

INDIA — MUMBAI URBAN TRANSPORT PROJECT
P050668
{LOAN 4665-IN/CREDIT 3662-IN}

Restructuring Paper

1. The closing date for INDIA – MUMBAI URBAN TRANSPORT PROJECT, [*Loan 4665-IN/Credit 3662-IN*], P050668 will be extended from June 15, 2010 until June 15, 2011.
2. The project was approved by the Bank's Board of Directors on June 18, 2002 and its restructuring approved on September 30, 2008 by the Board. Every component is progressing satisfactorily except for the road construction component that has experienced long delays and still suffers from uncertainty in interagency coordination and a few remaining challenges in resettlement and rehabilitation. The project includes an extremely large resettlement component (18,000 households and shops) that suffered difficulties resulting in an Inspection Panel investigation to which the Bank's Management presented a remedial Action Plan that was discussed by the Board on March 28, 2006. Since then the quality of resettlement and rehabilitation under the project has regularly improved to become satisfactory and the resettlement is almost complete (96% complete as February 1st, 2010) while post-resettlement activities are exemplary. The rail component, which is expected to have the largest impact on transport capacity, is progressing satisfactorily and the implementation of the new traffic management system over 253 intersections is also progressing well. Out of the two major link roads that are included in the project, the widening of Jogeswari-Vikhroli-Link-Road is almost completed, but the creation of Santacruz-Chembur-Link-Road is still encountering important difficulties that leave uncertainty as to its successful completion in a reasonable time. The disbursement of the project amounts to 70% of the loan/credit amount on May 31, 2010. Overall the project is rated satisfactory for compliance with safeguards policies. The financial management risk of the project is substantial but these risks have been mitigated by MMRDA recently increasing its accounting capacity and developing an action plan for effective internal audit. The project development objectives are still achievable.
3. The proposed extension of the IBRD loan and IDA credit is necessary to complete the remaining three major activities that are the rail component, Part A of the project, the traffic management component, Part B1 of the project and the Jogeswari-Vikhroli-Link-Road, Part B2a of the loan, as well as the resettlement and most of the post-resettlement activities under the project. It will not be sufficient to complete the construction of Santacruz-Chembur-Link-Road, Part B2b of the project. The Government of India (DEA) requested the extension of the loan and the credit through several letters since November 2009 and several meetings were held, and communication exchanged, between the Bank and the borrower on this matter since January 2010. The Government of India has agreed

to a set of actions to progress the implementation of the project and to submit a satisfactory implementation plan to complete the construction of SCLR. This action plan is detailed in the letter sent to the borrower dated March 25, 2010 that includes the aide memoire of the Implementation Support Mission, February 15-19, 2010. If before June 2011 the Government of India submits an implementation plan, satisfactory to the Bank to complete the implementation of SCLR, part B2b of the project, the Bank will consider further extending the loan. This plan is agreeable to the Bank for the proposed one year extension.

4. This will be the fourth extension of the loan.