



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
WATER RESOURCES AND IRRIGATION PROJECT
APPROVED ON NOVEMBER 29, 2012
TO
REPUBLIC OF ALBANIA

WATER

EUROPE AND CENTRAL ASIA

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**I. BASIC DATA****Product Information**

Project ID P121186	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 29-Nov-2012	Current Closing Date 31-May-2020

Organizations

Borrower Republic of Albania	Responsible Agency Ministry of Agriculture and Rural Development
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to: (i) establish the strategic framework to manage water resources at the national level and at the level of the Drin-Buna and Semani River basins and (ii) improving, in a sustainable manner, the performance of Selected Irrigation Systems.

Current PDO

The Revised Project Development Objective (PDO) is to: (i) establish the strategic framework to manage water resources at the national level and at the level of the Drin-Buna and Semani River basins; and (ii) improve irrigation service delivery in Selected Irrigation Systems.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-88170	22-Feb-2018	19-Mar-2018	06-Aug-2018	31-May-2020	27.20	4.54	22.34
IBRD-82110	29-Nov-2012	14-Dec-2012	13-May-2013	31-May-2020	40.00	35.89	0
TF-14255	30-May-2013	12-Jul-2013	23-Aug-2013	31-May-2020	4.29	3.83	.46



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

This restructuring paper seeks a 12-month extension of the closing date for the Water Resources and Irrigation Project, to May 31, 2021. This will be the second closing date extension (including one due to additional financing) with a cumulative extension of 36 months.

The Albania Water Resources and Irrigation Project is funded by a US\$67.2 million IBRD financing (original IBRD-82110-US\$40 million and Additional Financing IBRD loan 88170-US\$27.2 million, cumulatively about EUR 54 million), and US\$3.88 million grant by the Swedish International Development Agency (TF-14255). The project originally financed the rehabilitation of five irrigation schemes, as well as technical assistance to support the adoption of integrated water management practices in the country. The project was originally scheduled to close on May 31, 2018. In 2018, given good progress, the project was scaled-up to include eight new irrigation schemes; and the closing date was extended to May 31, 2020. The project implementation and progress towards PDO are currently rated moderately satisfactory.

The planned investment activities under the original project are fully completed and the allocated budget was fully disbursed, with only handover formalities remaining for two irrigation schemes (i.e., Murriz-Thana Irrigation Scheme-Krutja, V1 and V2 main canals) financed by savings from the IBRD Loan (IBRD-82110). All of the activities supported by the Trust Fund are nearly completed. The TF-14255 will be closed on its official closing date of May 31, 2020. Thus, this restructuring paper seeks closing date extension only for IBRD Loan IBRD-88170.

The implementation of activities under the Additional Financing has been delayed mainly due to resignation of key Project Management Unit (PMT) staff including the manager and procurement specialist at critical project implementation phase and changes in staffing in the ministry including the Minister of Agriculture and Rural Development. The assignment of replacement staff took about five months. The other contributing factors are lack of considerations for irrigation season in formulating works implementation schedule and the longer than expected time required to prepare detailed design and consultations for the Janjari irrigation system. The detailed design is now complete. Bid evaluation for construction work is in process and is expected to be completed soon. Completion of the Janjari irrigation scheme is key for the achievement of the project development objective targets.

Following the resolution of the Ministry of Agriculture and Rural Development and PMT staffing issue, the project implementation has gathered momentum during the last four months. Currently, the ministry, the PMT, municipalities, contractors, and supervisors are showing strong commitment to implementation to compensate for the past delays to the extent possible. The overall disbursement level is now 66%, which is a significant improvement from the level five months ago (55%). The social and environmental safeguards compliance rating is satisfactory with no significant issues. Some minor issues such as sewerage discharge into the canal of Leminoti irrigation scheme and construction of structures on the trail of the main canal of Lushnja irrigation scheme were noted. A site visit by environmental and social safeguards specialists revealed that these structures do not appear problematic for the functionality of the canal. Regarding the issue of sewerage discharge into the canal, the local administrators and the farmers have agreed to construct septic tanks and block the discharges.



The project has been subject to regular financial management supervisions; the last one conducted in November 2019. The project financial management has been downgraded to moderately satisfactory linked to budget limit concerns. However, there is adequate capacity and internal control system in place, and the project interim financial reports are submitted timely. No exception was noted during the transaction review on the control activities applied, and on completeness and validity of supporting documentation. There have been no issues identified from the annual audits. There are no outstanding audit reports.

Despite the renewed commitment by the Implementing Agency, it is not possible to complete the implementation of Janjari irrigation systems and the Divjaka pressurized irrigation pilot within the current closing date of May 31, 2020. The remaining uncommitted balance at the end of May 2020 will be about €11.5 million (slated for potential cancellation), mainly because there is not enough time to implement Janjari and Divjaka irrigation systems. In addition, there is an obligation of about €1.3 million to be covered by government funds at the closing of the project to cover the retention money and exchange rate differences.

To ensure the successful achievement of the project development objective, the Government seeks a one-year extension, which should be enough to finalize the soon to be contracted Janjari and Divjaka irrigation systems work. Given the strong progress observed in the past months and the criticality of the remaining works for the project's success, the Bank team supports this extension, noting that the Government has been informed that any further delays would be entirely under the responsibility of the government.

II. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-82110	Effective	31-May-2018	31-May-2020	31-May-2020	30-Sep-2020
IBRD-88170	Effective	31-May-2020		31-May-2021	30-Sep-2021
TF-14255	Effective	31-May-2018	31-May-2019, 31-May-2018, 31-May-2019, 31-May-2020	31-May-2020	30-Sep-2020