

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY

February 1, 2011

H.E. Ridvan Bode
Minister of Finance
Ministry of Finance
Bulevardi "Deshmoret e Kombit"
Tirana, Albania

Re: Credit No. 4263-ALB (Land Administration and Management Project)
Amendment to Financing Agreement

Excellency:

We refer to the Financing Agreement ("Agreement") between Albania ("Recipient") and the International Development Association ("Association") and the Loan Agreement ("Loan Agreement") between Albania ("Borrower") and the International Bank for Reconstruction and Development ("Bank"), both dated March 21, 2007, for the captioned Project. We also refer to your letters requesting the proposed restructuring of the Project and to subsequent meetings and correspondences between representatives of our respective offices regarding the restructuring.

After due consideration, the Association agrees to restructure the Project and hereby amends the Agreement as follows:

1. Schedule 1 of the Agreement is amended to read as follows:

"SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in: (a) improving the efficiency and effectiveness of land administration and management through enhanced tenure security and improved urban planning; and (b) rebuilding physical assets and restoring essential services in flood affected areas of Albania.

The Project consists of the following parts subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

Part A. Security of Tenure and Registration of Immovable Property Rights

1. Improvement of service delivery by the IPRO for land registration and property transactions, through the provision of equipment and furniture, consultants' services, technical services, information technology, training and capacity building services.
2. Operational support for significantly increasing coverage of first registration of urban, per-urban and rural immovable property, including, inter alia, public awareness and outreach campaigns, mapping and adjudication services, support for quality control, through the provision of goods, technical services and consultants' services.
3. Development and revision of laws and regulations necessary to support the completion of registration of immovable property, improve IPRO services and enhance the security of tenure, through the provision of consultants' services.
4. Development of a training needs assessment, provision of training to IPRO staff, and establishment of a training center in the IPRO's central office, through the provision of consultants' services, training, goods and works.
5. Strengthening of IPRO's administrative, general management and Project management capacities, through the provision of Incremental Operating Costs, equipment and consultants' services.

Part B. Urban Land Management

1. Capacity building in Participating Municipalities, including, inter alia, the development of regulatory plans through the provision of consultants' services, technical services and goods.
2. Development of urban land management laws, through the provision of consultants' services.
3. Provision of training to municipal staff in land use planning and development control.
4. Strengthening of the Urban Planning Department's administrative and management capacity, through the provision of Incremental Operating Costs, goods and consultants' services.

Part C. Municipal Infrastructure

1. Provision of Small Grants to Participating Municipalities for improvement of municipal infrastructure and services.
2. Implementation of address systems in Participating Municipalities, through the provision of goods and consultants' services.

3. Provision of training to Participating Municipalities in the areas of procurement and financial management.
4. Project management and capacity building support for the Ministry of Interior, through the provision of Incremental Operating Costs, goods and consultants' services.

Part D. Emergency Response to Flooding

1. Carrying out reconstruction in flood affected areas by, inter alia, rebuilding physical assets, restoring essential services (including, in water supply and sanitation) and making physical improvements (including, strengthening of flood drainage infrastructure rehabilitation of storm water collection networks).
2. Provision of technical assistance to improve flood management capacity and develop long term flood protection strategies.”

2. Paragraph 2 of Section I of Schedule 2 to the Agreement is amended to read as follows:

“2. The following administrative units within MPWT shall be responsible for implementing the following Parts of the Project and accordingly, MPWT shall, inter alia, be in charge of procurement, financial management, as well as monitoring and reporting for Parts B and D of the Project:

- (a) The Urban Planning Department shall be responsible for carrying out Part B of the Project and head of said Urban Planning Department shall be the director for Part B of the Project.
- (b) The General Directorate for Water and Sewerage shall be responsible for carrying out Part D of the Project”

3. Paragraph 4 of Section I of Schedule 2 to the Agreement is amended to read as follows:

“4. (a) The Project Steering Committee shall be responsible for the coordination between the Parts A, B and C of the Project. It shall be chaired by the Minister of Justice or his designee and shall include members of the Ministry of Finance, the MPWT, the MoI, the IPRO and the Executive Director of the Albanian Association of Municipalities.

(b) The Part D Steering Committee shall be responsible for coordinating implementation of Part D of the Project. The Part D Steering Committee shall comprise of representatives from the General Directorate for Water and Sewerage, the Ministry of Agriculture, Food and Consumer Protection, irrigation boards and water and sanitation utilities of administrations of areas in which Part D of the Project will be implemented.”

4. Section II of Schedule 2 of the Agreement is amended to read as follows:

“Section II. Implementation Covenants

1. The Recipient shall carry out Parts A, B, C and D of the Project in accordance with the Environmental Policy Framework, the Resettlement Policy Framework, the Environmental Management Plans, the Resettlement Action Plans, the Project Operational Manual and the Financial Management Manual, and shall not amend, suspend, abrogate, repeal or waive any provision of the Environmental Policy Framework, the Resettlement Policy Framework, the Environmental Management Plans, the Resettlement Action Plans, the Project Operational Manual or the Financial Management Manual without prior approval of the Association.

2. Without limitation to paragraph 1 of this Section II, the Recipient shall carry out the following or cause the following to be carried out:

- (a) (i) Take all necessary actions to minimize, to the extent possible, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently in carrying out the Project; and
- (ii) whenever implementation of the Project would give rise to Project Affected Persons, prior to commencement of any works related to such implementation: (A) furnish to the Association for review a resettlement action plan prepared in accordance with the Resettlement Policy Framework; and (B) implement in a manner satisfactory to the Association (which includes, unless otherwise agreed with the Association, payment in full of compensation to all Project Affected Persons prior to commencing any related works) such resettlement action plan as shall have been accepted by the Association.
- (b) (i) Prior to the commencement of any works under the Project, prepare a site-specific environmental management plan, satisfactory to the Association and in accordance with the Environmental Policy Framework; and
- (ii) carry out said site-specific environmental management plan as shall have been accepted by the Association.

3. The Recipient shall:

(a) take all steps necessary for the submission to Parliament: (i) by September 30, 2007, of a revised law on urban management satisfactory to the Association; and

(b) (i) draft a strategic plan, in accordance with terms of reference acceptable to the Association, for the improvement of protection of property rights; and (ii) by June 30, 2011, adopt said strategic plan, taking into account the comments of the Association; and (iii) promptly thereafter, take all necessary actions or cause all necessary actions to be taken for the implementation of said strategic plan.

4. The Recipient, through the MoI, shall carry out two operational reviews and audits of the activities under Part C.1 of the Project for review by the Association, in accordance with the terms of reference in the Project Operational Manual.

5. Paragraph 1 of Section V.A of Schedule 2 to the Agreement is amended by replacing the term “Bank” with the term “Association”.
6. Paragraph 2 of Section V.A of Schedule 2 to the Agreement is amended to read as follows:

“2. The table below specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit (“Category”), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category. Notwithstanding the foregoing, the following expenditure is not eligible for financing out of the proceeds of the Credit, namely, expenditure related to works under the Project that are not carried out in compliance with paragraph 2(a)(ii) of Section II of this Schedule.”

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods and Works for Part B of the Project	22,337	100%
(2) Consultants’ Services, Training, Technical Services and Incremental Operating Costs for Part A of the Project	8,090,000	100%
(3) Consultants’ Services, Training, Technical Services and Incremental Operating Costs for Part B of the Project	1,408,442	100%
(4) Refund of Project Preparation Advance	200,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Good, works, consultants’ services, training, technical services and Incremental Operating Costs for Part D of the Project	279,221	
TOTAL AMOUNT	<u>10,000,000</u>	

7. Paragraph 2 of Section V.B of Schedule 2 to the Agreement is amended to read as follows:

“The Closing Date is June 30, 2013.”
8. A new paragraph 3, which reads as follows, is added immediately after paragraph 2 in Section V.B of Schedule 2 to the Agreement:

“3. Notwithstanding the provisions of Part A of this Section, no withdrawals shall be made:

- (a) under Categories 1 and 3 after March 31, 2011; and
- (b) under Category 5 for works under Part D of the Project:
 - (i) unless the Recipient has furnished to the Association for review, a proposal for activities to be carried out and the Association has notified the Recipient of its approval of said proposal;
 - (ii) whenever Project implementation would give rise to Project Affected Persons, unless the Recipient has prepared and has implemented a Resettlement Action Plan, to the satisfaction of the Association, for the particular site for which the application for withdrawal is submitted; and
 - (iii) unless a site-specific Environment Management Plan has been prepared for the particular site for which the withdrawal application is submitted.”

9. The definition set out in paragraph 2 of the Appendix to the Agreement is amended to read as follows:

“2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.”

10. The definition set out in paragraph 4 of the Appendix to the Agreement is amended to read as follows:

“4. “Environmental Policy Framework” means the framework adopted by the Recipient on September 1, 2006, as revised in June 2009, satisfactory to the Association, consisting of the set of mitigation, monitoring, and institutional measures to be taken to eliminate adverse environmental and social impacts, as well as impacts on cultural heritage, offset them, or reduce them to acceptable levels, as well as actions needed to implement these measures.”

11. Paragraph 15 of the Appendix to the Agreement is amended to read as follows, and all references to the acronym “MPWTT” in the Agreement are amended to refer to the acronym “MPWT”:

“15. Ministry of Public Works and Transport” or “MPWT” means the Recipient’s Ministry of Public Works and Transport, and shall include any successor thereto.”

12. The definition set out in paragraph 18 of the Appendix to the Agreement is amended to read as follows:

“18. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.”

13. The definition set out in paragraph 23 of the Appendix to the Agreement is amended to read as follows:

“23. “Resettlement Policy Framework” means the document prepared by the Recipient and adopted on September 1, 2006, as revised in June 2009, satisfactory to the Association, setting forth the procedures, actions, and policies for the assessment, mitigation, and monitoring of potential resettlement issues resulting from activities performed under the Project, as well as specifying the circumstances when land titling cannot be supported under the Project, as the same may be modified from time to time by agreement between the Recipient and the Association.”

14. The following new paragraphs 30, 31, 32, 33, 34 and 35 are inserted immediately after paragraph 29 in the Appendix to the Agreement:

“30. “Environmental Management Plan” means, individually, the Environmental Management Plan to be prepared, adopted and implemented by the Recipient in accordance with paragraph 2(b) of Section II of Schedule 2 to this Agreement, in respect of works to be undertaken by the Recipient under the Project, defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of the activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on, compliance with its terms. Additionally, “Environmental Management Plans” means, collectively, all such Environmental Management Plans.”

31. “General Directorate for Water and Sewerage” means the General Directorate for Water and Sewerage within the Recipient’s MPWT.”

32. “Ministry of Agriculture, Food and Consumer Protection” means the Recipient’s Ministry of Agriculture, Food and Consumer Protection, and shall include any successor thereto.”

33. “Part D Steering Committee” means the committee in charge of coordination of Part D of the Project activities and entities, composed of representatives of the General Directorate for Water and Sewerage, the Ministry of Agriculture, Food and Consumer Protection and irrigation boards and water sanitation utilities of administrations of areas in which Part D of the Project will be implemented.”

34. “Project Affected Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Project Affected Person” means any of such Project Affected Persons.”

35. “Resettlement Action Plan” means, individually, a Resettlement Action Plan (including, an abbreviated Resettlement Action Plan where appropriate) to be prepared, adopted and implemented by the Recipient in accordance with paragraph 2(a)(ii) of Section II of Schedule 2 to this Agreement, consisting of, *inter alia* a program of actions, measures and policies for compensation of Project Affected Persons, including compensation arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on, compliance with its terms for each site, all in accordance with the Resettlement Policy Framework. Additionally, “Resettlement Action Plans” means, collectively, all such Resettlement Action Plans.”

15. The Attachment to the Supplemental Letter No. 2 dated March 21, 2007, setting out the Performance Monitoring Indicators is amended by replacing it with the Annex to this Amendment Letter.

Except as specifically amended herein, all other provisions the Agreement remain in full force and effect.

Please confirm the agreement of the Recipient to the amendments set out in paragraphs 1 through 15 above by having an authorized representative of the Recipient countersign and date both copies of this amendment letter and returning one of the countersigned copies to us. This amendment will become effective upon: (a) receipt by the Association of this Amendment Letter duly countersigned by the authorized representative of the Recipient; and (b) receipt by the Bank of the letter amending the Loan Agreement duly countersigned by the authorized representative of the Borrower.

Sincerely yours,

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By /s/ Jane Armitage
Country Director and Regional Coordinator
for Southeast Europe
Europe and Central Asia Region

AGREED:

ALBANIA

By /s/ Ridvan Bode
Minister of Finance
Date: March 24, 2011

Results Framework and Monitoring

The results framework has been revised and updated to reflect changes during Project restructuring.

Project Outcome Indicators		D=Dropped C=Continued N= New R=Revised	Baseline (Actual at the time of restructuring)		Cumulative Target Values*			
			UoM	Value	2010	2011	2012	2013
1. Reduction in time to register property transaction		C	Days	15	15	10	10	5
2. Reduction in time to receive a building permit		D	Days	180	N.A.	N.A.	N.A.	N.A.
3. Increased number of firms being in compliance with building permit		D	Percent	N.A.	N.A.	N.A.	N.A.	N.A.
4. Increased property tax collection		D	Percent	N.A.	N.A.	N.A.	N.A.	N.A.
5. IPRO customer satisfaction improved (Very Poor, Poor, Average, Good, Very Good)		C	Value	Poor	Poor	Average	Good	Very Good
6. Agricultural land and livestock protected by drainage pumps in Shkoder and Lezhe		N	Hectares	0	0	2,000	5,000	9,100
7. Project beneficiaries: Population protected by drainage pumps and/or served by rehabilitated water supply pumping stations in Shkoder and Lezhe		N	No.	0	0	0	58,000	150,000
Intermediate Results								
Intermediate Result (Component A): Security of Tenure and Registration of Immovable Property Rights								
Revised Intermediate Result (Component A): Property registration reduced from original target of 500,000 to 400,000								

Number of titles issued in urban and rural areas		R	No.	0	10,000	150,000	300,000	400,000
Number of automated IPRO offices		C	No.	0	0	0	5	10
Number of local offices that received training		C	No.	0	0	2	8	10
Intermediate Result (Component B): Urban Land Management Improvement								
Revised Intermediate Result (Component B): N.A.								
No. of municipalities completing regulatory plans		C	No.	8	8	8	8	8
No. of municipalities that implement market-based property tax system		D	No.	N.A.	N.A.	N.A.	N.A.	N.A.
Intermediate Result (Component C): Municipal Services Improvements								
Revised Intermediate Result (Component C): N.A.								
Number of municipalities that completed interim reforms and qualified for the first phase of investments		C	No.	10	10	10	10	10
Number of municipalities that completed interim reforms and qualified for the second phase of investments		D	No.	N.A.	N.A.	N.A.	N.A.	N.A.
Number of municipalities that implement the new address system		C	No.	0	4	10	10	10
Number of municipalities that received training in procurement and financial management		C	No.	10	10	10	10	10
Investment priority infrastructure completed		R	No.	0	3	4	4	4
Intermediate Result (Component D): Emergency Recovery								

Revised Intermediate Result (Component D): N.A.

Drainage pumping stations rehabilitated in Shkoder and Lezhe		N	No.	0	0	1	2	3
Water supply pumping stations rehabilitated in Shkoder Water Utility Service Area		N	No.	0	0	1	3	3
Water testing equipment installed and in use (Shkoder)		N	No.	0	0	0	1	1