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International Bank for Reconstruction and Development
International Development Association

Albania - Integrated Coastal Zone Management and Clean-Up Project
Progress Report on the Implementation of the Management Action Plan in
Response to the Inspection Panel Investigation Report
(IDA Credit No. 4083-ALB)

July 1, 2009

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CONTENTS

I.	Introduction.....	3
II.	Status of Implementation of Management Action Plan.....	3
III.	Next Steps	8

Annexes

Annex A:	Summary of Progress on Management Action Plan
Annex B:	Grant Agreement between the World Bank and Requesters for Legal Expenses

ABBREVIATIONS AND ACRONYMS

BP	Bank Procedures
ECA	Europe and Central Asia
EURALIUS	European Assistance Mission to the Albanian Justice System
EXT	External Affairs Vice Presidency
ICZMCP	Integrated Coastal Zone Management and Clean-up Project
IDA	International Development Association
IPN	Inspection Panel
LEG	Legal Vice Presidency
OP	Operational Policy
OPCS	Operations Policy and Country Services Vice Presidency
OSCE	Organization for Security and Cooperation in Europe
PAD	Project Appraisal Document

LIST OF OPERATIONAL POLICIES AND BANK PROCEDURES

OP/BP 4.12	Involuntary Resettlement
OP/BP 10.00	Investment Lending: Identification to Board Presentation
OP/BP 13.05	Project Supervision

EXECUTIVE SUMMARY

The Albania Integrated Coastal Zone Management and Clean-Up Project was approved by the Board of Executive Directors on June 21, 2005. On November 1, 2007, the Executive Directors of the World Bank authorized an Inspection Panel investigation of the Project relating to the demolition of fifteen buildings in the community of Jale, Albania in April 2007. The Management Response identified a series of errors arising from project preparation and implementation and proposed an Action Plan to address these issues. This Progress Report addresses the implementation of the Management Action Plan discussed by the Executive Directors on February 17, 2009 in response to the Inspection Panel Investigation Report.

The Progress Report details significant progress made on the Management Action Plan:

(i) A Bank-wide review of the application of safeguard policies in projects that support land use planning has been completed. On the basis of this review, Management has issued on June 30, 2009: (a) a policy clarification on how OP/BP 4.12, Footnote 8, applies to land use planning projects; and (b) an interim Guidance Note regarding the application of safeguard policies in land use planning projects;

(ii) The Bank has signed a Letter Agreement with the Government of Albania on an independently-monitored, case-by-case review before the Albanian Judiciary of the requesters' claims that they were harmed by the April 2007 demolitions. This agreement covers Bank payment of legal assistance for the Requesters and recruitment of an independent international observer. It also confirms the Government's commitment to good faith efforts to ensure that the process is expeditious, while respecting the independence of the judiciary, and to comply with any judgment resulting from the review. All nine families have indicated their intention to file legal actions and to avail themselves of the assistance offered by the Bank: the first cases are expected to be filed in July 2009. A candidate for independent international observer was contracted on June 25, 2009. Management informed the Government about the selected candidate. Furthermore, the Government of Albania has hired an international consortium and launched a Social and Vulnerability Assessment, under Bank supervision, to develop criteria and an assistance package and procedures for poor and/or vulnerable that may be affected by demolitions. These criteria and assistance package will be applied retroactively to poor and/or vulnerable people affected by the April 2007 demolitions;

(iii) The World Bank office in Tirana is implementing a new Communications Strategy including a system of proactive and time-bound responses to complaints, annual briefings to Parliamentary committees on policies and project implementation, and enhanced supervision of government-led consultation processes during project preparation and implementation;

(iv) Targeted safeguards training for operational staff in ECA, including country offices, is being conducted to address the application of environmental and social safeguards in the portfolio; and

(v) Quality controls have been strengthened across the Bank's entire lending portfolio on the basis of a Bank-wide review of Project Appraisal Documents and legal documentation for all 1,550 Bank projects.

Disbursements under the Project were suspended on January 9, 2009. In light of the progress made on the Management Action Plan, Management intends to proceed with project restructuring. Specifically, in coordination with other donors, Management proposes to restructure the Project to maintain support for the following activities: (i) clean-up of the hazardous waste site in Porto Romano; (ii) construction of a landfill and a passenger terminal at the Saranda Port; (iii) community-based investments including small water supply and wastewater infrastructure in coastal villages; and (iv) protected areas management of Butrinti National Park. Going forward, no land use planning activities will be financed and the funds originally destined for land use planning will be re-allocated. All undertakings contained in the Letter Agreement will be included as covenants in the restructured Development Credit Agreement, and any non-compliance would lead the Bank to exercise its remedies, including suspension and cancellation. The restructured Project will be presented to the Board for approval in the first half of FY10. Finally, Management will report to the Board with the next Progress Report on the implementation of the Management Action Plan by the end of 2009.

I. INTRODUCTION

1. This Progress Report addresses the implementation of the Management Action Plan¹ discussed by the Executive Directors on February 17, 2009 and publicly released on February 18, 2009. Management committed to return with a Progress Report in three months. Details on actions undertaken as part of the Management Action Plan are included in a matrix summarizing the key measures taken to date (see Annex A).

II. STATUS OF IMPLEMENTATION OF MANAGEMENT ACTION PLAN

2. This section provides information on progress for the following: (a) clarifying application of OP/BP 4.12 to land use planning activities; (b) providing assistance for the Jale Requesters, including a case-by-case review before the Albanian Judiciary of the Requesters' claims that they were harmed as a result of the April 2007 demolitions and a retroactive application of an assistance package to poor and/or vulnerable families affected by the April 2007 demolitions; (c) strengthening communications; (d) strengthening safeguards in the Albania and ECA portfolio; and (e) strengthening quality control in ECA as well as across the Bank's entire lending portfolio.

A. APPLICATION OF OP/BP 4.12 ON LAND USE PLANNING ACTIVITIES

3. A Bank-wide review by OPCS and LEG of the application of safeguard policies in projects that support land use planning has been completed. To date, all projects that support land use planning, including coastal zone planning, have been identified and reviewed for the application of safeguard policies. This review has included identification and examination of safeguards aspects of over 130 projects either under preparation or supervision. As part of this process, the team has held meetings with numerous Task Team Leaders and specialists and groups involved with various types of land use planning within the Bank. A comprehensive matrix has been created that lists projects where land use planning activities are being undertaken along with the safeguard policies that are triggered. The review also examines how safeguard issues are being designed and implemented according to the type of lending instrument.

4. On the basis of this review, Management has developed: (a) a policy clarification on how OP/BP 4.12, Footnote 8, applies to land use planning projects; and (b) an interim Guidance Note regarding the application of safeguard policies in land use planning projects. The policy clarification and Guidance Note were issued on June 30, 2009. Management has also reviewed the issue of the application of safeguard policies in the case of unauthorized actions by Project Coordination Units and has prepared guidance

¹ Management Report and Recommendations in Response to Inspection Panel Report (INSP/R2008-004/2) and the Revised Management Action Plan (INSP/R2008-0004/3).

that was issued on June 30, 2009². Training designed to disseminate guidance on both land use planning and unauthorized actions by Project Coordination Units and to develop skills to address these issues will be undertaken for Bank staff in headquarters and country offices in FY10.

B. PROVISION OF ASSISTANCE FOR THE JALE REQUESTERS AND THOSE AFFECTED BY THE APRIL 2007 DEMOLITIONS

5. The Bank is providing assistance for an independently observed case-by-case review before the Albanian Judiciary of the Requesters' claims that they were harmed as a result of the April 2007 demolitions and that they should be compensated as a result of those demolitions. In addition, a Social and Vulnerability Assessment has begun, which includes the development of criteria and procedures for assisting people who may lose their primary residence or main source of livelihood due to demolition. The resulting assistance package will be applied retroactively to poor and/or vulnerable affected by the April 2007 demolitions. The following provides details on the progress of specific actions:

Agreement with Government concerning the case-by-case Judicial Review

6. An Agreement confirming the Government of Albania's assent to an independently monitored case-by-case judicial review was signed by the Minister of Finance on April 16, 2009. The Agreement affirms the Government's consent to World Bank payment of the Requesters' legal fees and the hiring of an Independent Observer who will report on a confidential basis to Management. The Government also commits to making good faith efforts to ensure that the process is expeditious, while respecting the independence of the judiciary, and to comply with any judgment resulting from the review.

Funding Legal Representation for the Requesters

7. Basic approach. Management has worked to put in place an appropriate mechanism to assist the Requesters through funding their legal expenses. A guiding principle has been that the Bank should not be engaged in the process of selecting, contracting or briefing the lawyers, to avoid any perception of Bank involvement in the lawsuits or in the attorney-client relationship. Hence, Bank support is in the form of financing contracts between the Requesters and lawyers that they have selected themselves.

8. Ongoing communication with Requesters. The World Bank Office in Tirana has been in regular communication with the Requesters since the February 17, 2009 Board meeting. Meetings were held on February 26 in Tirana to brief the Requesters on the outcome of the Board meeting, and on March 11 in Vlore and April 14 in Jale to discuss arrangements for Bank support through financing costs of the case-by-case review. In addition, there has been frequent communication between individual Requesters and the

² These guidance materials are posted on the World Bank Safeguards Website (www.worldbank.org/safeguards).

World Bank Office in Tirana, facilitated by a Bank-hired social development specialist. The Requesters have: (i) agreed with the principle that they should select their own attorneys; (ii) understood that the Bank must remain a neutral party during the case-by-case legal review; and (iii) welcomed an international expert to observe the proceedings.

9. Grant agreements. A template Grant Agreement was drafted by the Bank's Legal Department with advice from ECA's Chief Administrative Officer as the instrument by which the Requesters' legal and other relevant expenses would be paid (see Annex B). This Agreement provides for a grant from the Bank to each of the families covering their reasonable legal fees in pursuing the court cases. The amount of each grant is stated as a ceiling which is calculated on the basis of: (i) the fees charged by the grantee's attorney (subject to Bank approval); (ii) expected court filing fees, based on the amount of damages being sought; and (iii) an estimate of other expected costs that may be incurred. Payments up to the grant ceiling will be disbursed upon submission to and approval by the Bank of receipts and invoices. Disbursements will be made by transfer to the account of the grantee's attorney on behalf of the families. As a co-signator to the Grant Agreement, the attorney agrees to act as trustee for the amounts received that are payable to various third parties (e.g., the Court, experts, the families themselves for travel costs) and is responsible for making the required transfers to those payees. The Grant Agreement specifies that the Bank is not a party to the case and bears no contractual obligations to the Requester's attorney.

10. Template contracts. The Requesters are required to present signed attorney-client contracts to the Bank to ensure transparency concerning fee arrangements and for cross-reference in the Grant Agreement. As such contracts are infrequently used in Albania, an Albanian law firm engaged by the Bank has prepared a template contract in consultation with LEG for the Requesters to use with their attorneys.

11. Independent Valuation. At the March meeting in Vlore (see paragraph 8), the Requesters reaffirmed their desire for pre-trial valuations of the damages in order to assess the amounts for the proposed law suits. These valuations are also required for computing associated court filing fees (1%) which the Bank will be financing. The Bank independently contracted an accredited valuator selected by the Requesters to undertake this work. The valuator's report was submitted in the first week of June 2009.

12. Selection and contracting of lawyers and signing of Grant Agreements. To date, all nine families have informed the Bank of their intention to file legal action and have selected attorneys to represent them. A separate Albanian law firm contracted by the Bank to provide advice on these matters has confirmed that the selected attorneys are registered and appropriately licensed. The Bank has reviewed the proposed fees to ensure that these fall within the normal range in Albania. The Grant Agreements and lawyer-client contracts have been signed by seven families and the selected attorneys. Two of the families are expected to sign agreements shortly. It is expected that the families will file legal action in July.

13. Independent Observer. Terms of Reference for the Independent Observer of the court proceedings were prepared by LEG, in consultation with the Organization for

Security and Cooperation in Europe (OSCE), the European Assistance Mission to the Albanian Justice System (Euralius), and others. LEG has held extensive discussions concerning the modality for independent observation in Albanian courts with OSCE and Euralius, both of which have relevant experience. They provided useful support in identifying possible candidates both for an international short-term consultancy and for national counterparts; furthermore, OSCE and Euralius have offered to provide advice as the case-by-case review gets underway.

14. A selection committee of Bank staff from LEG and ECA reviewed and ranked candidates who expressed interest in the international consultancy. Management informed the Government about the selected candidate, who was contracted on June 25, 2009. The observer is expected to be fully engaged by the time of the first hearings of the Requesters' cases.

Social and Vulnerability Assessment

15. The Government has initiated the Social and Vulnerability Assessment to develop criteria for identifying poor and/or vulnerable groups who may be affected by demolitions in the Southern Coast and to define an assistance package and procedures. The Government has also agreed that these criteria and package will be retroactively applied to poor and/or vulnerable families affected by the April 2007 demolitions. In this regard, the Government: (i) contracted an international consortium to carry out the Assessment under Bank supervision and on the basis of Bank-approved TORs; (ii) launched the Assessment on March 19; and (iii) appointed the Deputy Minister of Labor, Social Affairs and Equal Opportunity to oversee the Assessment. A survey instrument, acceptable to the Bank, was piloted in Jale, Livadh, Potam, Vuno, and Himara in late April 2009.

16. The full survey will cover a sample of 650 households equally divided between those who have been subject to demolition, owners of structures that are listed as candidates for demolition, and a control group. The pilot and the larger Assessment focus on the relationship between demolition and vulnerability. Given the high rate of emigration in the area, the importance of remittances for household livelihoods and investment, and high prevalence of multi-purpose structures (e.g., residence, seasonal rental and retirement), the study is using the concept of the household as a multi-generational livelihood network, and will assess the impact of demolition on family livelihood strategies. The study is expected to identify the Jale families who would be eligible for assistance. The final report is expected toward the end of 2009.

Identification of others impacted by the April 2007 demolitions

17. The Bank is currently reviewing documentation provided by the Government toward identifying individuals impacted by other demolitions within the Project area at the same time as the Jale demolitions³. Once identified, these individuals will be

³ As noted in the February 18, 2009 Management Report, Management received information on approximately 35 demolitions that occurred in other communities within the Project area around the same

informed of their eligibility for Bank support for legal costs if they choose to pursue cases in court. Likewise, based upon the Social and Vulnerability Assessment, they may be eligible for retroactive application of the resulting assistance package for poor and/or vulnerable.

C. STRENGTHENING COMMUNICATIONS

18. Management is continuing to implement the newly revised Communications Strategy in the World Bank Office in Tirana, Albania. The new strategy includes *inter alia*: (a) a system for proactive and time-bound responses to complaints from communities, civil society and the private sector; (b) annual briefings to the relevant Parliamentary committees on project implementation and policy reform issues; and (c) increased supervision of government-led consultation processes during project preparation and implementation. Since the February 17, 2009 Board meeting, the World Bank Office in Tirana has continued its renewed relationship with Parliament, including a specific briefing on the Inspection Panel case and more routine briefings on the recently approved Partial Risk Guarantee and territorial planning law. In addition, the World Bank Office in Tirana continues to respond promptly to both written and informal requests for information and complaints from non-government stakeholders. Finally, the project supervision staffs have continued to make better use of EXT expertise in the management of project communications.

D. STRENGTHENING SAFEGUARDS IN THE ALBANIA AND ECA PORTFOLIO

19. ECA has been providing environmental and social safeguards training for its operational staff. Workshops are being carried out in Bank headquarters and field offices. Field-based training workshops have included Bank staff as well as project-financed personnel. Safeguards training was also provided to the members of the ECA Communications Team. Additional ECA training will take place after issuance of the Guidance Notes mentioned in paragraph 4 above. Targeted training for staff in all Regions will be provided by OPCS and LEG to support application of these Guidance Notes.

20. In addition to the above, OPCS, LEG, and ECA Safeguards carried out a specific training mission for the World Bank Office in Tirana in May 2009 addressing the application of environmental and social safeguards in the Albania portfolio. A second round of training will be conducted with government officials in Albania in FY10. In preparation for this training, a review of Albanian laws and practices relevant to these safeguards was initiated.

E. STRENGTHENING QUALITY CONTROL IN ECA AS WELL AS ACROSS THE BANK'S ENTIRE LENDING PORTFOLIO

21. A Bank-wide review of 1,550 Project Appraisal Documents was carried out in November – December 2008 which provided reassurance about the accuracy of the PAD

time as the Jale demolitions. In addition, Management understands that demolitions were also carried out throughout 2007 in central and northern Albania, outside the Project area.

process as a whole, but revealed a number of projects that require correction and the need for some specific improvements in the project preparation and supervision process. The report, “Review of Project Appraisal Documents” dated April 29, 2009 was discussed with the Executive Directors on May 14, 2009.

22. The ECA Region concluded a complete review of the PADs and legal documentation of the operations in the ECA portfolio in November and December 2008. An initial review identified 57 operations out of a total of 302 operations for which follow-up action was needed (i) to eliminate discrepancies in project documentation and account for implementation changes that had not been properly recorded; (ii) to inform the Board about completed second-order restructurings; and (iii) to take other required measures to ensure a proper institutional record of the originally approved operation and any changes since Board approval.

23. A more thorough review of the 57 projects mentioned above concluded that 14 of these projects did not need any form of restructuring. Rather, issues highlighted on these projects were those typically encountered during the course of implementation and follow-up action is underway as a normal part of project supervision. Twenty-seven projects have now completed remedial actions. Eight of them involve RVP restructuring for which documentation was not sent to the Board at the time of the restructuring, and was therefore circulated in June 2009. Actions to address issues are underway in 16 projects. Appropriate actions for the remaining two projects are still being identified in discussion with clients. ECA has also organized eight training events on project restructuring which were attended by more than 100 operational staff, most of whom are field-based.

24. Management anticipates that actions within the control of the Bank will be taken in due course; however, Management notes that a small number of cases will need concurrence from counterparts that could take longer to finalize.

III. NEXT STEPS

25. The Project was suspended on January 9, 2009. In light of progress made on the Management Action Plan, Management intends to proceed with project restructuring. Specifically, in coordination with other donors, Management proposes to restructure the Project to maintain support for the following activities: (i) clean-up of a hazardous waste site in Porto Romano; (ii) construction of a landfill and development of a solid waste management system; (iii) construction of a passenger terminal at the Saranda Port; (iv) small-scale water supply and wastewater investments in the city of Saranda and smaller villages in the Southern Coast; (v) community-based investments in coastal villages; and (vi) protected areas management of Butrinti National Park. Going forward, no land use planning activities will be financed⁴ and the funds originally destined for land use planning will be re-allocated to other activities. All undertakings contained in the Letter Agreement (para 6) will be included as covenants in the restructured Development Credit

⁴ It is expected that the Government will continue with the local land use planning exercises outside of the Project and financed with its own resources.

Agreement, and non-compliance would lead the Bank to exercise its remedies, including suspension and cancellation. The proposed restructuring will be presented to the Board for approval in the first half of FY10. Finally, Management will report to the Board with the next Progress Report on the implementation of the Management Action Plan by the end of 2009.

Annex A: Summary of Progress on Management Action Plan

RELEVANT OP Issue	PROPOSED ACTION	PROGRESS TO DATE
1. OP/BP 4.12 INVOLUNTARY RESETTLEMENT		
<p>Application of OP/BP 4.12 on land use planning activities</p>	<ol style="list-style-type: none"> 1. Management will undertake a review of the application of safeguard policies in projects that support land use planning. On the basis of this review, Management will prepare and disseminate: (a) a policy clarification on how OP/BP 4.12, Footnote 8, applies to land use planning projects; and (b) a Guidance Note regarding the application of safeguard policies in land use planning projects. The Guidance Note will cover both the application of OP/BP 4.12 and the use of other measures to address potential direct and indirect social impacts. The policy clarification and Guidance Note will be issued by June 30, 2009. 2. Management will also review the application of safeguard policies in cases of unauthorized actions by Project Coordination Units and prepare and disseminate guidance on this issue by June 30, 2009. 3. Targeted training for staff in all Regions will be provided to support application of this guidance. 	<p>A Bank-wide review by OPCS and LEG of the application of safeguard policies in projects that support land use planning has been completed. To date, all projects that support land use planning, including coastal zone planning, have been identified and reviewed for the application of safeguard policies. This review has included identification and examination of safeguards aspects of over 130 projects either under preparation or supervision. As part of this process, the team has held meetings with numerous Task Team Leaders and specialists and groups involved with various types of land use planning within the Bank. A comprehensive matrix has been created that lists projects where land use planning activities are being undertaken along with the safeguard policies that are triggered. The review also examines how safeguard issues are being designed and implemented according to the type of lending instrument.</p> <p>On the basis of this review, Management has developed: (a) a policy clarification on how OP/BP 4.12, Footnote 8, applies to land use planning projects; and (b) an interim Guidance Note regarding the application of safeguard policies in land use planning projects. The policy clarification and Guidance Note were issued on June 30, 2009. Management has also reviewed the issue of the application of safeguard policies in the case of unauthorized actions by Project Coordination Units and has prepared guidance that was issued on June 30, 2009. These guidance materials are posted on the World Bank Safeguards Website (www.worldbank.org/safeguards). Training designed to disseminate guidance on both land use planning and unauthorized actions by Project Coordination Units and to develop skills to address these issues will be undertaken for Bank staff in headquarters and country offices in FY10.</p>
<p>Provision of assistance for the Jale Requesters</p>	<ol style="list-style-type: none"> 1. The Bank will finance selected costs for carrying out a case-by-case review before the Albanian Judiciary of the Requesters' claims that they were harmed as a result of the April 2007 demolitions and that they should be compensated as a result of those 	<p>An Agreement confirming the Government of Albania's assent to an independently monitored case-by-case judicial review was signed by the Minister of Finance on April 16, 2009. The Agreement affirms the Government's consent to World Bank payment of the Requesters' legal fees and the hiring of an Independent Observer</p>

RELEVANT OP Issue	PROPOSED ACTION	PROGRESS TO DATE
	<p>demolitions. These costs will include the legal services required by the Requesters, including, if necessary, for well-founded appeals following the review. They will also include paying for an independent observer acceptable to the Bank who will report to the Bank on the transparency, credibility, independence, and timeliness of the review process. To facilitate these actions, the Bank will confirm the Government's assurance of all possible efforts for the expeditious completion of this review, while recognizing and committing to fully respect the independence of the Judiciary. The Bank will also confirm that the Government will provide all available documentation necessary for the review, and that the Government will not object to a reasonable proposal to consolidate the Requesters' claims. Further, the Bank will also confirm that Government will abide by, and promptly comply with, any and all court decisions resulting from this review, including any decisions to compensate plaintiffs. If the process is judged unsatisfactory by the observer or the Bank, Management reserves the option to (i) suspend disbursements under the Project if it were to be restructured; and (ii) directly provide assistance to the Requesters, even though the Bank is not legally obligated to do so.</p>	<p>who will report on a confidential basis to Management. The Government also commits to making good faith efforts to ensure that the process is expeditious, while respecting the independence of the judiciary, and to comply with any judgment resulting from the review. .</p> <p>A template Grant Agreement was drafted by the Bank's Legal Department with advice from ECA's Chief Administrative Officer as the instrument by which the Requesters' legal and other relevant expenses would be paid (see Annex B). This Agreement provides for a grant from the Bank to each of the families covering their reasonable legal fees in pursuing the court cases. The amount of each grant is stated as a ceiling which is calculated on the basis of (i) the fees charged by the grantee's attorney (subject to Bank approval); (ii) expected court filing fees, based on the amount of damages being sought; and (iii) an estimate of other expected costs that may be incurred. Payments up to the grant ceiling will be disbursed upon submission to and approval by the Bank of receipts and invoices. Disbursements will be made by transfer to the account of the grantee's attorney on behalf of the families. As a co-signator to the Grant Agreement, the attorney agrees to act as trustee for the amounts received that are payable to various third parties (e.g., the Court, experts, the families themselves for travel costs) and is responsible for making the required transfers to those payees. The Grant Agreement specifies that the Bank is not a party to the case and bears no contractual obligations to the Requester's attorney.</p> <p>The Requesters are required to present signed attorney-client contracts to the Bank to ensure transparency concerning fee arrangements and for cross-reference in the Grant Agreement. As such contracts are infrequently used in Albania, an Albanian law firm engaged by the Bank has prepared a template contract in consultation with LEG for the Requesters to use with their attorneys.</p> <p>The World Bank Office in Tirana has been in regular communication with the Requesters since the February 17, 2009 Board meeting. Meetings were held on February 26 in Tirana to brief the Requesters on the outcome of the Board meeting, and on March 11 in Vlore and April 14 in Jale to discuss arrangements for Bank support through financing costs of the case-by-case review. In addition, there has been frequent communication between individual Requesters and the World Bank Office in Tirana, facilitated by a Bank-hired</p>

RELEVANT OP Issue	PROPOSED ACTION	PROGRESS TO DATE
		<p>social development specialist. The Requesters have: (i) agreed with the principle that they should select their own attorneys; (ii) understood that the Bank must remain a neutral party during the case-by-case legal review; and (iii) welcomed an international expert to observe the proceedings.</p> <p>To date, all nine families have informed the Bank of their intention to file legal action and have selected attorneys to represent them. A separate Albanian law firm contracted by the Bank to provide advice on these matters has confirmed that the selected attorneys are registered and appropriately licensed. The Bank has reviewed the proposed fees to ensure that these fall within the normal range in Albania. The Grant Agreements and lawyer-client contracts have been signed by seven families and the selected attorneys. Two of the families are expected to sign agreements shortly. It is expected that the families will file legal action in July.</p> <p>At the March meeting in Vlore, the Requesters reaffirmed their desire for pre-trial valuations of the damages in order to assess the amounts for the proposed law suits. These valuations are also required for computing associated court filing fees (1%) which the Bank will be financing. The Bank independently contracted an accredited valuator selected by the Requesters to undertake this work. The valuator's report has been submitted in the first week of June 2009.</p> <p>Terms of Reference for the Independent Observer of the court proceedings were prepared by LEG, in consultation with the Organization for Security and Cooperation in Europe (OSCE), the European Assistance Mission to the Albanian Justice System (Euralius), and others. LEG has held extensive discussions concerning the modality for independent observation in Albanian courts with OSCE and Euralius, both of which have had relevant experience. OSCE and Euralius have offered to provide advice as the case-by-case review gets underway.</p> <p>A selection committee of Bank staff from LEG and ECA reviewed and ranked candidates who expressed interest in the international consultancy. Management informed the Government about the selected candidate, who was contracted on June 25, 2009. The observer is expected to be fully engaged by the time of the first hearing of the Requesters' cases.</p> <p>The Government has initiated the Social and</p>

RELEVANT OP Issue	PROPOSED ACTION	PROGRESS TO DATE
	<p>2. Management will supervise the completion of the Social and Vulnerability Assessment according to TORs agreed with the Bank as well as the retroactive application of the resulting assistance package for poor and/or vulnerable to the families affected by the April 2007 demolitions.</p> <p>3. Management will report to the Board in three months on the case-by-case review by the Judiciary as well as the Social and Vulnerability Assessment.</p>	<p>Vulnerability Assessment to develop criteria for identifying poor and/or vulnerable groups who may be affected by demolitions in the Southern Coast; and to define an assistance package and procedures. The Government has also agreed that these criteria and package will be retroactively applied to poor and/or vulnerable families affected by the April 2007 demolitions. In this regard, the Government (i) contracted an international consortium to carry out the Assessment under Bank supervision and on the basis of Bank-approved TORs; (ii) launched the Assessment on March 19; and (iii) appointed the Deputy Minister of Labor, Social Affairs and Equal Opportunity to oversee the Assessment. A survey instrument, acceptable to the Bank, was piloted in Jale, Livadh, Potam, Vuno, and Himara in late April 2009.</p> <p>The full survey will cover a sample of 650 households equally divided between those who have been subject to demolition, owners of structures that are listed as candidates for demolition, and a control group. The pilot and the larger Assessment focus on the relationship between demolition and vulnerability. Given the high rate of emigration in the area, the importance of remittances for household livelihoods and investment, and high prevalence of multi-purpose structures (e.g., residence, seasonal rental and retirement), the study is using the concept of the household as a multi-generational livelihood network, and will assess the impact of demolition on family livelihood strategies. The final report is expected to identify the Jale families who would be eligible for assistance. The final report is expected towards the end of 2009..</p> <p>The Bank is currently reviewing documentation provided by the Government toward identifying individuals impacted by other demolitions within the Project area at the same time as the Jale demolitions. Once identified, these individuals will be informed of their eligibility for Bank support for legal costs if they choose to pursue cases in court. Likewise, based upon the Social and Vulnerability Assessment, they may be eligible for retroactive application of the resulting assistance package for poor and/or vulnerable.</p>
2. OP/BP 13.05 PROJECT SUPERVISION		
Continuing Project supervision	<p>1. <u>Option 1</u>. Management cancels the IDA Credit.</p> <p style="text-align: center;">or</p>	<p>In light of progress made on the Management Action Plan, Management intends to proceed with project restructuring as defined in <u>Option 2</u>.</p> <p>In coordination with other donors, Management</p>

RELEVANT OP Issue	PROPOSED ACTION	PROGRESS TO DATE
	<p>2. <u>Option 2</u>. In coordination with other donors, Management will restructure the Project to maintain support for the following activities: (i) clean-up of hazardous waste in Porto Romano; (ii) construction of a landfill and development of a solid waste management system; (iii) construction of a passenger terminal at the Saranda Port; (iv) small-scale water supply and wastewater investments in the city of Saranda and smaller villages in the Southern Coast; (v) community-based investments in coastal villages; and (vi) protected areas management of Butrinti National Park. All land planning activities will be cancelled and the associated funds re-allocated to other activities. The proposed restructuring will be presented to the Board for approval. While the Project is being restructured, the suspension of disbursements will be lifted for all but the land-use planning activities to ensure the continued implementation of important infrastructure investments.</p> <p>NB: Regardless of whether Option 1 or 2 is decided upon, the Bank intends to provide assistance to the Requesters as set out above.</p>	<p>proposes to restructure the Project to maintain support for the following activities: (i) clean-up of hazardous waste in Porto Romano; (ii) construction of a landfill and development of a solid waste management system; (iii) construction of a passenger terminal at the Saranda Port; (iv) small-scale water supply and wastewater investments in the city of Saranda and smaller villages in the Southern Coast; (v) community-based investments in coastal villages; and (vi) protected areas management of Butrinti National Park. All undertakings contained in the Letter Agreement (para 6 of the main text) will be included as covenants in the restructured Development Credit Agreement, and non-compliance would lead the Bank to exercise its remedies, including suspension and cancellation. Bank financing for all land use planning activities will be cancelled and the associated funds re-allocated to other activities. The proposed restructuring will be presented to the Board for approval in the first half of FY10.</p>
<p>Addressing accountability of Management and staff</p>	<p>1. In view of the seriousness of the errors identified under the Project, the President of the World Bank asked the Acting General Counsel to undertake a review of the circumstances surrounding the issuance of the Corrigendum in September 2008. Building on this review, the President has asked the World Bank's Department of Institutional Integrity to lead an Accountability Review into alleged misrepresentation to the Inspection Panel and events surrounding Project preparation, Board presentation, and Project supervision.</p>	<p>The Accountability and Performance Review has been completed. Appropriate action has been taken. The Board was informed in an executive session on April 9, 2009.</p>
<p>Strengthening communications</p>	<p>1. Management will continue to implement the newly revised Communications Strategy in the World Bank Office in Tirana, Albania. The new strategy includes <i>inter alia</i>: (a) a system for proactive and time-bound responses to complaints from communities, civil society and the private sector; (b) annual briefings to the relevant Parliamentary committees on project implementation and policy reform issues; and (c)</p>	<p>Management is continuing to implement the newly revised Communications Strategy in the World Bank Office in Tirana, Albania (see para 18). Since the February 17, 2009 Board meeting, the World Bank Office in Tirana has continued its renewed relationship with Parliament, including specific briefing on the Inspection Panel case and more routine briefings on the recently approved Partial Risk Guarantee and territorial planning law. In addition, the World Bank Office in Tirana</p>

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	<p>increased supervision of government-led consultation processes during project preparation and implementation.</p>	<p>continues to respond promptly to both written and informal requests for information and complaints from non-government stakeholders. Finally, the project supervision staff has continued to make better use of EXT expertise in the management of project communications.</p>
<p>Strengthening safeguards in the Albania and ECA portfolio</p>	<ol style="list-style-type: none"> 1. The World Bank Office in Tirana, Albania will conduct periodic training for project staff and government officials on application of World Bank safeguard policies to projects in the Albania portfolio. 2. ECA Management has launched a series of regional safeguards workshops to build staff capacity regarding identification of social risks in project design and supervision as well as social safeguards. 	<p>ECA has been providing environmental and social safeguards training for its operational staff. Workshops are being carried out in Bank headquarters and field offices. Field-based training workshops have included Bank staff as well as project-financed personnel. Safeguards training was also provided to the members of the ECA Communications Team. Additional ECA training will take place after issuance of the Guidance Notes mentioned in paragraph 4 of the main text. Targeted training for staff in all Regions will be provided by OPCS and LEG to support application of these Guidance Notes.</p> <p>In addition to the above, the Operational Policy and Country Services (OPCS) Vice Presidency, Legal Department (LEG), and ECA Safeguards carried out a specific training mission for the World Bank Office in Tirana in May 2009 addressing the application of environmental and social safeguards in the Albania portfolio. A second round of training will be conducted with government officials in Albania in FY10. In preparation for this training, an updated review of Albanian laws and practices relevant to these safeguards was initiated.</p>
<p>3. OP/BP 10.00 INVESTMENT LENDING: IDENTIFICATION TO BOARD PRESENTATION</p>		
<p>Strengthening quality control of Project preparation</p>	<ol style="list-style-type: none"> 1. Regional Management has carried out a comprehensive review of the Europe and Central Asia Region's portfolio of 302 projects to address concerns raised with respect to the quality and accuracy of Project Appraisal Documents to ensure that they: (a) appropriately reflect agreements reached with the Borrower; (b) give an accurate impression of a proposed project's reality and prospects; and/or (c) include critical information. Management commits to take all appropriate actions within its authority to address these issues by June 30, 2009. 	<p>The ECA Region concluded a complete review of the PADs and legal documentation of the operations in the ECA portfolio in November and December 2008. An initial review identified 57 operations out of a total of 302 operations for which follow-up action was needed (i) to eliminate discrepancies in project documentation and account for implementation changes that had not been properly recorded; (ii) to inform the Board about completed second-order restructurings; and (iii) to take other required measures to ensure a proper institutional record of the originally approved operation and any changes since Board approval.</p> <p>A more thorough review of the 57 projects mentioned above concluded that 14 of these projects did not need any form of restructuring. Rather, issues highlighted on these projects were those typically encountered during the</p>

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	<p>2. World Bank Senior Management extended this review to approximately 1,550 projects in the portfolio, and to the quality control arrangements in all Regions. The full results of this Review and proposed actions to strengthen quality control arrangements and operational training for Task Team Leaders will be reported to the Board at the time of the discussion of this Management Response.</p>	<p>course of implementation and follow-up action is underway as a normal part of project supervision. Twenty-seven projects have now completed remedial action. Eight of them involve RVP restructuring for which documentation was not sent to the Board at the time of the restructuring, and was therefore circulated in June 2009. Actions to address issues are underway in 16 projects. Appropriate actions for the remaining two projects are still being identified, in discussion with clients. ECA has also organized eight training events on project restructuring which were attended by more than 100 operational staff, most of whom are field-based. Management anticipates that remaining actions within the control of the Bank will be taken in due course; however, Management notes that a small number of cases will need concurrence from counterparts that could take longer to finalize.</p> <p>OPCS completed a Bank-wide review of 1,550 PADs focusing on the quality and accuracy of PADs as well as the consistency of PAD with legal documents. The review provided considerable reassurance about the accuracy of the PAD process as a whole, but revealed a number of projects that require correction and the need for some specific improvements in the project preparation and supervision process. The report, "Review of Project Appraisal Documents" dated April 29, 2009 was discussed with the Executive Directors on May 14, 2009.</p>

Annex B: Grant Agreement for Legal Expenses

The World Bank

[Albania Office Address and Contact Details]

[current date]

[Name and address of Grantee]

Dear _____:

I am writing on behalf of International Bank for Reconstruction and Development (the Bank) to indicate the Bank's agreement to make available to you (the Recipient) a grant in an amount not to exceed _____ Albanian Lek (the Grant), subject to the terms and conditions set forth in this Grant Agreement.

1. Purpose of Grant.

1.1 The Grant is made available to you to cover reasonable costs you may incur in pursuing a law suit in Albanian District Court (the Case) concerning the alleged demolition of your building in Jale, Village of Vuno, in April 2007 by the former Construction Police.

2. Costs covered.

2.1 The Grant shall cover the following costs associated with the Case:

2.1.1 *Attorney's fees:* The fees of the Attorney whom you have chosen to represent you in District Court, as set forth in the written agreement between you and your Attorney dated ____ (attached as Annex A).

2.1.2. *Court filing fees:* The fees required by law to file the Case in District Court.

2.1.3 *Other court costs:* Costs that may be imposed by the Court in connection with the hiring of experts or other standard court administration fees, if any.

2.1.4. *Other incidental costs:* Other reasonable costs incurred by your Attorney or yourself in connection with the Case, such as travel and notarization.

2.2 The Bank will pay the above costs only after it has received from you satisfactory proof of the costs, in the form of receipts or invoices, and only after it has satisfied itself that the costs are reasonable and legitimate.

2.3 The Bank will not cover any costs that exceed the total amount of the Grant, as stated in the preamble of this agreement unless such costs are specifically agreed to in writing by the Bank.

2.4 If the total of the above qualified costs is less than the total amount of the Grant, the Bank shall retain the difference.

3. Payment mechanism.

3.1. The Bank will disburse the Grant to cover the above costs based on a completed Grant Withdrawal Application (Annex B) along with the supporting documents (for example,

invoices from your Attorney and other receipts submitted by you, all of which shall be subject to approval by the Bank.)

3.2 All disbursements under this Agreement will be made by the Bank directly to the account of your Attorney through Bank transfer.

3.3 For each disbursement made from the Grant, the Bank will provide you and your Attorney with detailed information concerning the amount, date of payment, and a copy of the Grant Withdrawal Application form.

3.4 Where the disbursements received by your Attorney relate to amounts that are due to you, to the Court or to a third party, your Attorney will be responsible to make those payments in a prompt and complete manner, and for providing satisfactory proof to you and to the Bank that he has made such payments. (See Addendum to this Agreement, below).

4. General.

4.1 You agree that the Grant funds may only be used for the purposes set forth in this Agreement.

4.2 You shall ensure that the Grant funds are not used for payments for which corrupt, fraudulent, collusive or coercive practices were engaged in by you or your representatives.

4.3 If the Bank determines that any portion of the Grant has been used in a manner inconsistent with the provisions of this Grant Agreement, you shall be responsible, upon notice from the Bank, to promptly refund such amount to the Bank.

4.4 The Grant funds shall be available for the purposes set forth in this Agreement until: (a) the completion of the Case or (b) you withdraw or cease to pursue the Case prior to its completion or (c) the Bank determines that the Grant has not been used in accordance with this Agreement.

4.5 This Agreement only covers costs associated with your pursuit of this Case in District Court, along with any preliminary administrative procedures if required. A decision by the Bank, if any, to cover costs associated with appeals of the Case after its completion in District Court will be subject to a separate agreement.

4.6 You understand that in making this Grant, the Bank expresses no opinion on the merits of the Case and bears no responsibility for the success or failure of the Case, which you have undertaken in your sole responsibility. The Bank is furthermore not responsible for the quality of the representation provided by your Attorney, whom you have freely selected.

4.7 Communications for administrative and procedural purposes may be made by email, fax or letter as follows:

4.7.1 Communications made by the Bank to you will be directed to *[insert Recipient's name, address, email, telephone and fax]*.

4.7.2 Communications made by you to the Bank will be directed to *[insert Bank contact details]*.

4.8 This Grant Agreement, including any annexes, comprises the entire agreement between the Bank and you relating to the subject matter hereof. It supersedes any prior

arrangements, agreements or understandings relating to the subject matter and also does not include any subsequent qualifying side or cover letters.

4.9 You agree to hold harmless and indemnify the Bank, its officers, agents, and employees, against and from all claims, liability, and damages of any kind and description arising from your negligence, wrongful acts or omissions, or breach of the terms of this Agreement. The obligations set out herein shall survive the expiration or termination of this Agreement.

Please confirm your agreement to the foregoing by signing, dating and returning to us the enclosed copy of this Grant Agreement. Upon receipt by the Bank of the copy of this Grant Agreement countersigned by you and your Attorney, this Grant Agreement will become effective.

Sincerely,

INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT

Name: _____
Signature: _____
Title: _____

AGREED:
[full name of the Recipient]
Signature: _____
Date: _____

Addendum: Confirmation by Grantee's Attorney:

By my signature below, I agree with the Bank and the Grantee as follows:

- a. I am the Attorney referenced in paragraph 2.1.1 and in Annex A of this Agreement.
- b. I am not a party to this Agreement except with respect solely to the matters covered in this Addendum.
- c. I acknowledge and agree that under paragraph 3.2 of this Agreement the Bank may disburse funds to my account from time to time in accordance with this Agreement.
- d. I acknowledge that a portion of the funds received by me from the Bank under this Agreement may be payable to the Grantee, to the Court or to another third party. I agree to act as Trustee for any such funds received, and to pay them to the recipient fully, promptly and strictly in accordance with the instructions I receive from the Grantee and the Bank. I agree to provide proof satisfactory to the Grantee and the Bank that I have made such payments.
- e. I acknowledge and confirm that I am not an employee, contractor, agent or consultant of the World Bank nor am I engaged in the legal representation of the World Bank.
- f. I acknowledge that any payment made to my account by the Bank under this Agreement is made solely on behalf of and upon the instructions of the Grantee. I understand that I have been hired by the Grantee and not by the World Bank. By making payments on behalf of the Grantee, the Bank is assuming no responsibility or contractual obligation to me. In the event of a dispute over payment or other terms in my agreement with the Grantee, I understand that my sole recourse will be against the Grantee and not the World Bank.