



The World Bank

Enhancement and Strengthening of Power Transmission Network in Eastern Region (P159974)

REPORT NO.: RES58139

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

ENHANCEMENT AND STRENGTHENING OF POWER TRANSMISSION NETWORK IN EASTERN REGION

APPROVED ON MARCH 29, 2018

TO

PEOPLE'S REPUBLIC OF BANGLADESH

ENERGY & EXTRACTIVES

SOUTH ASIA

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I. BASIC DATA

Product Information

Project ID P159974	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 29-Mar-2018	Current Closing Date 31-Dec-2023

Organizations

Borrower People's Republic of Bangladesh	Responsible Agency Power Grid Company of Bangladesh Limited (PGCB)
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Project Development Objective (PDO)

Original PDO

The proposed project aims to increase the transmission capacity and reliability of the electricity network in the eastern region and strengthen the institutional capacity of the Power Grid Company of Bangladesh Limited (PGCB).

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-61770	29-Mar-2018	10-Apr-2018	04-Jul-2018	31-Dec-2023	400.64	177.08	183.87

Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



Project Status

1. The ESPNER project was approved by the Executive Directors of the International Development Association (IDA) on March 29, 2018, and declared effective on July 4, 2018, with a total funding of Euro 376 million (US\$450.64 million equivalent) from the IDA Scale Up Window (SUW). The project development objective is to increase the transmission capacity and reliability of the electricity network in the eastern region and strengthen the institutional capacity of the Power Grid Company of Bangladesh Limited (PGCB). The project entails interventions aimed at: (i) enhancing and strengthening the power network to improve reliability and (ii) providing implementation support and building the institutional capacity of PGCB. These interventions are critical in the context of the growing demand for electricity in Bangladesh and the expected introduction of nuclear power to the country's generation mix in 2025. The original closing date was December 31, 2022 and the revised current closing date is December 31, 2023.
2. Implementation Status and Overall Ratings for the Achievement of PDO and IP. Implementation is progressing well. Six major contracts have been awarded under Component 1 (Enhancement and Strengthening of the Power Network) for the construction of transmission lines, reconductoring of existing transmission lines, and construction/upgrade of new and existing substations. Package 3, which involved the reconductoring of existing transmission lines, has already been completed and all the reconductored transmission lines are now in full service. The implementation of four works packages (packages 1, 2, 5, and 6) is in full swing, with all four packages scheduled to be commissioned by the end of June 2024. The delays in these packages' implementation are attributed to the extended COVID-19 shutdowns/restrictions in China (all main contractors are from China) and the prevalent/ubiquitous land acquisition challenges in Bangladesh. The remaining works package contract (Package 4) is expected to be completed by the end of June 2025, delayed due because of the request to change the transformer manufactures that was submitted late by the contractor. Due to the manufacturing lead times, the transformers will only be ready for shipping in the last quarter of the calendar year 2024. It is therefore reasonable to expect the completion of works under Package 4 by mid- 2025, considering the timelines for shipping, installation, and testing/commissioning. However, it is proposed that the closing date be extended to December 30, 2024. Any further extension beyond this date shall be assessed together with the counterparts at a later stage.
3. Component 2 is making good progress. The consulting firm supervising the construction activities for investments financed under Component 1 has been hired. The asset valuation and update of PGCB's asset register consultancy is also ongoing. PGCB is in the process of procuring tools for live-line maintenance and is engaging a service provider to train its teams on live-line maintenance techniques.
4. The ratings for Progress towards achievement of PDO and Overall Implementation Progress are Satisfactory and Moderately Satisfactory, respectively. The Safeguards rating is also Moderately Satisfactory. Disbursements to date stand at US\$174.36 million (49 percent). The projected disbursements during FY24 are US\$95 million, increasing the total disbursement ratio to 60 percent. Hence, with remaining project activities in their final stages of implementation, it is expected that the undisbursed balance (US\$ 89 million), including any additional financing, will be fully utilized during FY 25. There is no pending audit report under the project.
5. Previous Restructuring. The project was previously restructured in April 2021 to: (i) extend the closing date by 12 months to December 31, 2023, and (ii) cancel Euro 41,792,000 (US\$50 million equivalent) of project proceeds. The closing date was extended to facilitate the completion of delayed activities due to COVID-19-related restrictions and some internal processing bottlenecks within PGCB and other government structures. The cancellation of funds allowed



the savings from the lower-than-expected bid/contract prices to be redirected to other priority developmental areas in the country.

6. **The Aim of the Proposed Restructuring.** The proposed restructuring aims to extend the closing date of the IDA credit. It does not propose any amendments in the PDO or its associated outcome indicators. There is also no change required in the Program's safeguard category, nor its existing implementation arrangements.

7. **Borrower's Request for Extension of the Closing Date and Additional Financing of US\$30 million.** The Government of Bangladesh (GOB), through a letter dated September 21, 2023, has formally requested an extension of the closing date for the IDA credit until June 30, 2025, and an additional financing of US\$30 million to cover the funding short fall resulting from increased contract price and the depreciation of the Euro against the US Dollar.

8. Since the last restructuring in April 2021, there has been a significant increase in global commodity prices (aluminum, steel, copper, transport, oil, etc.) and labor costs. The main contributors to the price escalations are the global supply chain/logistic bottlenecks that occurred in the wake of the COVID-19 shutdowns and Russia's invasion of Ukraine. The ensuing contract price adjustments and the depreciation of the Euro against US Dollar have resulted in a budget shortfall of roughly US\$30 million. Therefore, an additional financing of approximately US\$30 million will be considered at a later stage, subject to availability of funding resources, to fill the funding gap.

Rationale for Restructuring

9. As highlighted above, the project's implementation has faced significant delays due to the global COVID-16 shutdowns and the ensuing extended restrictions in China, and land acquisition challenges. Furthermore, the confirmation of the manufacturer of transformers for Package 4 was delayed, with manufacturing scheduled for completion in the last quarter of 2024. Considering shipping, delivery to site, erection, and testing/commissioning timelines, works under Package 4 are expected to be completed by mid-2025, as per the GoB's request. The 18-month extension of the credit closing date would accommodate the necessary time to complete the two critical components required to achieve the PDO. However, it is recommended that the project be extended by 12 months, until December 30, 2024 in the meantime. This will enable the implementation of the ongoing activities to continue seamlessly. The need for an additional extension of six months (beyond December 30, 2024) to June 30, 2025 will be assessed at a later stage in conjunction with the counterparts.

10. During the proposed extension period, PGCB will complete the ongoing contract works under packages 1, 2, 5, and 6. I highlighted above, the extension of project closing date to accommodate the completion of package 4 contract works will be reviewed jointly with the counterparts at later stage. The team will continue to hold monthly progress review meetings and carry out monthly field visits with PGCB and the construction supervision consultant to: (i) monitor the implementation progress; (ii) assist PGCB in proactively identifying and addressing any challenges that may occur; and (iii) ensure that key milestones and deliverables are met according to the revised timeline. The team will also reassess the project risks considering the extended timeline and identify any new risks that may have arisen and update the mitigation strategies accordingly.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)



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Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-61770	Effective	31-Dec-2022	31-Dec-2023	30-Dec-2024	30-Apr-2025