



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
TIMOR-LESTE BRANCH ROADS PROJECT
APPROVED ON NOVEMBER 26, 2019
TO
DEMOCRATIC REPUBLIC OF TIMOR-LESTE

TRANSPORT

EAST ASIA AND PACIFIC

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I. BASIC DATA

Product Information

Project ID P155203	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 26-Nov-2019	Current Closing Date 31-Dec-2025

Organizations

Borrower Democratic Republic of Timor-Leste	Responsible Agency Ministry of Public Works
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Project Development Objective (PDO)

Original PDO

Improve road access, safety, and climate resilience on the Gleno–Maubisse Corridor and, in the event of an Eligible Crisis or Emergency, to provide an immediate response to the Eligible Crisis or Emergency

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-64880	26-Nov-2019	30-Dec-2019	26-Jan-2021	31-Dec-2025	59.00	3.40	52.79

Policy Waiver(s)

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

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES



A. Introduction

1. This Restructuring Paper seeks approval of the Country Director to restructure the Timor-Leste Branch Roads Project (TLBRP). The proposed restructuring is solely for an extension of the project's closing date by 22 months from December 31, 2025, to October 31, 2027, as requested by the Ministry of Finance (MOF) via a letter to the World Bank dated May 21, 2024. This is the first extension of the project's closing date and would result in a total implementation period of about seven years from effectiveness (January 2021) to closing.

B. Project Background

2. TLBRP was approved on November 26, 2019, with US\$70.81 million equivalent financing comprised of International Development Association (IDA) Credit 6488-TL of SDR 42.50 million (US\$59.00 million equivalent) and US\$11.81 million counterpart funding from the Government of Timor-Leste (GoTL). The project became effective on January 26, 2021. The Project Development Objective (PDO) is to "improve road access, safety, and climate resilience on the Gleno–Maubisse Corridor and, in the event of an Eligible Crisis or Emergency, to provide an immediate response to the Eligible Crisis or Emergency." This is to be achieved through three components:

(a) Component 1: Gleno–Maubisse Corridor Upgrading and Road Safety Improvements (US\$65.81 million, including US\$54.00 million from IDA). This component finances upgrading, maintenance, and construction supervision of 25.8 km of the Gleno–Letefoho road section and 18.5 km of the Letefoho–Hatubuilico Junction road section. It also includes updating the Gleno–Letefoho detailed engineering design and associated safeguards documents.

(b) Component 2: Institutional Strengthening and Project Management (US\$5.00 million from IDA). This component finances technical assistance in road asset management and road maintenance. It also includes project implementation support.

(c) Component 3: Contingent Emergency Response (US\$0 million). This component has not been triggered.

C. Summary of Project Status

3. TLBRP is currently rated Moderately Satisfactory for Implementation Progress and Progress towards achieving the PDO. After a nine-month delay to meeting the conditions of effectiveness, attributed partially to delays mobilizing the Project Management Unit (PMU), TLBRP also faced further delays related to procurement. Implementation has progressed steadily in the past year following resolution of procurement and Financial Management (FM) challenges. Commitments and disbursements currently equal 46 percent and 6.1 percent of the IDA financing, respectively. TLBRP is on track to sign the Gleno–Letefoho road works contract and commit 94 percent of the IDA financing by December 2024. As the project civil works are moving forward, disbursements are expected to rapidly increase in FY2025.

4. Three of the four key contracts are committed and mobilized. The Letefoho–Hatubuilico Junction road works commenced on July 1, 2023, with time for completion of 22 months. The IDA-funded US\$2.9 million advance payment was disbursed to the contractor on February 8, 2024, initial works are underway, and the works are forecasted to be completed in 2025. The construction supervision consultancy for Letefoho–Hatubuilico Junction commenced on December 8, 2023. The design update and construction supervision consultancy for Gleno–Letefoho commenced on March 11, 2024.



5. The critical path of TLBRP, the Gleno–Letefoho road design update, is on track to be completed by July 10, 2024. Preparation of the Request for Bids (RFB) for the Gleno–Letefoho works contract is ongoing, with a plan to issue the RFB in August 2024 and award the contract by December 2024. This would allow 28-months for upgrading works to commence in Q1 2025 and complete in Q2 2027. These upgrading works will be followed by a 12-month defects liability period and 36-month performance-based maintenance period. Maintenance activities carried out after the extended project closing date will be financed from sources other than the TLBRP funds.
6. Project Management is rated Moderately Satisfactory following proactive effort by the PMU to resolve procurement challenges and sustained gains in project management. The former Deputy Project Manager for ADB-funded road projects was appointed Project Manager for ADB and World Bank-funded road projects, including TLBRP, on May 2, 2024. The transition is proceeding smoothly as the previous Project Manager will remain with the PMU until June 30, 2024, and the Deputy Project Manager (for World Bank-funded road project) and the Chief Technical Advisor will remain in place.
7. Procurement is rated Moderately Satisfactory. The rating was downgraded to Moderately Unsatisfactory in December 2022 due to delays caused by the COVID-19 pandemic (2020–2022), frequent changes in ministerial leadership (March 2022 and July 2023), and high staff turnover within National Procurement Commission and to a lesser extent within the PMU. The rating was upgraded to Moderately Satisfactory in March 2024 following signing of the third high-value contract. Hands-on Expanded Implementation Support (HEIS) has been provided to support the remaining procurement, including the Gleno–Letefoho Junction road works contract.
8. The FM rating was upgraded to Moderately Satisfactory in June 2024 following improvements in the FM performance. Although the Financial Administrator and the Finance Officer are not certified accountants and this had resulted in significant delays to submission of adequate quality Interim Financial Reports (IFRs) and audit reports, FM compliance has improved. The PMU was recently joined by an International Financial Management and Accounting Specialist hired with Asian Development Bank financing (with the contract up to April 2025). The latest IFR for Q1 2024 was submitted on time by May 14, 2024, and accepted. There are no overdue audits or IFRs.
9. TLBRP is in full compliance with the Financing Agreement, except that the project Mid-Term Review (MTR) has been delayed to August 2024 pending updated cost estimates for the Gleno–Letefoho road works. The Financing Agreement required completion of the MTR within three years of effectiveness (that is, by January 2024), and MPW/PMU submitted an MTR report on December 4, 2023. TLBRP is expected to be fully in compliance with legal covenants upon completion of the MTR in August.
10. TLBRP implementation has navigated portfolio-wide challenges related to financing of individual consultants and the ongoing review of development partner-financed operations. On August 11, 2022, MOF issued a letter to the World Bank stating that “from July 1, 2022, PMU operational costs including salaries shall be funded and paid from the line ministry’s budget”. Following this letter, a Geotechnical Advisor was mobilized on August 5, 2023, using government funding, and a Road Safety Auditor will be added to each of the two ongoing consultancies. The Government’s decision not to use loan proceeds for PMU staff and operating costs is a portfolio-wide issue and will be discussed during the MTR. Moreover, although GoTL temporarily halted procurement of Technical Assistance activities under TLBRP in late 2023 pending the above-mentioned review, these procurements have since resumed.
11. Environmental and Social Safeguards have been rated Satisfactory since approval. Compensation payments have been made to 132 project-affected households. The updated Land Acquisition and Resettlement Action Plan (LARAP) and the Contingent Emergency Response Component Environmental and Social Management Framework have been



cleared and disclosed. The contractor and supervision consultant for Letefoho–Hatubuilico Junction road have mobilized all key safeguards staff. The design update consultant for Gleno–Letefoho is updating the Environmental and Social Management Plan and preparing the supplementary LARAP, and these will be submitted by July 10, 2024.

12. GoTL requested a 22-month extension of the project closing date from December 31, 2025, to October 31, 2027, via a letter dated May 21, 2024. This extension would provide enough time for upgrading both the Letefoho–Hatubuilico Junction and Gleno–Letefoho road segments and ensure the PDO is fully met prior to project closing.

13. The extension requested by the Government complies with the Bank Policy and Bank Directive for Investment Project Financing. In accordance with the Bank Policy, GoTL has no outstanding audit reports, and all audit reports received are of acceptable quality to the Bank. In accordance with the Bank Directive, TLBRP is in satisfactory status. The PDO continues to be achievable with the proposed extension of time, and TLBRP is fully in compliance with the Financing Agreement with the exception of a justifiable delay to the MTR.

D. Rationale for Restructuring

14. TLBRP continues to be highly relevant to the World Bank Group's Country Partnership Framework (CPF) for Timor-Leste for the Period FY2020–FY2024 (Report No. 134792). Upgrading of Gleno–Letefoho and Letefoho–Hatubuilico Junction road directly aligns with CPF Objective 5 ‘improving access and quality of connective infrastructure in digital and transport sectors’. TLBRP is listed as one of the projects that helps achieve this CPF objective by improving rural road connectivity to coffee producing areas around Letefoho and tourism sites around Mount Ramelau.

15. The proposed restructuring would enable GoTL to achieve the PDO effectively and in a reasonably efficient manner in a fragile context. Extension will enable Gleno–Letefoho road upgrading works, the design update and construction supervision consultancy for the Gleno–Letefoho road, and the pilot long-term maintenance contract to be completed within the project’s original closing date. Timor-Leste continues to be included in the World Bank’s FY2024 Fragile and Conflict-affected Situations due to institutional and social fragility. The proposed extension is consistent with a key lesson learned from the Timor-Leste Road Climate Resilience Project (P125032), which closed on December 31, 2022, that implementation timeframes should be realistic and reflect capacity limitations.

II. Description of Proposed Changes

16. The proposed change under this restructuring is solely to extend the TLBRP closing date by 22 months from December 31, 2025, to October 31, 2027. No other changes are proposed.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
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The World Bank

Timor-Leste Branch Roads Project (P155203)

IDA-64880

Effective

31-Dec-2025

31-Oct-2027

29-Feb-2028
