

ALBANIA

**RESTRUCTURING OF EDUCATION EXCELLENCE
AND EQUITY PROJECT (EERP)**

**EUROPE AND CENTRAL ASIA REGION
PROJECT PAPER**

Date: February 25, 2010		Task Team Leader: Richard Hopper	
Country: Albania		Sector Manager/Director: Mamta Murthi /	
Project Name: Education Excellence and		Tamar Manuelyan Atinc	
Equity Project		Country Director: Jane Armitage	
Project ID: P078933		Environmental category: B	
Borrower: Albania			
Responsible agency: Ministry of Education and Science (MOES)			
Estimated disbursements (Bank FY/US\$m)			
FY	Up to 07	08	09
Annual	3.0	4.0	4.0
Cumulative	3.0	7.0	11.0
Current closing date: December 31, 2010			
Revised closing date: None			
Indicate if the restructuring is:			
Board approved <u> X </u>			
RVP approved <u> </u>			
Does the restructured project require any exceptions to Bank policies? <u> </u> Yes <u> X </u> No			
Have these been approved by Bank management? <u> </u> Yes <u> X </u> No			
Is approval for any policy exception sought from the Board? <u> </u> Yes <u> X </u> No			
Revised project development objective/outcomes:			
Not applicable.			
Does the restructured project trigger any new safeguard policies? Yes.			
X OP/BP 4.12 Involuntary Resettlement			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
Borrower	30.0	0.0	30.0
IBRD/IDA	15.0	0.0	15.0
European Investment Bank	15.0	0.0	15.0
Council of Europe Development Bank	15.0	0.0	15.0
Total	75.0	0.0	75.0

I. Introductory Statement

1. This Project Paper seeks the approval of the Executive Directors to introduce changes in the *Albania Education Excellence and Equity Project* (EEEP or the Project), Credit Number 41800, and accompanying amendments to the Project's legal documents. The proposed change is to increase the scope of Component 3 (*Improving and Rationalizing Education Infrastructure*) so that the Credit can finance the construction of new schools in addition to the school rehabilitation activities originally envisaged in the Project. As some of those schools will require acquisition of land, such a change triggers safeguard policy OP/BP 4.12 on Involuntary Resettlement.

II. Background and Reasons for Restructuring

2. EEEP is a multi-donor Sector Wide Approach (SWAp) being used to support the Government of Albania in the implementation of the first phase of the country's National Education Strategy (dated February 15, 2006) (NES) as expressed through the Annual Reform Program (ARP) of the Ministry of Education and Science (MOES). The IDA credit was approved on June 1, 2006 and became effective on October 4, 2006. Total financing of the Program is US\$75 million of which US\$15 million equivalent is from the International Development Association (IDA) and the remainder from the European Investment Bank (US\$15 million), the Council of Europe Development Bank (US\$15 million) and the Government of Albania (US\$30 million). The World Bank is the lead supervision agency among the donors and World Bank policies and procedures apply to the entire Program including fiduciary, social and environmental safeguards. The Project closing date is scheduled for December 31, 2010.

3. The development objective of EEEP is to (a) improve quality of learning conditions for students; (b) increase enrollment of students in general secondary education; and (c) initiate higher education reform, thereby supporting the first phase of the Government of Albania's NES.

The Project's priorities are:

- i. Strengthening management, leadership and governance in the education system;
- ii. Improving the quality of learning conditions;
- iii. Developing and improving education infrastructure; and
- iv. Setting the stage for higher education reform.

4. Currently the Project is rated *Moderately Satisfactory* with respect to achievement of development objectives and *Moderately Unsatisfactory* with respect to implementation performance as the MOES continues to address fiduciary capacity issues; the disbursement as of January 2010 is US\$6.8 million (equivalent), approximately 40 percent of the total IDA Credit. The MOES is now implementing the agreed Fiduciary Capacity Building Plan.

5. During the course of implementation, the World Bank approved investments in new schools and some initial actions were taken towards the construction of new schools,

thus making project implementation inconsistent with the Project's or triggering OP/BP 4.12 on Involuntary Resettlement. The Policy Assessment (OP/BP 4.01) had already been triggered under the or details of this inconsistency are set out below. Because the problem no new schools had actually been constructed with support from EE

6. The Project as prepared and approved by the Executive Board provided rehabilitation and addition of classrooms to existing schools but it did not provide construction of new schools on new sites. As such, the World Bank's Operational Policy 4.12 on Involuntary Resettlement was not triggered and the required safeguard measures to support construction of new schools were not taken during Project preparation. Additionally, the environmental mitigation measures put in place during the original Project preparation addressed environmental issues arising from rehabilitation but not from new construction, and were therefore more limited in scope than would be required for new school construction. Notwithstanding the above, during the course of Project implementation, the Bank provided a *No Objection* to support the construction of new schools by approving in 2006 a Project Operations Manual (POM) which included new school construction. Subsequently, in 2007 the Bank accorded a *No Objection* to the Annual Reform Plan (ARP 2007) which covered technical assistance for the design of new schools, and in 2008, the Bank gave *No Objections* to the ARP 2008 and to the 2008 Procurement Plan, both of which included new school construction.

7. The Bank became aware of the inconsistency between the approved POM and ARPs and the original Project design (including the PAD and the Financing Agreement) during a supervision mission in May 2008. The Bank informed the MOES that project design did not contain provisions to address involuntary resettlement, land acquisition and environmental issues related to new school construction. As a result, the Bank could not support new school construction under the Project as originally designed. MOES was asked to halt all actions under the Project relating to new school construction pending project restructuring. In May 2008, in anticipation of awarding a contract for school design for a specific plot of public land, the Municipality of Shkodra ordered the demolition of a concrete wall and nearby garden cultivated by a private individual on public land. It was also noted that expropriation procedures had moved forward on four other sites where new schools were proposed. The Bank informed MOES of the need to take remedial action with respect to the demolished wall and garden at the Shkodra site, and to complete due diligence for all proposed new school construction sites in order to comply with Bank safeguard policies. The MOES agreed to halt all activities related to new school construction under the Project pending restructuring and the retroactive application of any triggered safeguard policies and appropriate payment of compensation to any affected individuals.

III. Proposed Changes

8. The restructured Project would allow the MOES to finance new school design and construction with Project resources. The PDO would remain unchanged by the proposed restructuring. The safeguards framework would be updated to accommodate the construction of new schools. Of the US\$75 million in program resources, MOES

anticipates allocating up to US\$15 million for the design and construction of 12 new schools on new sites. No exceptions to Bank policies would be necessary. Institutional arrangements and project costs would remain unchanged. Given the volume of investments in school construction, an extension of the Project Closing Date would likely be necessary. Upon restructuring the MOES would undertake an assessment of the implementation flow to determine the length of time needed for completion of the proposed new schools. The restructured Project would remain classified under the World Bank's policy for environmental safeguards as a *Category B* given that the potential environmental impacts of new school construction are site-specific and deemed reversible.

9. The change in project design supported by this restructuring would require changes to implementation arrangements which would be reflected by amendments to the Financing Agreement. These amendments would reflect the application of OP/BP 4.12 which is being triggered by the need for land acquisition for new school construction under the Project and additional requirements for application of OP 4.01 to proposed new school construction. Specifically, the amended Financing Agreement would establish that the Recipient is required to (i) comply with the agreed Resettlement Policy Framework (RPF) and overall project Environmental Management Plans (EMP), including retroactive application of the RPF to actions that have already been undertaken in connection with school construction at Shkodra and other sites (see below); (ii) prepare certain site-specific safeguard documents for sub-projects prior to construction; and (iii) maintain the appointment of an environmental coordinator in MOES responsible for ensuring compliance with the EMP during implementation.

10. The Project Operational Manual (POM) has been amended to reflect changes in project design, including detailed procedures to be followed for school construction prior to its start, and procedures relating to the preparation of safeguard documentation for individual sub-projects prior to construction. If such restructuring is approved by the Board, the World Bank and the EEEP co-financiers (the European Investment Bank and the Council of Europe Development Bank) would agree with the Borrower on an updated procurement plan to accommodate implementation of new school construction.

IV. Analysis

11. None of the proposed changes has a major effect on the original economic, financial, technical, institutional or social aspects of the Project as appraised. Investment in new school construction would allow the MOES to address the shortage of school space and relieve overcrowding in direct support of the Project Development Objective (PDO) but require adjustment to the Project implementation arrangements to ensure compliance with the environmental and social safeguard policies, namely OP 4.01 and OP 4.12.

12. Following this restructuring, the Project would involve no exceptions to Bank policies. As part of the social safeguards due diligence for Project restructuring, a Resettlement Policy Framework (RPF) for Involuntary Resettlement has been prepared by the MOES and approved by the World Bank; the RPF would be applied retroactively

for all expropriation actions already ongoing, as well as for any land acquisition that may become necessary during Project implementation for the construction of schools or related civil works. The POM has been amended by the MOES to reflect the RPF, describing the issues, good practices, format, and contents for preparing site-specific Abbreviated Resettlement Action Plans (ARAPs). Of the 20 sites proposed for school extension or construction in the current work plan under the restructured EEEP, five of them require land acquisition.

13. One of the five sites intended for the construction of a new school is located in the Municipality of Shkodra where the local government identified 5,100 square meters of land for this purpose. (See Paragraph 7) On May 30, 2008, prior to drafting any Resettlement Plan and without obtaining clearance of such a plan from the World Bank, the Regional Construction Inspectorate served a Notice of Demolition to an individual who was informally using the land. On June 4, 2008 removal of plantings and demolition of a concrete wall were carried out. On June 18, 2008 the World Bank requested the Government to halt displacements of any land users on any proposed new school sites and cease with any land acquisition actions, clearing of land, or procurement actions related to new school construction and sent a follow-up letter on June 27, 2008. The MOES agreed to retroactively apply the approved EEEP Resettlement Policy Framework to this case in Shkodra and shall prepare and apply an ARAP for the Shkodra site according to the provisions in the amended Financing Agreement. World Bank safeguard specialists have assessed the damages to investments and incomes resulting from the actions already taken within area slated for the construction of a new school in the Municipality of Shkodra, and made recommendations to the Government pertaining to the retroactive application of OP/BP 4.12 in this case. The amended Financing Agreement will include a covenant that obliges the Recipient to indemnify the concerned person(s) by April 30, 2010 (see dated covenant in the amendment to the Financing Agreement) under the new Resettlement Policy Framework. The World Bank task team for this Project, under the guidance of a Social Safeguard specialist, will monitor and report on compliance with OP/BP 4.12 in this particular instance through regular project supervision

14. ARAPs were prepared by the government and approved by the World Bank in August 2008 for the four other proposed sites requiring land acquisition. A draft RPF was prepared in parallel but a final approved version was not officially published until November 2009. Meanwhile, the Government had certain reservations as to whether it would be possible to complete all of the due diligence necessary for a restructuring of the Project within sufficient time to allow for the completion of the proposed new school constructions before the Project closing date. Consequently, the authorities continued with expropriation procedures on the basis of national law to move forward with land acquisition using budget resources available and in an effort to allow for the completion of the proposed new school constructions before the Project closing date. The Albanian Council of Ministers subsequently issued expropriation decisions for the four parcels in question. Given the sequence of events and the Government's continuation with the four expropriations prior to the publication of the approved RPF, the World Bank will assist the MOES in updating the relevant ARAPs and assess whether the related expropriations are in compliance with the RPF and OP4.12 in order to determine whether these school

constructions are eligible for Project financing. The Government is fully aware that, in order for these schools to be eligible for EEEP financing, any past or future land acquisition actions must be compliant with the agreed and published RPF as well as the revised ARAPs. The MOES has agreed to implement all ARAPs in a timely fashion in compliance with OP 4.12.

15. The Project Environmental Management Plan (EMP) now includes provisions to accommodate new construction on new sites, requiring preparation of site-specific Environmental Impact Assessments for new construction and site-specific EMPs for school extension or rehabilitation. Such revisions have been included in the revised POM which has been disclosed on the MOES website. This EMP will serve as environmental framework defining environmental due diligence for specific sub-projects. A site-specific Environmental Impact Assessment (EIA) including a site-specific EMP would be prepared for each of the 12 proposed sites for new school construction. One site-specific EIA acceptable to the World Bank has already been completed for the Municipality of Paskuqan and will serve as a model for all other proposed sites for new school construction.

16. The Project's Resettlement Policy Framework (RPF) and the site-specific Environmental Impact Assessment (EIA) for the Municipality of Paskuqan and an EMP checklist have been disclosed in Albania by the MOES according to World Bank guidelines and have been published by the World Bank InfoShop. Accordingly, the corresponding Public Information Document (PID) and Integrated Safeguards Data Sheet (ISDS) have been updated and disclosed.

V. Expected Outcomes

17. Although the proposed changes do not involve modifications to the original PDO, they help the Project to move more efficiently and effectively toward achieving the outcome targets in the shortfall of classrooms and the percentage of students attending schools with double shifts by supporting new school construction. The restructured Project would increase the number of schools with physical infrastructure meeting the required minimum standards of physical space and help to relieve overcrowding at basic and secondary schools and reduce the percentage of students attending schools in double shifts which currently stands at 25 percent of students enrolled in Albanian public schools. As these new schools are expected to absorb students from nearby overcrowded schools, they are not expected to result in an overall increase in enrollment. As such, project outcome indicators will remain unchanged.

VI. Benefits and Risks

18. The benefits of the proposed changes are increased likelihood of meeting the PDO. Additionally, with the proposed changes, the World Bank and the Government would be able to ensure that new constructions would be undertaken with the appropriate environmental and social mitigation policies thus preventing negative impacts on the environment or on individuals.

19. The risks of including new school construction are somewhat greater than the school rehabilitations and expansions proposed in the original EEEP design given that there are more complex resettlement and environmental issues. These risks would be mitigated through compliance with World Bank due diligence on involuntary resettlement and environmental impact policies.

20. The delay caused by the due diligence procedures for application of OP/BP 4.01 and 4.12 necessary for restructuring have delayed implementation of some priority areas of the project by several months. It is anticipated that a restructured Project will move swiftly with new school construction thereby making up some of the delay. Meanwhile an assessment of the implementation progress will provide the basis for determining the precise length of any possible extension of the IDA Credit.