



Weekly Briefing

**Albania economy briefing:
Tirana's Outer Ring Road and the
controversial case of 2.1 km segment
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Tirana's Outer Ring Road and the controversial case of 2.1 km segment

The capital of Albania is changing its infrastructure configuration and demographics in an unprecedented scale. Being Tirana the locomotive of the country's economy, development and opportunities, the internal migration from other cities and provinces towards the capital has projected the need for better roads, junctions and additions to the existing infrastructure.

The initial plan for this Outer Ring Road of Tirana was first projected in 1989 by the last communist government of Albania but it was never fully implemented. The Socialist government and the Municipality of Tirana have been upgrading the plan at a noticeable pace until the controversy of the 2.1 km segment, separated in three different lots and with a suspicious tendering process, sparked a political and media heated debate.

Chronology of events

In September 2018, the Ministry of Infrastructure and Energy declared the opening of concession procedures for the 2.1 km segment of the Outer Ring Road through the Albanian Road Authority (ARRSH) separated in three different Lots due to the complexity of the project.

Lot Nr.1 was won by a consortium of Biba X and DH Albania for a total of 18 million Euros. Lot Nr.2 was won by Salillari Shpk., for a total amount of 12.6 million Euros and Lot Nr. 3 was won by Victoria Invest International for a total amount of 9.4 million Euros. While for the second and the third Lots, the winners of the tenders are well-established construction/infrastructure companies in Albania, the winning consortium of the first Lot (with the largest amount granted) attracted suspicion since the very beginning. Biba X is a company under sequester for unpaid taxes from 2013 to 2018, thus was competing illegally; while the major controversy regards DH Albania. This is a company registered in Albania on July 18, 2018, as a branch of a foreign company, Dunwell Haberman, with legal representative 26-year old Avdjol Dobi. Its parent company, Dunwel Haberman LLC is registered in a tax haven, Delaware (USA) and seems to be another shell corporation – a company with no activity, created with the sole purpose of participating in the Albanian tenders procedures. According to the National Business Center (QKB), the legal representative of the parent company is Nesha Lynn Kumar, a citizen of the Seychelles. The parent company's website was created on July 2, 2018, just weeks before the company established its Albanian branch. It contains no information

regarding its board of directors or its past activity. The doubt for these to be a shell company with unknown real owners started since the very proclamation of the winning lot.

On December 6th, an investigative journalist exposed the case to the public by stating that the DH Albania had forged all the needed documentation and also the signature of the State Secretary of Delaware Jeffrey Bullock.

The scandal attracted more scrutiny, two weeks later it was revealed to the public that the same company, DH Albania, had won another tender conducted in November for the construction of a 220 kilovolt Burrel-Peshkopi electric transition line; this tender was won with 100% of the limit value provided by the National Transmission System Operator (OST) and was the largest tender (in value of 12 million Euros) ever awarded from this operator.

The case has been a target of the Prosecutors Office of Tirana which started an investigation by questioning some high officials in the Transmission System Operator and Albanian Road Authority. In many believe that the dismissal of the Minister of Infrastructure and Energy, Damian Gjikhuri, in late December was a consequence of this scandals as well.

Need for urgent upgrade in Tirana's main roads

Tirana makes for 31% of the total population of Albania. Actually on a normal weekday, the city is suffering under constant congestion on all principal roads. At the same time the air pollution created by all the cars, buses and trucks circulating in the Albanian capital has achieved an unacceptable high level. The investments into infrastructure made during the last years have helped to avoid the collapse of the whole system. But, the growing car ownership of the last decade has been faster than all the efforts made to solve the traffic problems.ⁱ For these reasons and more, all the inhabitants of the capital are eager to have a modern Ring Road which would allow them to spend fewer hours in traffic congestion; yet, when faced with the excessive cost of this segment, Tirana's inhabitants were wondering if these taxpayers money were managed properly.

On February 4th, some media outlets declared that the works were stopped even in the two other Lots not involved in the scandal and the President of the Republic, Ilir Meta, asked the government publicly to cancel the entire project for this segment; according to him there were noticeable legal violations.

On February 6th, the Ministry of Transportation declared that this complex construction process will not stop and the project will never be canceled due to the city's acute need of better infrastructure. The first Lot will be re-tendered on public competition and the values and the total amount for the project will be as initially estimated.

How is the government justifying the excessive cost of this 2.1 km? In the table below there is the official cost allocation of each intervention as of ARRSH public declaration.

Estimated construction costs for segment "Pallati me Shigjeta - Sheshi Shqipoja"			
Type of intervention	Value in Euros	Length(km)	Percentage
Art Works (Overpasses and bridges)	21,000,000		53%
Art Works (Underpasses) F category	6,200,000		16%
Urban road, A category	5,300,000	2.3	13%
Service road, F category	3,000,000	4.68	8%
Urban street lighting, A category	760,000		2%
Street lighting, F category	800,000		2%
Drainage works	2,000,000		5%
Urban waste collectors	630,000		2%
Total	39,690,000		100%

Source: Albanian Road Authority (ARRSH),ⁱⁱ own graphic elaboration

As seen from the figures, interventions and costs ARRSH claims that the entire project is not just 2.1 km because there different complicated works (bridges, art works etc.); however, even with the complexity of the project the final estimated values is too high for Balkans standards.

Former directors of ARRSH and OST under investigation for shady tendering process

The enormous cost of this project has attracted a lot of criticism and has exposed some high officials to media and prosecution scrutiny. It is impossible for a project like this to have higher expenses than in Western Europe; even if we only take into consideration the labor cost which in Albania is 1/5 of EU average.

According to a studyⁱⁱⁱ made on EU countries construction costs for highways the situation displays as follows: Austria cost €12.87 million/km, Hungary at €11.21 million/km, Slovakia at €9.56 million/km, Czech Republic at €8.86 million/km, Denmark €5.89 million/km, Croatia €6.682 million/km, in Slovenia €7.29 million/km and in Germany €8.24 million/km. Difficulties in terrain could raise the price per km up to €25.99 million/km (in Germany) or €24.97 (in Austria).

The new Minister for Infrastructure and Energy, on January 21st discharged from duty the two acclaimed Director of the Albanian Road Authority, Afrim Qendro, and Director of Transmission System Operator, Klodian Gradeci; both prominent officials are now under criminal investigation on charges of misuse of public funding and corruption.

The legal CEO of the company, Avdjol Dobi, was called to testify in court but he did not appear in front of the Judge and since January 23rd is declared a fugitive.

Is corruption getting “wiser”?

The principal question remains: why just 2.1km of a road were separated in three different segments/lots? It is argued by some prominent Albanian economists, that this was intentionally made so in order to avoid international procurement procedures. According to Albanian Public Procurement Law, if a project exceeds 25 million Euros, an international tendering process is required.

When an offshore company is hired, the funneling of the earnings from the company is directly sent to the offshore financial base. Once the amount is channeled at these tax havens, it becomes impossible to find out who is actually receiving those money, this could make money-laundering easier and more accessible.

Many speculations (especially from the opposition) link the process of awarding this important infrastructure projects to local companies so that government official could, allegedly, have their share on the profits. Yet, this is still remains to be proved in a court of law but suspicions are hard to deny.

Concluding remarks

As of mid-February 2019, former Directors involved in the scandal of DH Albania and the Tirana Outer Ring Road are being questioned by the prosecutors intensively. Forging official documents is a federal crime in the US, thus an FBI investigation has started on the case, parallel to the Albanian one.

The problematic of important infrastructure projects awarded to the inner circles of high level politicians is not new in Albania; it has been present for decades. It is statistically impossible to have a company reaching 99.99% of the limit fund in tender without questioning the existence of prior arrangement between the authorities and the competing side.

In addition to the problematic of misuse of public funding, the other issue remains: unaccountability. The alleged corrupt officials are under criminal investigation; however, if history repeats itself, they will not face any day in prison because of their political connections.

If the Justice Reform will have no effect on these alleged corruption cases, the outcome will be a deeper distrust in institutions and repercussions for the entire Albanian economy.

ⁱ Available at: <http://ec.europa.eu/environment/life/project/Projects/index.cfm?fuseaction=home.showFile&rep>

ⁱⁱ Available at: <http://www.arrsh.gov.al/tabela-zyrtare-per-unazen-arrsh-7-02-km-rruge-kane-kosto-totale-8-3-milion-euro.html>

ⁱⁱⁱ Available at: <http://www.worldhighways.com/sections/eurofile/news/european-highway-construction-costs-evaluated/>