S	P	SH8	8_Fier - Vlorë
D	S	P	SH8	8_Pusi Mesinit-Sarandë
D	S	P	A2	A2_Levan -Vlore (new part of SH8)
C	S	P	SH9	9_Qafë Thanë - Doganë
B	N	SP	SH32	32_Lezhë - Shëngjin - Kune
A	N	SP	SH41	41_Ura e Bunës - Muriqan
B	N	SP	SH44	44_K/Rr.Nr.6 - Dogana Billadë
B	C	SP	SH52	52_Vorë - K/Rinas - F.Krujë
B	C	SP	SH60	60_Kryqëzim Rinas - Rinas - Qafe Kashar
C	S	SP	SH64	64_Pogradec - Tushemisht
C	S	SP	SH72	72_Lushnje - Berat - Çorovodë
D	C	P	SH85	85_K/Shkozë - Plepa
D	S	SP	SH97	97_Ura e Kranësë - Konispol (Q.Botë)
D	S	SP	SH99	99_Sarandë (Ura e Gajdarit)-K/Qafë Muzinë
A	N	SP	208	Segmenti Tamarë - Vermosh
A	N	S	22	22_Qafë Mali - Qafë Morinë
A	N	S	28	28_Melgushë (K/Rr.Nr.1) - Mjedë
B	C	S	218	Maminas-Hamallaj-ShenPjeter

Road Maintenance under the Project

9. The primary purpose of this Project is to develop and implement cost effective planning that supports the safe operation of the road and delivers maintenance to the required levels of service. Road maintenance is the result of a number of operations and activities aimed at preserving the structural and functional features of the road network. Under the Project, four PBC contracts will be used, averaging 350 km each, covering about 1,033km of the Primary (P) and Primary-Secondary (PS) national roads. The PBC contracts will include:

- Periodic maintenance, which under the Project, will include improvements and rehabilitation to restore the structural integrity and riding quality of severely deteriorated road sections, mainly through intensive pavement repair and ancillary works. Improvements will also address unsafe road conditions.
- Routine maintenance, aimed at preserving the road assets to the defined level of service (LoS). LoS will relate to aspects such as riding quality, comfort and safety, and will also include winter maintenance.
- Emergency works - to reinstate the roads after damage has occurred as a result of natural phenomena or accidents.

10. The Output and Performance-based (hybrid) Contracting approach (OPRC/PBC referred herein as PBC)⁴ is a multiyear type of contract in which payment for a deliverable is explicitly linked to the Contractor successfully meeting or exceeding certain clearly pre-defined level of service (LOS) measured through a pre-defined set of performance indicators. A PBC approach has been chosen for this Project because it has the potential to offer cost savings and can be more effective in meeting the service levels that really matter to the road-users. PBC allows the ARA to focus upon the key outcomes that it wishes to achieve while transferring the responsibility for the delivery of the outcomes to the Contractor, affording the Contractor greater flexibility in selecting methods, materials, and quantities, as long as pre-defined performance indicators are met. Contrary to conventional contracts, which rely on a bill of quantities with unit costs to define payments to the Contractor, the focus of PBC is the standard of the final output.

Road Safety under the Project

11. Road safety aspects are incorporated into the maintenance contracts through addressing black-spots identified under an initial road safety audit, and through a process of ongoing audits, whereby additional road safety issues can be identified, and then addressed by the contractors under emergency / contingency funding. In addition, TA will be implemented to support institutional reform and key operational programs at the IMRSC.

Road Asset Management under the Project

12. Road maintenance planning and management is an on-going activity which requires current and accurate information on asset inventory and condition. Data collection and analysis under the Project will be supported through TA to update the RAMS.

⁴PBC involves a significant shift away from more traditional approaches to the delivery and maintenance of road infrastructure and associated services.

Project Components

13. The Project has four components with a total investment of EUR 128.5 million (US\$156 million equivalent), of which EUR 65.9 million will be financed by the World Bank and EUR 62.6 million by GoA.

Component 1 – Maintenance Works and Monitoring (Total EUR 114.67 million; WB EUR 56.39 million) that will support periodic and routine maintenance of Project roads:

Sub-Component 1.A: Maintain the condition of Approx. 1400km of Primary (P) roads of Primary-Secondary (PS) roads under hybrid⁵ type Performance-based Maintenance Contracts.

Sub-Component 1.B: This component will finance Monitoring Services Consultant. The primary role of the Monitoring Consultant is to ensure that the service levels defined in the maintenance contracts are complied with. The consultant will also provide an initial road safety audit, arrange for iRAP surveys, ensure that identified additional road safety black-spots and required safety enhancements are incorporated into the capital works, and develop the Social Transparency System (STS).

Component 2 – Institutional Reforms (Total EUR 5.93 million; IBRD EUR 2.92 million) that will support institutional reforms at both ARA and MIE, aimed at enhancing capacity in road safety and road asset management on a country level:

Sub-Component 2.A: Operationalize road safety in ARA, MIE and IMRSC, by strengthening organizational and policy-oriented actions, introducing Road Safety audit training accreditation courses, supporting Road Safety media campaigns, and developing an integrated database to enhance the Accident Information System (AIS).

Sub-Component 2.B: Institutionalize Road Asset Management Systems (RAMS), by enhancing ARA's capacity to collect and analyze road data, conduct road condition surveys to collect input data for RAMS, and provide training to ARA staff to use the system to plan and budget for multi-year maintenance and investments expenditures.

Component 3 – Sector Reforms (Total EUR 4.74 million; IBRD EUR 3.95 million) that will support transport sector reforms. The component will provide financing to address sector reforms, which would include, but not limited to, technical and advisory assistance to GoA to finalize the Transport Sector Strategy and associated implementation plan; and technical and analytical support for medium term budget planning.

Component 4 – Project Management and Audit (Total EUR 2.97 million; IBRD EUR 2.47 million):

Sub-Component 4.A: support project management functions of ARA's Project Management Team (PMT) and provide financing of the operating costs⁶.

Sub-Component 4.B: carry out monitoring activities including the Beneficiary Impact Assessments, the Technical Audits and DLI Audits.

⁵ A hybrid contract is defined here as consisting of two components:- (a) works for periodic maintenance and improvements of the project roads and implemented through a Bill of Quantities or Lump Sum Design and Build approach, and (b) a Lump Sum routine maintenance component, paid on a monthly basis for the contract period.

⁶ Operating costs means the reasonable incremental expenses arising under the Project, and consisting of salaries of the Project Management Team (excluding the salaries of Albania's civil servants) and expenditures associated with the implementation of Project activities, costs for office maintenance, per diems for staff, office furniture, materials and supplies, communication costs, advertising and fuel and transportation/vehicles costs for field visits

Project Components	Project Cost (Euro M)	IBRD Financing (Euro M)	Percent Financing
1 Component 1 - Maintenance Works and Monitoring			
1A Maintenance Works			
1B Monitoring Services			
<i>Sub-Total</i>	<i>114.67</i>	<i>56.39</i>	<i>Up to 50%</i>
2 Component 2 - Institutional Reforms			
2A Operationalising Road Safety			
2B Road Asset Management			
<i>Sub-Total</i>	<i>5.93</i>	<i>2.92</i>	<i>Up to 50%</i>
3 Component 3 - Sector Reforms			
3A Sector Support for Reforms			
<i>Sub-Total</i>	<i>4.74</i>	<i>3.95</i>	<i>Up to 84%</i>
4 Component 4 - Project Management and Audit			
4A Support for Project Management			
4B Operating Costs			
4C Annual DLI and Technical Audits			
4D Completion and Impact Assessments			
<i>Sub-Total</i>	<i>2.97</i>	<i>2.47</i>	<i>Up to 84%</i>
Front-End Fee	<i>0.16</i>	<i>0.16</i>	
Total Financing Required (incl. VAT)	128.47	65.90	51.29%

7.4 Disbursement Linked Indicators

14. In addition to the PDO Level and Intermediate Indicators, the Project has been designed to link disbursements to defined results through DLIs, which are broadly described below:

DLI 1.1: Periodic Maintenance. Targets will be met when a pre-defined length of periodic maintenance is completed.

DLI 1.2: Routine Maintenance. Regular routine maintenance will be carried out under Performance-based Contracts on Project roads under five year maintenance contracts. Targets will be achieved if the pre-defined service targets of Routine maintenance are achieved.

DLI 1.3: Social Transparency System. Targets will be achieved if the system has been developed and operational to monitor feedback and prepare monthly trend and analysis reports.

DLI 2.1: IRAP Safety Surveys. Targets will be met if the periodic surveys are completed showing an improvement in Safety Star rating across the Project roads.

DLI 2.2: Road Asset Management System – Targets will be achieved if there is evidence that annual condition surveys are completed and multi-year maintenance programs prepared on annual basis.

DLI 2.3: Service Level Agreement – Targets will be achieved when the Service Level Agreement between ARA and MIE is signed/executed.

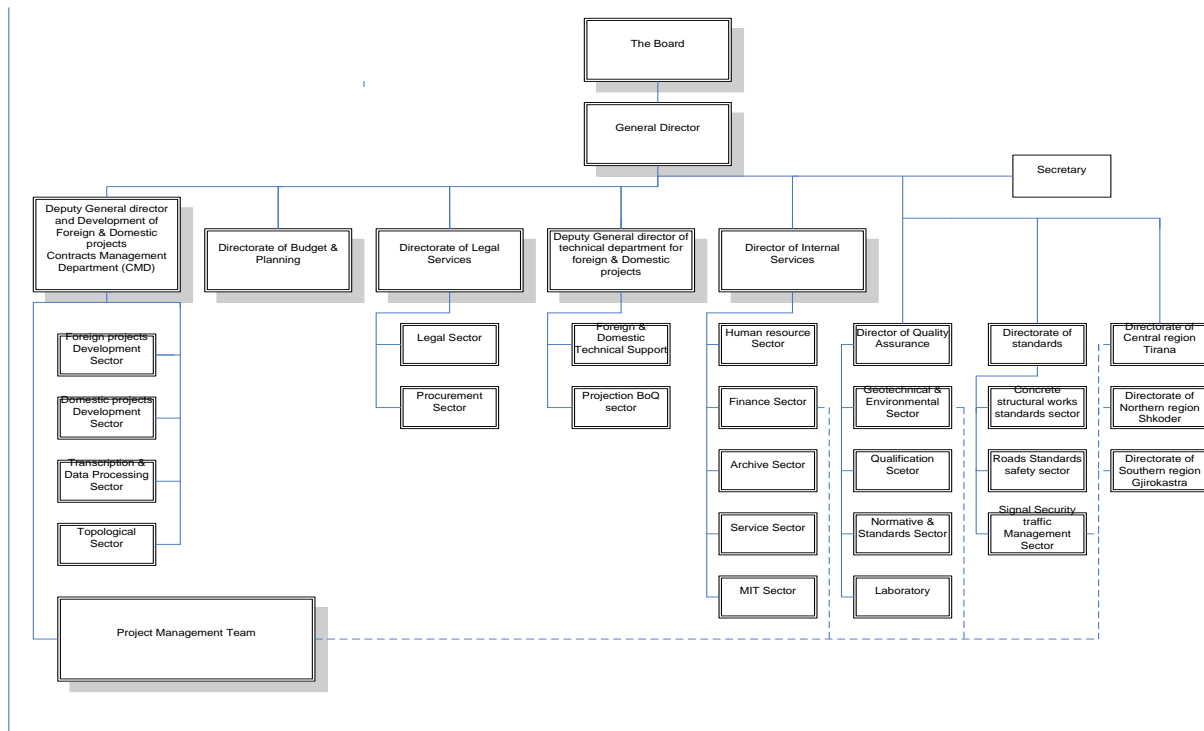
8. INSTITUTIONAL AND PROJECT MANAGEMENT ARRANGEMENTS

8.1 Institutional

15. The Ministry of Infrastructure and Energy (MIE) is mandated to oversee transport sector, setting sector policies, developing sub-sectoral budgetary and performing regulatory functions. It will have the overall responsibility to ensure that the project is implemented in compliance with the Loan Agreement (and its annexes, side letters, etc.) and this operation manual.

16. The Albanian Road Authority (ARA) - created by Law No. 10164 October 2009 - is the asset manager of the national road network, and responsible for the construction, upgrading, rehabilitation, and maintenance of the national road network including associated planning, budgeting, and programming. ARA is accountable to MIE, and has responsibility for road infrastructure management of the national road network. ARA is overseen by the ARA Management Board, which consists of seven members: four are governmental representatives from the Ministries of transport, finance, economy, local government, and three representative of the private sector. ARA will be the Implementing Agency for this project using its Project Management Team, with duties and responsibilities described in this operation manual.

Overview of the ARAs organizational structure



Because of the complexity in managing road safety, an Inter-ministerial Road Safety Committee (IMRSC) was created in 2002. IMRSC is under the Chairmanship of the Prime Minister and consists of eight members. The Directorate of Traffic and Road Safety (part of MIE) effectively

functions as the secretariat of the Committee. The organisational arrangements of the IMRSC are shown below:

8.2 Project Implementation Arrangements

17. As it is mentioned in the above paragraph, ARA will be the implementing agency for the Project through its Project Management Team (PMT), which will be staffed in part from the existing personnel. As these staff will also have their normal duties, the PMT will be augmented, on an as-required basis, by consultants who will provide additional support in Project procurement, financial, safeguards and contract management. Operating costs provided through the Project financing, will support this arrangement.

18. In addition to the implementation of maintenance and road safety activities in the project roads, ARA, through its PMT, will be responsible for the delivery of TA to the secretariat of IMRSC for improving road safety outcomes. To coordinate and oversee the Road Safety TA, a Technical Steering Committee will be established, consisting of members of MIE and ARA. The Technical Steering Committee will guide the finalization of the ToR for the Road Safety technical assistance, and implement and monitor the progress of its activities. Issues and actions that go beyond the MIE and Road and Traffic Safety Directorate mandate will be escalated to the IMRSC.

8.3 Project Management Team

19. As mentioned in earlier paragraphs the PMT will be, on behalf of MIE and ARA, in charge for project coordination, implementation, procurement and financial management, disbursement, monitoring, technical coordination, monitoring and evaluation and reporting, as described in the following paragraphs.

The PMT will also represent the MIE/ARA in the institutional and contractual relationship with all consultants, contractors, suppliers, as well as other ministries/institutions.

20. *Main Duties and responsibilities of the PMT* are aligned with the Loan Agreement and related legal documents, as described below:

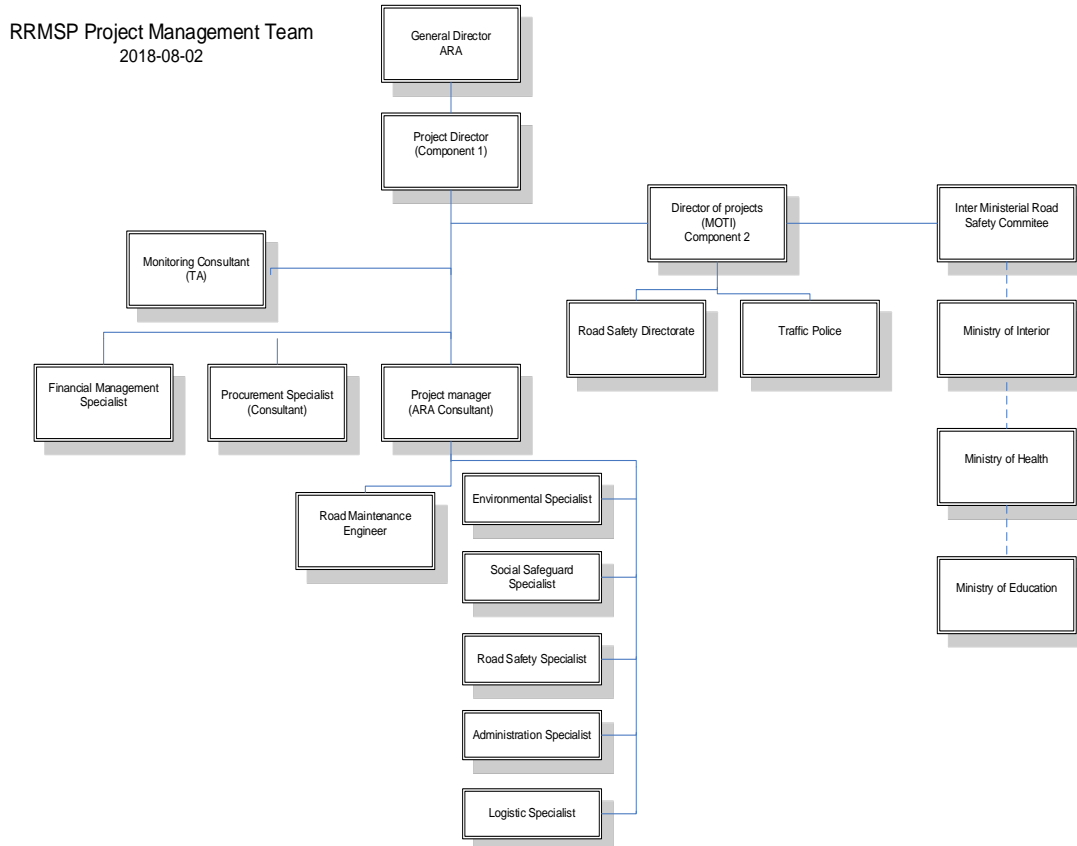
- Project coordination and implementation
- Procurement of goods, works, services and individual consultants, in accordance with the agreed procurement plan
- Financial management and disbursement, in accordance with the Loan Agreement and Disbursement Letter
- Monitoring and evaluation of the project performance, including results indicators and DLIs
- Drafting the annual budget for the project, and obtaining the respective approval from MIE, in order to ensure flow funds from the World Bank and State Budget
- Overall quality assurance for works, goods and services financed by the project
- Safeguards compliance in accordance with the Legal Agreement provisions and World Bank policies
- Project's governance, transparency, and anti-corruption framework
- Preparation of consolidated semi - annual reports, including the Medium Term Report and unaudited Interim Financial Reports, and submission to the World Bank in accordance with the Legal Agreement
- Cooperation with external auditors, ensuring that all financial accounts, records and reports, and other relevant documents, including internal reports, are available to external auditors

- Cooperation with the technical and DLIs auditors, ensuring that the related reports are timely submitted and reviewed, before submission to the World Bank and the EU delegation
- Weekly Reporting will be submitted to the MIE
- All contract procured will be signed by the General Director

21. **Structure and Staffing**

The PMT will consist of about 23 staff:

- Project Director 1 (ARA staff)
- Project Manager (1) (individual consultant)
- Director of Projects 1 (MIE staff)
- Procurement Specialist 1 (individual consultant)
- Financial Management Specialist 1 (individual consultant)
- Head of Finance Sector 1 (ARA staff)
- Safeguard specialists 2 (ARA staff)
- Road Safety specialists 2 (MIE and ARA staff)
- Regional Road Maintenance Departments 4
 - Contract A-North Albania: Shkoder & Kukës Regions
 - Contract B-Central /North- East Albania: Tirana & Diber Regions
 - Contract C-Central /South- East Albania: Fier, Elbasan & Korce Regions
 - Contract D-South Albania: Vlore & Gjirokaster Regions
- Road Maintenance Inspectors/Engineers 4 (individual consultants)
- Administration Specialist 1 (individual consultant)
- Logistic Specialist 1 (individual consultant)



PMT Principle Functions for the main key positions:

22. The Project Director will be responsible for the following duties:

- The project Director will interface with the director of projects, and will coordinate with the Inter ministerial road safety committee, he will liaise with the WB and the WB peers and will be responsible for the direction of the project.
- Oversee the Monitoring Consultant and ensure the compliance with the related contract, including staffing and expertise
- Reinforces team approach throughout practice both on client projects and internal initiatives.
- Supports and solicits input from team members at all levels within the organisation.
- Ensures regular team and practice events take place away from the office.
- Supports his Client Management and communicates effectively with clients to identify needs and evaluate alternative internal business solutions and strategies.
- Manages the strategic aspects of large engagements and mitigates any risk and oversees senior managers and managers working on client engagements within practice.
- Reviews high-level deliverables across practice and ensures his project management team PMT have solid engagement with regards to HSE, Environmental; Quality & Assurance procedures take place for all practice engagements.
- Provides and mentors leadership to practice within the scope of works
- Develops, implements, and maintains sound business practices.
- Develops and implements strategic objectives for practice that are aligned with the region's strategic initiatives
- Monitors progress, provides financial control and ensures quality of project and ensures responsibility for ensuring that project managers manage the project team including architects, engineers, workplace consultants,
- Ensuring the construction development of schedules and budgets for assigned projects,
- Coordinates with departments such as Planning, Acquisitions, Operations, Design, Engineering and Finance

23. The Project Manager will be responsible for the following duties:

- Administration, supervision and management of the contracts included in the Results-based Road Maintenance and Safety Project
- Oversight the organization, staffing and scheduling the monitoring and supervision of performance-based maintenance contracts, including routine, periodic and rehabilitation works
- Oversight of the organization and staffing, including other requirements for the Monitoring Consultant. He/she and Social Safeguard expert will be the main ARA focal points for the establishment and functioning of STS.
- Propose and plan training and information to personnel employed in the project.
- Draft the reports inform the ARA and PMT Director regularly.
- Review and prepares for finally Project Director's Approval the Interim Certificates and Invoices related to Works, Goods and Services, before the authorization of payments by General Director and Authorized Signatures
- Review and make recommendations to the PMT Director and ARA on the Contractors' work plans and schedules

- Carry out the monthly inspections of the periodic maintenance jointly with the Monitoring Consultant, and the PMT staff assigned for that purpose.
 - Liaise with the MIE and other institutions, regarding technical inputs to specific Bidding Documents, Terms of Reference (TOR), Technical Specifications etc.;
 - Draft the Bidding Documents, Technical Specifications, ToRs Requests for Proposals and Contract Documents for the final approval and signing; update and revise the procurement plan, as needed
 - Review technical documentation, drawings and technical specifications, as needed
24. The Financial Management Specialist duties and responsibilities are described in the relevant sections and Annexes of Financial Management
25. The Procurement Specialist duties and responsibilities:
Purchasing and Managing Inventory, Record Keeping, Negotiate Contracts, Maintain Client relations, Assess Financial Performance of Products
26. The Project Inspectors/Engineers duties and responsibilities:
Inspect engineering projects during various stages of construction to ensure compliance with applicable norms, ordinances and regulations; manage quality control of materials used; perform basic surveying at job sites.
27. The Regional Departments duties and responsibilities:
To assist and familiarize with all the policies, rules, regulations, guidelines and procedures for effective planning, design, construction, equipment and maintenance of infrastructure projects within their region;
28. The Safeguard Specialists duties and responsibilities:
Identify challenges, opportunities, priorities and needs for the development and implementation of the Facility's safeguard Plan and implementation at all levels;
Undertake follow up monitoring to ensure that proposed mitigation measures are implemented according to an agree upon environmental, expropriation, and social mitigation implementation plan;
29. The Road Safety Specialists of MIE and ARA duties and responsibilities:
Provide technical support and advice for the implementation, monitoring and evaluation of project's activities related to road safety in the country, including liaising with relevant ministries, nongovernmental organizations,
30. Administration Specialist duties and responsibilities:
To register all correspondence according to the protocol law and ARA Regulations.
To ensure that all correspondence and technical documentation, both hard and soft copy is accurately registered and stored for ease of access and reference at any time as required.
- 30.1 Logistic Specialist duties and responsibilities:
To supply various office supplies from their suppliers, postal coverage and distribution of correspondence to the respective destinations, accompanying technical staff on constructions site, etc.

Conflict of Interest

31. The PMT staff and consultants may not, either directly or through an intermediary, hold any interest in companies, or exercise responsibilities in public or private entities, likely to have commercial relations with the PMT, or to benefit from their activity. They shall not accept any remuneration, commission or fee from such companies or institutions. Upon recruitment, all staff consultants are allowed a period of one

month during which they can terminate such commitments, interest or holdings. Failure to do so is resulting in cancellation of their appointment. If any staff/consultant of the PMT leaves the job, he/she has no right to enter in contractual arrangements, either as employee or individual consultant within 6 months of job termination, with any company that is either bidding or is contracted under the project.

Staff/Consultant Selection

32. All PMT staff appointments/ changes are subject to notification to an agreement by the World Bank (regardless of whether he /she is project or government paid). Initial hiring of any PMT consultants financed by project will follow a competitive process according to the Bank Consultant Guidelines and prior reviewed by the Bank; subsequent extensions may be handled as Single Source Selections, always with Bank's prior review. PMT staff/consultants may only be removed based on performance grounds and/or contract provisions. Annual performance evaluations of all staff should be conducted by the Director of PMT and reported to ARA and the Bank, based on staff's ToRs.

Rating, payment and working hours

33. Rating and payment of the PMT consultants will be based on his/her job position and seniority, and in accordance with the schedule of remunerations agreed between ARA and the World Bank. Monthly salaries are paid in accordance with the contract provisions, and in the currencies allowed under national law. It shall include all duties and insurances as required by the national law and payments be made to PMT consultants' bank accounts. The last day of each month, the consultants shall submit for PMT Director' approval their respective time-sheets (signed)

Regular working hours are from Monday to Friday, except for public holidays, following public administration rules for 40 hours/week, from 08:00 – 16.30 and on Friday 08:00 – 14:00. All PMT staff/consultants are entitled to official paid holidays, for the same duration as for the public administration.

Salary increase

34. Acceptable increase of rate/salary would be made to reflect: (a) substantial changes in the FOREX, (b) annual inflation rate based on CPI index; or (iii) any other case that parties may bring forward. In all these cases, ARA's and Bank's consent will be required prior to the approval of staff salaries. Official data obtained by the INSTAT (Statistical Institute) will be the basis for the proposed adjustments.

8.4 Monitoring & Evaluation and Reporting

35. The monitoring and evaluation function will be carried out by the PMT with support of the Steering Committee and in close cooperation with MIE's Directorate of Road Traffic and Safety. The PMT will be responsible for the preparation of Project's Semi-Annual Progress Reports, which will be submitted to the MIE, MOF and the Bank Project. Progress Reports will include Financial (in addition to IFR) and Procurement information, outputs from the implementation project activities related to Goods, Works and Consultant Services, and measuring/monitoring and evaluation of project indicators. Based on the planned maintenance and project related activities, the reports will reflect the funding needs for the subsequent periods, and confirm the appropriation of ARA budget accordingly. Finally, these reports will describe any pending issues and time-bound actions that will be taken to address them. The monitoring of the Environmental and Social Safeguards and site specific documents will be also included in the Progress Reports.

36. In terms of reporting **PMT is responsible for:**
- (i) Submission of Semi-Annual Project Progress Reports, no later than 45 after the end of the reporting period. The reports will be submitted to MIE, MOF and the World Bank, after being presented to ARA's General Director and MIE Director responsible for Road Safety activities. These reports will include, but are not limited to:
 - Brief update on overall progress by component and activity, including a technical evaluation and assessment
 - Financial situation, disbursement by contracts and components and disbursement projections for the next period
 - Update on actual budgeting and counterpart financing for the project, as well as the financing for the upcoming period/year
 - Procurement processes update (highlights) providing information on the status of contracts under bidding and evaluation process, status of contracts under implementation, as well as on contracts' commitment and expenditures, based on FM information/reports, and including: (i) any deviations from the previous PP, (ii) problematic issues and measures proposed to resolve them, (iii) actions undertaken to correct deficiencies, reviews and audits.
 - Updated Procurement Plan
 - Updated Results and DLIs Framework, and progress made toward achieving them
 - Challenges and Issues to be brought to the attention of MIE and other GoA institutions, as well as to the World Bank
 - (ii) Submission of mid-term review report not later than on month before the Project Mid-Term Review that will be undertaken in conjunction with all agencies involved in the project and with the World Bank (not later than 40 months after the Effective Date). In addition to the information similar to the Semi-Annual Reports, the mid-term review report will include:
 - the achievement of project's PDO/Intermediate Results, as well as the Disbursement Linked Indicators
 - Any changes that need to be discussed with the Bank on the above, as well as project's components, activities, etc.
 - (iii) The Interim Financial Reports (IFRs) showing sources and uses of funds for the project, both cumulatively and for the period covered by the report, including all sources of financing and explaining variances between the actual and planned uses of funds, will be furnished to the Bank no later than 45 days after end of each calendar quarter.
 - (iv) Social Transparency System (STS) reports produced with the help of the Monitoring Consultants, which will present, among others (i) public feedback on maintenance activities and measures taken by contractors and ARA to address them, and (ii) performance benchmarking of maintenance contractors. Upon the establishment of the STS by the Monitoring Consultant, these reports will be published in ARA website on monthly basis.
 - (v) Completion Report, at least six months before the project closing date, including the Technical and DLI Audit, comprehensive reporting on completion of project activities, as well as beneficiary impact assessments, which will: (a) document project's impacts on beneficiaries; (b) re-visit the PSIA⁷ study; (c) review lessons learnt, (d) review trends within the STS and impact assessments;

⁷PSIA Grant has been obtained for "Road Safety and Poverty. Counting the Cost - Road Accidents and Impacts on Vulnerable Groups and the Bottom 40 percent." This work is currently under preparation

(e) review the DLIs and results indicators; and (f) recommend improvements in the design of performance based maintenance contracts.

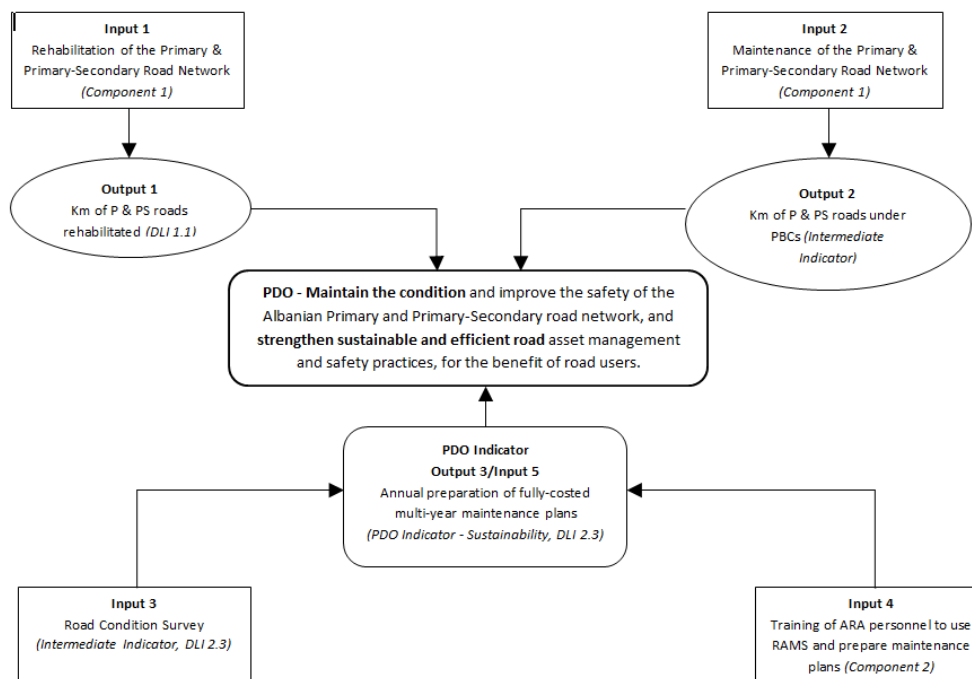
37. All Project Reports would be provided to the MIE and MoF two weeks after their submission to the Bank, and after reflecting comments received from the later. Upon specific requests, the PMT Director will prepare other reports on project progress and issues, addressed to other GoA institutions.

38. The project progress reports will benefit and use the information received from:

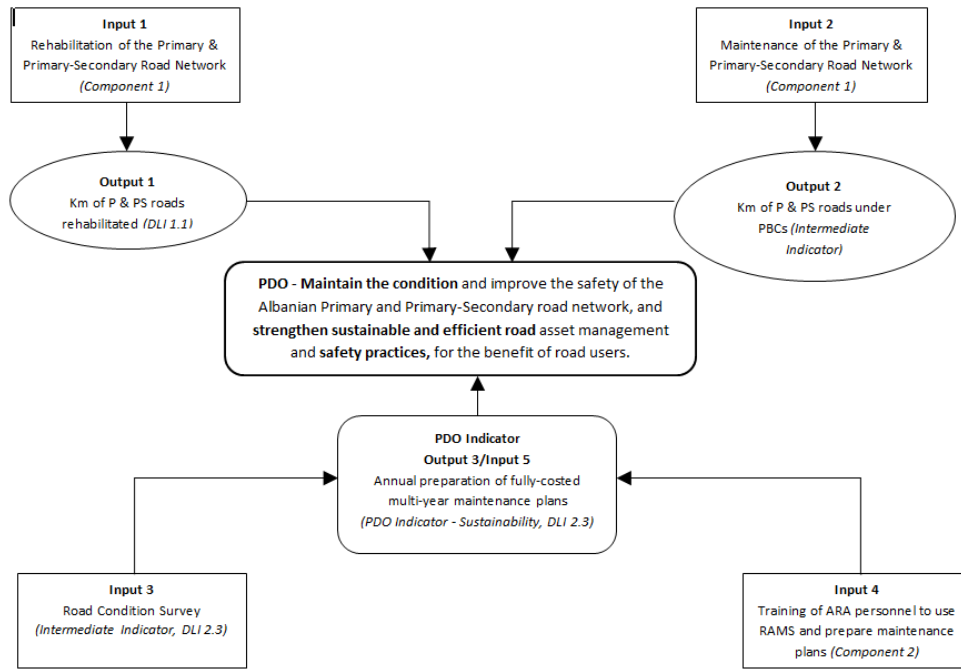
- (i) Independent monitoring of performance based maintenance provided by consultants engaged for the full term of these contracts, in relation to meeting the service levels, specified in the maintenance contracts, and contract administration, certification of payments, as well as performance and network condition data as input to the social transparency websites and feedback mechanisms.
- (ii) Annual Technical and DLI audits that will review and confirm, among others, whether the implementation has followed technical and administrative requirements and the project's disbursement linked indicators are periodically met. Technical and DLI audit reports will be submitted to the Bank and MoF not later than 3 months after the end of subject year.
- (iii) Annual iRAP surveys organized and performed under Monitoring Consultant Contract

39. **Monitoring and Evaluation Diagrams**

(i) **Links between Inputs, Outputs and Indicators (Maintenance and Sustainability)**



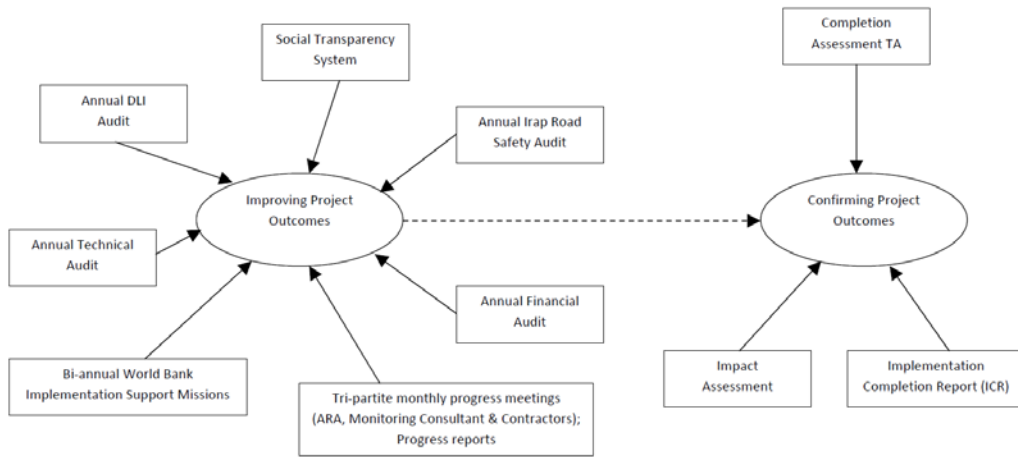
(ii) Links between Inputs, Outputs and Indicators (Maintenance and Safety)



Note: Activities in Component 3 supports implementation of the whole Project and sector

(iii)

Project Monitoring Processes



9. FINANCIAL MANAGEMENT

9.1 Financial Management Staff

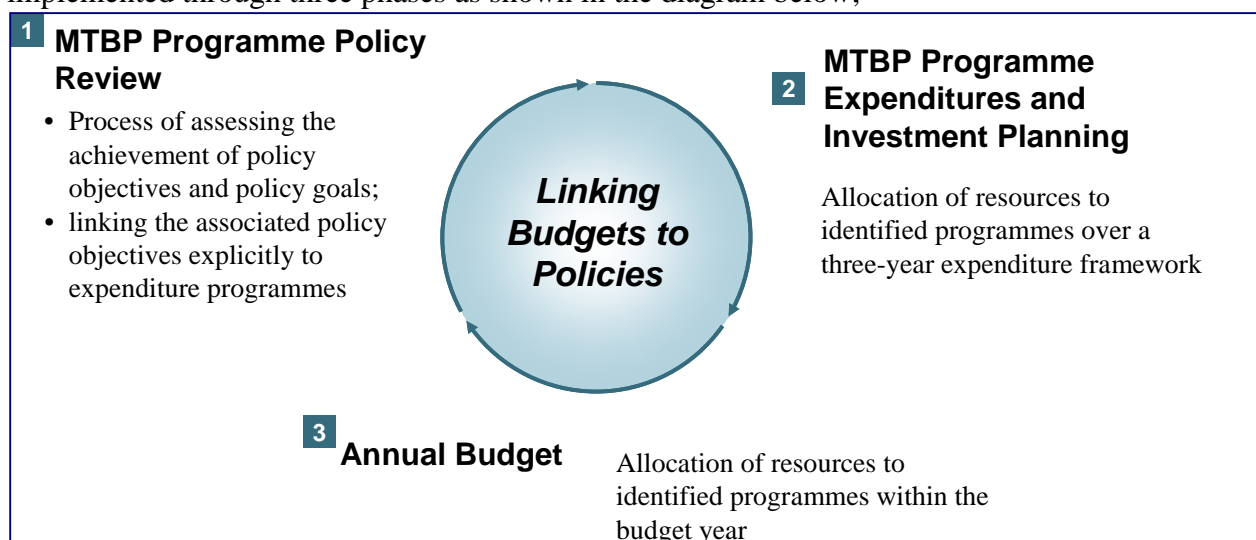
40. Two ARA units: (i) Budgeting and Planning Department headed by its Director and (ii) Sector of Finance Services under the General Directorate of Supporting Services, are responsible for budgeting, planning and financial management activities. A Financial Management specialist will be hired and assigned to look after Project specific financial management and reporting activities and coordinate with internal and external stakeholders for the project. From the current staff of the Sector of Finance Services, only the head of the sector will be part of the PMT and involved in the project. The Head of the Sector will act in the capacity of immediate supervisor of the FM specialist, by reviewing and clearing financial reports, disbursement applications, payment orders, draft budgets and forecasts, and bank reconciliations. These activities as described in the following paragraphs will ensure proper segregation of duties and responsibilities and also to ensure internal control on all the financial activities of the project.

41. The Financial Management related structure will be reviewed with the Bank during implementation support missions to ensure adequate fiduciary staff are assigned to deal with the increased workload from the project.

4.2 Budgeting and counterpart funding

Integrated Planning System

42. The Project will use country's integrated planning and budgeting systems, which are implemented through three phases as shown in the diagram below;



Medium Term Budget Planning (MTBP) and Annual Budget process

43. A summary of the Medium Term Budget Framework and annual budget, together with an indicative timetable of activities is presented below. Budget and planning request for the project will be accommodated by MIE based on the indicative ceilings provided by Ministry of Finance. Significant input is required by ARA starting from the second quarter of year preceding the budget year.

Phases	Activities	Source	Indicative Timeline
1. Macroeconomic framework, Policy Priorities Note. PBA ceilings	- Macroeconomic parameter specification - Identification of policy priorities - Initial PBA ceilings - PBA preparation guideline	- MOF - Department of Strategy and Donor Coordination - MOF - MOF	1 st quarter - January-February - March
- Strategic Planning Committee and CM approves			- March
2. Program Policy review	- Review of program policy statements which outlines the goals and objectives that each program will achieve. A review of these statements, which aims to ensure that they are fully consistent with the sector strategies.	- MIE	2 nd quarter
3. Program Expenditure and Investment Planning (PEIP)	- Based on approved ceilings, Line Ministries develop PEIP, determining outputs and costing activities. - Line ministries submit their budget proposals in May, for the following three-year period - Line ministries submit draft annual budget - Hearing session	- MIE, input by ARA. For MTBF information is provided through the MOF information system. - Draft annual budget through supplementary statement templates (MOF) - For investment planning additional information is submitted to the MEDTTE, which then prepares and submits a draft proposal to MOF	- May 1 - End of May
Strategic Planning Committee and CM approves draft MTBF			- June
4. Preparation of the MTBF and draft annual budget	- Supplementary annual Budget and MTBF preparation guideline issued - Line ministries submit their revised budget proposals for the 3 consecutive years and annual budget request - Hearing session	- MOF - MIE, input by ARA, - For investment planning additional information is submitted to the MEDTTE, which then prepares and submits a draft proposal to MOF	3 rd quarter - First week July - September 1 - September
Strategic Planning Committee and CM approves revised MTBF and draft annual budget law Parliament approval	Parliament review and approval of revised MTBF and draft annual budget law		4 th quarter

44. Project-related Planning and Budgeting Activities at ARA level are described in the subsequent table, which also includes deadlines for each phase.

Activities (phase 2)		Deadline
Draft Project Plan for 3 consecutive years and next year budget prepared, draft disseminated to PMT	FM Specialist and Procurement Specialist	March 15
Meeting of the Project Management Team, discussion on the draft proposal		March 15-20
Submission of draft estimates to ARA Budget Department	Project Director	March 25
Final version of ARA expenditure and investment plans and draft annual budget, including the project, submitted to ARA General Director	Head of Planning and Budget Department/ ARA	April 5
Final approval from the BoD of expenditure and investment plans	Board of Directors based on the proposal of the GD	April 10
Submission to MIE / Budget and planning department	ARA/ GD	April 10
Meetings and discussion with MIE		April 10-15
Final version of MIE expenditure and investment plans and draft annual , including the project, submitted to Secretary General	Head of Planning and Budget Department/ MIE	April 20
Final ministerial approval of expenditure and investment plans (allowing time for possible changes)		April 20-30
Deadline for the submission to MoF /	MIE	May 1
Budget hearing sessions		

Activities (phase 3)		Deadline
Revised Project Plan for 3 consecutive years and next year budget request prepared, draft disseminated to PMT	FM Specialist and Procurement Specialist	June 1
Meeting of the Project Management Team, discussion on the draft proposal		June 1-15
Submission of draft estimates to ARA Budget Department	Project Director	June 20
Final version of ARA expenditure and investment plans and draft annual budget, including the project, submitted to ARA General Director	Head of Planning and Budget Department/ ARA	July 1
Final approval from the BoD of the revised expenditure and investment plans and next year budget	Board of Directors based on the proposal of the GD	July 15
Submission to MIE / Budget and planning department	ARA/ GD	July 15
Meetings and discussion between PMT and MIE		July 15-30
Final version of MIE expenditure and investment plans and annual budget, including the project, submitted to Secretary General	Head of Planning and Budget Department/ MIE	August 15
Final ministerial approval revised expenditure and investment plans and next year budget (allowing time for possible changes)	MIE on the SG proposal	August 15-30
Deadline for the submission to MoF /	MIE	September 1
Budget hearing sessions		

45. The basis for the preparation of the project-related medium term plans and annual budgets will be:

- Updated Project implementation plan
- Updated Project procurement plan
- Committed contracts and the work plan/schedule
- Percentage of financing IBRD loan and GoA funds, specific to disbursement categories

46. The ARA will prepare standard budget document based on the templates as required from the Ministry of Finance. These documents will be feed by another template that will be prepared by PMT, specifically for the project. The template will include all planned and committed contracts under the projects, status, actual and expected realization, and contract expected disbursements, which will be detailed by quarters. In addition, a summary of the annual budgets will be detailed by project categories, components and activities, financiers. All the excel spreadsheet set described above, will be approved by Project Director, and the budget proposal set will be submitted to the ARA budget and planning department and ARA General Director.

47. The annual budget preparation process will be aligned with MIE budgeting process, therefore continuous coordination is required between PMT, ARA and MIE. The Project budget and forecast will be integrated in MIE's investment planning and budget, although it will be identified and monitored as a separate product/output.

In-year adjustments of annual budgets and according to circumstances on project implementation progress, will follow the same procedures as for the preparation of the annual budget;

Project Forecast

48. At each reporting date, the PMT will prepare a forecast (in a standard template) for the eligible expenditure to be paid during the two subsequent semesters. The template will be consistent with the one for the annual budget. The forecast will detailed by component/ activity and source of financing, in line with the following documents:

- Updated procurement plan
- Committed contracts, contract implementation plan, contract payment schedule
- Percentage of financing IBRD loan and government funds based on the project categories
- Annual approved project budget, and approved in-year adjustments (as approved by MOF)
- Any deviations from the approved project budget will be explained

49. The draft forecast will be prepared by the FM Specialist based on discussion and consultation with Project Manager and Procurement consultant. It will be reviewed by the head of finance sector and finally approved by the Project Director. This forecast will be an integral part of IFRs that will be submitted to the Bank team for review. The IBRD portion of the forecast will be the basis of advancing funds from the loan account to the Designated Account.

Budget Execution

50. Subsequent to the Parliament approval, the Budget Department of the MoF sends to MIE the corresponding part of the budget. The MIE's BPD complements the document with information regarding breakdowns by spending units (including ARA's) and investments by programs. The detailed budget is then sent back to the Department of Budget of the MoF for final control and to the spending units which prepare forecast of disbursements per months. The Project's GoA financing will be shown as a separate budget line in the annual budget allocation (Chapter 7).

ARA will submit to the MOF/ Treasury the Project monthly payments forecast for government financing and disbursement plan for IBRD loan, based on information provided by the PMT. The monthly limits will be based on the provided project forecast.

Budget Monitoring Provisions

51. The semiannual IFRs contain actual vs. budget analysis. In addition to that the PMT might be required to prepare a separate budget execution report for ARA internal purposes. The costs incurred by the projects against the annual budget should be reviewed semiannually by the PMT. In case of any significant difference between planned and actual costs, the PMT takes responsibility for identifying the reasons for those differences (differentiate between systematic and unsystematic variances) and reporting the same in narrative part of the progress report in each semiannual IFR.
52. In case of internal problems (unsystematic variances) identified during the examination, specific steps should be taken to address them; otherwise, the budget for the next period should be readjusted to reflect the discrepancies (systematic variances) between actual and planned figures. Mid-year would be the right time for anticipating deviations, as compared to the approved budget, and to integrate consequences of these changes together with the future needs for constituting the next year budget planning.

Presentation and Receipt of the Invoice

53. Each contract shall be stored in their respective directories, with the files' names shall be identical to those of the contracts. If there should be several revisions of the contract, the extensions shall show the revisions in the alphabetical order. The contract number is assigned in accordance with the system provided for each component (codes) in Procurement Plan. One original copy of the signed contracts shall be kept in Finance Sector Archive under the responsibility of the Financial Management Specialist. The signed copy will be made available to the Financial Management Specialist for filing within 5 consecutive days after the day of the contract signature.
54. A contract constitutes the basic document for accounting of commitments and disbursements. When a contract is signed, the Procurement Specialist will establish a Contract Record in the accounting system/ contract management module, with vendor information, an initial commitment equal to the contract amount, indicating contract date, amount, payment schedule, and contract term. Subsequent amendments, (revisions, extensions) to the contract will be identified separately and linked to the original contract. This module is updated by the Financial Management Specialist as invoices are received (number, date, description and amount), and paid (payment date and amount). At any given moment the undisbursed portion of the amount committed shall be the difference between the initial commitment and the sum of payments already made. Contract and vendor liabilities will be monitored regularly as well as.
55. The contract records will be summarized every reporting end date and automatically retrieved by the accounting system in the form of contract monitoring report (see IFR section). Contract ending date will be monitored periodically by Procurement Consultant.

Acceptance and Authorization of the invoice

56. Project Manager (relevant to the type of contract and as specified in the contract/ or responsibilities assigned by the PMT Director) will check and approve the invoices and accompanying evidence. The following checks are performed before a request for payment is raised.

57. Goods and installation contracts:

- Valid and duly verified advance payment guarantee and performance securities, for advance payments

- Verification of invoice against supporting documents (invoices; bills of lading; insurance policies; manufacturers' authorization; delivery protocols; etc.)
- Agree invoice to the goods received notes; ensure goods are registered in inventory stock
- Existence of required approvals from the Project Director, or end users (as applicable)
- Duly approved acceptance of goods (check against delivery lists and technical specifications)
- Duly approved operational acceptance certificates;
- Duly approved Taking over certificate by the end users;
- Check if the payment request fits the payment schedule/milestones in the contract;

58. **Civil Work Contracts**

- Valid and duly verified performance security and advance payment guarantee, for advance payments,
- Verification of unit rates, prices and quantities shown in the invoice
- Verification of invoice against supporting documents (interim payment certificates; monthly statements; actual re-measurement; timesheets; proofs of actually incurred expenditures etc. as applicable)
- Existence of required approvals (duly certified monthly statements and interim payment certificates; signed timesheets; Engineer's approvals etc.);
- Price adjustment – applicability; verification of indexes (base values, correct reference to applicable indexes) and weightings (for materials, labor, equipment);
- Use of Provisional Sums and contingencies - check if their use was appropriate or necessary (requests and/or approval from the Engineer);
- Verification of invoices (correct name, address, identification information and bank account of the payee);
- Check if the appropriate percentage recovery of the advance payment has been deducted;

59. **Consulting Services:**

- Verification of the bank guarantee for advance payment (Amount, validity, issuing bank, unacceptable deviations)
- Verification of professional rates, actual time spent (for remuneration and per diems), unit prices and quantities (for reimbursable expenditures)
- For lump sum contracts, ensure deliverable submitted in accordance with the contract (time and quality) acceptance of report has been issued by Project director, or Beneficiary's approval of the deliverable.
- Verification of supporting documents in time based contracts; check invoice against supporting documents:
 - duly approved timesheets (by Project manager or director),
 - proof of timeliness and quality of reports required by the TOR (acceptance by Project director),
 - legal conformity of invoices, receipts etc. for reimbursable) –
 - ensure that the dates on flight tickets match the days claimed for per diems and professional time spent in Borrower's country

- ensure that cumulative amount of the reimbursable claimed does not exceed the respective ceiling
- Ensure that the appropriate recovery of the advance payment has been deducted from the payment (only in the case of time based contracts)
- Check if the payment request fits the payment schedule/milestones in the contract.

60. The Project Manager prepares an **Invoice Authorization Note** addressed to the Project Director, confirming the invoices are approved and goods, works, or services are delivered in accordance with the provisions of the contract.

Request for Payment

61. The Project Manager prepares a **Payment Request Form** to Project Director of ARA (or his designated representative) and Head of Supporting Services. The request should be addressed to the attention of the Finance Sector. The Payment Request is accompanied by the **Invoice Authorization Note, Invoice and all Supporting Documents.**

62. Before preparing the **Payment Order or the Treasury Expenditure Order**, the Financial Management Specialist performs the following final checks and verifications relevant to the type of expenditure the payment is due for.

- Verify the legal conformity of the invoice
- Check the exact provision of the contract with regard to the Payment
- Verification of unit rates, prices and quantities in agreement with contract
- Checking completeness of supporting documents (invoices; interim payment certificates; monthly statements; actual re-measurement; timesheets; proofs of actually incurred expenditures; bills of lading; insurance policies; manufacturers' authorization; deliverables; operational acceptance; taking over certificate; bank guarantees etc. as applicable);
- Existence of required approvals (duly certified monthly statements and interim payment certificates; signed timesheets; Engineer's, site engineer and PMT Director's approvals; approval of Beneficiary's Coordinator on the deliverables etc. as applicable);
- Check if the requested amounts have not been already paid;
- Verification of invoices (correct name, address, identification information and bank account of the payee);
- Check if the payee's information in the invoice is the same as in the contract and previous payments;
- Check if the payment request fits the payment schedule/milestones in the contract;
- Check if the appropriate percentage recovery of the advance payment has been deducted;
- Availability of funds and applicable payment method (payment from Special Account; Government Financing, Direct Payment; etc.)

63. A checklist (**Invoice Control Sheet**) is completed, which indicates the checks performed and data established. The invoice control sheet includes also a summary from contract payment record and availability of funds confirmation. The financing share between IBRD loan and Government financing for

each expenditure category, pursuant to the loan agreement, will be considered. In case discrepancies are found, the Documents are returned and comments are provided to the Project Manager to address and correct. The checklist is signed by FMS and Head of Finance Sector.

Payment Orders

64. Authorization of a payment involves the following steps:
- Preparation of a **Payment Order and the Treasury Expenditure Order** for the net amount to be paid to the contractor's/supplier's bank account, and/ or tax authorities' accounts as specified in the corresponding invoice; The financing share between IBRD loan and Government financing for each expenditure category, pursuant to the loan agreement, will be considered.
 - Payment Order or the Treasury Expenditure Order, accompanied by the above mentioned Documents is reviewed and cleared by the Head of Finance Sector,
 - Payment Order or the Treasury Expenditure Order accompanied by the above mentioned Documents is submitted to General Director of ARA and Head of Supporting Services for approval.
 - Approved Bank Payment Orders are sent to the Bank (for IBRD share pertaining to the category)
 - Approved Treasury Expenditure Order is processed in GFMIS (for the Government financing share)
 - Recording of the payments in the contract payment record in the accounting system.
65. A photocopy of the signed payment order and, if signature authority has been delegated, of the instrument incorporating such delegation, shall be attached to the invoice before it is placed in the file of supporting accounting documentation kept by the Finance Sector for use by the auditors, and Bank's team supervisions.

If payment to the contractor/ supplier or consultant is done through a direct payment, the procedures for withdrawal application will apply.

Payment timelines

66. Except in the event of duly proven force major, the total time that elapses between receipt of the invoice by the PMT and the issuance of the payment order to the bank (regarding payment to the contractor/supplier) shall not exceed **28 working days**.

Relationship with Albanian Tax Authorities

67. Tax declaration and payments for Withholding Taxes for consultants, Personal Income Tax and Social Security Contributions will be done based on the requirements of the relevant legislation and sub legislation.

Cash Operations

68. No petty cash transactions are allowed.

Supporting documentary evidence for payments

69. Payment is the basic procedure to be used for disbursement of Loan funds. All payments should be made against valid supporting documentation, according to the Disbursement Handbook. No payments may be executed without a duly signed Contract or Invoice. The Contract constitutes the basic document for accounting of commitments and disbursements. When a contract is signed, the contract amount is considered as committed Loan funds.

70. Sample list of necessary documentary evidence for payments:

- Invoice Authorization Note
- Payment Request
- Payment orders/ Treasury Expenditure Order
- Invoice Control Sheet
- Evidence of payment, such as bank statements

For Civil Works:

- Original Contracts and original subsequent amendments
- Tax and commercial invoices submitted
- Original Bank Guarantee – for advance payment
- Original Bank Performance Guarantee / performance bond– for whole duration of the contract,
- Original Interim Payment Certificate, approved by on site by the maintenance engineers, Monitoring Consultant, PMT director, Project Manager and beneficiaries if applicable
- Duly approved Original completion and operational acceptance for final payment and retention release.

For Goods:

- Original Contracts and Original subsequent amendments
- Original Tax and commercial invoices, including
- Original Bank Guarantee – for advance payment
- Original Performance Bond – for contract implementation
- For delivery on site: Original following : certificate of origin, bill of lading/ CMR, packing list and insurance certificate, manufacturer's/supplier's guarantee certificate, on site confirmation,
- Goods Received Note
- Duly approved Goods Acceptance and Inspection Certificate
- Duly approved Original completion and operational acceptance certificate – for final payments.

For Consulting Services and Training:

- Original Contracts and subsequent amendments
- Original Bank guarantee – for advance payment (if required),
- Original Evidence of approval of progress reports from beneficiaries, contract manager and PMT Director – for partial payments,
- Original Evidence of approval of final reports from beneficiaries, contract manager and PMT Director – for the final payment,
- Verification of reimbursable and consultants' fees, against contract and submitted evidence for the claims,
- Study tour accounting records and documentary Original evidence of expenses, including lists of participants and training details.

Individual consultant salaries

71. Each local consultant staff of the PMT would need to submit monthly to the PMT the monthly timesheet. Duly approved timesheet (signed by the PMT Director) will be submitted to the Financial Management Specialist. The consultants' remuneration is computed monthly by financial FM specialist on a single document/spreadsheet for each PMT staff, based on approved timesheets. The payroll list is approved by the PMT director, indicating net salary, PIT and social and health contributions. Once the payroll list is approved, it will be declared electronically to the tax authorities and the payments will be executed to the staff and to the assigned bank accounts for taxes.

Employee Travel Management

72. The Project staff would have to travel to the Project area for the implementation progress coordination, site checking and supervision. They also may travel with the consultants to accompany them in their site visits. The travels of Project staff are authorized by the PMT Director, who also provides to them the statement of objectives for that particular travel. The Financial Management Specialist would reimburse the travel expenses upon submission of the "Travel-form" by the staff, attached Statement of Expenditures and receipts. Not later than one week after the site inspection, a brief field report should be prepared by the staff, summarizing the key findings of the field visit.

73. The project funds allocated for training and study tours, would be spent based on specific Terms of References, and accompanied with cost estimates, that would be cleared with the Bank prior to undertaking the study/training travel. Upon completion of the study/training travel the participants will prepare a report with the main findings and lessons learned and present it to the PMT and World Bank for information, not later than two weeks after the trip. Additional details are included in Expenditure and Payment section.

74. Per-diem and reimbursable: Advances on per diem and reimbursable are computed by FM specialist on a single document for each staff/consultant based on the order of the PMT director (refer to respective decision of Council of Ministers). Upon submission of the proof of actually incurred expenditures: actual travel receipts, board passes, hotel accommodation invoice, other relevant receipts, and proof of the purpose of the visit, if necessary, the FM specialist computes the amount to be returned to the project accounts, if any, or amounts to be paid to the staff.

Project Operating Costs

75. The Operating costs of the Project, in addition to consultant salaries, include the following expenditures:

- Vehicle(s) fuel, annual taxes, insurance and maintenance
- Office Communication Expenses (mobile and landline phones, fax, internet)
- Office/equipment maintenance and clerk
- Travel expenses and per diems

76. The modalities of using of Fuel are described below:

- With a withdrawn order signed from the PMT Director will be withdrawn the quantity of fuel as it is defined in the contract with the supplier.
- The entrance of supplied quantity of fuel, filling the entrance-sheet.

The PMT FM will be responsible for the implementation of fuel procedures.

- The order which authorizes the Finance Sector to distribute monthly a quantity of liters fuel to the Project Director or any authorized person (project staff or driver) for monthly transport in Tirana and to and from construction sites, which is signed from the Project Director.
- For each fuel supply, the Financial Management Specialist fills the exit-sheet, signed from the Project Manager and the Head of Finance Sector.
- When travelling to other cities, the project staff that uses the car, would be given additional fuel according the pre-defined rates of the ARA, when travelling towards other cities of Albania. The additional fuel would be accompanied with the authorization, ordered and signed from the PMT Director. The whole documentation package would be archived from the Financial Management Specialist.

4.3 Accounting and financial reporting procedures

77. The accounting system will:

- (i) record project related transactions separately for each funding source, including Government Contribution,
- (ii) capture sources of funding and their use for Project funds;
- (iii) exchange rates of local currency towards the currency of the Credit and the currency of the transactions;
- (iv) prepare IFRs acceptable to the World Bank;
- (v) maintain procurement monitoring and contract management data, including ability to monitor all phases of procurement process, track all payments in respect of a particular contract.

78. All transactions will be recorded with relevant characteristics, including the following:

- a) Expenditure categories,
- b) Project components and additional levels of subordinated subcomponents,
- c) Sources of funding.
- d) Identified by contract

79. This will enable to capture all information needed for compiling replenishment reports (SOEs). Also, the system will be accommodated to use the budgeting information for each category, component, sub-component and source of financing.

80. The accounting software will capacitate the following outputs:

- Development of Chart of Accounts
- Design of formats of various accounting books, records and statements
- Preparation of Budgets
- Covering of the whole project, i.e. all sources of funds for the project and all utilization of funds.
- The package ensures:
 - Ability to account under cash basis of accounting.
 - Includes a fixed asset/inventory management registry
 - Ability to export data (e.g. to Excel, etc.)
 - Ability to track the report on multiple project
 - Multi-language
 - Multi-currency
 - Ability to track and report on flexible reporting cycles (e.g. monthly, quarterly, etc.)

- Ability to track and report by project funds
- Ability to track and report by project component
- Ability to generate financial report formats with a clear audit trail (e.g. no additional revisions need in a spreadsheet which would modify an audit trail)
- Capacity to customize reports
- Internal security features adequate (e.g. cannot delete posted transactions, controlled access, password protection)
- Support readily available for technical issues and training
- Capacity to track the following data: actual, budget, forecast and life of project
- Payroll management system

81. FM specialist, Head of Finance Sector and Procurement specialist will have access to the financial management/accounting software.. The accounting journal entries and accounting data will be recorded in the system by the Financial Management specialist and Procurement specialist will enter contract data.

Accounting policies

82. Accounting methodology for the Project is developed in accordance with the World Bank requirements for non-revenue Projects and the Albanian legislation. Accounting principles and standards provide a fundamental basis for and authoritative guidance on the acceptable ways of preparing financial statements. They are intended to ensure consistency, fair presentation, and comparability between accounting periods and among financial statements of different entities, as well as make financial statements more relevant, informative, reliable, and understandable.

83. The accounting system of project is maintained according to:

- cash basis International Public Sector Accounting Standards (IPSAS). Under the cash basis, income (or expenditure) is recognized when cash is received (or paid) irrespective of when goods or services are received.
- commitment accounting. This basis recognizes transactions when they are committed, for example, when an order is issued. Main function of the commitment accounting is budgetary control.

84. Accounting shall be based on double-entry bookkeeping method. The accounting treatment of documents shall be conducted over the following stages: (i) recording of commitments, (ii) preparing and approving the payment documents; (iii) recording payment. Under these stages, there shall be distinct segregation of duties **of the involved accounting staff**.

Basis of Preparation

85. For project reporting purposes cash basis International Public Sector Accounting Standards (IPSAS) is adopted.

The project financial statements will be prepared according to cash basis of accounting and in compliance with the respective project legal document.

The annual financial statements of the project will consist of the following reports: (i) Sources and Uses of Funds, (ii) Uses of Funds by Project Activity, (iii) Withdrawal Schedule, (iv) Notes to the Financial Statements, and (v) Source of funds reconciliation statement.

86. The project interim financial reports and project annual financial statements are prepared in EUR. For reporting to the Government agencies purposes, if so requested by those agencies, the project period reporting will be presented in Albanian Lek,

Fiscal year

87. Fiscal year of the project accounts lasts from January 1 till December 31 of the calendar year.

Chart of Accounts

88. The chart of accounts is the accounting group scheme for activities to be carried out by the contracts. A chart of accounts is one of the ways of classifying the accounting data of the Project in a manner that will promote its use, lead to better management and achieve more meaningful accountability. The major classifications according to which the chart of accounts will be classified should be divided into sub-accounts.

Accounting Journal entries

89. The FM specialist classifies reports and interprets project financial data. To keep necessary financial records and prepare financial statements he/she should follow these steps:

- a) Analysis of transactions from source documents into an appropriate number of debits and credits to be entered into accounting records
- b) Record of transaction using an internal number to identify the record
- c) Posting of the transaction (in case of the error the cancellation of the record is impossible; to correct the record is necessary to make the reversal and then to record the right transaction);
- d) For transaction in currency different from EUR, it is necessary to enter the daily average rate of exchange;
- e) Records of the reversals (in case of errors) and adjustments are made under “Adjustments and reversal”
- f) Data required on the contracts and subsequent amendments will be entered in the system by the Procurement specialist
- g) Incremental operating costs are directly declared as an expense and not are necessary to open contracts for them.

Preparation periodic reporting requested by Government agencies and MOF.

Financial closing and reporting procedures

90. The steps that would be performed by the Financial Management Specialist, and checked by the direct supervisor (Head of Finance Sector) **at the end of each reporting period** include:

- a) close monthly project accounting books within 5 working days from the end of the month;
- b) close timely yearly project accounting book, within 10 working days from the end of the year;
- c) check the mathematical accuracy of the IFRs inputs with the accounting records;
- d) check the opening figures of the IFRs with the closing figures of the previous semester;
- e) check the IFRs figures for consistency between the various reports (Statement of Sources and Uses of Funds, Uses of Funds by Project Activities, Designated Account Statements, and Contract Monitoring);
- f) **monthly** treasury and bank accounts statements reconciliation with project accounting records (within 5 working days from the end of the month);
- g) **monthly** WB disbursement records reconciliation with project accounting books; and

- h) inventory and fixed assets stock taking at least **once per year** and more often if needed (within a month from the end of the year).
- i) **At the end of each semester**, a reporting procedures checklist, indicated that all the above steps are completed, is prepared by the FM specialist. The checklist will be filed together with the IFRs in the reports folder and a copy will accompany the Interim Financial Reports when submitted to the Bank.

Interim Financial Reports

91. Project management-oriented Interim Financial Reports (IFRs) will be used for project monitoring and supervision. All financial statements, with exception of project forecast statement, will be generated from the accounting software. The reports will be prepared based on the cash basis IPSAS and presented in EUR. The IFRs will be prepared on semester basis. The IFRs encompass the entire Program. They reflect all program activities, financing and expenditure including counterpart funds, irrespective of whether the implementing agency controls the funds for all aspects of the project.

92. The IFRs are used to support withdrawals from the loan account (see Supporting Documentation Requirements). In addition to the common statements included in the IFRs, a payment forecast for the subsequent two reporting period is required and a supplementary statement to record the Bank financed portion of the project according to the expenditure categories in the loan agreement. The forecast statement will be used to request advances from the loan account to the Designated Account. The Bank financed portion of the actual expenditure will be used to record eligible expenditure against advances received.

93. The IFRs will comprise the following reports:

- Cash Receipts and Payments, including comparison of budgeted versus actual amounts (including the Bank and the government); The IFR will necessarily include an apportionment of eligible expenditures, for the period, to the World Bank, and to the Borrower.
- Uses of Funds by Activity;
- Uses of Funds by Donor
- Designated Account statement, including Bank financed portion of activities information;
- Cash Forecast for the subsequent two reporting periods (for Bank and Government of Albania financing);
- Contract Management information – planned and current;
- Accounting policies and explanatory notes.

94. The format and content for the interim financial reports (IFRs) is included in annex 5 of this manual. The financial reports will be prepared by the FM specialist, reviewed by the immediate supervisor (Head of Finance Sector) and finally certified by the PMT director. The reports will be submitted to Bank's team not later than 45 days after the end of calendar semester end. The PMT director will be responsible for submission of the IFRs to the Bank's team.

Annual project financial statements

95. The annual project financial statements (APFS) will be presented according to cash-based IPSAS and prepared in EUR. The responsibility for the preparation of the APFS is with the management of ARA, who will be required to sign on the face of the main financial statement. The APFS will be prepared by the FM specialist, reviewed and approved by the Head of Finance Sector and PMT director. The APFS will be prepared within 45 days from the end of the fiscal year and will be made available to the auditor, together with other audit evidence, as required by them.

96. The following statements will be part of the annual project financial statements:
- Project sources and uses of funds;
 - Use of funds by project component
 - Designated Account statement
 - Notes to the project financial statements, including project liabilities and commitments

4.5 Funds flow Arrangements

Designated accounts and project's bank accounts

97. A designated account denominated in the currency of the Loan Agreement (Euro), will be opened in the Bank of Albania. The Designated Account will serve for advancing the IBRD loan proceeds, every time and Advance application is submitted by ARA. When the project becomes effective, the Ministry of Finance will open the account, upon a request submitted by ARA (through MIE). Once the Designated Account is opened, the account details will be made available to the Bank's team. Simultaneously, a beneficiary Registration Form for the Designated Account will be prepared and submitted through the client connection system.

98. The advances to the Designated Account will be requested on semiannual basis and the advance amount will be based on the project payment forecast for the subsequent two semesters as provided in in the semi-annual Interim Financial Report.

Two bank accounts assigned to the project, one denominated in Euro and one in Albanian Lek, will be opened in a commercial bank. These bank accounts will serve for payments for program activities to contractors, consultants, and other vendors. When the project becomes effective, the Ministry of Finance will open the account, upon a request submitted by ARA (through MIE). Funds from the Designated Account may be drawn down from into this project accounts, based on the currency of the contracts entered into, for purposes of financing eligible expenditures under the program. The transfer will be executed from MOF/Treasury upon ARA request (through MIE).

Counterpart contribution

99. GoA's contribution to Project shall be included in its overall budget in accordance with its agreed-upon share as set forth in the loan agreement. Both contributions (for VAT and project expenditure) are gathered under a specific budget line at the income level of the budgetary structure. This line "Chapter 7" will be specifically created for the purpose of channeling budget contributions to the Project. In this way government contribution for the project is separated from other programs/ projects implemented by ARA. Transfer from chapter 3 and 4 (respectively for local cost and VAT) to chapter 7 will be executed at the start of the fiscal year, immediately after the budget is allocated by MOF based on the annual budget law appropriations. The government funds will be used to pay for eligible Program expenditure as they incur.

Exchange rate risk

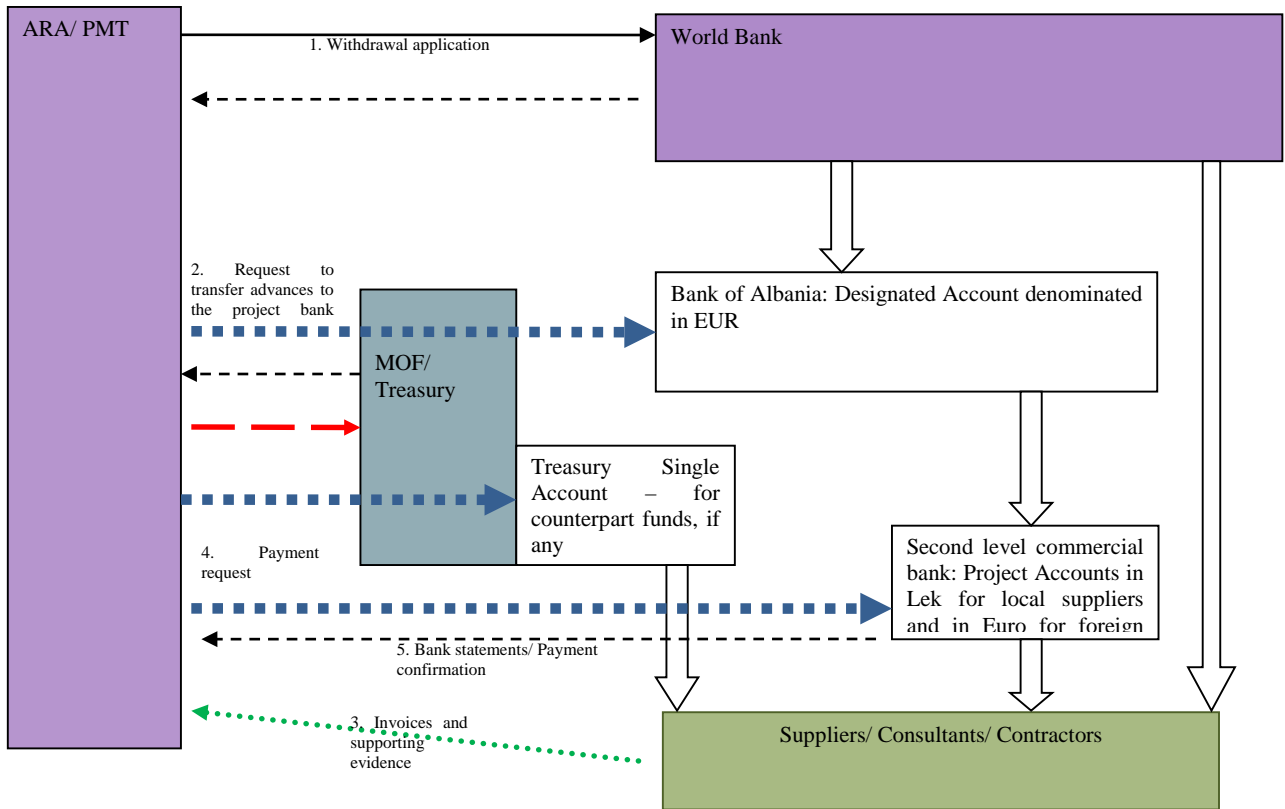
100. The borrower bears all risks associated with foreign exchange fluctuations between (a) the currency of denomination of the loan and that of the borrower's Designated Account, and (b) the currency of denomination of the borrower's Designated Account and the currency or currencies of project expenditures. ARA will take the necessary actions to minimize to the extent possible government contribution.

101. Unrealized exchange rate differences should be monitored periodically and indicated in the Designated Account reconciliation. It is the responsibility of the ARA to consider whether any additional government contribution is needed to cover for any eventual foreign exchange rate loss. In such cases when forex losses become significant at any time during program implementation, ARA will take the necessary actions to refund the resulting amount to the Designated Account.

Reconciliation of sources of funds, bank and treasury accounts

102. On a monthly basis, the project financial records will be reconciled with Disbursement Data in the client connection. Similarly the project financial records will be reconciled with the Project bank statements and GFMIS project related financial information. The reconciliations will be prepared by the FM specialist and certified by the Head of Finance sector. Duly approved copies of reconciliations will be filed in the project files (see filing and archiving procedures).

Flow of Funds Arrangements Diagram



- | | |
|---|--|
| 1. KEY : WA request | |
| 2. Funds Flow | |
| 3. Payment request | |
| 4. Transaction confirmation/ bank statement | |
| 5. Transaction reporting | |
| 6. Invoices | |

4.6 Disbursements Arrangements.

103. The Project has been designed to utilize the model of results-based disbursement.⁸ Therefore, advances and disbursements will be based on IFRs, actual expenditures reported and, for some advances, on the achievement of DLIs, and will include a rolling cash-flow forecast report for the following twelve months.

Allocation of Loan Proceeds

104. ARA may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, Section IV of the schedule 2 of the Loan agreement, Disbursement letter and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, and Disbursement Handbook, as revised from time to time by the Bank), to finance Eligible Expenditures.

105. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category. Actual progress of a project during implementation may differ from the original estimates for many reasons. The categories are subject to the reallocations as requested by the borrower and approved by the Bank, through project restructuring.

Category	Amount of the Loan Allocated (expressed in Euro)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, Works, consultants’ services, and Training for Parts 1 and 2 of the Project	59,310,000	up to 50%
(2) Consultants’ services and Operating Costs for Parts 3 and 4 of the Project	6,425,250	up to 84%
(3) Front-end Fee	164,750	Amount payable pursuant to Section 2.03 of Loan Agreement
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of Loan Agreement
TOTAL AMOUNT	<u>65,900,000</u>	

Disbursement Methods

106. The Bank will disburse proceeds from the Loan Account, to or on the order of the implementing agency (ARA), using one or more of the disbursement methods set forth below, as determined in the disbursement letter:

⁸Except for Component 3 and 4 activities. The main characteristics of the results-based disbursement mechanism are disbursements are made following a disbursement request and upon the World Bank’s task team verification that (i) compliance and achievement of the DLI and (ii) the eligible expenditure have been documented sufficiently to cover the disbursement.

- Advance: The Bank may advance loan proceeds into a designated account of the borrower to finance expected cost of project eligible expenditures as they are incurred and for which supporting documents will be provided at a later date.(see “Supporting Documentation Requirements”).
- Direct Payments (for category 2 only): The Bank may make payments, at the implementing agency’s request, directly to a third party (e.g., supplier, contractor, and consultant) for eligible expenditures.

Withdrawal Applications

107. Applications must be provided to the Bank in such form and include such information as the Bank may reasonably request. Application forms are available online from the Client Connection Web site at <http://clientconnection.worldbank.org> or from the Bank upon request. The forms of application that will be used for the project are a) Advance; b) Advance and documentation of prior advances; c) Direct Payments.

108. After being completed and signed applications for withdrawal, together with supporting documents, will be forwarded to the address indicated below:

The World Bank
 Radnickacesta 80, 9TH floor
 Zagreb, HR – 10 000,
 Croatia
 Attention: Loan Department

Electronic Delivery

109. The Bank permits the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means is effected after: (a) the MoF has designated in writing the officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the MoF have registered as users of Client Connection. After having received secure identification devices, the designated officials can deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). They may continue to exercise the option of preparing and delivering Applications in paper form. Detailed guidelines for electronic delivery will be provided by the World Bank upon effectiveness of the Financial Agreement.

Terms and Conditions of Use of Tokens to Process Applications

110. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the MoF confirms to: (a) abide by the *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation* and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

Authorized Signatures

111. Before loan proceeds may be withdrawn or committed from the Loan Account, the authorized representative of the borrower through its Ministry of Finance (as designated in the Loan Agreement) must furnish to the Bank (a) the name(s) of the official(s) authorized to sign applications for withdrawal and applications for a special commitment (collectively, “Applications”), and (b) the authenticated specimen signature(s) of the official(s) (The disbursement letter and the accompanying annexes).

The Ministry of Finance must indicate clearly if more than one signature is required on Applications.

112. Signatures of authorized representatives of the ARA are required to be approved by the MoF. The following arrangement for signing the Withdrawal Applications (WAs) shall be implemented:

1. The first signatory – ARA General Director or Authorized Person,,,
2. The second signatory – The Finance Director or Authorized Person
3. Both signatures will be required to jointly authorize the withdrawal applications.

113. ARA, through MOF, will notify the Bank promptly of any changes in signature authority. Signatories to the WAs should be updated and revised to include any changes introduced.

Minimum Value of Applications

The Minimum Value of Applications for direct payment as defined in the Disbursement Letter (only for Disbursement Category 2) is Euro 500,000.

Supporting documentation requirements

114. The implementing agency provides supporting documentation to the Bank to show that loan proceeds have been or are being used to finance eligible expenditures. Supporting documentation should be provided with each application for withdrawal as set out below:

- ***For requests for reporting eligible expenditures paid from the Designated Account:***
 - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 4)
 - Interim Financial Report prepared on semester basis, as described under Interim Financial Report section (paragraph 92-95) of this manual. The IFRs should be made available for Bank’s team review and clearance should be obtained by the Bank team before it is submitted as supporting documentation together with the WA.
 - With regard to Disbursement Category 1 (which is linked to DLIs): in addition to a sufficient amount of eligible expenditures reported through IFRs, *confirmation, by the Bank, of the achievement of one or more DLIs, and the corresponding amount, is required for purposes of converting outstanding advances into eligible expenditures to be charged to this disbursement category.* DLIs and related verification Protocols are described under sections 4.6.12 and 4.6.13.

- Reconciliation of the Designated Account statement
- ***For requests for Direct Payment:*** copies of the original documents (records) evidencing eligible expenditures, e.g., copies of receipts, supplier invoices (note: this method is only available for Disbursement Category 2)

Loan Disbursing Period, Disbursement deadline application

115. The Bank processes Applications only after the Loan Agreement has been declared effective in accordance with the terms of the Loan Agreement. The expenditures for which the Applications are made must be:

- (a) **Paid** for (i) on or after the date of the Loan Agreement, or (ii) in the case of operations that permit retroactive financing, on or after the earlier date specified in the Loan Agreement for that purpose; and
- (b) **Incurred** on or before the closing date specified or referred to in the Loan Agreement (“Closing Date”), except as otherwise specifically agreed with the Bank.

116. The loan disbursing period ends on the final date established by the Bank for receipt by the Bank of applications for withdrawal and supporting documentation (the “Disbursement Deadline Date”). The Disbursement Deadline Date is four months after the Closing Date. Normally, to support orderly project completion and closure of the Loan Account, the Bank does not accept applications for withdrawal or supporting documentation received after the Disbursement Deadline Date. The implementing agency should promptly inform the Bank of any expected implementation delays or exceptional administrative issues before these dates. The Bank notifies the borrower of any exception that the Bank may make to the Disbursement Deadline Date.

Ineligible expenditures

117. If the Bank determines that any amount of the loan was used to pay for an expenditure that is not eligible pursuant to the Loan Agreement, the Bank may, at its discretion, require the ARA/PMT to take one of the two actions listed below. Upon notification by the Bank, the borrower must promptly take the action requested:

- a) Refund an equivalent amount to the Bank; or
- b) Exceptionally, provide substitute documentation evidencing other eligible expenditures

118. Ineligible expenditures include the following:

- items not covered by the project and category descriptions in the legal agreement;
- items not procured in accordance with the procurement plan and agreed procurement procedures;
- payments made before the legal agreement date or, for projects with retroactive financing provisions, before the earlier date specified in the legal agreement;
- payments made for expenditures incurred after the closing date, except as otherwise agreed with the Bank
- expenditures for which the borrower has been unable to provide sufficient and appropriate evidence.

Procedures for disbursement

118. For withdrawal from the Loan Account for advances, the ARA should provide an original signed application for withdrawal. For withdrawal from the Loan Account for direct payments and for reporting on the use of advances, the ARA should provide an original signed application for withdrawal together with one copy of supporting documents (see “Supporting Documentation Requirements”). The Bank reserves the right not to accept or review duplicate copies of Applications and supporting documents and may at its discretion return or destroy the duplicates.

119. ARA is required to follow certain procedures for dealing with the Withdrawal Applications:

1. The financial management specialist and her direct supervisor (Head of Finance sector will have access in the client connection system, in addition to the two authorized signatories.
2. The withdrawal applications will be prepared by the Financial Management Specialist.
3. Each withdrawal application shall be numbered sequentially.
4. Application for reporting on the use of advances will be prepared for a defined period coinciding with the project reporting period for which project financial reports are prepared: ie twice a year for each semester ending June 30 and December 31.
5. The withdrawal applications will be submitted not later than 60 days after the end of the reporting period ending June 30 and not later than 90 days for the reporting period ending December 31.
6. All required supporting documentation will be collected and prepared for submission by the Financial Management Specialist in compliance with the requirements described thereof. The annual DLI audit report will be made available by the project director, together with Bank’s team confirmation on achievement of Ds for the year.
7. Before submission, the WA will be saved as draft and the draft WA will be checked by the immediate supervisor (Head of Finance Sector).
8. Upon successful verification, the Head of Finance Sector will submit the WA to the authorized signatories for approval and signing.
9. After final submission to the Bank, the financial management specialist will monitor daily whether the WA has been processed by the Bank and funds delivered. In case of Bank inquiries, feedback will be provided within 1 days.
10. Once the funds have been advanced in the Designated Account the FM specialist will notify the Head of Finance Sector and Project director.
11. A request will be sent to the MOF, to withdraw funds from the Designated Account to the Project Bank Accounts.

120. Advances supporting evidence required is as follows:

# and date	Forecast	Reporting on eligible expenditures	DLIs	Advances/ Disbursement
Advance 1 (project effectiveness)	Forecast covering two semesters ending December 31, 2015 and June 30, 2016 (cleared by the Bank)	N/A	N/A	
Advance 2, not later than February 28, 2016	Forecast covering two semesters ending June 30, 2016 and December 31, 2016 (cleared by the Bank)	IFRs semester ending December 31, 2015 (cleared by the Bank)	N/A	No conversion into disbursement

Advance 3, not later than August 30, 2016	Forecast covering two semesters ending December 31, 2016 and June 30, 2017 (cleared by the Bank)	IFRs semester ending June 30, 2016, (cleared by the Bank)	DLI progress report, if any	No conversion into disbursement, however amount of advances will be considered in line with achievement of DLIs to date
Advance 4, than February 28, 2017	Forecast covering two semesters ending June 30, 2017 and December 31, 2017 (cleared by the Bank)	IFRs semester ending December 31, 2016 (cleared by the Bank)	DLI audit report (Year 1); DLI progress report by PMT, + substantive evidence of achievement of DLIs based on the verification protocol, if requested by the Bank's team	Converted to disbursements to the lesser of : Bank share of eligible expenditure and DLI amount, documented to date
Advance 3+N, not later than August 30, 2017	Forecast covering two semesters ending December 31, (X) and June 30, (X+1) (cleared by the Bank)	IFRs semester ending June 30, (X) (cleared by the Bank)	DLI progress report prepared by PMT, + substantive evidence of achievement of DLIs based on the verification protocol, if requested by the Bank's team _	No conversion into disbursement, however amount of advances will be considered in line with achievement of DLIs to date
Advance 4+N, not later than February 28, (X)	Forecast covering two semesters ending June 30, (X) and December 31, (X) (cleared by the Bank)	IFRs semester ending December 31, (X-1) (cleared by the Bank)	DLI audit report (Year2-5); DLI progress report by PMT, + substantive evidence of achievement of DLIs based on the verification protocol, if requested by the Bank's team	Converted to disbursements to the lesser of : Bank share of eligible expenditure and DLI amount documented to date;

120. ***Other considerations for requesting advances and converting advances into disbursements.***

- The subsequent advances may be reduced if information in the IFR (including contract management information) demonstrates that the implementation schedule cannot be maintained.
- The overall cap of financing per DLI category (80% for DLI 1; and 20% for DLI 2) will be regularly monitored and reconciled at the end the Project.
- Regardless the level of performance against DLIs, the Bank will not recognize disbursements in excess of the amounts reported through IFRs.

Disbursement Linked Indicators

121. Disbursement Linked Indicators (DLIs) are aligning the Project outcomes and reforms with Project expenditures, as shown in Table below, and applied against Components 1 and 2, only. There are no DLI targets associated with expenditure under Component 3 and 4. DLIs will be utilized to, in retrospect, decide whether or not the amount of expenditures being reported for the period will be converted into disbursements in full (100% performance), or partially, or not at all (0% performance). The validation and verification of DLI achievement will be carried out by the independent DLI audit (which is separate and distinct from the financial audit). The protocols for DLI measurement, verification and validation are presented below.

Disbursement Linked Indicators Schedule

DLI Targets		Year 1 To Dec 31, 16	Year 2 To Dec 31, 17	Year 3 To Dec 31, 18	Year 4 To Dec 31, 19	Year 5 To Dec 31, 20	Total proportion of Loan amount (EUR million)	Evidence to be submitted to the Bank
1.1 Length of roads where periodic maintenance completed	Percentage of Project Roads where periodic maintenance completed	28% from a baseline of 0%	22% in addition to target achieved in Year 1	22% in addition to target achieved in Years 1 and 2	22% in addition to target achieved in Years 1-3	6% in addition to target achieved in Years 1-4		DLI Audit Report for each respective Year
	Proportion of Loan amount (expressed in EUR million)	7.48	5.87	5.87	5.87	1.60	26.69	
1.2 Routine maintenance targets achieved	Percentage of the aggregate contract amount of the HRMPBCs paid in each respective Year	On average at least 80%	On average at least 80%	On average at least 80%	On average at least 80%	On average at least 80%		
	Proportion of Loan amount (expressed in EUR million)	5.33	3.56	3.56	3.56	1.78	17.79	

1.3 Social Transparency System developed and operational	STS is developed and operational (as set forth in the Project Operational Manual)	STS Developed	STS Operational for entire Year	STS Operational for entire Year	STS Operational for entire Year	STS Operational for entire Year		DLI Audit Report for each respective Year
	Proportion of Loan amount (expressed in EUR million)	0.375	0.74	0.74	0.74	0.375	2.97	
2.1 Completion of periodic IRAP Surveys	Periodic IRAP Surveys completed showing Star Ratings	IRAP Survey completed and baseline Star Rating established	N/A	IRAP Survey completed and Star Rating higher than baseline Star Rating achieved	N/A	IRAP Survey completed and Star Rating higher than baseline Star Rating achieved		DLI Audit Report for each respective Year
	Proportion of Loan amount (expressed in EUR million)	0.99	-	0.99	-	0.99	2.97	
2.2 RAMS established and operational	Annual condition survey completed under the terms of reference specified in the Project Operational Manual and multi-year maintenance program prepared as per Part 2(b)(ii) and (iii) respectively of the Project	Yes	Yes	Yes	Yes	Yes		DLI Audit Report for each respective Year

	Proportion of Loan amount (expressed in EUR million)	1.186	1.186	1.186	1.186	1.186	5.93	
2.3 Service Level Agreement signed	Service Level Agreement signed	N/A	N/A	Signed	N/A	N/A		
	Proportion of Loan amount (expressed in EUR million)	-	-	2.96	-	-	2.96	
PROPORTION OF LOAN AMOUNTS FOR EACH DLI PER YEAR		15.36	11.36	15.31	11.36	5.93	TOTAL: 59.31	

Summary of Protocols and Templates for Monitoring Achievement of DLIs

122. The table below summarizes the protocols to be used in determining DLI values, and should be read in conjunction with the sample DLI calculations in subsequent tables.

Indicator 1.1	Periodic Maintenance is Completed in 100% of the planned road sections
Base line Value (PAD)	0% (0 kilometers of Project Roads)
Target Value (PAD)	100% (554 kilometers of Project Roads)
Compliance Conditions	The indicator will be met when Periodic Maintenance is 100% completed in 554 kms of Project roads, included in the OPRC maintenance contracts.
Compliance Specifications	periodic maintenance is completed in 28% of 554 km, in the end of 2016 periodic maintenance is completed in 50% of 554 km, in the end of 2017 periodic maintenance is completed in 72% of 554 km in the end of 2018 periodic maintenance is completed in 94% of 554 km, in the end of 2019 periodic maintenance is completed in 100% of 554 km, in the end of 2020
Means of verification	periodic maintenance is certified and paid to the respective maintenance contractors; The certification will be made, according to the contract provisions, by the Monitoring Consultant and PMT, and reflected in their respective periodic reports, including Interim Financial Reports
Data Collection	Contract Documents, Monitoring Consultant Report and administrative/FM recording of PMT
Calculation Formula	Length of roads that have actually received periodic maintenance compared with the length of roads included in the Bidding Documents, for a given year (%), capped at US\$26.69 million, eligible for disbursement: in the end of 2016: $y1\% \times \text{€}6.16 \text{ M}$ in the end of 2017 $(y2\% - y1\%) \times \text{€}4.83 \text{ M}$ in the end of 2018 $(y3\% - y2\%) \times \text{€}4.83 \text{ M}$ in the end of 2019 $(y4\% - y3\%) \times \text{€}4.83 \text{ M}$ in the end of 2020 $(y5\% - y4\%) \times \text{€}1.31 \text{ M}$
Evaluation of Compliance	The Independent Technical and DLI Audit Consultant will assess and confirm the percentage achievement, in the end of each calendar year, starting from 2016
Reporting Requirement	(i) Monitoring Consultant will Report the length of roads that have received periodic maintenance in his monthly reports for Contract A, Contract B, Contract C and Contract D (ii) PMT will reflect the certified length of roads that have received periodic maintenance in the quarterly progress reports, making preliminary calculation of the progress made toward achieving the indicator; FM specialist will make respective adjustments of eligible disbursements for a given year (via IFRs) based on the Technical and DLI Audit Reports (iii) Independent and Technical and DLI Audit Consultant will prepare in the end of each calendar year the reports confirming the percentage of meeting the indicator, and the eligible disbursement

Contact Information	<p>(i) PMT Director: responsible for overall reporting of indicator measurement and achievement; Name and email:</p> <p>(ii) Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and email:</p> <p>(iii) Monitoring Consultant: measurement, certification and reporting of the length of roads that have received periodic maintenance; Name and email: TBC</p> <p>(iv) Technical and DLI Audit Consultant: responsible for assessment and confirmation of achieving the indicator in a given year; Name and email: TBC</p>
Impact of DLI achievement on the loan disbursed amounts	<p>The design of this DLI allows for flexibility if the targets have been partially met. In the event that targets have not been fully met (i.e., downward scalability), the Bank will only proportionally (proportionally means using the same percentage of achievement of the DLI relative to the baseline target) recognize and convert prior advances into disbursements. The amount of the prior advances that are not recognized and converted into disbursed amounts, equal to the unachieved DLI amount in the originally envisioned period, will carry forward as [undocumented or outstanding] advance, until the DLI is met.</p> <p>If any of the targets of the scalable DLI 1.1 are <u>exceeded</u> (i.e., upward scalability) relative to the baseline targets, the Bank will recognize that the baseline has been met and will recognize the marginal amount of the target that has been exceeded. This will be counted against the future year targets. The Bank will recognize the full amount of prior advances as eligible expenditures and convert these amounts into disbursements. The Bank will also recognize, proportionally and relative to the marginal difference that the baseline target had been exceeded, an additional amount of expenditure of the prior advances as eligible and convert this into amounts disbursed as well.</p>

Indicator 1.2	Routine Maintenance is performed in all Project Roads
Base line Value (PAD)	0% of all Project Roads
Target Value (PAD)	At least 80% on average in all Project Roads, every year
Compliance Conditions	The indicator will be met when the aggregate percentage of paid and certified contracts amounts (on all Project Roads) that relates to routine maintenance (according to service level targets) is at least 80%.
Compliance Specifications	<p>Routine maintenance is completed in all project roads 80 % on average, in the end of 2016</p> <p>Routine maintenance is completed in all project roads 80 % on average, in the end of 2017</p> <p>Routine maintenance is completed in all project roads 80 % on average, in the end of 2018</p> <p>Routine maintenance is completed in all project roads 80 % on average, in the end of 2019</p> <p>Routine maintenance is completed in all project roads 80 % on average, in the end of 2020</p>
Means of verification	Routine maintenance - based on performance approach and meeting respective targets specified in the performance based contract - is certified and paid to the respective maintenance contractors, with an aggregate percentage of at least 80%; The certification will be made on monthly basis, according to the contract provisions (service level targets), by the Monitoring Consultant and PMT, and reflected in their respective periodic reports, including Interim Financial Reports
Data Collection	Contract Documents, Monitoring Consultant Report and administrative/FM recording of PMT

Calculation Formula	Routine maintenance performance targets have been met, reflected in the certified monthly payments that, in aggregate for all four contracts, reach at least 80% of the planned contractual amount for a given year (%), capped at US\$17.79 million, eligible for disbursement: in the end of 2016: $y1\% \times \text{US}\$5.33 \text{ M}$ in the end of 2017 $y2\% \times \text{US}\$3.56 \text{ M}$ in the end of 2018 $y3\% \times \text{US}\$3.56 \text{ M}$ in the end of 2019 $y4\% \times \text{US}\$3.56 \text{ M}$ in the end of 2020 $y4\% \times \text{US}\$ 1.78 \text{ M}$
Evaluation of Compliance	The Independent Technical and DLI Audit Consultant will assess and confirm in the end of each calendar year, starting from 2016, the annual average percentage achievement for each contract, and calculate the aggregate for all contracts
Reporting Requirement	(i) Monitoring Consultant will report, monthly, achievement of routine maintenance targets (service level) in the project roads for Contract A, Contract B, Contract C and Contract D (ii) PMT will reflect the certified amount of routine maintenance in all project roads and meeting of the performance targets (Service level) by contract, in the semi-annual progress reports, and will perform preliminary calculation of the progress made toward achieving the indicator; (iii) Independent and Technical and DLI Audit Consultant will prepare in the end of each calendar year the reports confirming the percentage of meeting the indicator, and the eligible disbursement (iv) Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and email
Contact Information	(i) PMT Director: responsible for overall reporting of indicator measurement and achievement; Name and email: (ii) Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and email: (iii) Monitoring Consultant: measurement, certification and reporting of the length of roads that have received periodic maintenance; Name and email: TBC (iv) Technical and DLI Audit Consultant: responsible for assessment and confirmation of achieving the indicator in a given year; Name and email: TBC
Impact of DLI achievement on the loan disbursed amounts	The design of this DLI allows for flexibility if the targets have been partially met. In the event that targets have not been fully met (i.e., downward scalability), the Bank will only proportionally (proportionally means using the same percentage of achievement of the DLI relative to the baseline target) recognize and convert prior advances into disbursements. However, the respective loan amount of the unachieved DLIs in the envisioned time period shall be cancelled in consultation with, or reallocated with the agreement of the MOF. The Bank may, in this respect, decide to reduce proportionally subsequent advances for the Project.

Indicator 1.3	Development of Social Transparency System (STS)
Base line Value (PAD)	Not developed
Target Value (PAD)	STS developed and operational
Compliance Conditions	The indicator will be met when the STS is developed and monthly reports are generated with analysis and trends of the public feedback, including the performance benchmarking of the Performance Based Maintenance contractors

Compliance Specifications	<p>STS is developed until the end of 2016</p> <p>STS is operational and generates monthly reports for the entire 2017</p> <p>STS is operational and generates monthly reports for the entire 2018</p> <p>STS is operational and generates monthly reports for the entire 2019</p> <p>STS is operational and generates monthly reports for the entire 2020</p>
Means of verification	<p>Social Transparency System will be developed and tested by ARA consultant until the end of 2016, in a satisfactory manner to the Bank. The ARA's PMT will have assigned by that date staff and hierarchy of internal administration of the System, and tested the reports that it generates. In the consecutive years, the STS reports, including addressing public feedback/issues/complaints, and the contractor's performance needs to be produced on monthly basis, published in ARA's website and summarized in the semi-annual progress reports of PMT.</p>
Data Collection	<p>(i) Public feedback via telephone, sms, letters, emails, or other means of communication</p> <p>(ii) how complaints and issues raised by the public are addressed via Monitoring Consultant periodic reports</p> <p>(ii) Performance benchmarking of maintenance contractors via Monitoring Consultant periodic reports</p>
Calculation Formula	<p>STS targets have been met and related evidence provided for a given year, capped at US\$2.97 million, eligible for disbursement:</p> <p>in the end of 2016: STS developed and available in ARA's website (yes/no) US\$0.375 M</p> <p>in the end of 2017 no. of months in use/12 x US\$0.74 M</p> <p>in the end of 2018 no. of months in use/12 x US\$0.74 M</p> <p>in the end of 2019 no. of months in use/12 x US\$0.74 M</p> <p>in the end of 2020 no. of months in use/12 x US\$0.375 M</p>
Evaluation of Compliance	<p>The Independent Technical and DLI Audit Consultant will assess and confirm in the end of 2016 the STS development, and for how many months it has been operational (generating reports) during subsequent years</p>
Reporting Requirement	<p>(i) Monitoring Consultant will report, monthly, achievement of performance targets (service level) for Contract A, Contract B, Contract C and Contract D</p> <p>(ii) Monitoring consultant will include in the periodic reports how and when the issues and complaints received in the system have been addressed</p> <p>(iii) PMT will publish in ARA website the monthly reports and summarize the STS functioning (for both public feedback and contracts benchmarking) in the semi-annual progress reports, and will perform preliminary calculation of the progress made toward achieving the indicator;</p> <p>(iv) Independent and Technical and DLI Audit Consultant will prepare in the end of each calendar year the reports confirming the achievement of the indicator, and the eligible disbursement</p> <p>(v) Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and email</p>
Contact Information	<p>(i) PMT Director: responsible for overall reporting of indicator measurement and achievement; Name and email:</p> <p>(ii) Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and email:</p> <p>(iii) Monitoring Consultant: measurement, certification and reporting of the contractors performance and addressing public feedback; Name and email: TBC</p> <p>(iv) Technical and DLI Audit Consultant: responsible for assessment and confirmation of achieving the indicator in a given year; Name and email: TBC</p>

Impact of DLI achievement on the loan disbursed amounts	<p>For the Year 1 only, if the DLI has been determined to have been fully met (yes/no), then the full financial value of the prior advances related to the DLI will be recognized as eligible expenditures and converted into disbursements. If the DLIs is not met in the Year 1, the Bank will not convert prior advances as eligible expenditures; the respective amount will be carried forward as [undocumented or outstanding] advances. Additionally, the Bank may reduce the amount of subsequent advances requested. ARA will submit an action plan with a revised annual schedule to achieve the respective DLI targets. Once the target for the Year 1 is met, and information is provided that validates and verifies that these DLI has been fully met, the Bank will then proceed to recognize the full amount of expenditures as eligible and as disbursed and will grant the full amount of requested advances to resume.</p> <p>Once the Year 1 target is meet, the design of the subsequent annual targets for this DLI allow for flexibility, if the targets have been partially met. If during implementation, Years 2 – 5, targets have not been fully met (i.e., downward scalability):</p> <ul style="list-style-type: none"> - the Bank will only proportionally (proportionally means using the same percentage of achievement of the DLI relative to the baseline target) recognize and convert prior advances into disbursements. - However, the respective loan amount of the unachieved DLIs in the envisioned time period shall be cancelled in consultation with, or reallocated with the agreement of the MOF. - The Bank may, in this respect, decide to reduce proportionally subsequent advances for the Project.
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Indicator 2.1	International Road Assessment Program (iRAP) surveys showing safety improvements across Project roads
Base line Value (PAD)	Not developed
Base line Value (PAD)	First iRAP survey completed and base-line star rating established during year 1
Target value (PAD)	Star rating higher than baseline
Compliance Conditions	The indicator will be met when the base-line survey is done in the first year, and two other surveys (mid-term and end of the maintenance contracts) show star-rating higher than base-line value
Compliance Specifications	iRAP survey completed and base-line star rating until the end of 2016 iRAP survey completed and star rating higher than baseline until the end of 2018 iRAP survey completed and base-line star rating until the end of 2020
Means of verification	iRAP surveys will be completed by ARA consultant and the respective reports will be produced during first year, in the mid-term and the end of performance based maintenance contracts. The findings and start rating will be compared showing whether there are safety improvements safety across project roads. A summary of the iRAP surveys will be included in PMT's semi-annual reporting and ARA's website
Data Collection	(i) iRAP surveys (ii) ARA's website

Calculation Formula	Road safety improvements based on iRAP surveys will serve to calculate the eligible disbursements, capped at US\$2.97 million: in the end of 2016: iRAP survey completed and base-line star rating established (yes/no) US\$0.99 M in the end of 2018: iRAP survey completed and star rating higher than base-line (yes/no) US\$0.99 M in the end of 2020; iRAP survey completed and star rating higher than baseline (yes/n) US\$0.99 M
Evaluation of Compliance	The Independent Technical and DLI Audit Consultant will assess and confirm in the end of 2016 the completion of iRAP survey and the baseline star rating; in the end of 2018 and 2020 will assess and confirm the completion of respective iRAP surveys and whether there is an increase of star rating
Reporting Requirement	(i) the ARA consultant will report the completion of the survey, and agree with the PMT on the overall star rating across Project roads for Contract A, Contract B, Contract C and Contract D, at the baseline stage, mid-term and end of the performance based maintenance contracts, including the proposed, or completed, safety measures as result of the surveys (ii) Monitoring consultant reflect in the periodic reporting safety measures and addressing bottlenecks, carried out as result of implementing both performance based maintenance contracts, as well as the recommendations of the iRAP surveys. (iii) PMT will publish in ARA website the iRAP surveys and summarize results in the semi-annual progress reports, and will perform preliminary calculation of the progress made toward achieving the indicator; Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and emails (iv) Independent and Technical and DLI Audit Consultant will prepare in the end of respective periods (end 2016, end 2018 and end 2020) the reports confirming the achievement of the indicator, and the eligible disbursements
Contact Information	(i) PMT Director: responsible for overall reporting of indicator measurement and achievement; Name and email: (ii) Financial Management Specialist: responsible for IFRs and annual adjustments of the amounts of eligible disbursements in a given year; Name and email: (iii) Monitoring Consultant: measurement, certification and reporting of the contractors performance and addressing public feedback; Name and email: TBC (iv) Technical and DLI Audit Consultant: responsible for assessment and confirmation of achieving the indicator in a given year; Name and email: TBC
Impact of DLI achievement on the loan disbursed amounts	Determination of achievement (yes/no). Therefore if the DLI targets have been determined to have been fully met (yes/no), then the full financial value of the prior advances related to the targets will be recognized as eligible expenditures and converted into disbursements. If the targets are not met in the originally envisioned time period, the Bank will not recognize the prior advances as eligible expenditures or convert them into amounts disbursed; these amounts will be carried forward as [undocumented or outstanding] advances. Additionally, the Bank may reduce the amount of subsequent advances requested. ARA will submit an action plan with a revised schedule to achieve the targets. Once the targets have been met, and information is provided that validates and verifies that these DLIs have been fully met, the Bank will then proceed to recognize the full amount of expenditures as eligible and as disbursed and will grant the full amount of requested advances to resume.

Indicator 2.2	ARA's Road Asset Management System is established and operational
Base line Value (PAD)	Not established

Target value (PAD)	RAMS established and operational
Compliance Conditions	The indicator will be met when the annual condition survey is completed (under the consultant's ToRs attached to this manual) and a multi-year maintenance program is prepared (starting from project's year 2) for the subsequent GoA's financial year.
Compliance Specifications	<p>Road Asset Management System is based on annual condition survey of the established inventory (database of ARA) and generates for ARA the prioritization of maintenance and intervention needs, for the preparation of Medium-Term Budget Planning, and re-prioritizing based on the budget made available from the Ministry of Finance. As a matter of best international practice this exercise is repeated annually and covers 3 to 5 years.</p> <p>Annual condition survey done, but no programming has started by the end of 2016 Annual condition survey done, and programming of 2018 carried out by the end of 2017 Annual condition survey done, and programming of 2019 carried out by the end of 2018 Annual condition survey done, and programming of 2020 carried out by the end of 2019 Annual condition survey done and programming of 2021 carried out by the end of 2020</p>
Means of verification	<p>ARA's consultant reports for the completion of annual condition surveys, as well as the startup of the RAMS by the end 2016, and</p> <p>ARA's consultant reports for the preparation of multi-year maintenance and interventions program, using established RAMS, for year 2017 until 2021.</p> <p>MIE/ARA's submission of the maintenance and interventions program to the MoF, in a manner satisfactory to the budget preparation instructions</p> <p>MIE/ARA's readjustment of the program, based on the constraint budgets, as provided by the MoF</p>
Data Collection	<p>(i) ARA's consultant reports on annual condition surveys</p> <p>(ii) ARA's consultant reports on preparation of medium term budgets and</p> <p>(iii) PMT semi-annual reports on MIE/ARA's annual and medium-term budget submissions, providing evidence that they are at MoF satisfaction and based on budget preparation instructions</p>
Calculation Formula	<p>Establishment of RAMS and annual condition surveys will serve as basis to calculate the eligible disbursement for each year, capped at US\$5.93 M</p> <p>In the end of 2016, Road condition survey is completed and RAMS startup (yes/no) US\$1.186</p> <p>In the end of 2017: Road condition survey is completed and network medium-term needs are prioritized using RAMS (yes/no) US\$ 1.186</p> <p>In the end of 2018: Road condition survey is completed and network medium-term needs are prioritized using RAMS (yes/no) US\$ 1.186</p> <p>In the end of 2019: Road condition survey is completed and network medium-term needs are prioritized using RAMS (yes/no) US\$ 1.186</p> <p>In the end of 2020: Road condition survey is completed and network medium-term needs are prioritized using RAMS (yes/no) US\$ 1.186</p>
Evaluation of Compliance	The Independent Technical and DLI Audit Consultant will assess and confirm in the end of 2016 the completion of annual condition survey and startup of the RAMS; and in the next years the medium term programming of maintenance and interventions in ARA's network using RAMS

Reporting Requirement	<p>(i) the ARA consultant will report the completion of the survey, establishing the inventory and national roads database and starting up the RAMS, in the first year; and include the multi-year programming in each consecutive year</p> <p>(ii) the PMT will summarize results of the survey and report on medium-term budget planning process in the semi-annual progress reports, and will perform preliminary calculation of the progress made toward achieving the indicator;</p> <p>(iii) Independent and Technical and DLI Audit Consultant will prepare in the end of each year the reports confirming the achievement of the indicator, and the eligible disbursements</p> <p>(iv) Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and email</p>
Contact Information	<p>(i) PMT Director: responsible for overall reporting of indicator measurement and achievement; Name and email:</p> <p>(ii) RAMS Consultant: reporting on annual surveys and RAMS operationalization; Name and email: TBC</p> <p>(iii) Technical and DLI Audit Consultant: responsible for assessment and confirmation of achieving the indicator in a given year; Name and email: TBC</p> <p>(iv) Financial Management Specialist: responsible for IFRs and annual adjustments of the amounts of eligible disbursements in a given year; Name and email</p>
Impact of DLI achievement on the loan disbursed amounts	<p>Determination of achievement (yes/no). Therefore if the DLI targets have been determined to have been fully met (yes/no), then the full financial value of the prior advances related to the targets will be recognized as eligible expenditures and converted into disbursements. If the target is not met in the envisioned time period, than the respective amount of prior advances will not be converted as a disbursement. Additionally, the respective loan amount will be cancelled in consultation with, or reallocated with the agreement of the MOF.</p>

Indicator 2.3	Service Level Agreement between ARA and the line Ministry is signed and executed
Base line Value (PAD)	Not signed
Target value (PAD)	Signed and Executed
Compliance Conditions	The indicator will be met when the SLA is made binding between ARA and the line ministry, including obligations and responsibilities of each party. At the time of each annual audit, if the SLA is signed and executed then this DLI is met.
Compliance Specifications	<p>A clear understanding and reflection in the SLA of the network for which ARA is responsible (linked with the establishment of RAMS)</p> <p>Specification of obligations of both ARA and line Ministry related to funding, budgeting and reporting of the activities included in SLA</p> <p>Specific requirements to ARA are clarified and agreed. They may include: (i) meeting the obligations of the Road Code; (ii) meeting the network performance targets by subdivisions, and/or road corridors, and/or road sections; (iii) providing safety to road users; (iv) developing and maintaining management systems for all roads and structures of its inventory, and (v) assisting and be part of ANTP reviews and preparation of sector programs/ strategies.</p>
Means of verification	Confirmation of the MIE and ARA of the signing of the SLA, satisfactory to the legal framework of the country, and endorsed by the development partners (WB and EU)

Data Collection	(i) PMT semi-annual reports
Calculation Formula	Signing and executing the SLA at a given year US\$2.96 M
Evaluation of Compliance	The Independent Technical and DLI Audit Consultant will assess in the end of each year the progress made toward achieving this target and confirm when the target is met according to the specifications
Reporting Requirement	(i) the PMT will summarize the progress made and report in the semi-annual progress reports, performing preliminary calculation in achieving the indicator; (ii) Independent and Technical and DLI Audit Consultant will prepare in the end of each year the reports assessing progress made and confirming the achievement of the indicator in a specific year, as well as the respective eligible disbursements (iii) Financial Management Specialist: reporting responsible for preparation of IFRs, calculating the DLI amount to be recognized, effective disbursements in a given year; and making the necessary adjustments to the advances to be requested. Name and email
Contact Information	(i) PMT Director: responsible for overall reporting of indicator measurement and achievement; Name and email: (ii) Financial Management Specialist: responsible for IFRs and annual adjustments of the amounts of eligible disbursements in a given year; Name and email: (iii) Technical and DLI Audit Consultant: responsible for assessment and confirmation of achieving the indicator in a given year; Name and email: TBC
Impact of DLI achievement on the loan disbursed amounts	Determination of achievement (yes/no). Therefore if the DLI target has been determined to have been fully met (yes/no), then the full financial value of the prior advances related to the target will be recognized as eligible expenditures and converted into disbursements. If the target is not met in the originally envisioned time period: <ul style="list-style-type: none"> - the Bank will not recognize the prior advances as eligible expenditures or convert them into amounts disbursed; - The respective amount will be carried forward as [undocumented or outstanding] advance. - Additionally, the Bank may reduce the amount of subsequent advances requested. - ARA will submit an action plan with a revised schedule to achieve the target. Once the target is met, and information is provided that validates and verifies the fact, the Bank will then proceed to recognize the full amount of expenditures as eligible and as disbursed and will grant the full amount of requested advances to resume.

123. *DLIs and the Corresponding DLI Certifiable Amounts*

Disbursement Estimates		%	Total EUR m
80% (of total of Component 1&2)			
Component 1 - Maintenance Works and Monitoring (Disbursement thru DLIs)			
1.1	Length of roads where Periodic Maintenance Completed	45	26.70
1.2	Routine Maintenance Targets Achieved	30	17.79
1.3	STS developed and operational	5	2.97
20% (of total of Component 1 & 2)			
Component 2 - Institutional Reforms (Disbursement thru DLIs)			
2.1	Completion of iRAP Surveys	5	2.97
2.2	Annual condition surveys on National network and multi-year rolling program	10	5.93
2.3	Service Agreement (between MoTI and ARA)	5	2.97
<i>Sub-Total Estimated Disbursements for DLI Components</i>			59.31
Component 3 - Sector Reforms (No DLI's)			3.95
Component 4 -Project Management (No DLI's)			2.47
<i>Sub-Total Estimated Disbursements for non-DLI Components</i>			6.43
Front End Fee			0.16
Total			65.90

124. *DLI Sample Calculations*

DLI 1.1 Percentage of Periodic Maintenance Completed

DLI 1.1 Length of roads where Periodic Maintenance Completed				
Criteria: The percentage of project Roads where periodic maintenance is completed by the end of the project. That is, the length of roads actually completed compared with the length of roads included in the Bidding Documents (% of total km). Capped at 100%.				
Total Value of DLI: (\$ million)				€26.69
Sample DLI Calculation				
Year #	Cumulative Percentage of Completed Periodic Maintenance	Calculation per year	DLI Amount (\$million)	Cumulative Certified DLI Amount (\$million)
1	28% of planned periodic maintenance certified complete	=28% x DLI Value	€7.47	€7.47
2	50% of planned periodic maintenance certified complete	=50% x (Cumulative DLI Value) less value of previous certifications.	€5.87	€13.34
5	100% of planned periodic maintenance certified complete	=100% x (Cumulative DLI Value) less value of previous certifications.	€13.34	€26.69
As 100% of this target was met in Year 3, it is now fully certified.				
Potential Amount that may not be disbursed to the Borrower under this DLI is:				€0.00

DLI 1.2 Routine Maintenance

DLI 1.2 Routine Maintenance Targets Achieved				
Criteria: Percentage of the aggregate amount of Routine Maintenance certified, across all Hybrid Road Maintenance Performance Based Contracts.				
Estimated progression of DLI Value: (\$million)			DLI Amount (Eur million)	Cumulative Certified DLI Amount (Eur million)
Yr 1	on average at least 80%		€5.34	€5.34
Yr 2	on average at least 80%		€3.56	€8.90
Yr 3	on average at least 80%		€3.56	€12.46
Yr 4	on average at least 80%		€3.56	€16.01
Yr 5	on average at least 80%		€1.78	€17.79
Yr 6			€0.00	€17.79
Total Value of DLI: (\$ million)			€17.79	
Sample DLI Calculation				
Year #	Overall average of Routine Maintenance Payments	Calculation	DLI Amount (Eur million)	Cumulative Certified DLI Amount (Eur million)
1	An average of 60% of LS certified in Yr 1	=60% x Yr 1 DLI Value	€3.20	€3.20
2	An average of 75% of LS certified Yr 2	=75% x Yr 2 DLI Value	€3.47	€6.67
3	An average of 79% of LS certified in Yr 3	=79% x Yr 3 DLI Value	€3.17	€9.84
4	An average of 82% of LS certified in Yr 4	=100% x Yr 4 DLI Value	€6.17	€16.01
5	An average of 85% of LS certified in Yr 5	=100% x Yr 5 DLI Value	€0.00	€16.01
6	An average of 91% of LS certified cin Yr 6	=100% x Yr 6 DLI Value	€1.78	€17.79
Potential Amount that may not be disbursed to the Borrower under this DLI is:				\$0.00

DLI 1.3 Social Transparency System – Development

DLI 1.3 STS Being Developed and Operational				
Criteria: STS developed and operational as set forth in the POM (at least monthly). Issues being addressed and closed-out. If monthly analysis and trend reports are being provided, and Contractors performance standards are updated monthly on the web-site, then the DLI can be certified for each month it is being properly used and maintained.				
Estimated progression of DLI Value: (\$million)				
Year 1	STS developed		€0.37	
Year 2	STS operational for the entire		€0.74	
Year 3	STS operational for the entire		€0.74	
Year 4	STS operational for the entire		€0.74	
Year 5	STS operational for the entire		€0.37	
Year 6			€0.00	
Total Value of DLI: (Eur million)			€2.97	
Sample DLI Calculation				
Year #	Usage of the STS	Calculation	DLI Amount (Eur million)	Cumulative Certified DLI Amount (Eur million)
1	System Being developed		€0.00	€0.00
2	In use 6 of 12 months	= 50% x DLI Value	€0.37	€0.37
3	In use 12 of 12 months	= 100% x DLI Value	€0.74	€1.11
4	In use 6 of 12 months	= 50% x DLI Value	€0.37	€1.48
5	In use 9 of 12 months	= 75% x DLI Value	€0.28	€1.76
6	In use 12 of 12 months	= 100% x DLI Value	€0.00	€1.76
Potential Amount that may not be disbursed to the Borrower under this DLI is:				€1.20

DLI 2.1 IRAP Surveys show Safety improvements across the Project roads.

DLI 2.1 Completion of iRAP Surveys				
Criteria: Periodic iRAP surveys completed showing improvements in the star-ratings over the project years. This is a "Yes/No" DLI, with surveys done mid-project and in the final year, compared to a base-line survey done in Year 1. Either the DLI is certified completely or not. If a baseline survey is done, then one third of the total DLI amount can be certified. For the two remaining surveys, at the time of each DLI audit, the star-rating achieved is compared with baseline, and if an improvement is made over the base-line, then the interim DLI is certified. The aim is to achieve an overall improvement by the end of the project, and for this to be certified at the final DLI audit.				
Estimated progression of DLI Value: (\$million)			DLI Amount (Eur million)	Cumulative Certified DLI Amt (Eur million)
Year 1	iRAP survey completed and baseline established		€0.99	€0.99
Year 2	N/A		€0.00	€0.99
Year 3	Rating higher than baseline star rating		€0.99	€1.98
Year 4	N/A		€0.00	€1.98
Year 5	Rating higher than baseline star rating		€0.99	€2.97
Year 6			€0.00	€2.97
Total Value of DLI: (Eur million)			€2.97	
Sample DLI Calculation				
Year #	Survey	Calculation	DLI Amount (EUR million)	Cumulative Certified DLI Amt (EUR million)
1	Baseline Survey completed and established as 2 star	=100% x Year 1 DLI Value	€0.99	€0.99
3	2 star (ie no improvement over baseline)	= 0% x Year 3 DLI Value	€0.00	€0.99
6	4 star (ie improvement over base-line)	=100% x (Cumulative Year 1, 2 and 3 DLI Value) less value of previous certifications	€1.98	€2.97
Potential Amount that may not be disbursed to the Borrower under this DLI is:				€0.00

DLI 2.2 Annual condition surveys done and multi-year rolling program prepared covering the National road network.

DLI 2.2 RAMS established and operational				
<p>Criteria: The target is for multi-year, costed rolling maintenance programs to be prepared annually, signifying that the use of RAMS is understood and being entrenched in the institution, and therefore becoming a sustainable function. By Year 6 condition survey data should be obtained for the entire network. This is a "Yes/No" DLI reviewed annually. At the time of each DLI audit, an assessment is made as to whether the use of RAMS, as indicated by the production of the maintenance programs, has been achieved. If it has been achieved, then the DLI is certified. The aim is to achieve competent use of RAMS and the ability to competently perform maintenance strategy analyses using the system, which would be recognized by the production of annual, costed maintenance plans by ARA.</p>				
Estimated progression of DLI Value: (\$million)			DLI Amount (Eur million)	Cumulative Certified DLI Amt (Eur million)
Year 1			€1.19	€1.19
Year 2			€1.19	€2.37
Year 3			€1.19	€3.56
Year 4			€1.19	€4.74
Year 5			€1.19	€5.93
Year 6			€0.00	€5.93
Total Value of DLI: (Eur million)			€5.93	
Sample DLI Calculation				
Year #	Programs Prepared	Calculation	DLI Amt (Eur million)	Cumulative Certified DLI Amount (Eur million)
1	System start-up only		€1.19	€1.19
2	Year 2 survey done but no program	= 0% x DLI Value	€1.19	€2.37
3	Year 2 and 3 surveys done and Yr 3 program	= 100% x DLI Value	€1.19	€3.56
4	Yrs 2, 3 survey done but not Yr 4, nor Yr 4 program.	= 0% x DLI Value	€0.00	€3.56
5	Years 2, 3, 4 & 5 surveys done and all programs	= 100% x DLI Value	€1.19	€4.74
6	Years 2, 3, 4, 5 & 6 surveys done and all programs	= 100% x DLI Value	€0.00	€4.74
Potential Amount that may not be disbursed to the Borrower under this DLI is:				€1.19

DLI 2.3 Service Level Agreement drafted and signed/executed. Y or N

DLI 2.3 Service Agreement (between MoTI and ARA)				
Criteria: The target is for the Service Agreement to be made binding between MoTI and ARA, and for all obligations of each party to be clearly established. This is a "Yes/No" DLI. At the time of each DLI audit, if the Service Agreement has been formally agreed and adopted, then the DLI is certified. The aim is to achieve agreement and adoption of the Service Agreement by the end of Year 5 (or earlier), and for this to be fully certified at or before the final DLI audit.				
Total Value of DLI: (Eur million)				€2.96
Sample DLI Calculation				
Year #	Status of Service Agreement	Calculation	DLI Amount (Eur million)	Cumulative Certified DLI Amt (Eur million)
1	No	= 0% x DLI Value	€0.00	€0.00
2	No	= 0% x DLI Value	€0.00	€0.00
3	No	= 0% x DLI Value	€0.00	€0.00
4	Yes	= 100% x DLI Value	€2.96	€2.96
As this is a Y/N target, and it was met in Year 4, it is now fully certified.				
Potential Amount that may not be disbursed to the Borrower under this DLI is:				€0.00

4.7 Filing and archiving

125. The General Conditions require the borrower to retain all records (contracts, orders, invoices, bills, receipts, and other documents) evidencing eligible expenditures and to enable the Bank’s representative to examine such records. They also require the records to be retained for at least one year following receipt by the Bank of the final audited financial statement required in accordance with the legal agreement or two years after the closing date, whichever is later. Borrowers are responsible for ensuring that document retention beyond the period required by the legal agreement complies with their government’s regulations.

Contract and payments files

126. These files contain all documents, correspondence and information possible after the award and signature of contract until its final closure (i.e. approval of final report and final payment executed). A contract and payments files thus is kept for each individual contract resulting from an individual activity/tender. A contract and payments files typically contains the following sections, which are separated by the use of dividers:

- The Contract Payment Record Sheet (updated for each payment).
- The original signed version of the contract.
- Original signed version of addenda and side letters (in chronological order).
- Copies of payment orders
- Original invoices including all original supporting documents (if any), invoice control sheets for each individual payment, Invoice authorizations, and Payment request (as described in the above section)
- Correspondence regarding the financial management of the contract.

127. The use of dividers separating each section in the file will enable the user to quickly gather information about e.g. payment or the changes that affect the original contract by means of side letter etc. Contract and payments files are kept by the FM Specialist in his/her office and are of a RED color. In order to separate visually the contract and payments files for all different projects it is proposed to label them in different color.

Bank statements file

128. These files contains original bank statements confirming the details of payments and the latest available account balance, original payment orders, copies of front pages of invoices and the bank book. It is anticipated that they will be kept on an annual basis for ease of reference. Bank statement files are kept by the FM Specialist in his /her office and are of a GREEN color.

Withdrawal application files

129. These files contains all IFRs submitted to the Bank's team and relevant clearance by the Bank as part of the Withdrawal application process. In addition it contain all progress reports on the achievement of the DLIs and the relevant supporting evidence substantiating those achievements. In addition Bank's team confirmation of the achievement of the DLIs and DLI audit reports. Supplementary schedules for adjustments to the disbursement value based on DLI audit report, if any, will be also included. These files are of BLU color and will be kept in FM Specialist office.

Financial reporting files

130. All period financial report prepared for the Bank and other government agencies (MOF) will be filed in a separate folder, accompanied by Bank and Treasury reconciliations and reporting checklist. Included in this folder will be also the financial audit report.

Back up electronic files

131. Monthly back up of electronic data files is required, including accounting records and other financial data, relevant e-mail correspondence and other project related data and reports. These backups will be stored in external drives in the office metal.

Communication documents

132. All the letters and document exchange with other entities will be kept in the archive unit of the Implementing Agency and will be labeled IN and OUT. The director of ARA will be in charge as Signing Authority in providing answers to the third parties entities.

Information and Communication

133. The ARA and PMT will timely present the adequate information on project implementation, project expenditures, and sources of funds. This information will be transmitted to the relevant agencies (WB team, project beneficiaries, stakeholders, etc.). The audited project financial statements will be made publicly available in a timely fashion and in a manner acceptable to the Bank. The audit reports and financial statements will be published in ARA website within 2 months from the receipt of the audit report.

4.8. Internal controls

134. The adopted control procedures will ensure that financial records are reliable and complete. In particular, the control system will ensure proper recording and safeguarding of assets and resources, adherence to financial management policies and orderly and efficient conduct of business.

- (i) **Verifications:** verifications compare two or more items with each other or compare an item with a policy and perform a follow up when the two items do not match or the item is not consistent with policy. The verifications generally address the completeness, accuracy, or validity of processing transactions.
- (ii) **Authorization procedures:** an authorization affirms that a transaction is valid. An authorization typically takes the form of an approval by a higher management or of a verification and determination if the transaction is valid. all project expenditure transactions (procurement, invoice acceptance, payment and disbursements) are authorized in accordance with authorization limits and levels enforced in the implementing agency, to ensure only appropriate transactions are processed. These may include decision authority and payment authorities.
- (iii) **Reconciliations:** Reconciliation compares two or more data elements, and if, differences are identified, action is taken to bring the data into agreement. Reconciliations generally address the completeness and/ or accuracy of processing transactions: (a) monthly Treasury and bank accounts

statements reconciliation with project accounting records; (b) monthly WB disbursement records reconciliation with project accounting books.

- (iv) **Physical Controls:** Equipment, inventories, and other assets are secured physically and are periodically counted and compared to amounts shown on control records.
 - (v) **Supervisory controls:** Supervisory controls assess whether other transactions control activities (i.e. particular verifications, reconciliation, authorizations and approvals and physical control activities) are being performed completely, accurately and according to policy and procedures.
- **Segregation of duties:** The duties are divided and segregated among different people to reduce the risk of error or inappropriate or fraudulent actions. This segregation of duties generally entails dividing the responsibility for recording, authorizing, and approving transactions and handling the related assets. Ideally, no individual employee should handle more than one of the above-noted functions in a process. When duties cannot be segregated, alternative controls should be considered. Compensating controls can be preventative, detective or monitoring controls that are executed by an independent, supervisory-level employee who does not have custody, record-keeping, authorization or reconciliation responsibilities for the process. At least the following segregation of duties should be enforced or compensating controls endorsed:
 - Employees involved in the purchasing process should not be responsible for approving vendor invoices. Instead, this approval should be restricted to the employee who initiated and authorized the purchase requisition or a person independent of the purchasing function.
 - Employees who are responsible for the receipt of goods from vendors should not be involved in the purchasing or cash disbursement process.
 - Initiation and approval (release) of wire transfers should be segregated between two employees.
 - The preparer of bank reconciliations should not have the responsibility for recording cash receipt or disbursement transactions. In addition, bank reconciliations should be reviewed and approved by an employee other than the preparer.

4.9 External audit arrangements

135. The annual financial statements covering the whole program and all sources of financing will be audited in accordance with terms of reference acceptable to the Bank (ISA) by a private sector audit firm acceptable to the Bank, and the audit report will be submitted to the Bank not later than six months after the end of the fiscal year/period audited. The auditor for the Project will be appointed annually by the Ministry of Finance as part of an overall agreement for the audit of the non-revenue earning Bank-financed portfolio in Albania. The audit service fee is covered by MOF. Specific terms of reference based on International Standards on Auditing are used for the Project covered by this agreement and are cleared annually by the Bank. MIE/ARA will publish the annual Project audit reports on its website within two months from submission. Financial audit will complement other initiatives (e.g., technical and DLI audit) that form an integral part of the oversight and control framework of the program.

10. PROCUREMENT

136. Procurement process under the Project will be carried out in accordance with World Bank “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 revised in July 2014; and “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 revised in July 2014, and the provisions stipulated in the Legal Agreement.

137. The World Bank Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credit and Grants dated October 15, 2006 and revised on January 2011, would also apply. The Bank Standard Bidding Documents, including evaluation for procurement of works and goods will be used, as well as the Bank’s Standard Request for Proposal for selection of consultants, including the sample evaluation report.

138. ARA will be the implementing agency and will undertake, through the PMT, the procurement tasks for Project administration and implementation. Insufficient capacity and knowledge will be mitigated through (i) strengthening PMT's procurement and contract administration capacity via training and workshops, (ii) hiring of at least one procurement consultant experienced in Bank's procurement policies and procedures and, if needed, additional internationally experienced consultants on procurement and contract management, (iii) preparation of detailed bidding documentation before Project effectiveness helped by international experienced consultant hired for preparation of the Project, and (v) business outreach workshops for local construction industry and other companies in the country.

4.1 Procurement Methods

139. The following methods may be used for procurement of goods, works and non-consulting services as agreed in the procurement plan: International Competitive Bidding (ICB), Shopping (S), and Direct Contracting (DC). The Borrower, by negotiations, will complete the procurement packages for PBC of maintenance works and the Terms of Reference for Monitoring Consultants.

Procurement of Goods, Works and non-consulting services

140. Goods, Works and non-consulting services procured will include routine and periodic maintenance services, safety improvement and emergency works. Procurement for all ICB procedures will be done using the Bank's Standard Bidding Documents (SBD). Smaller value contracts as needed will be procured by following shopping procedures using the Invitation to Quote - ITQ (edition of May 2011) for works and goods (edition of June 2011), depending on the cost estimate of the package.

Selection of Consultants

141. Consultant services will include Monitoring Consultants to administer the works contracts, studies, training, surveys, institutional strengthening, Project management and advisory services. The following methods may be used for the selection of consultants: Quality and Cost-Based Selection (QCBS), Quality-Based Selection (QBS), Least-Cost Selection (LCS), Fixed Budget Selection (FBS), Selection based on Consultants Qualifications (CQ), Individual Consultant Selection (IC), and Single Source Selection (SSS) for firms and individuals. The World Bank's Standard Request for Proposals will be used. All Terms of Reference, irrespective of prior/post review status, are subject to Bank's review and no objection.

Training and Training Plan

143. The institutions providing standard training, conducting seminars and organization of study tours would be selected on the basis of analysis of the most suitable program of training offered by the institutions, availability of services, the period of training and the reasonableness of cost. However, consultants hired to deliver training under the Project shall be selected in accordance to the selection methods as stipulated in the Consultant Guidelines applicable to the Project. An annual training plan shall be prepared and agreed with the Bank. It will include information on the title of training, institution that shall provide it, timeline, cost, number, position and names of relevant people to be trained. The training plan shall be updated in agreement with the Bank through the duration of the Project at least annually or as required to reflect the actual Project implementation needs.

Procurement Plan

144. The PP will be updated in agreement with the Bank Project team semi-annually or as required to reflect the actual Project implementation needs and improvements in the implementing agency institutional capacity.

Tender Evaluation Committees

145. For the Procurement of Goods, Works and Consultant Services, under the project, an Evaluation Committee (EC) will be established by a specific order of ARA's Director General, or his Authorized Official, by the time of project effectiveness. The Order will specify the position of core members of the

tender evaluation committee, including Procurement Specialist, and Financial Specialist of the PMT, the representative(s) of MTI/ARA, and at least an expert of the field related to the specific procurement item.

146. When appointing the members of EC it should be always considered their experience with the relevant type of activities. The tender EC will be composed of at least three and not more than seven members (always odd number). All members of EC will be required to sign a declaration of confidentiality and impartiality. They should have prior experience in procurement of goods, works, and services with Donors and IFIs, and preferably with World Bank procurement. The composition of the EC will be sent for information to the World Bank. An International Procurement/Contract Management TA will be hired to assist the PMT and EC with for the large civil works contracts and complex consultant services.

Governance Accountability Measures

147. The PMT will follow the Bank's anti-corruption measures and will not engage services of firms and individuals debarred by the Bank. The listing of debarred firms and individuals is located at: <http://www.worldbank.org/html/opr/procure/debarr.html>". The PMT should also check through Client Connection the list of Temporary Suspended Firms and Individuals. The PMT will ensure that all complaints by bidders are diligently addressed and monitored in consultation with the Bank.

148. The PMT is expected to maintain day-to-day communication with World Bank Project Team seeking guidance/ advice/suggestions/clearances with regard to the Procurement, Financial and Technical issues, as well as for Contractual Management (invoices, contractual questions, payments, work program, etc.). The PMT director is responsible for forwarding the reports (prepared by PMT and/or consultants) to the World Bank for comments, as provisioned in this POM, or other contract documents. The PMT Director will pay particular attention to receive and archive the Bank's "No Objections" for all procurement-related documents, including Terms of Reference (ToR's), Bidding Documents (BDs), Request for Proposals (RFPs), Bid Evaluation Reports (BER), contract award, etc., including all categories of expenditures, specified in the Loan Agreement and according to the World Bank Guidelines/Documents.

11. ENVIRONMENTAL AND SOCIAL MANAGEMENT

screening methodology to be applied for implementation of EMPs in road maintenance and upgrading activities

149. A checklist will be used by ARA's environmental experts for environmental screening and determining whether or not an EMP is required. This screening will be conducted for each and every application, regardless if, the project is not subject to EIA according to Albanian Legislation. This checklist includes environmental quality indicators, natural environment indicators, and human indicators. A template of this list is provided based on the sites-specific checklist prepared in the Environmental and Social Management Framework prepared for this project (see below Table 6), and completed templates for two project sites are included in the ESMF document (Paper-Vidhas and Paper-Paulesh road segments).

150. The ARA environmental experts shall prepare the checklists based on the project and site details made available to them by the other members of the ARA implementation team. In the event that designs, details or concepts are unknown, generic and template instructions and EMPs will be used, until more detailed ones can be developed.

151. The Checklist, below, will be included and archived in ARA project files for each project site.

General Guidelines on Environmental Management

152. Following the order of environmental related concerns, there are 5 categories, to be taken into account (see table 3) .

Table .3 Guidance table for identification of environmental studies level regarding road improvement activities

Road improvement activities(categories)	Expected activities	Level of environmental study
Maintenance	Routine works in existing platform (no land acquisition needed), to maintain the road in appropriate conditions.	Preliminary EIA and simple EMP

Rehabilitation	Bringing existing deteriorated roads (in existing platform) to previous/original condition.	Preliminary EIA and simple EMP
Improvement	Most of the work is done on the existing platform, or within state owned land. No private land acquisition is required.	Preliminary EIA, and WB EMP
Upgrading	Changing of road category (i.e. seasonal to all-weather, secondary to primary). Land acquisition might be needed.	Preliminary EIA, and WB EMP (followed by profound EIA if needed – not applicable for financing by this project)
Widening works	Adding of additional road lanes in roads with 2 or less lanes, realignments, etc. in segments longer than 10 km, which in most cases imply land acquisition.	Profound EIA – not applicable for financing by this project
New constructions	Construction of a new road (with one, two, or four lanes). Most probably leading to land acquisition.	Profound EIA – not applicable for financing by this project

Site location and sensitivity

153. Site location and sensitivity is a major factor in determining the type and extent of the required environmental work. A three grade system (low, medium, and high sensitivity) can be proposed for natural habitats, resettlement, indigenous peoples, induced development, soil stability/erosion, and cultural heritage. If information is available, more items could be added during project preparation (such as noise, water quality, and drainage density).

Table.4 Template of environmental sensitivity

Natural habitats	Low sensitivity	Medium sensitivity	High sensitivity
Resettlements	No critical natural habitats No other natural habitats	No critical natural habitats; other Non-forest natural habitats occur	Critical natural habitats. Critical natural habitats are defined as existing and proposed protected areas, along with unprotected natural habitats of

			known high importance for biodiversity conservation. For details see Natural Habitats OP 4.04. and all natural forest
Indigenous people	Low population density; dispersed population; no or little road side activities; well established businesses and legal tenure along right of way.	Medium population density; settlements; some roadside activity; mixed ownership and land tenure along right of way.	High population density; major towns and villages; intensive roadside activity; low income families and illegal ownership of land in and along right of way; communal properties.
Induced development	No indigenous peoples	Dispersed and mixed indigenous populations; mainstream (highly acculturated) indigenous populations	Indigenous territories; vulnerable indigenous populations
Soil stability/erosion/slides	Flat terrain; no potential erosion problems.	Medium slopes; some erosion potential	Mountainous terrain; high slopes; unstable soil formations; high erosion potential
Cultural heritage	No known or suspected cultural heritage sites	Suspected cultural heritage sites; known heritage sites in area of influence	Known heritage sites along the right of way

Definitions and Obligations

154. in the Table below is provided an overview of the responsibilities related to the actual project implementation and the environmental and social due diligence. The ARA PIU remains ultimately responsible for all of the activities listed below, but can transfer these obligations via contractual and bidding documents to both the site contractor and site supervisor. As such, it is key to include environmental sections, even if only a template for guidance for all project documents being issued.

Table 5

Activity	Responsibility
Preparation of Checklist	ARA environmental specialists
Ensure all provisions of the ESMF are applied	ARA environmental specialists
Include environmental provisions into bidding documents	ARA implementation team (including environment specialists)
Provide regular reports from site	Contractor and site supervisor
Submit compiled reports including environmental section to WB	ARA implementation team (including environment specialists)
Implement EMP where prepared	Contractor – if not specified in the contract documents than ARA team

Table 6 Screening criteria template related to Maintenance Activities performed on an Existing Road – Checklist matrix (to be used by ARA)

Location of works (name):			
Scope of works:			
CRITERIA	YES	NO	Comments

<p>Does the existing road have a valid operating permit, licenses, approvals etc.? If not, please explain.</p> <p>Permits to screen for include:</p> <ul style="list-style-type: none"> - Construction Permit - Operational /Use Permit - Urbanistic Permit - Environmental Permit - Water Management Permit 			
<p>Does the existing road have or is awaiting (or is required by law to have) an environmental permit? If the permit is based on profound EIA, this activity cannot be financed.</p>			
<p>Are there nature protected areas or areas of cultural heritage in the vicinity? Please note the approximate distances in the comments.</p>			
<p>Will the sub-project require procurement of substantial amounts of materials to be used – stone, aggregate, sand, asphalt or others that need environmental permit?</p>			

Will the subproject generate large quantities of construction waste that will need permission from the Commune to be disposed of (including soil, rock, humus, etc)?			
Will the sub-project potentially impact areas of known significance to local, regional or national cultural heritage? (During the public consultation, the local population should be asked to provide information about any sites or structures which are not on any official list, but which they consider to be of significance and which they think should be protected)			
Does the project negatively affect community assets or activities?			
Proposed Sub-project	Level of existing or expected impact (1=low, 2=medium, 3=high)¹	Comments	
Will the sub-project cause changes in the drainage patterns of the road and the immediate surrounding areas?			
Will the project cause air, land and/or water pollution by dusts, noises and/or vibrations.			
Will the subproject include activities that will require sanding, paints, or other potentially hazardous materials that will need to be properly stored and contained?			

Does the project create conditions for accidental pollution by leakages?		
Will the project affect any species or population with specific status?		
Does the project create problems on accessibility?		
Has the local population or any NGOs expressed concern about the sub-project environmental aspects or expressed opposition? Are there any expected public claims?		
Is there any other aspect of the sub-project that would – through normal operations or under special conditions – cause a risk or have an impact on the environment, the population or could be considered as a nuisance?		
Total of existing or expected impact value (sum of values).		
Level of EIA study	EMP, Preliminary EIA, Profound EIA?	

¹⁾ **Level of expected impact: 1 expresses the lowest negative impact, 2 the medium level, and 3 the highest one. In case that no impact is expected, please let the cell empty.**

155. The first part of the table is used as an environmental checklist that provides answers to the general environmental impacts, which will orient ARA's staff on the needed environmental permits, and on road segment characteristics related to specific natural or protected areas. The second part, "Proposed subproject", focuses in evaluating the possible expected negative impacts, using a numerical methodology based on three levels (1=minimal effects, 2=medium level effects, 3=maximal effects). This environmental checklist takes into consideration the sum of 8 impact references, and is categorized as follows:

- a) Sum resulting lower than or 8 – 12: Simple WB EMP, where all activities cause or are expected to cause minimal or medium negative impacts (level 1 to 2). In case that one activity's impact is evaluated as level 3, a preliminary EIA is expected to be required by the National Environmental Agency.
- b) Sum resulting from 13 – 19: Preliminary EIA with EMP included, where each activity causes, or is expected to cause negative impacts that are to be considered of medium level.

- c) Sum resulting from 20 – 24: Profound EIA is required, or in case of uncertainties, it can be defined after the preparation of the preliminary EIA.

156. By the above clarifications can be noted that, despite a road maintenance activity might have a low/medium sum in the environmental matrix, if one of the activities can cause a high level impact (equivalent to level 3), the environmental study should be subject of a preliminary EIA (the example of which can be found in the Guidance No. 6, date 27.12 2006, on “Approval of the Methodology for Preliminary Impact Assessment of an Activity”), with related EMP. Category "C" projects (evaluated with 20-24 points), or those of category "B", characterized by preliminary EIA evaluation that entails the need of a profound EIA (referring to Albanian legislation), are not applicable for financing under this project.

First step: To include preparation of EMPs for road maintenance and/or upgrading activities should be first ensured the formal part, considering that no legislation is asking for preparation of EMPs or Preliminary EIA in case of road maintenance. Therefore, for maintenance / upgrading projects that are not objects of NEA/REDs screening and preliminary EIA, ARA has the obligation to prepare a simple EMP, where can be included the main impacts expected, mitigation measures and monitoring program, joined by public consultations and disclosure as it is required from WB.

Second step: Screening of the project by ARA's environmental and social experts

Third step: Scoping/focusing the EMP

Fourth step: Consultation with REDs and local stakeholders on EMP scope

Fifth step: Initiating the EMP and proceed with public consultations

Sixth step: Collaboration with local stakeholders to prepare public disclosure

Seventh step: Finalize the EMP and attach it to technical design and procurement documents for project implementation.

Eighth step: Revising of EMP implementation.

Considering simple EMPs (where cumulative impacts are missing), some mitigation measures can be planned and done considering typical expected impacts (Annex 1 Simple EMP for Paper-Paulesh and Annex 2 for Paper - Vidhas)

Simple EMP Structure

156. After screening and scoping to define the level of EMP and its focuses, a report should be prepared with at least the following chapters:

- a) Description of technical project and its activities, types/volumes and quality of raw materials, and places where will be taken off, technologies and equipment to be used, its location, accessibility, use of infrastructure needed for works, etc.
- b) Environmental description, considering:
 - nature environments, specific sites like protected areas, biodiversity and landscape, etc

- Human environments, demography, socio-economy, industries and development branches, specific values like recreation and tourism, specific sites like cultural and heritage ones, religious, etc.
- c) Formal framework with legislation and regulatory considerations.
- d) Management Plan with its: Mitigation measures (template table included at annex 3) and Monitoring Program (template table included at annex 3). In case of roads, the EMP considers both direct and indirect impacts, analyzing three phases of the project, the planning phase, maintenance and upgrading phase, and operational phase. To define how the significant impacts can be reflected in Management Plan, please refer to the EMP of Vidhas-Paper, developed for the project in term.
- d) Any additional considerations to avoid areas of significant natural, historic or cultural importance, as per the ESMF guidelines
- 1) f) Public consultation report, where should be included the program of public consultations, meetings held and participation, decision makers identified, findings by consultations, public disclosures, etc. Mitigation measures need to be as effective and realistic as possible. The cheaper and easy to apply the measures can be, the easier can be to obtain approval by decision makers.

ANNEXES

ANNEX 1 – ENVIROMENTAL MANAGENT PLAN (EMP) PAPER- VIDHAS SEGMENT

ANNEX 2 – ENVIROMENTAL MANAGENT PLAN (EMP) PAPER- PAULESH SEGMENT

ANNEX 3 - ENVIROMENTAL SOCIAL MANAGEMENT FRAMEWORK (ESMF)

ANNEX 4 CONSULTANTS ToRS FINANCAIL SPECIALIST / PROJECT MANAGER / PROCURMENT SPECAILIST

ANNEX 5 – INTERIM FINANCIAL REPORT

ANNEX 6 – LOCATION MAP