

WASHINGTON, February 17, 2009—The World Bank Board of Executive Directors today considered a Management Report and Action Plan that responds to an independent Inspection Panel investigation of the Integrated Coastal Zone Management and Clean-Up Project in Albania, which was requested by families harmed by the April 2007 demolition of buildings in the Albanian coastal village of Jale. The Management Report acknowledges serious errors in project preparation and supervision, along with errors in communication with the Board of the World Bank, and presents an Action Plan for addressing those issues identified by the Panel.

Under the Action Plan, a series of measures will be undertaken with support by the Bank, including: a case-by-case legal review of the April 2007 demolitions in the project area, the appointment of an Independent Observer to monitor the legal review and report back to the Bank, and the payment of legal aid for the review of each of the Requesters' claims. Bank Management will also supervise completion of a social and vulnerability assessment, and the retroactive application of the resulting assistance packages for the poor and/or vulnerable affected by the demolitions. Management will report back to the Board in three months on progress.

“From basic project management to interactions with the Board and the Inspection Panel, the Bank’s record with this project is appalling,” said World Bank Group President Robert B. Zoellick, who has requested the Bank’s Acting General Counsel investigate matters, and who separately has referred matters to the Bank’s Department of Institutional Integrity (INT). “We take very seriously the concerns raised by the Inspection Panel and we are moving promptly to strengthen oversight, improve procedures, and help the families who had their buildings demolished. The Bank cannot let this happen again.”

In early 2004, the Government of Albania asked the World Bank for support in designing a framework that would enable the country to develop its coastline in a sustainable manner. In response, the World Bank worked with the Albanian authorities to put in place an Integrated Coastal Zone Management and Clean-up Project (ICZMCP) aimed at protecting coastal resources and cultural assets, while promoting sustainable land use, community participation and improved environmental conditions. The Project was approved on June 21, 2005.

Responding to an August 2007 request from families in Jale, the Inspection Panel investigated the World Bank’s compliance with its operational policies on the design, appraisal and implementation of the project and harm or potential harm to locally affected people. The Inspection Panel presented its report on December 1, 2008. The project was suspended by Bank Management on January 9, 2009, and remains suspended until a decision is reached either on project restructuring without the land planning activities, or full cancellation.

The Chair of the Inspection Panel, Werner Kiene, stated, “While the Bank’s non-compliance with its policies in the present case is extremely troubling, the Panel applauds

the leadership of the President and Senior Management in acknowledging errors and in initiating corrective measures once the Panel issued its Report.”

The Panel found that the project was linked to the demolitions that occurred in Jale in April 2007; the project was not well designed and supervised; critical communications from Bank management to the Board were in error; and, Bank fact-finding efforts omitted key events and information. Management agrees with the Panel’s findings in these areas.

World Bank management deeply regrets these events. Management acknowledges a series of errors were committed throughout the Project cycle, including during Project preparation, Board presentation, and Project supervision, as well as in the preparation of the first Management Response in September 2007 and the issuance of a Corrigendum to the Project Appraisal Document in September 2008. Management acknowledges that these errors are unacceptable and point to a serious breakdown of Management’s accountability, responsibility and oversight mechanisms for the Project.

In addition, the Panel found that the Bank’s policy on involuntary resettlement (OP/BP 4.12) should have applied to the preparation of the Southern Coast Development Plan (SCDP) and the Government’s ongoing demolition program, and therefore the Jale families would be covered. At the time the Project was presented to the Board, Management judged that the policy did not apply to land use planning activities such as the SCDP. Management acknowledges that relevant provisions of the policy are ambiguous and need to be clarified. Management will review the application of safeguard policies in projects that support land use planning and will issue guidance to address environmental and social issues.

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 (INT) to lead an Accountability Review into alleged misrepresentation by Bank staff to the Inspection Panel and internal events surrounding the Project preparation, Board presentation, and Project supervision, and will take appropriate corrective action. Contrary to some press reports, no Government officials, members of the Project Coordination Unit, or Bank staff are under investigation by INT for corruption.

Kiene confirmed that the Inspection Panel’s mandate “does not include the investigation of allegations of corruption, and that it makes no judgment on their merits. The Panel investigates the Bank’s compliance with its own operational policies and procedures. The Panel does not investigate the Borrower, and did not do so in the present case.”

Board members noted that this investigative process demonstrates the value of an independent Inspection Panel in strengthening the Bank’s accountability and effectiveness.

For more information on the Inspection Panel, visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

For more information on the World Bank's work in Albania, visit:  
[www.worldbank.org/albania](http://www.worldbank.org/albania)

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