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International Bank for Reconstruction and Development  
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**MANAGEMENT REPORT AND RECOMMENDATION  
IN RESPONSE TO THE  
INSPECTION PANEL INVESTIGATION REPORT**

**ALBANIA**

**INTEGRATED COASTAL ZONE MANAGEMENT AND CLEAN-UP PROJECT  
(IDA Credit No. 4083-ALB)**

**FEBRUARY 18, 2009**

**MANAGEMENT REPORT AND RECOMMENDATION  
IN RESPONSE TO THE INSPECTION PANEL INVESTIGATION REPORT  
OF THE  
ALBANIA: INTEGRATED COASTAL ZONE MANAGEMENT AND CLEAN-UP  
PROJECT (IDA Credit No. 4083-ALB)**

Pursuant to paragraph 23 of the Resolution Establishing the Inspection Panel (IBRD Resolution 93-10 and IDA Resolution 93-6), attached for consideration by Executive Directors is Management's Report and Recommendation in response to the findings set out in the Investigation Report No. 46596-AL dated November 24, 2008, of the Inspection Panel on the captioned Project (Albania: Integrated Coastal Zone Management and Clean-Up Project (IDA Credit No. 4083-ALB)).

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## **ABBREVIATIONS AND ACRONYMS**

ALUIZNI	Legalization, Urbanization and Integration Agency for Informal Area and Buildings within the Ministry of Public Works, Transportation and Telecommunication
BP	Bank Procedures
ECA	Europe and Central Asia Vice Presidency
ESSF	Environmental and Social Safeguards Framework
EU	European Union
GDP	Gross Domestic Product
ICZM	Integrated Coastal Zone Management
ICZMCP	Integrated Coastal Zone Management and Clean-up Project
IDA	International Development Association
IPN	Inspection Panel
ISDS	Integrated Safeguards Data Sheet
ISR	Implementation Status Report
LEG	Legal Vice Presidency
MoPWTT	Ministry of Public Works, Transport and Telecommunications
MoU	Memorandum of Understanding
OMS	Operational Manual Statement
OP	Operational Policy
OPCS	Operations Policy and Country Services Vice Presidency
PAD	Project Appraisal Document
SCDP	Southern Coast Development Plan
UNECE	United Nations Economic Commission for Europe

## **LIST OF OPERATIONAL POLICIES AND OPERATIONAL MANUAL STATEMENTS**

OP/BP 1.00	Poverty Reduction
OP/BP 4.12	Involuntary Resettlement
OMS 2.20	Project Appraisal
OP/BP 10.00	Investment Lending: Identification to Board Presentation
OP/BP 13.05	Project Supervision

## EXECUTIVE SUMMARY

### *Background*

Albania emerged from the communist era in the early 1990s as one of Europe's poorest countries with few resources to promote economic and social development. One of the country's most important environmental and economic assets is its Mediterranean coastline and, in particular, its Southern Coast, which is resplendent with rich cultural heritage, natural beauty, and high biodiversity. Tourism offers important opportunities, generating 14 percent of GDP and 11 percent of jobs in 2007.

Today, that 168 kilometer-long coastline is under threat of being lost due to unregulated construction, inadequate infrastructure, uncollected solid waste and untreated wastewater, and increasing pressures on protected areas. In early 2004, the Government of Albania asked the World Bank for support in designing a framework that would enable the country to develop the 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 ("the Project") 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.

### *Issues Before Inspection Panel*

In April 2007, 15 buildings in the community of Jale on Albania's Southern Coast were either fully or partially demolished due to mistakes in Project implementation. To date, no assistance has been provided to the affected families. The Government and the families disagree on the legitimacy of the demolitions.

Management deeply regrets these events. A series of errors was 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. These errors are unacceptable and point to a serious breakdown of Management's accountability, responsibility and oversight mechanisms for the Project. Management is appreciative of the Inspection Panel for having brought these errors to its attention and agrees with the Panel that OP/BP 10.00 on Investment Lending – Identification to Board Presentation, and OP/BP 13.05 on Project Supervision were violated.

With respect to the Operational Policy on Involuntary Resettlement (OP/BP 4.12), the Inspection Panel found that the policy should have applied to the preparation of the Southern Coast Development Plan (SCDP) component of the Project and the Government's ongoing demolition program. 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.

Management acknowledges that the demolitions in Jale have adversely affected the Requesters. Management agrees these events have created a situation in which assistance should be provided to the affected parties.

### ***Lessons Learned***

The Management Report lists a range of lessons learned. Complex projects require experienced Task Teams with a broad range of technical skills and intensive and continuous managerial oversight. Risks and their mitigation measures need to be addressed fully and presented comprehensively and candidly in project documents. Social risks, in particular, must be given adequate attention. When designing complex land use planning projects, it is important to pay attention to the legal and institutional framework. Preparation for Board meetings should be thorough, errors must be acknowledged promptly, and outstanding issues following the Board meeting should be dealt with immediately.

### ***Going Forward***

Since mid-2008, Management and the Government of Albania have discussed a framework of actions to improve Project implementation, including a stay on demolitions of existing buildings in the Project area until specific conditions are met. Management acknowledges and appreciates the Government of Albania's efforts to reach closure on the elements laid out above. However, the Government of Albania has informed Management that it is not willing at this time to amend the Credit Agreement to reflect a stay on demolitions of existing buildings, a step which Management considers essential in order to ensure that the Project has a sound legal basis for successful implementation. In the absence of such an amendment, which would be necessary to ensure that the Project can be carried out in accordance with the stated development objectives, the Project was suspended on January 9, 2009.

That said, the Government of Albania *has* agreed to the following: (a) assistance to the poor and/or vulnerable among the Requesters; (b) a timely, independently monitored 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; and (c) World Bank financing for the independent observer and legal services required by the Requesters. 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 independent observer or the Bank, Management reserves the option to (i) suspend disbursements under the restructured Project, in the event that the current suspension is lifted and the Project is restructured;

and (ii) regardless of the decision to cancel or restructure the Project (see below), directly provide assistance to the Requesters, even though the Bank is not legally obligated to do so.

The Project remains suspended until a decision is reached on one of two options. Option 1 entails Management cancelling the entire IDA Credit; Option 2 proposes, in coordination with other donors, restructuring 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. Given that an agreement has not been reached with respect to the above-mentioned stay on demolitions of existing buildings, which would be reflected in an amended legal agreement, all land planning activities would be cancelled and the associated funds re-allocated to other activities. In the event of a Project restructuring, the suspension of disbursements would be lifted for all but the land planning activities to ensure the continued implementation of important infrastructure investments.

World Bank Senior Management has carried out a Bank-wide review of 1,550 projects in the portfolio as well as quality control arrangements in all Regions. The full results of this Review and proposed actions to strengthen quality control and operational training for Task Team Leaders will be reported to the Board at the time of the discussion of this Management Report.

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.

Mistakes and failures to adhere to the Bank's operating standards that led to violations of Bank policies are unacceptable. The events and process have been painful and difficult for all. Going forward, Management will build on the lessons learned to deliver development assistance to the high standards that our clients and partners expect and deserve.

## I. INTRODUCTION

1. On August 2, 2007, the Inspection Panel registered a Request for Inspection, IPN Request RQ07/04 (hereafter referred to as “the Request”), concerning the Albania: Integrated Coastal Zone Management and Clean-Up Project (Credit No. 4083-ALB) financed by the International Development Association (IDA) (hereafter referred to as “the Project”). The Request for Inspection was submitted by representatives of a number of families (hereafter referred to as “the Requesters”) who are part of a community situated in the area known as Jale, which is part of the larger village of Vuno, in the Himara Municipality, in Albania.

2. This Inspection Panel case pertains to the demolition of fifteen buildings in the community of Jale between April 17 and April 21, 2007, executed by the Government of Albania’s Construction Police (now national Construction Inspectorate). The Requesters claim that the demolitions were carried out as part of the Project funded by the World Bank. Furthermore, Management is currently seeking information on other demolitions in the Project area which occurred at this same time.<sup>1</sup>

3. The Executive Directors and the President of the World Bank were notified by the Inspection Panel on August 2, 2007 of receipt of the Request. Management responded to the claims in the Request on September 17, 2007. In its Report to the Board, the Panel found the Request eligible and recommended that the Executive Directors authorize an investigation. The Executive Directors authorized an investigation on November 1, 2007. On November 24, 2008, the Panel issued its report outlining its findings. Management appreciates the Panel’s clear and thorough presentation of its findings. Indeed, Management agrees with many of the findings and deeply regrets the errors made during Project preparation, Board presentation and Project supervision.<sup>2</sup>

4. This Report, responding to the findings of the Panel, is organized into seven sections. Section II provides context on the situation on Albania’s Southern Coast. Section III summarizes the status of the Project. Section IV presents key issues relating to the Project. This includes: (a) the World Bank’s Operational Policy on Involuntary Resettlement; (b) failures in Project preparation and supervision; (c) a proposal to provide assistance to the poor and/or vulnerable among the Requesters and assist those affected by the April 2007 demolitions through a timely, independently monitored judicial review process;<sup>3</sup> (d) in the event of a decision to restructure the Project, a proposal for moving forward on several components while removing financing for land use planning activities; and (e) actions which have been taken to ensure quality across the World

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<sup>1</sup> Management has received information on approximately 35 demolitions that occurred in other communities within the Project area around this same time. In addition, Management understands that demolitions were also carried out throughout 2007 in central and northern Albania, outside the Project area.

<sup>2</sup> In this Management Response, the term “Project supervision” refers to activities carried out by World Bank staff, whereas “Project implementation” refers to activities carried out by Government. In both instances, this refers to the time period after Board approval on June 21, 2005.

<sup>3</sup> Throughout the Response, the term “April 2007 demolitions” is used to refer to the demolitions in Jale and other demolitions in the Project area around this time.

Bank's loan portfolio. Section V describes lessons learned for the World Bank. Section VI sets forth Management's Action Plan, followed by conclusions in Section VII.

## II. PROJECT CONTEXT

5. ***Importance of the Southern Coast.*** With its rich cultural heritage, natural beauty, and high biodiversity, Albania's coastal zone is one of the country's most important and economically valuable assets. **Albania's Southern Coast – situated on the Ionian Sea – is one of the few remaining pristine areas in the Mediterranean region.** With significant coastal areas undeveloped, Albania has an opportunity that is unique in Europe to manage development of its coastline to ensure the preservation and sustainable use of its natural, cultural and economic assets. Tourism, leisure, and recreation constitute an economic sector where Albania has the capacity to create jobs and raise incomes. In 2007, the tourism industry generated 14 percent of total Gross Domestic Product and 11 percent of total employment.



**Photo 1: Pristine Area on Albania's Southern Coast**

6. Uncontrolled development along Albania's Northern Coast is partly due to the lack of effective institutions to promote sustainable development as well as national and local land use plans and zoning regulations. **The Southern Coast, with a coastline of 168 km and a population of about 70,000, is relatively underdeveloped but faces increasing pressures from unregulated construction, inadequate infrastructure,**

**uncollected solid waste and untreated wastewater, building pressures on protected areas, and unsustainable natural resource use.**

7. **Land Use Planning.** Land use planning is an interdisciplinary and inter-sectoral approach to regulate land use to achieve environmental, social and economic goals in a sustainable manner. It focuses on designating permitted activities within zones that separate one land use from another (e.g., residential use, agricultural use) and establishes regulations for areas suitable for development (e.g., building dimensions, parceling and allowed parcel size, building codes). Successful planning requires *inter alia* (a) agreement on basic principles by relevant stakeholders and (b) institutions that have capacity to guide planning exercises and develop regulations. The planning framework must be fair, transparent, and based upon justifiable criteria (e.g., no building in areas susceptible to flooding, no building in forested areas); furthermore, it is as much a process as it is a final product. Development of regional plans is a necessary but insufficient step in land use planning; local land use planning is necessary to determine how local resources can be best managed.



**Photo 2: Uncontrolled Development on Albania's Mediterranean Coastline**

8. Integrated coastal zone management (ICZM) applies land use planning to coastal areas to promote sustainable development. ICZM is a governance process that **helps establish and implement a legal and institutional framework to ensure that development plans for coastal zones are integrated with environmental and social goals, and are developed with the participation of those affected.** The goal of ICZM is to improve the actual and potential benefits of coastal zones (including the full range of ecosystem services inherent in healthy systems) for society, while minimizing the harmful effects of human activities and natural hazards on social, cultural and environmental resources.

9. **World Bank Policy on Involuntary Resettlement.** The World Bank’s Policy on Involuntary Resettlement (OP/BP 4.12) is a key policy to achieve sustainable development. The policy is at the center of one of the most contentious issues in development – how to treat people without title to land. The objective of OP/BP 4.12 is to avoid or minimize involuntary resettlement under World Bank-financed projects and, where this is not feasible, to assist displaced persons in improving or at least restoring their livelihoods and standards of living. OP/BP 4.12 was presented to the Board in 2001 following a long series of external and internal consultations, including several CODE and Board discussions. At the time it was presented, Management and the Board noted that OP/BP 4.12 was not meant to be a comprehensive social policy, and does not cover indirect impacts.<sup>4</sup>

10. OP/BP 4.12’s coverage is stated as follows: “This policy covers *direct* economic and social impacts that both result from Bank-assisted investment projects, and are caused by... (a) the involuntary taking of land... and... (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons” (emphasis added).<sup>5</sup>

11. While OP/BP 4.12 is not a comprehensive social policy, Management and the Board discussed the importance of good social assessment, particularly to protect the poor and vulnerable who might suffer adverse impacts, albeit indirectly, from World Bank-financed projects. This discussion was very important, because a number of governments were concerned that if the policy were applied too broadly, resettlement packages would be cost-prohibitive. To capture the need for good social assessments, the policy states:

*“Where there are adverse indirect social or economic impacts, it is good practice for the borrower to undertake a social assessment and implement measures to minimize and mitigate adverse economic and social impacts, particularly upon poor and vulnerable groups. Other environmental, social, and economic impacts that do not result from land taking may be identified and addressed through environmental assessments and other project reports and instruments.”*<sup>6</sup>

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<sup>4</sup> For example, OP/BP 4.12 would apply to a coastal infrastructure project that included a component to finance construction of a sewage treatment plant and, as a direct result, acquired land to build the plant. In such a case, the World Bank would require compensation and resettlement assistance for all who used that land, regardless of their title to it. However, OP/BP 4.12 would not apply to indirect impacts on neighboring businesses and households that suffer from loss of customers or decline in land values related to the construction of the nearby sewage treatment plant

<sup>5</sup> OP 4.12, Paragraph 3. See also OP 4.12, Paragraph 4, which notes that the policy can also apply in directly-related instances even if not financed by the World Bank, provided that they meet three tests: “This policy... also applies to other activities resulting in involuntary resettlement, that in the judgment of the Bank, are (a) directly and significantly related to the Bank-assisted project, (b) necessary to achieve its objectives as set forth in the project documents; and (c) carried out, or planned to be carried out, contemporaneously with the project.”

<sup>6</sup> OP 4.12, Paragraph 3, Footnote 5. The Board and Management noted that these good social practice measures should be considered in the then-forthcoming Involuntary Resettlement Sourcebook (2004). The

12. OP/BP 4.12 also sets forth the activities to which it does not apply. The exclusions were captured in Footnote 8, which reiterated the importance of good practice social assessment. The footnote states:

*“This policy does not apply to regulations of natural resources on a national or regional level to promote their sustainability, such as watershed management, groundwater management, fisheries management, etc. The policy also does not apply to disputes between private parties in land titling projects, although it is good practice for the borrower to undertake a social assessment and implement measures to minimize and mitigate adverse social impacts, especially those affecting poor and vulnerable groups.”*

13. Although Footnote 8 in OP/BP 4.12 does not explicitly refer to land use planning, it is a form of natural resource regulation that the drafters of the policy intended to cover. Natural resource regulations were excluded to help ensure that governments would not always be obligated to provide compensation and other resettlement assistance to those affected by such planning and regulatory activities regardless of the legality of their land use. These activities differ from specific infrastructure investments such as large dams because they do not have location-specific footprints and project designers do not know where, when, and how people might be affected. Examples include helping governments curtail rampant development in areas subject to flooding or helping stop illegal construction in sensitive areas.

14. If OP/BP 4.12 resettlement assistance applied to all affected people within such planning zones, the drafters of the policy understood that governments could not afford to undertake these important initiatives. OP/BP 4.12 resettlement packages would require *inter alia* that the government pay replacement value compensation and provide livelihood assistance to all affected people, regardless of whether or not the building was constructed legally, or whether or not they held legal title. Thus a government might be required, for example, to pay for buildings constructed illegally in high value real estate areas regardless of his or her legal rights to the property. Applying the policy in land use planning activities would mean that there would be eligibility for compensation due to a potential decrease in land values in certain areas as a result of zoning changes. In such cases, lawful land use should be compensated for in accordance with local laws and due process governing expropriation of assets.

15. Having noted the above, **Management agrees that Footnote 8 of OP/BP 4.12 is ambiguous, particularly with respect to land use planning, and would benefit from greater clarity. The term “land use planning” does not appear in the footnote, and this omission and lack of greater detail in the policy document surrounding the application of the footnote have created confusion.** 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

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Sourcebook refers on page 20 to “National or Regional Resource Management Projects” and emphasizes the good practice of sound social assessments to address adverse social impacts.

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 stress that good land use planning projects should also include reviews of legal and institutional arrangements to be sure that due process is provided to affected parties and the poor and vulnerable are protected. 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. Finally, Management will undertake outreach and training activities for staff to effectively disseminate these measures.

16. ***Complexities related to Land Use Planning in Albania.*** Historical challenges have undermined the development of an effective and comprehensive system for land use planning in Albania. The country has been only moderately successful in recovering from the redistribution and collectivization of agricultural land begun in 1945, and the subsequent abolition of collective and personal private property land rights in 1976. **Since the fall of the Communist government in 1991, Albania has adopted numerous laws on property and land reform (some of which are contradictory), initiated a mass privatization campaign and issued hundreds of thousands of documents creating legal property rights (some of which overlap).** As a result of multiple laws, relatively few regulations, and weak institutions, activities in the construction sector are highly informal. In addition, urban development and planning has generally been *ad hoc* rather than based on transparent criteria and standards. In light of these challenges, since the mid-1990s, the Government has resorted to a nationwide program of involuntary demolitions as an instrument to control unregulated construction.

17. Limited or inadequate land use planning has had serious impacts: uncontrolled development; insufficient protection of economic and environmental resources; an immense stock of buildings without building permits; and a lack of water supply and sanitation infrastructure. A 2006 World Bank report cited in the Inspection Panel's Investigation Report notes that illegal land subdivisions and construction projects have taken place, primarily on the periphery of cities and in tourism zones. These areas operate in the "informal" housing market and constitute a stock of assets without legal protection.<sup>7</sup>

18. In many countries in the Mediterranean region, buildings have been constructed without permits or land titles. As is the case in Albania, many of these buildings were constructed illegally because there were no existing land use plans and people could not get necessary permits. In this context, best practice includes (a) regularizing illegal constructions where possible, based on local land use plans, (b) moving away from *post facto* demolitions to upstream prevention of unsustainable, unregulated development, and (c) carrying out a social assessment, particularly to identify and mitigate adverse social impacts.

19. Given the urgency of addressing these problems and the steady loss of valuable environmental assets on Albania's Southern Coast, the Government of Albania requested

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<sup>7</sup> World Bank, Tirana, "Status of Land Reform and Real Property Markets in Albania," 2006, p. 7.

World Bank support for the Project in early 2004. Shortly thereafter, the Government also requested a land administration project to improve tenure security and establish functioning land markets. On February 22, 2007, the Board of Executive Directors approved the Albania Land Administration and Management Project to address these latter issues.

### III. PROJECT STATUS

20. ***Project Description.*** The Project was prepared in 2004 and 2005 and approved by the Board of Executive Directors on June 21, 2005. The Project aims to assist the Government of Albania “**to establish an integrated approach to coastal zone management by carrying out policy reform, institutional development and investments to protect coastal resources to promote sustainable development and management of the Borrower’s southern coast.**” The Project covers the geographical area from Llogora Pass to the Greek border (see Map). In addition to preparing the Southern Coast Development Plan (SCDP) and local land use plans, the Project finances construction of a landfill and development of a solid waste management system, construction of a passenger terminal in the Saranda Port, small-scale water supply and wastewater investments in the city of Saranda and smaller villages in the Southern Coast, community-based investments in coastal villages, and cultural heritage preservation in Butrinti National Park. The Project also includes a component to clean up hazardous solid waste in Porto Romano near Durres. OP 4.12 applies to activities supported under components for provision of small-scale infrastructure and clean-up of an environmental hot-spot.

21. The Project is the first phase of an envisaged two-phase Integrated Coastal Zone Management and Clean-up Program. The total cost of this first phase is estimated at US\$ 38.6 million, of which US\$ 17.5 million is funded by a World Bank credit. Co-financing includes US\$ 5.71 million from the Government of Albania, US\$ 5.20 million from the European Commission, US\$ 3.11 million from the Government of the Netherlands, US\$ 2.60 million from the Government of Austria, US\$ 2.23 million from the Government of Japan, US\$ 0.95 million from the Global Environment Facility, and US \$1.26 million from beneficiaries.

22. To date, in addition to the development and approval of the SCDP, the Project has accomplished the following: (a) detailed design work and Environmental Impact Assessment for the transformation of the Saranda Port into a dedicated ferryboat and passenger terminal; (b) twelve coastal community-based infrastructure projects under construction, including five water supply systems and seven rural roads projects; (c) site investigations and detailed design work near completion for the solid waste landfill near Saranda and transfer station in Himara; (d) satisfactory resettlement of five families in connection with the Porto Romano clean-up and detailed design work to isolate contamination in the former chemical plant; (e) detailed design for water supply and sanitation investments in Saranda; and (f) preparation of the Management Plan for the Butrinti National Park.

23. ***Southern Coast Development Plan Component.*** The SCDP was approved by the Vlora District Council of Territorial Adjustment on July 1, 2008 and by the National Council of Territorial Adjustment on July 17, 2008. The SCDP is a regional plan, to be complemented by participatory local land use plans (see Annex 1). It aims to promote sustainable natural resources management and cultural heritage preservation while minimizing the negative environmental impacts of local development and infrastructure, based on the integration of environmental planning and sustainable development into decision-making. The SCDP is an instrument to promote sustainable tourism as a principal catalyst for economic growth in the regional economy.

24. The SCDP includes a series of coastal regulations that provide: (a) an unambiguous framework for local governments to facilitate preparation of clear and consistent local land use plans; (b) guidance for the elaboration of local regulations within the context of regional regulations; and (c) a first tier of regulations for local land use plans. A key regulation notes the following:

*The building line for permanent structures on hard coastlines (rock) is set back a minimum of one hundred (100) metres from the high water spring tide-line. The building line for permanent structures on soft coastline (sand and gravel deposits) is also set back one hundred (100) metres, but this is subject to modification for major coastal development projects which require an Environmental Impact Analysis (EIA) and where such a study may recommend a larger figure.<sup>8</sup>*

The SCDP is based on the European Union (EU) Code of Conduct for Coastal Zones. The EU Code adopts strategic principles from the “Pan-European Biological and Landscape Diversity Strategy,” which defines key elements relating to development and management in coastal zones. With the SCDP approved, work on local land use plans could now proceed.

25. ***April 2007 Demolitions and Request for Inspection.*** In April 2007, the Government carried out demolitions along the Albanian coastline, including in the Project area. Fifteen buildings in the community of Jale were either partially or completely demolished during the period April 17 – 21, 2007. At the time of the demolitions, the Requesters complained to the World Bank Office in Tirana, Albania. The World Bank fielded a “Fact Finding Mission” in May 2007 but did not meet with the Requesters nor respond to their complaints at that time. On July 25, 2007 the Requesters filed a request for inspection.

26. ***Meetings with Requesters regarding the Jale Demolitions.*** During the course of the Inspection Panel investigation, Management met with the Requesters on two occasions and with a representative in Tirana, Albania on several occasions. In March 2008, Management met with the Requesters in Jale. In November 2008, senior staff met with the Requesters in Jale, followed by another meeting the following day in which they were joined by the Regional Director for Operations and Strategy and a representative of

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<sup>8</sup> Regulations in place prior to approval of the SCDP imposed more restrictive building lines.

the Government of Albania.<sup>9</sup> Finally, in December 2008, senior staff met with a representative of the Requesters to discuss the status of the Inspection Panel case. Further consultations with the Requesters are planned for January 2009 to discuss the assistance to the Requesters within the Management Action Plan.

27. **Addressing the Need for Improved Project Implementation Arrangements.** As discussed in Section IV below, serious deficiencies have been identified in the preparation, implementation and supervision of the Project and, in particular, the SCDP component. During the preparation of this Management Report, it has become clear that the current implementation arrangements cannot achieve the Project objectives in a manner acceptable to the World Bank. In light of the identified deficiencies in the implementation arrangements and absent their modifications, which would ensure that the Project could be carried out in accordance with the stated development objectives, the World Bank issued a suspension letter on January 9, 2009.

28. **Credit Suspension.** Over the past six months, Management has discussed with the Government the framework of actions to improve Project implementation, including a stay on demolitions of existing buildings in the Project area until specific conditions are met. However, the Government of Albania has informed Management that it is not willing at this time to amend the Credit Agreement to reflect a stay on demolitions of existing buildings in the Project area, a step which Management considers essential in order to ensure that the Project has a sound legal basis for successful implementation. In the absence of such an amendment, which would be necessary to ensure that the Project can be carried out in accordance with the stated development objectives, the Project was suspended on January 9, 2009.

#### IV. KEY ISSUES

29. This section provides information on the following key issues of the Panel's Investigation Report: (a) the World Bank's Operational Policy on Involuntary Resettlement; (b) failures in Project preparation and supervision; (c) a proposal to provide assistance to the poor and/or vulnerable among the Requesters and assist those affected by the April 2007 demolitions through a timely, independently monitored judicial review process; (d) in the event of a decision to restructure the Project, a proposal for moving forward on several components while removing financing for land use planning activities; and (e) actions taken to ensure quality across the World Bank's loan portfolio.

##### A. OP/BP 4.12 INVOLUNTARY RESETTLEMENT

30. **Policy Application.** At the time the Project was presented to the Board, Management judged that OP/BP 4.12 did not apply to the preparation of the SCDP, and considered the Government's ongoing demolition program to be outside the scope of the Project. Management took the view that the SCDP was a natural resource management activity excluded from the policy due to OP/BP 4.12, Paragraph 3, Footnote 8, which excludes "regulations of natural resources on a national or regional scale to promote their

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<sup>9</sup> At least one of the Requesters lives overseas and was not in attendance at the March 2008 and November 2008 meetings.

sustainability.” **Management acknowledges that Footnote 8 of OP/BP 4.12 is ambiguous and needs to be clarified as it pertains to land use planning activities.**

31. Regardless of whether or not OP/BP 4.12 should have been applied, **it does not excuse the failure to apply good practice to the types of adverse social and economic impacts that should have been anticipated by Management.** This would have helped avoid the adverse impacts on the Requesters and on the World Bank’s reputation. The Project design failed to include a comprehensive assessment of social, legal and institutional aspects, or of associated due process mechanisms that could have helped protect the Requesters. In light of the known threat of possible demolitions, Management should have insisted on a moratorium on demolition activities in the Project area until the SCDP and associated local plans had been prepared and a package of social mitigation measures was in place.

32. The Inspection Panel concluded that OP/BP 4.12 should have applied to the development of the SCDP and the Government’s ongoing demolition program. **Management acknowledges the Panel’s findings concerning the actions of the Albanian Project Coordination Unit and their impacts on the Requesters.** Management notes that the demolitions in Jale were not authorized by the World Bank. However, Management understands that on March 26, 2007 – less than one month prior to the demolitions on the Southern Coast – the Albanian Project Coordination Unit sent a letter on Project letterhead to high-ranking government officials, including the General Director of the Construction Police. In the letter, the Project Coordination Unit notes that illegal constructions are continuing on Albania’s Southern Coast and states,

*“Given the importance of the sustainable development in this area and its impact on the overall economic and tourism development of the country, with respect for the environment, kindly make sure to take the necessary measures and as fast as possible.”* [Emphasis added.]

Less than two weeks later, the Construction Police responded to the Minister of Public Works, Transport and Telecommunications and the Project Coordination Unit indicating,

*“The Construction Police department has administered all the necessary legal procedures pertaining to such instances, and the decisions for the demolition of these illegal constructions have been notified to the respective parties, giving them the possibility of appeal and submission of the documents that they have with regard to these constructions.”* [Emphasis added.]

The demolitions in Jale began one week later. **Management acknowledges that these demolitions have adversely affected the Requesters. Management also acknowledges that the actions that have transpired illustrate the ambiguity as to whether OP/BP 4.12 should apply given the Government’s ongoing demolition activities in the Project area. Management agrees that events on the ground have created a situation in which assistance should be provided to the affected parties (see paragraph 53).**

33. ***Management agrees with the Inspection Panel that there was failure in Project supervision.*** On learning about the demolitions, Management should have acted immediately to meet with affected people and discuss with Government means to mitigate adverse impacts. Moreover, from the start of Project implementation, Management should have clarified the role of the Project Coordination Unit vis-à-vis the Government's ongoing demolition program, recognizing the risks of the demolition program to the Project objectives.

**B. FAILURES IN ADHERING TO THE POLICIES FOR PROJECT PREPARATION (OP/BP 10.00) AND SUPERVISION (OP/BP 13.05)**

34. ***A series of errors was committed throughout the Project cycle, including during Project design, 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 (PAD) in September 2008. These errors are unacceptable and point to a serious breakdown of Management's accountability, responsibility and oversight mechanisms for the Project.*** Management is appreciative of the Inspection Panel for having brought these errors to its attention and agrees with the Panel that OP/BP 10.00 on Investment Lending – Identification to Board Presentation, and OP/BP 13.05 on Project Supervision were violated. The following is a summary of the errors committed in the course of Project preparation and supervision.

**Project Preparation (OP/BP 10.00 on Investment Lending – Identification to Board Presentation)**

35. ***As described in paragraph 22 the Project has an unusually large, diverse, and geographically dispersed number of components.*** The water supply and wastewater component in Saranda was added at the end of Project preparation. The appropriate design of a project of this level of complexity would have required a highly experienced Task Team with the relevant expertise as well as close management oversight. Sector Management failed to appoint a Task Team with the necessary technical skills and experience. Furthermore, Sector and Country Management oversight was inconsistent and poorly focused.

36. ***The rationale for not applying OP/BP 4.12 was insufficiently documented in the PAD.*** As noted above, when designing the Project, the Task Team – in concert with the primary authors of OP/BP 4.12 – established that the World Bank's policy for involuntary resettlement did not apply to the Project's land use planning activities on the basis of the policy's Footnote 8, and that it did not apply to the Government's ongoing program of involuntary demolitions. These decisions were vigorously discussed. However, the rationale was not well laid out in the PAD. For example, there is no mention of Footnote 8.

37. ***The risks associated with the Government's ongoing program of involuntary demolitions, both for the population in the Project area and for the World Bank's reputation, were neither adequately assessed nor mitigated. In contrast to good***

***practice, no social, institutional or comprehensive legal assessments were carried out during Project preparation.*** On February 28, 2005 the Task Team was advised by LEG to pursue several mitigation measures which, taken together, would have been appropriate to protect both the population in the Project area and the World Bank's reputation. These measures included: (a) a moratorium on the Government's ongoing program of involuntary demolitions in the Project area; (b) assistance for the poor and vulnerable affected by demolitions that might occur after the completion of the SCDP and local land use plans; and (c) improvements in Government procedures relating to involuntary demolition. However, the Government never agreed to the moratorium and the latter two measures were not funded under the Project.

38. ***The Project should not have been submitted for Board approval in the absence of a moratorium on demolitions of existing buildings, and yet this measure was not vigorously pursued with Government.*** During the Pre-Appraisal Mission from February 21 to March 8, 2005, the Task Team sought an agreement with the Government of Albania on a moratorium on demolitions. The Government was opposed to such a moratorium as it judged this would be inconsistent with Albanian law; likewise, this would create incentives for further illegal construction. However, the Task Team failed to clarify to Government that a moratorium on demolitions should protect *only* existing buildings, not new illegal construction. Moreover, the dialogue on a proposed moratorium was pursued only at the level of the Vice-Minister responsible for the Project. The Country Director had noted in discussions with incoming and outgoing Prime Ministers that it is poor practice to conduct demolitions without social due diligence and believed that there was sympathy at the highest levels for this view. However, these discussions were of a general nature and were neither documented nor specifically tied to Project preparation. The Task Team did not enlist the assistance of the Country Director or Country Manager in securing a moratorium for the Project. There was little communication between the Task Team and the Country Management Unit as well as poor communication within the Task Team itself; this led to confusion as to whether there was a moratorium or not. Moreover, the Task Team failed to issue an Aide-Memoire for the Pre-Appraisal Mission; hence, there is no record of the discussions with Government about the moratorium.

39. ***Appraisal and Negotiations were concluded without a common understanding of and definitive agreement within the Task Team and between the Task Team and the Country Management Unit on the Project risks and the means to address them.*** Following the Pre-Appraisal Mission, a meeting attended by Management and staff representing relevant World Bank units was held on March 29, 2005 to discuss the risk mitigation measures regarding involuntary demolitions. As no minutes of this important meeting exist, it is unclear whether Government's refusal to agree to a moratorium was explicitly discussed. The Sector Manager responsible for the Project cleared the Decision Meeting package without a clear presentation of risks and appropriate mitigation measures. On April 7, 2005 the Decision Meeting confirmed that in the case of land use planning and rezoning activities, OP/BP 4.12 did not apply, but instructed the Task Team to seek further guidance from the appropriate units to ensure due diligence on social aspects and on appeal provisions. Nevertheless, the Appraisal Mission from April 12 – 16, 2005 did not include a social specialist or lawyer. The final Integrated Safeguards

Data Sheet (ISDS) issued on April 13, 2005 misstated OP/BP 4.12, approved an Environmental and Social Safeguards Framework (ESSF) that contained numerous errors, and did not adequately cover risks and their mitigation measures; nevertheless, the ISDS was signed by the Sector Manager responsible for the Project and the Regional Safeguards Coordinator. The Country Director authorized Appraisal and Negotiations before closure was brought on the issue of risk mitigation measures.

40. ***Management agrees with the Inspection Panel that the PAD misrepresented the existence of an agreement with Government on a moratorium on involuntary demolitions.<sup>10</sup> This misrepresentation concerned a critical aspect of Project design.*** On April 14, 2005 the Sector Manager for Social Development, in consultation with LEG, sent proposed wording to the Task Team on the risk mitigation section of the PAD. This proposed wording included a reference to a moratorium; the Task Team – while well aware that its Government counterparts had not agreed to a moratorium – integrated this wording into the PAD without careful reading, thus introducing an error into the PAD. **The PAD was cleared for Negotiations and subsequently submitted to the Board without any of the clearing parties noticing the erroneous language on the moratorium.** The Country Lawyer and Regional Chief Counsel cleared the Board package based only on a review of the legal documents, which did not include a reference to a moratorium. The Sector Manager for Environment and Natural Resources, responsible for the Project, who was aware the Government had not agreed to a moratorium and who had cleared the PAD at Decision stage *before* the error was introduced, cleared the PAD for Board submission, missing the critical error. The Country Manager and Country Director cleared the PAD without noticing the inconsistency with the legal documents. **Clearly, many checkpoints failed and there was a breakdown in the Management review process.**

41. ***In sum, Country and Sector Management failed to exercise their responsibilities in a consistent manner, failed to appoint a Task Team with adequate expertise and experience, and failed to provide adequate oversight to the Task Team.*** Sector Management failed to ensure that missions were appropriately staffed. Country Management authorized Appraisal and Negotiations at a time when key risks and their mitigation measures had not yet been fully addressed. Country and Sector Management cleared key documents without careful review. The Task Team did not communicate regularly with Sector and Country Management on the status of Project preparation nor raise important problems or disagreements as they arose. The Task Team did not issue Aide-Memoires for the Pre-Appraisal and Appraisal missions and did not circulate minutes for important meetings. **Throughout Project preparation, communication among Task Team members and between the Task Team and Management was poor.**

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<sup>10</sup> On page 15, the PAD states, “The Government has agreed that further encroachment removal will take place only after the criteria and procedures for identifying and assisting such vulnerable affected people are in place.”

**Board Presentation (OP/BP 10.00 on Investment Lending – Identification to Board Presentation)**

42. *Management failed to correct the erroneous PAD reference to a moratorium during the Board meeting held on June 21, 2005 even as members of the Board welcomed the purported agreement in their written statements.* The Task Team and the Sector Manager responsible for the Project were aware that the Government had not agreed to a moratorium, and the draft Opening Statement was revised the evening prior to the Board discussion to include an acknowledgement of the error in the PAD. However, they failed to raise this critical problem in the pre-Board meetings with the Regional Vice President and the Managing Director. The corresponding sentences were deleted from the statement by ECA Senior Management in the Board room, just before the reading of the statement. Some of the Task Team members who knew there was no moratorium attended the Board meeting with a hardcopy of the statement that still included the passage acknowledging and correcting the error, but did not notice that this critical passage was not read. As a result they continued to believe that the error had been corrected until the issue was raised by the Inspection Panel more than two years later. Country and Sector Management missed another opportunity to correct this error when clearing the “Summary of Board Statement” even though this statement was cleared by individuals who were aware that no moratorium existed. **Indeed, the awkward events before and during the Board meeting were not further discussed by the Region and no action was undertaken to correct the PAD error until it was brought to Management’s attention by the Inspection Panel.**

**Project Supervision (OP/BP 13.05 on Project Supervision)**

43. *The inadequate appreciation of the risks associated with the ongoing Government program of involuntary demolitions, both for the population in the Project area and for the Bank’s reputation, continued to plague the Project during supervision.* Implementation Status Reports (ISRs) for the Project were issued only once per year, which is insufficient for risky and complex projects. Neither the Task Team who prepared the ISRs, nor the Sector Manager who signed off on the ISRs, nor the Country Manager who provided comments on the ISRs, raised the risks associated with the Government’s ongoing program of demolitions. As the Inspection Panel has underlined, the preparation of the SCDP as well as the definition of an assistance package for poor and/or vulnerable people affected by demolitions that might occur after the completion of the SCDP and local land use plans, was delayed by more than two years. **The Task Team and Management should have recognized that this delay exacerbated the risks associated with the ongoing program of demolitions, should have raised this in ISRs and should have discussed and implemented appropriate measures.**

44. *Poor judgment by Management led to a perception of conflict of interest.* In early 2006, the Government of Albania undertook a competitive process to select a local Project Coordinator. The candidate selected as the most technically-qualified applicant was the son-in-law of the Prime Minister. Following guidance from the Regional Procurement Advisor, Management obtained assurances that the selection process had

not been influenced by the aforementioned relationship, and that a reporting distance between the Project Coordinator and the Prime Minister would be maintained. Management subsequently gave its non-objection to the selection of the Project Coordinator. Rather than treating the appointment as a routine procurement matter, **Management should have exercised better judgment considering that such an appointment would create at the least the perception of a conflict of interest and hence a reputational risk for the World Bank.** When the perception of a conflict of interest was raised by the Inspection Panel in early 2008, Management felt there was no legal basis for addressing the issue. However, allegations made in the Albanian Parliament and in the media in the summer of 2008 with respect to the Project Coordinator and his spouse were discussed with Government and referred to the World Bank's Department of Institutional Integrity.<sup>11</sup>

45. *Because the Task Team failed to appreciate the risks associated with demolitions, even though these had been identified in the PAD, it failed to provide adequate guidance to the Albanian Project Coordination Unit regarding the transmission of aerial photographs financed by the Project.* These were intended to monitor illegal construction on the Southern Coast and help the Construction Police take preventive action at very early stages of illegal construction of new buildings. However, **the Task Team should have clarified to the Albanian Project Coordination Unit that the photographs were not to be used as a means to target demolitions of existing structures.**

46. *By not responding in a timely manner to the April 2007 demolitions, Management allowed public opinion to link the demolitions to the Project and thus to the World Bank.* The Jale demolitions took place from April 17 to April 21, 2007. The Task Team first learned of them via the media on April 18, 2007 and contacted the Albanian Project Coordination Unit on April 19, 2007. On that same day, the Task Team received a copy of the March 26, 2007 correspondence between the Albanian Project Coordination Unit and the Construction Police (see paragraph 32). A "Fact Finding Mission" consisting of the Task Team Leader and the Task Team's Social Scientist visited the area from May 3 to May 5, 2007. As the Inspection Panel underlined, the mission failed to relay critical information to Management, especially regarding the existence of the correspondence between the Albanian Project Coordination Unit and the Construction Police. **The Task Team apparently failed to appreciate the gravity of the language contained in this correspondence. Following the "Fact Finding Mission", for several months no attention was paid to the families affected by the April 2007 demolitions. Correspondence from one of the Requesters was logged in and shared with both the Country Manager and the Sector Manager but left unanswered. Country Management did not correct misleading local media reports.**

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<sup>11</sup> Following this referral, INT reviewed all available documentation and met with operational staff to determine whether an investigation was warranted. While the available evidence indicates at least the appearance of a conflict of interest resulting from the selection of the Project Coordinator, no evidence was presented which constituted a sufficient basis to further investigate a sanctionable practice as defined by the Bank's rules. Therefore, in accordance with its standard practice, INT declined to pursue the matter further. INT also noted that had an investigation been undertaken and had a finding of sanctionable practices occurred, INT would have referred the matter to the Albanian authorities for follow-up.

## September 2007 Management Response

47. *Management agrees with the Inspection Panel that the Management Response prepared in September 2007 was unhelpful, non-informative and in conflict with factual information that should have been known by Management.* The Response reiterated Management's judgment during Project preparation that OP/BP 4.12 applied neither to the Project's land use planning activities nor to the Government's ongoing demolition program. However, **it failed to discuss facts that had transpired during Project implementation and that introduced ambiguity with respect to this policy decision. In particular, the Response failed to discuss the correspondence between the Project Coordinator and the Construction Police that preceded the April 2007 demolitions. It also failed to mention and take into account that the PAD erroneously referred to the existence of a moratorium.** Those drafting the Response noticed the PAD error, but were assured this error had been corrected during the Board meeting by a staff member who had attended the Board meeting and had continued to believe the error had been corrected in the opening statement (see paragraph 42). The Task Team who had never appreciated the gravity of the correspondence between the Project Coordinator and the Construction Police, failed to mention its existence when the Management Response was prepared.

## September 2008 Corrigendum

48. *Management agrees with the Inspection Panel that issuing a Corrigendum in September 2008 was an inadequate means for – finally – correcting the error in the PAD regarding the existence of a moratorium on involuntary demolitions.* Obviously, this error should have been corrected at the time of Board approval in June 2005. This did not happen for reasons set out above. Given that Board members had explicitly expressed comfort over the existence of a moratorium when approving the Project, taking into account that the absence of a moratorium was a critical design flaw, and recognizing that three years have now elapsed since Board approval, **Management acknowledges that the manner for handling an error of this magnitude should have been discussed with the Board.** Moreover, since an Inspection Panel Investigation was ongoing, Management should have consulted the Inspection Panel before taking action.

49. *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.*

## C. ASSISTANCE TO THOSE AFFECTED BY THE APRIL 2007 DEMOLITIONS

50. Management has asked the Government of Albania to compensate the Requesters for damages to their structures. In response, the Government maintains that the demolitions were in compliance with its laws and part of a program that dates back to the

mid-1990s; this Government program aims to control unregulated construction throughout Albania. The Government considers that compensation would lead to perverse incentives and would constitute differential treatment for the Requesters compared to that for others affected by demolitions. Furthermore, the Government points out that it never agreed to a Project design that included a moratorium or the application of OP/BP 4.12 to the Government's ongoing demolition program.

51. That said, the Government of Albania *has* agreed to the following: (a) assistance to the poor and/or vulnerable among the Requesters; (b) a timely, independently monitored 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; and (c) World Bank financing for legal services required by the Requesters, including, if necessary, for well-founded appeals following the review.

52. ***Assistance for Poor and/or Vulnerable.*** As part of the efforts to promote social due diligence through the Project, criteria and procedures for assisting affected people (in general) who lost their primary residence or main source of livelihoods due to demolition would be defined as part of the Social and Vulnerability Assessment. **The Government of Albania would provide an assistance package to those Requesters who are considered poor and/or vulnerable<sup>12</sup> under the criteria.** The Social and Vulnerability Assessment will examine vulnerability in several dimensions, including the role played by building assets as primary residences as well as sources of livelihood. In particular, the definition of vulnerability will take into account the savings (or debt incurred) which would be lost should such buildings be demolished. Assistance for the poor and/or vulnerable would be paid for from the Government's own budgetary resources.

53. ***Providing Access to Legal Review for the Requesters.*** **The Government of Albania has committed to a fair and transparent legal review to determine any liability resulting from the misapplication of Albanian law.** The Government has indicated its willingness to facilitate a process in which this review can be initiated and completed in a timely fashion.<sup>13</sup> As such, the Government would formally inform the Requesters of their right to file actions contesting the legality of the demolitions and seeking damages. The legal review would be started promptly and the Government would make every effort to ensure expeditious completion. In cases where the demolitions were found to be wrongful, damages for lost assets would be provided by the Government. Furthermore, the legal review would allow complaints concerning other harm or loss related to the demolitions or the manner in which they were conducted, which, depending

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<sup>12</sup> Preliminary evidence indicates that vulnerability along the Southern Coast occurs along multiple lines. Certain patterns are evident that would leave households particularly vulnerable in the case of demolitions, particularly those in which some family members emigrate for labor and others remain, the practice of using emigration wages for investment in building assets and the tendency for some buildings to serve both as primary residence and as a source of livelihood for rental income. Such patterns, including multi-generational strategies, exist side-by-side with speculation by developers, creating heterogeneous communities.

<sup>13</sup> The legal review may commence with a preliminary administrative review. A right of appeal to the judiciary would be available from the administrative review.

upon applicable Albanian law, could lead to additional damages being awarded. Any damages awarded would be paid for from the Government's own budgetary resources.

54. The World Bank will ensure that the Requesters are represented by suitably-qualified lawyers throughout the review process. Furthermore, to ensure transparency and integrity of the legal review, the Government of Albania has indicated its willingness to put in place an independent oversight mechanism in the form of one or more neutral observers acceptable to the World Bank. To ensure neutrality, the costs of the oversight mechanism and the legal assistance will be funded by the ECA Region's administrative budget.

55. 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 restructured Project in the event that the Project is restructured; and (ii) regardless of the decision to cancel or restructure the Project, directly provide assistance to the Requesters, even though the Bank is not legally obligated to do so.

56. ***Other Affected Communities.*** The World Bank is investigating other demolitions that may have occurred in April 2007 in the Project area and may be associated with the unauthorized actions of the Albanian Project Coordination Unit. Management understands from information provided by the Government that the April 2007 demolitions included six communities in the Southern Coast (within which approximately 35 structures were demolished in addition to those in Jale). Other households affected by the April 2007 demolitions would also be informed that they would be accorded the same rights.

#### **D. OPTIONS UNDER CONSIDERATION**

57. As described above, Management recognizes that there were serious deficiencies in the preparation, implementation and supervision of the Project. Successful Project implementation requires changes to address the consequences of past errors and mitigate ongoing risks. Towards this end, Management has engaged in extensive discussions with the Government of Albania in order to seek agreement on three essential conditions: (a) a package of assistance to those affected by the April 2007 demolitions in the Project area; (b) a framework of actions to improve Project implementation, including a stay on demolition of existing buildings in the Project area until specific conditions are met; and (c) the incorporation of the first two conditions into an amended Development Credit Agreement as part of Project restructuring.

58. Management acknowledges and appreciates the Government of Albania's efforts to reach closure on the elements laid out above. However, the Government of Albania has informed Management that it is not willing at this time to amend the Credit Agreement to reflect a stay on demolitions of existing buildings, a step which Management considers essential in order to ensure that the Project has a sound legal basis for successful implementation. In the absence of such an amendment, which would be necessary to ensure that the Project can be carried out in accordance with the stated development objectives, the Project was suspended on January 9, 2009.

59. The Project remains suspended until a decision is reached on one of two options. Option 1 entails Management cancelling the entire IDA Credit; Option 2 proposes, in coordination with other donors, restructuring 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.

60. In the event of such a restructuring, given that an agreement has not been reached with respect to the above-mentioned stay on demolitions of existing buildings, which would have been reflected in an amended legal agreement, all land planning activities would be cancelled and the associated funds re-allocated to other activities. While the Project was being restructured, the suspension of disbursements would be lifted for all but the land planning activities to ensure the continued implementation of important infrastructure investments.

61. **Improved Supervision.** Numerous steps have been and/or would be taken to strengthen Project supervision. In March 2008, a Senior Social Scientist with extensive regional experience was incorporated into the Task Team to address social issues relating to the April 2007 demolitions. The Senior Social Scientist will serve as the principal World Bank liaison with the Jale residents in terms of providing Project-supported assistance. The Senior Social Scientist would also supervise the Social and Vulnerability Assessment.

62. A Senior Legal Counsel has been incorporated into the Task Team who would supervise legal and institutional issues. A Lead Environmental Specialist has been recruited by the ECA Region to provide leadership on pollution management, promote environmental governance, manage select high-profile operations, and mentor staff working on environmental management operations. The Lead Environmental Specialist would be incorporated into the Task Team to ensure quality and timely implementation of the Project.

63. Finally, sufficient resources would be provided to the World Bank Task Team to carry out enhanced supervision of the Project. Supervision resources for the Project have risen from US\$ 80,000 in FY07 to US\$ 190,000 in FY09 and would remain at this level for the remainder of the Project.

## E. PORTFOLIO MANAGEMENT

64. ***ECA Portfolio Management.*** In light of the errors described above, ECA Senior Management has underscored to all Sector Managers and Task Team Leaders that accountability for the quality and veracity of PADs lies firmly with them. All Sector Departments have subsequently reviewed their internal procedures and staffing for quality assurance. In particular, procedures have been put in place to make sure no documents are cleared without comprehensive review and measures have been taken to ensure the presence of Sector Managers at Project Concept and Decision Meetings. In addition, **all 302 projects in the ECA portfolio have been reviewed to identify any discrepancies in project documentation and any changes made during implementation that might require project restructuring. This review has not identified any project with issues of the gravity of those found in this Project.** Apart from this Project, fourteen cases of inconsistencies in documentation have been identified and will be corrected. Thirty-four cases of changes made during implementation have been identified; some have already resulted in project restructuring and the others are being vetted to determine if project restructuring is necessary. ECA Management will ensure that the World Bank takes all actions within its authority to address these issues by June 30, 2009. In addition, 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.

65. 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.

66. ***Albania Portfolio Management.*** As part of its portfolio management function, the World Bank Office in Tirana, Albania, assisted by OPCS and LEG, will undertake a workshop for Project staff and government officials to discuss World Bank environmental and social safeguards, Albanian laws, and the relationship between the two under World Bank-financed projects. The workshop will include case studies of past and current projects and distill lessons learned. It will be repeated in the future as necessary, along the lines of similar training already offered for procurement and financial management guidelines.

67. ***External Communications in Albania.*** In December 2007, the World Bank Office in Tirana, Albania revised its Communications Strategy in light of issues raised during the Inspection Panel investigation. 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, including for compliance with the Government of Albania's commitments under the Aarhus Convention. The strategy includes an annual review of communication needs for each World Bank-financed project in Albania.

## V. LESSONS LEARNED

68. Key lessons learned can be identified from the issues raised in the sections above. This section highlights them and suggests means for addressing problems which arose during Project preparation, Board presentation, and Project supervision.

### ACCOUNTABILITY, RESPONSIBILITY, AND OVERSIGHT

69. *One overriding lesson pertains to the need for all – Management and staff – to act in accordance with their job responsibilities.* Management acknowledges that errors were made at almost every critical step in the Project. Neither Management nor staff fulfilled their responsibilities consistently.

70. *Sector Management needs to make sure the expertise and experience of the Task Team Leader and Task Team matches the project's level of complexity and the scope and magnitude of its risks; they also need to exercise oversight commensurate with the level of complexity and the experience of Task Team Leaders.* Projects as complex and risky as this Project should be assigned to highly-experienced Task Team Leaders and Task Teams with the ability to detect and debate issues and risks as they arise, the judgment to draw in specialized expertise as required, a track record of appropriate response in the face of reputational risk for the World Bank, and a dedication to responsiveness to the public in client countries. Had the Project benefited from a highly-experienced Task Team and from adequately staffed pre-Appraisal and Appraisal missions, complex issues would likely have been addressed more adequately. Even then, Sector Managers must provide ample mentoring and close oversight for highly complex and risky operations.

71. *Sector Managers must be accountable for quality throughout the Project cycle.* Had a thorough review been conducted before submitting Project documents for Negotiations and for distribution to the Board, the error in the PAD which was inserted after the Decision Meeting would likely have been caught. Sector Management needs to ensure that Task Teams meet institutional standards and procedures (e.g., issuing Aide-Memoires, ISRs). Sector Management needs to closely monitor complex and/or risky projects and exercise oversight over their portfolios.

72. *Task Team Leaders should raise project concerns with Management on a timely basis.* Had the Task Team Leader regularly discussed the state of the Project with the Sector and Country Manager and Country Director, and clearly flagged material changes as they arose in the course of Project preparation and supervision, many of the issues would have been caught and addressed in a timely fashion. **Equally important, Managers need to create a culture that is conducive to debating problems and risks in an inclusive, comprehensive and transparent manner.** They need to make sure staff is empowered to bring critical matters and disagreements to their attention where necessary. Finally, Task Team Leaders need to create an equally inclusive communication culture within their Task Teams.

## ADDRESSING PROJECT RISKS

73. ***Complex projects require experienced Task Teams with a broad range of technical skills and intensive and continuous managerial oversight.*** The Project has multiple, diverse, and complex components which fragmented the attention of Management and the Task Team. Management and staff should exercise selectivity in Project design, particularly in low capacity countries. Similarly, adding project components late in Project preparation should be avoided.

74. ***There is a need to carefully assess risks, including those of a reputational nature, at an early stage, to identify adequate mitigation measures, and to present risks thoroughly and candidly in project documents. Country Directors should authorize Appraisal and Negotiations only when a clear approach to key issues and risks has been agreed and documented.*** As recorded in the minutes of the Decision Meeting, the Task Team was instructed to discuss outstanding issues with specialized World Bank units. However, the issues were not successfully resolved nor followed up with Management who nevertheless authorized Appraisal and Negotiations. Thus, this Project was submitted for Board approval without the underlying issues and risks having benefited from a comprehensive, thorough, conclusive, and documented debate.

75. ***Social risks must be given adequate attention.*** The Project, while focused on land use planning, demonstrates that Project quality and sustainability depend on a careful assessment and mitigation of social risks. In line with good practice, baseline socio-economic information should have been established with respect to individuals who are or may be directly or indirectly affected by the Project; furthermore, the risks associated with adverse indirect social or economic impacts should have been assessed and mitigated. This should have been accompanied by a thorough assessment of the associated legal and institutional issues. Sector Management and the Task Team narrowly focused on whether or not OP/BP 4.12 applied to the Project's land use planning activities, failing to appreciate and address social risks as recommended by the policy.

76. ***Counterparts must fully understand and own Project social risk mitigation measures.*** Social risk mitigation measures need to be discussed with counterparts early in the Project cycle so as to ensure informed decision-making by counterparts as well as by World Bank staff. Furthermore, counterparts need clear guidance on how social risk mitigation measures are implemented and how they will be supervised by World Bank staff during Project implementation.

77. ***When designing complex land use planning projects, it is important to pay attention to the legal and institutional framework.*** Project preparation should have included a thorough assessment of legal and institutional issues.

78. ***As projects are implemented, risks need to be assessed continually and raised with candor in ISRs, portfolio reviews, and regional risk reviews.*** Had the Task Team and Management fully appreciated the additional risks associated with the delay in the preparation of the SCDP, flagged them in ISRs and acted to address them appropriately, Project design flaws might have been corrected in time.

79. ***It is essential to verify facts on the ground and to communicate in a clear and timely manner about facts, including to the media.*** When there are reports from the field on project problems, these need to be verified *in situ* as soon as possible by the Task Team with the support of additional specialized staff as necessary. Following the April 2007 demolitions, the World Bank did not meet with the affected individuals for almost a year. It also failed to respond to a letter from one of the Requesters and missed opportunities to rectify misleading reports in the media. The World Bank Office in Tirana, Albania has now established clear guidelines for responding immediately to complaints and requests for information, and has a pro-active outreach policy with respect to the media.

#### COMMUNICATION WITH THE BOARD

80. ***Preparation for Board meetings should be thorough, errors must be acknowledged promptly and fully, and outstanding issues following the Board meeting should be dealt with immediately.*** The issues surrounding the error in the PAD could have been avoided if the error in the PAD with respect to the moratorium had been raised at the pre-Board meetings with the Regional Vice President and Managing Director, acknowledged at the Board meeting, and if there had been appropriate follow-up immediately after the Board meeting.

81. ***Appropriate modes of communication with the Board should be followed in cases where Project documentation contains errors that are germane to the Board's approval.*** Given that Board members had explicitly referred to the moratorium on the Government of Albania's ongoing program of involuntary demolitions in their written statements, and that three years had elapsed since the Board's approval of the Project, the September 2008 Corrigendum was an inadequate means for correcting the PAD error.

#### OTHER IMPORTANT LESSONS

82. ***The responsibility for leading the preparation of the Management Response to a Request for Investigation by the Inspection Panel or to an Inspection Panel Investigation Report should be assigned to a senior (Director-level) manager.*** This person needs to be available to oversee the process, since these tasks require a considerable level of institutional experience, judgment, and decision-making authority. The September 2007 Management Response to the Request for Investigation was prepared in the absence of continuous high-level oversight.

83. ***Managerial appointments need to be made on a timely basis to avoid lapses in continuity and leadership.*** The September 2007 Management Response suffered from inadequate consultation and discussion in the face of managerial turnover and absences. Where gaps in appointments occur or where there are a number of managerial absences due to missions, vacations, etc., a *workable* system of acting assignments must be in place, led and supported as appropriate by Sector and/or Country Directors.

84. ***Project personnel appointments that present a real or perceived conflict of interest should not be handled as a routine procurement matter and should be avoided***

*if possible*. It is the responsibility of the Borrower to select Project staff in accordance with World Bank procurement procedures; however, the World Bank should exercise appropriate judgment in instances of a real or perceived conflict of interest as is the case when close relatives of high level officials are selected for appointment. All appearances of conflict of interest and corruption must be avoided.

## VI. MANAGEMENT’S ACTION PLAN

85. Management appreciates the Inspection Panel’s report and agrees with many of its key findings. The following table presents the Action Plan for following up on the Inspection Panel’s findings. Management will report to the Board on progress on the Action Plan in three months.

RELEVANT OP Issue	PROPOSED ACTION
<b>1. OP/BP 4.12 INVOLUNTARY RESETTLEMENT</b>	
<b>Application of OP/BP 4.12 on land use planning activities</b>	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>3. Targeted training for staff in all Regions will be provided to support application of this guidance.</li> </ol>
<b>Provision of assistance for the Jale Requesters</b>	<ol style="list-style-type: none"> <li>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 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</li> </ol>

RELEVANT OP Issue	PROPOSED ACTION
	<p>Requesters, even though the Bank is not legally obligated to do so.</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
<b>2. OP/BP 13.05 PROJECT SUPERVISION</b>	
<b>Continuing Project supervision</b>	<ol style="list-style-type: none"> <li>1. <u>Option 1.</u> Management cancels the IDA Credit.  or</li> <li>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.  NB: Regardless of whether Option 1 or 2 is decided upon, the Bank intends to provide assistance to the Requesters as set out above.</li> </ol>
<b>Addressing accountability of Management and staff</b>	<ol style="list-style-type: none"> <li>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.</li> </ol>
<b>Strengthening communications</b>	<ol style="list-style-type: none"> <li>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) increased supervision of government-led consultation processes during project preparation and implementation.</li> </ol>
<b>Strengthening safeguards in the Albania and ECA portfolio</b>	<ol style="list-style-type: none"> <li>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.</li> <li>2. ECA Management has launched a series of regional safeguards workshops to build staff capacity regarding identification of social risks in</li> </ol>

RELEVANT OP Issue	PROPOSED ACTION
	project design and supervision as well as social safeguards.
<b>3. OP/BP 10.00 INVESTMENT LENDING: IDENTIFICATION TO BOARD PRESENTATION</b>	
<b>Strengthening quality control of Project preparation</b>	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>

## VII. CONCLUSION

86. Mistakes and failures to adhere to the Bank's operating standards that led to violations of Bank policies are unacceptable. The events and process have been painful and difficult for all. Going forward, Management will build on the lessons learned to deliver development assistance to the high standards that our clients and partners expect and deserve.



## **Annex 1**

### **Southern Coast Development Plan**

1. One key indicator for achievement of the Project Development Objective is completion and approval of a Southern Coast Development Plan (SCDP) by the National Council of Territorial Adjustment and subsequent signature by the Prime Minister. The SCDP, to be complemented by participatory local land use plans, aims to promote sustainable natural resources management and cultural heritage preservation while minimizing the negative environmental impacts of local development, based on the following:

- The principles of environmental planning and sustainable development must be fully integrated into development decision-making, including the intrinsic natural and cultural values associated with coastal ecosystems;
- Infrastructure investments are required to meet the existing and forecasted demand for residents and tourists. Infrastructure must be designed to minimize negative environmental impacts; and
- Tourism is planned as the leading sector and the principal catalyst for economic growth in the regional economy, which requires: (a) a transparent investment climate; (b) straightforward permitting procedures; and (c) a clear legal and regulatory environment.

2. The SCDP was first approved by the Vlora District Council of Territorial Adjustment on July 1, 2008 and the National Council of Territorial Adjustment on July 18, 2008.

3. Formulation of the SCDP was initiated in 2005. The original Terms of Reference called for evaluation of the capacity of the land and existing infrastructure in the area to be covered by the SCDP to support various land-use purposes, forecasts of growth in each land-use category during a period of 10 years, analysis of impacts on natural resources and infrastructure, identification of the most appropriate locations for various types of development, and identification of areas where certain developments should be forbidden or discouraged. In October 2006, a first draft of the SCDP was provided to Government; while the study provided much information on the Southern Coast and partially reflected the views of local stakeholders, the report fell short of expectations. The Government initiated termination of the contract and under new Terms of Reference, a second set of consultants was hired in August 2007 to resume formulation of the SCDP.

4. Preparation of the SCDP was completed in June 2008. The SCDP is based on the European Union (EU) Code of Conduct for Coastal Zones. The EU Code adopts strategic principles from the “Pan-European Biological and Landscape Diversity Strategy,” which defines key elements relating to development and management in coastal zones. The EU Code is based on the following principles:

- Undeveloped coasts are a non-renewable natural resource and the conservation of this resource is possible through implementation of sustainable development concepts;
- Development of coastal zones is not restricted to recreational users, landowners and local authorities; wider national and regional economic interests must also be taken into account; and
- Clear, applicable legal norms establishing rights, obligations and restrictions on coastal resource use are necessary to harmonize the aspirations of all parties interested in the coastal zone.

5. In the EU Code of Conduct, particular attention is given to social and economic sectors. General guidelines cover questions of integrated coastal zone management, environmental impact assessment, use of financial instruments and initiatives, and support for community involvement in decision-making. Specifically, the EU Code of Conduct offers practical guidelines for conservation and development in coastal areas, including: (a) nature conservation and biodiversity; (b) forest management; (c) agriculture; (d) industry; (e) coastal protection; (f) tourism and recreation; (g) military defense; (h) transport; (h) energy; (i) urbanization; (j) fisheries and aquaculture; and (k) water resources management.

6. There was widespread participation by national and municipal-level authorities, area residents, private sector, and civil society during preparation of the SCDP; training and participatory dialogue was held for two weeks in the Southern Coast in October 2007 with a wide number of stakeholders from central, regional and local government, including representatives from associations and NGOs. Public outreach activities for the draft SCDP were held in December 2007 in Tirana and the coastal municipalities of Himara, Lukova and Saranda. After the public outreach activities, the SCDP was available for comments for two months. In February 2008, the final public consultations were held both in Tirana and in the Southern Coast.

7. The SCDP will guide activities to preserve the coastal environment and cultural heritage. It is not, however, a local level plan tailored to the circumstances of a specific municipality or commune, nor does it contain sufficient spatial detail for a municipality or commune to use in implementing an improved system for permitting and regulating construction.

8. Following Government approval of the SCDP, local land use planning is expected to begin in early 2009. Local land use plans in the six municipalities and communes in the Project area will be based upon the agreed criteria and coastal regulations of the SCDP and will result in a regulatory and development plan for each community. The planning process will be based upon participatory planning as with the regional SCDP process and is expected to comply with Albania's commitments made to the Aarhus Convention. The preparation and adoption of these plans is an essential prerequisite for putting in place a rational, transparent, fair and criteria-based system for the permitting of new construction, accepted by and reflecting the views of all stakeholders.

9. The consultation process for the SCDP has been cited by the Aarhus Convention Secretariat as a good practice for other government agencies to follow in terms of compliance with the UNECE *Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters*, which was signed on June 25, 1998 in Aarhus, Denmark. The Aarhus Convention grants the public rights regarding information, participation and access to justice in governmental decision-making processes on matters concerning the local, national and transboundary environment. It focuses on interactions between the public and governmental authorities.

## Annex 2

## Findings, Comments and Actions

No.	Issue/Findings	Para No.	Comment/Action
<b>OP/BP 4.12 INVOLUNTARY RESETTLEMENT</b>			
1.	<p><b>Application of OP/BP 4.12 to the Implementation of the Southern Coastal Development Plan (SCDP)—Land Zoning</b></p> <p>Panel finds that the objectives and content of the Project, including the SCDP, go well beyond regulation of natural resources and therefore the Policy applies.</p>	151-154	<p><b>COMMENT:</b> The World Bank’s Policy on Involuntary Resettlement (OP/BP 4.12) is a key policy to achieve sustainable development. The objective of the policy is to avoid or minimize involuntary resettlement under World Bank-financed projects and, where this is not feasible, to assist displaced persons in improving or at least restoring their livelihoods and standards of living in real terms relative to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.</p> <p>OP/BP 4.12 states: <i>“This policy covers direct economic and social impacts that both result from Bank-assisted investment projects, and are caused by... (a) the involuntary taking of land... and ... (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons.”</i> The policy does not cover indirect impacts.</p> <p>OP/BP 4.12 sets forth activities to which it does not apply. The exclusions were captured in a footnote, which also reiterated the importance of good practice social assessment. The exclusions stated as follows:</p> <p><i>“This policy does not apply to regulations of natural resources on a national or regional level to promote their sustainability, such as watershed management, groundwater management, fisheries management, etc. The policy also does not apply to disputes between private parties in land titling projects, although it is good practice for the borrower to undertake a social assessment and implement measures to minimize and mitigate adverse social impacts, especially those affecting poor and vulnerable groups.”</i></p> <p>Although Footnote 8 in OP/BP 4.12 does not explicitly refer to land use planning, it is a form of natural resource regulation that the drafters of the policy intended to cover. The exclusion of natural resource regulations was meant to help ensure that governments would not be obligated to provide compensation and other resettlement assistance to everyone affected by such activities regardless of the legality of their land use. These activities differ from specific infrastructure investments such as large dams because they do not have location-specific footprints and project designers do not know where, when, and how people might be affected. Instead, natural resource management and land use planning exercises focus on upstream planning, and generally do not require land acquisition for project activities. Examples include helping governments curtail rampant development in areas subject to flooding, or helping stop illegal construction in sensitive areas.</p> <p>If OP/BP 4.12 resettlement assistance applied to all affected people within such planning zones, the drafters of the policy understood that governments could not afford to undertake these important initiatives. OP/BP 4.12 resettlement packages would require <i>inter alia</i> that the government pay replacement value compensation and provide livelihood assistance to all affected people, regardless of whether or not the building was constructed legally, or whether or not they</p>

No.	Issue/Findings	Para No.	Comment/Action
			<p>held legal title. Thus a government might be required, for example, to pay for buildings constructed illegally in high value real estate areas. Applying the policy in land use planning activities would mean that there would be eligibility for compensation due to a potential decrease in land values in certain areas as a result of zoning changes. In such cases, lawful land use would be compensated for in accordance with local laws and due process governing expropriation of assets.</p> <p>Management deeply regrets that the rationale for not applying OP/BP 4.12 was insufficiently documented in the PAD. Likewise, Management notes that in contrast to good practice, no social, institutional or legal assessments were carried out during Project preparation.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Targeted training for staff in all Regions will be provided to support application of this guidance.</li> </ol>
2.	<p><b>Analysis of Management Decision Not to Apply OP/BP 4.12 to Ongoing Demolitions in Project Area</b></p> <p>Panel is surprised with Management’s determination that there is “no linkage” between GoA demolition program and the objectives of the Project as provided in paragraph 4 of OP/BP 4.12. The Government’s demolition programs aim to enforce land-use requirements, and the very purpose of the Project is to promote sustainable development and management of the coastal zone, including through land-use planning measures and requirements and their enforcement. Panel finds that the kind of encroachment removal that the GoA intends to carry out in the area covered by the Bank assisted Project clearly falls within the three categories stated in paragraph 4 of OP/BP 4.12, Bank Policy on Involuntary Resettlement. To wit: (a) the Government’s demolition program aims to achieve objectives which are declared to be the same as the objectives pursued by the Project itself -- the sustainable development and proper use of the coastal zone; (b) as such, the activities are necessarily part of actions to achieve these</p>	114-141	<p><b>COMMENT:</b> At the time the Project was presented to the Board, Management judged that OP/BP 4.12 did not apply to the preparation of the SCDP, and considered the Government’s ongoing demolition program to be outside the scope of the Project. Management took the view that the SCDP was a natural resource management activity excluded from the policy due to OP/BP 4.12, Paragraph 3, Footnote 8, which excludes “regulations of natural resources on a national or regional scale to promote their sustainability.”</p> <p>Management acknowledges that the actions that have transpired illustrate the ambiguity on whether OP/BP 4.12 should apply given the Government’s ongoing demolition activities in the Project area.</p> <p>Regardless of whether or not OP/BP 412 should have been applied, it does not excuse the failure to apply good practice to the types of adverse social and economic impacts that should have been anticipated by Management. This would have helped avoid the adverse impacts on the Requesters and on the World Bank’s reputation. The Project design failed to include a comprehensive assessment of social, legal and institutional aspects, or of associated due process mechanisms that could have helped protect the Requesters.</p> <p>In light of the known threat of possible demolitions, Management should have insisted on a moratorium on demolition activities in the Project area until the SCDP and associated local plans had been prepared and a package of social mitigation measures was in place.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. The Bank will finance selected costs for carrying out a case-</li> </ol>

No.	Issue/Findings	Para No.	Comment/Action
	<p>objectives; and (c) these activities are planned and carried out contemporaneously with the Project, within the meaning of paragraph 4 of OP/BP 4.12. Panel notes that Management's decision not to apply the policy, as stated in the PAD, is in conflict with the provisions of the policy, and relates to the view that demolitions of houses are not a 'taking of land.' This faulty approach seems to be another reason behind Management's decision not to apply OP/BP 4.12 to the Project.</p> <p>Panel also notes that Management's decision not to apply the policy, as stated in the PAD, is in conflict with the provisions of the policy, and relates to the view that demolitions of houses are not a 'taking of land.' This faulty approach seems to be another reason behind Management's decision not to apply OP/BP 4.12 to the Project.</p>		<p>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. 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 restructured Project; and (ii) directly provide assistance to the Requesters, even though the Bank is not legally obligated to do so.</p> <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>4. <u>In the event that a decision is taken to restructure the Project</u>, Management proposes maintaining 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 would be cancelled and the associated funds re-allocated to other activities. The proposed restructuring would be presented to the Board for approval. While the Project is being restructured, the suspension of disbursements would be lifted for all but the land planning activities to ensure the continued implementation of important infrastructure investments. Management will report to the Board in three months on the Project.</p>
3.	<p><b>Application of OP/BP 4.12 to the Infrastructure Investments Following the Adoption of the SCDP</b></p> <p>Panel did not review the adequacy of the Resettlement Policy Framework adopted by GoA that Management</p>	161-162	<p><b>COMMENT:</b> Management agrees with the Panel that the provisions of OP/BP 4.12 need to apply to <u>Project-financed</u> investments that follow the planning framework of the SCDP. As such, these are covered by the ESSF. Management acknowledges the error in the ESSF with respect to infrastructure investments financed outside the Project and</p>

No.	Issue/Findings	Para No.	Comment/Action
	<p>states will apply to specific investments to be supported under the SCDP, however, Panel finds that the provisions of OP/BP 4.12 need to apply to investments that will follow the planning framework of the SCDP.</p> <p>It is not clear however to the Panel how the Bank will monitor and supervise the implementation of the ESSF in accordance with Bank relevant policies in cases of infrastructure investments not directly financed by IDA.</p>		<p>wishes to clarify that in these cases, OP/BP 4.12 will not apply.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 2 on Judiciary review, Social and Vulnerability Assessment and Project restructuring.</li> <li>2. The World Bank Office in Tirana, Albania will conduct periodic training for project staff and government officials on application of Bank safeguard policies to projects in the Albania portfolio.</li> </ol>
4.	<p><b>Disparate Treatment for Affected People</b></p> <p>Panel observes that a differentiated approach to the application of OP/BP 4.12 could lead to different treatment of affected people with similar situations under different phases of the Project. Panel finds that such outcomes should have been envisaged during Project design and that neglecting the possibility of their occurrence represents a failure of policy interpretation and a substantive non-compliance with necessary application of Bank Policy on Involuntary Resettlement.</p>	163-166	<p><b>COMMENT:</b> Management agrees with the Panel that OP/BP 4.12 sets out a differentiated approach with regard to affected people.</p> <p>In light of the known threat of possible demolitions, Management should have insisted on a moratorium on demolition activities in the Project area until the SCDP and associated local plans had been prepared and a package of social mitigation measures was in place. The Project should not have been submitted for Board approval in the absence of a moratorium on demolitions of existing buildings.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 1 on clarification of OP/BP 4.12 with respect to land use planning.</li> <li>2. See Item 3 on training on application of Bank safeguard policies.</li> </ol>
<b>OP/BP 10.00 INVESTMENT LENDING: IDENTIFICATION TO BOARD PRESENTATION</b>			
5.	<p><b>Claimed "Agreement" to Suspend Demolitions</b></p> <p>In the absence of applying the Bank Policy on Involuntary Resettlement, the claimed "agreement" with the GoA to suspend demolitions in the Project area, stated in the PAD, gave the impression that a safeguard was in place to protect potentially affected people and the Bank against the critical Project risk of demolitions. During its investigation, however, Panel learned that the Government had not made such a commitment and had not agreed with what the PAD was stating. The crucial statement cited above turned out to be unfounded and incorrect. During the Board Meeting, Management did not inform the Board about this fact, although Executive Directors indicated that they welcomed the existence of this agreement.</p> <p>Panel finds that without the alleged</p>	142-150	<p><b>COMMENT:</b> A series of errors was committed throughout the Project cycle. Management agrees with the Panel that the statement in the PAD regarding the suspension of demolitions is incorrect and that without such a moratorium critical social risks are not adequately mitigated.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 2 on Judiciary review, Social and Vulnerability Assessment and Project restructuring.</li> <li>2. 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 the alleged misrepresentation to the Inspection Panel and events surrounding Project preparation, Board presentation, and Project supervision.</li> <li>3. Regional Management has carried out a comprehensive review of the ECA Region's portfolio of 302 projects to address concerns raised with respect to the quality and accuracy of PADs to ensure that they: (a) appropriately reflect agreements reached with the Borrower; (b) give an accurate impression of</li> </ol>

No.	Issue/Findings	Para No.	Comment/Action
	<p>agreement with the GoA to suspend demolitions in the Project area, without an agreement on a cut-off date, and above all without applying the Bank's Policy on Involuntary Resettlement to ongoing demolitions, Management failed to safeguard people potentially affected by Project related activities. This fails to comply with OP/BP 4.12. Management did not protect the Bank against a significant reputational risk acknowledged in the PAD.</p>		<p>the 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> <p>4. 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>
6.	<p><b>Panel's Review of Board Transcript</b></p> <p>During its meeting with the Project team and Country Management at the Bank's Tirana office, the Panel team requested information on the Government's agreement not to continue demolitions in the Project area as set forth in the PAD. The Project team indicated that this was a mistake in the PAD and no such agreement exists (sic) with the Government.</p> <p>The Project team further indicated to the Panel team that during the Board discussion Management clarified to the Board members that this statement in the PAD was a "mistake." Panel found that the paragraph allegedly included in the Board statement given to the Panel by Management during its Eligibility visit, was not read to the Board. The Panel found that this statement would have provided to the Board crucial factual information on the status of a critical risk mitigation measure in the PAD, and which was welcomed and relied upon by the Board members while approving the Project. This is not in compliance with OMS 2.20 and Annex D of BP 10.00 on Investment Lending: Identification to Board Presentation.</p> <p>To date, Panel does not know why and when Management decided not to indicate that the statement in the PAD was a mistake and how this issue evolved over time. Panel is very concerned about Management's misrepresentation of important factual information to the Panel. This is contrary to the process established by the Board Resolution establishing the Panel and provisions of BP 17.55.</p>	254-270	<p><b>COMMENT:</b> Management agrees with the Panel that the PAD presented to the Board on June 21, 2005 misrepresented the existence of an agreement with Government on a moratorium on involuntary demolitions. This misrepresentation concerned a critical aspect of Project design. Management recognizes the failure to correct the erroneous PAD reference during the Board meeting even as members of the Board welcomed the purported agreement in their written statements. Management missed another opportunity to correct this error when clearing the "Summary of Board Statement" even though this statement was cleared by individuals who were aware that no moratorium existed. Regarding allegations of misrepresentation to the Panel, the President has asked the World Bank's Department of Institutional Integrity to lead an Accountability Review into the alleged misrepresentation to the Inspection Panel and events surrounding Project preparation, Board presentation, and Project supervision.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 5 on accountability review.</li> <li>2. See Item 5 on comprehensive review of the Europe and Central Asia Region's portfolio.</li> <li>3. See Item 5 on institution-wide review of the Bank's portfolio and quality control arrangements.</li> </ol>
<b>OP/BP 13.05 PROJECT SUPERVISION</b>			

No.	Issue/Findings	Para No.	Comment/Action
7.	<p><b>Lack of Foresight and Adaptive Measures.</b> The Panel is concerned about Management’s lack of foresight regarding the consequences of a substantial delay in completing the SCDP. The Panel is equally concerned that the Project design was not reviewed and adapted to the new realities once significant delays in finalizing the planning phase had occurred. This is not consistent with the provisions of OP/BP 13.05 on Supervision.</p>	160	<p><b>COMMENT:</b> Management agrees with the Panel’s assessment that the Project was not adapted to the changing circumstances when preparation of the SCDP was delayed by more than two years.</p> <p><b>ACTION:</b></p> <p>1. See Item 2 on Judiciary review, Social and Vulnerability Assessment and Project restructuring.</p>
8.	<p><b>Links Between Demolitions in Jale and the Project</b></p> <p><b>(a) Project Communications Related to Demolitions in Jale</b></p> <p><b>(b) Demolished Houses Identified by Aerial Photographs Financed Under Project</b></p> <p><b>(c) Assistance to the Construction Police</b></p> <p>Panel investigation revealed an important and direct connection between Project and demolitions in Jale. Indeed, Project records indicate an active relationship between Project and Construction Police and the fact that aerial photography financed under the Project identified the buildings that were demolished.</p> <p>On March 26, 2007, PCU sent a letter, on the official letter head of the Bank-financed Project, signed by Project Coordinator, to almost all relevant high level government authorities, including the General Director of the Construction Police, notifying them of what he characterized as illegal constructions along the Ionian Coast. Attached to the letter were two CDs with aerial photos of the coast. Aerial photographs of the coast were financed by the Project. It is important to note that PCU issued the letter on the official letter head of the Bank-financed Project and the letter was signed by the head of PCU, in his capacity as the Project Coordinator and attached to the letter were aerial photographs financed by the Project. In its response letter, the Construction Police stated that it had administered all the necessary procedures and the decisions for demolition of these constructions had been communicated to the respective parties.</p>	172-207	<p><b>COMMENT:</b> Management acknowledges the Panel’s findings concerning the actions of the Albanian Project Coordination Unit and their impacts on the Requesters. Management notes that the demolitions in Jale were not authorized by the World Bank. However, Management understands that on March 26, 2007 – less than one month prior to the demolitions on the Southern Coast – the Albanian Project Coordination Unit sent a letter on Project letterhead to high-ranking government officials, including the General Director of the Construction Police. In the letter, the Project Coordination Unit notes that illegal constructions are continuing on Albania’s Southern Coast and states,</p> <p><i>“Given the importance of the sustainable development in this area and its impact on the overall economic and tourism development of the country, with respect for the environment, kindly make sure to take the necessary measures and as fast as possible.”</i> [Emphasis added.]</p> <p>Less than two weeks later, the Construction Police responded to the Minister of Public Works, Transport and Telecommunications and the Project Coordination Unit indicating,</p> <p><i>“The Construction Police department has administered all the necessary legal procedures pertaining to such instances, and the decisions for the demolition of these illegal constructions have been notified to the respective parties, giving them the possibility of appeal and submission of the documents that they have with regard to these constructions.”</i></p> <p>The demolitions in Jale began one week later.</p> <p>Management acknowledges that these demolitions have adversely affected the Requesters. Management also acknowledges that the actions that have transpired illustrate the ambiguity on whether OP/BP 4.12 should apply given the Government’s ongoing demolition activities in the Project area. Management should have insisted on a moratorium on demolition activities in the Project area until the SCDP and associated local plans had been prepared and a package of social mitigation measures was in place.</p> <p>Management agrees that events on the ground have created a situation in which assistance should be provided to the affected parties.</p> <p>Management agrees with the Inspection Panel that there was failure in Project supervision. On learning about the demolitions, Management should have acted immediately to</p>

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	<p>Project records show that the Project provided support, both material and technical, to the Construction Police for the demolitions that were the cause of this Request for Inspection. The most important item being the aerial photographs used to identify the houses to be demolished. This constitutes a direct and material support of the Project to the demolitions in Jale. Panel notes that this Project activity was not acknowledged or described in Management Response. To the contrary, the Response states in no uncertain terms that “[t]he demolitions were not linked to the Project directly or indirectly.”</p> <p>Project documentation demonstrates that the Project has provided resources and support for the Construction Police related to demolition activities in the Project area. This kind of support establishes a crucial link between the Project and the demolitions.</p> <p>This description in the Management Response, however, does not include elements of the procurement plan of the Project, which includes provision of office equipment, furniture and vehicles for enforcement capacity and equipment for collection and transport of demolition waste. As noted above, the February 19-24, 2007, supervision mission confirmed the provision of basic equipment to the Construction Police by the Project. Furthermore, on April 3, 2006, the Construction Police submitted a request for the financing by the Project of vehicles and several items of electronic and office equipment.</p> <p>The analysis and facts established above show that the Bank Policy on Involuntary Resettlement should have been applied to the demolitions related to the Project. This conclusion takes into account the assistance provided by the Project to the Construction Police for the delivery of their functions, aerial photographs identifying the demolished houses also financed by the Project, and the official communications of the PCU calling on the Construction Police to deal with the alleged illegal construction.</p> <p>Panel finds no merit in Management’s statement that “[t]he demolitions were not linked to the Project directly or indirectly.” Indeed, Panel finds a direct</p>		<p>meet with affected people and discuss with Government means to mitigate adverse impacts. Moreover, from the start of Project implementation, Management should have clarified the role of the Project Coordination Unit vis-à-vis the Government’s ongoing demolition program, recognizing the risks of the demolition program to the Project objectives</p> <p>Management notes that equipment for collection and transport of demolition waste pertains to the Southern Coastal Solid Waste Management subcomponent. The PAD notes, “<i>The Project will also finance a Construction and Demolition Waste (CDW) pilot project to reduce the amount of scattered debris, through targeted collection and disposal of CDW in the landfills.</i>” This equipment is designated for landfill management companies overseeing municipal landfills in the Municipalities of Saranda and Himara.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 2 on Judiciary review, Social and Vulnerability Assessment and Project restructuring.</li> <li>2. Management will 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. Targeted training for staff in all Regions will be provided to support application of this guidance.</li> <li>3. 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) increased supervision of government-led consultation processes during project preparation and implementation.</li> </ol>

No.	Issue/Findings	Para No.	Comment/Action
	<p>link between the demolitions in Jale and the Project and its objectives. Consequently, Panel finds that Management failed to comply with requirements of OP/BP 4.12 on Involuntary Resettlement with respect to demolitions that took place in Jale. In this sense, Project also failed to address the poverty reduction objectives set forth in OP/BP 1.00 on Poverty Reduction.</p>		
9.	<p><b>Addressing grievances of the Jale residents</b> As part of “good project design” in the preparation of the SCDP, Management agreed with the Borrower that it would develop certain criteria and procedures to assist “<i>affected people who lose their primary residence or main source of livelihood due to encroachment removal.</i>” Panel notes, however, that this promise becomes effective only once the SCDP is prepared. As a result, Project design has not enabled the provision of assistance to people who lost their homes or sources of livelihood in Jale. As far as Panel can ascertain, as of the date of this Report, no assistance has been provided to these people.</p>	158	<p><b>COMMENT:</b> Management should have insisted on a moratorium on demolition activities in the Project area until the SCDP and associated local plans were prepared and a package of social mitigation measures was in place. The Project should not have been submitted for Board approval in the absence of a moratorium on demolitions of existing buildings.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 2 on Judiciary review, Social and Vulnerability Assessment and Project restructuring.</li> <li>2. In the event of cancellation of the Credit, Management proposes assistance to the affected families, including if necessary from the Bank’s own resources, even though the Bank is not legally obligated to do so.</li> <li>3. Management will report to the Board in three months on assistance to those affected by the April 2007 demolitions in the event of cancellation of the Credit.</li> </ol>
10.	<p><b>Partial Fact Finding Process in Response to Requesters’ Complaints</b></p> <p>The omission of key events and relationships surrounding demolitions in Jale in Fact Finding Back to Office Report may be regarded as a material misrepresentation of a situation about which the Mission was mandated to provide a “<i>fuller understanding of the facts</i>”. This omission fails to convey evidence that would have suggested fundamental flaws in Project design, implementation, and supervision. It appears that Management would have been better served by sending in staff who were not directly involved in this Project to undertake a “fact finding” mission in a highly controversial situation. Panel finds that Management’s own “fact finding” report, by leaving out essential facts which it had the obligation to report according to the TOR it received, did not comply with Bank Policy on Supervision, OP/BP 13.05.</p>	222-234	<p><b>COMMENT:</b> By not responding in a timely manner to the April 2007 demolitions, Management allowed public opinion to link the demolitions to the Project and thus to the World Bank. The Jale demolitions took place from April 17 to April 21, 2007. The Task Team first learned of them via the media on April 18, 2007 and contacted the Albanian Project Coordination Unit on April 19, 2007. On that same day, the Task Team received a copy of the March 26, 2007 correspondence between the Albanian Project Coordination Unit and the Construction Police. A “Fact Finding Mission” consisting of the Task Team Leader and the Task Team’s Social Scientist visited the area from May 3 to May 5, 2007. As the Inspection Panel underlined, the mission failed to relay critical information to Management, especially regarding the existence of the correspondence between the Albanian Project Coordination Unit and the Construction Police. The Task Team apparently failed to appreciate the gravity of the language contained in this correspondence. Following the “Fact Finding Mission”, for several months no attention was paid to the families affected by the April 2007 demolitions. Correspondence from one of the Requesters was logged in and shared with both the Country Manager and the Sector Manager but left unanswered. Country Management did not correct misleading media reports.</p> <p>Management is concerned about references in the Inspection Panel’s Investigation Report regarding statements made by Government officials in Albania’s Parliament in April 2007 following the demolitions. Management contracted a translation of the transcript of the Minister’s comments.</p>

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			<p>Management notes that the only statements made by the Minister referring to the World Bank are:</p> <p><i>“There is no government project to develop tourist complexes and this is a publicly known fact through the media, since the coastal area plan has not been completed yet, therefore neither the government nor the World Bank shall fund projects for tourist complexes. This is a universally known fact and I would say that especially you, the deputies of the zone, must be aware that the Government of Albania is working with the support of the World Bank to finalize the coastal zones, which have character, full transparency and participation of local government units and of the zone community. For the first time, this project of the World Bank foresees 13 million USD for investments, roads, water supply systems, preservation, lighting for the entire coastal area based on co-financing scheme where the local authorities along with their communities have agreed to fund 20% of these projects, therefore law should be enforced to open the way to these funds.”</i></p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 5 on accountability review.</li> <li>2. See Item 8 on strengthening communications in the World Bank Office in Tirana, Albania.</li> <li>3. 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.</li> </ol>
<b>CONCLUDING REMARKS</b>			
11.	<p><b>Conclusions</b></p> <p>Panel finds that initial decision not to apply OP/BP 4.12 at the decisive stage of appraisal was a root cause in Management’s mishandling of the Jale demolitions. Panel finds that not only during Project design and appraisal but also during Project implementation the Bank failed to comply with OP/BP 4.12 on Involuntary Resettlement.</p> <p>This Project, which included components known to be associated with demolitions in the Project area, harbored a critical risk that could have been avoided with an appropriate contractual framework and adequate supervision. Panel finds that Bank has failed to supervise the Project, as required under Bank’s Policy on Supervision OP/BP 13.05.</p> <p>Panel also concludes that Management Response was particularly unhelpful and non-informative and at times in total conflict with factual information which</p>	243-248	<p><b>COMMENT:</b> Management deeply regrets the events that occurred in April 2007 in the Southern Coast of 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. These errors are unacceptable and point to a serious breakdown of Management’s accountability, responsibility and oversight mechanisms for the Project. Management is appreciative of the Inspection Panel for having brought these errors to its attention and agrees with the Panel that OP/BP 10.00 on Investment Lending – Identification to Board Presentation, and OP/BP 13.05 on Project Supervision were violated.</p> <p>With respect to OP/BP 4.12, see Items 1- 4 above.</p> <p><b>ACTION:</b></p> <ol style="list-style-type: none"> <li>1. See Item 9 on Management’s report to the Board.</li> </ol>

<b>No.</b>	<b>Issue/Findings</b>	<b>Para No.</b>	<b>Comment/Action</b>
	had been long known to Management.		