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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

CLEAN AIR & SUSTAINABLE ENVIRONMENT PROJECT

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TO THE

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ABBREVIATIONS AND ACRONYMS

CAMS	Continuous Air Monitoring Stations
CASE	Clean Air and Sustainable Environment
DCC	Dhaka City Corporation
DOE	Depart of Environment
DNCC	Dhaka North City Corporation
DSCC	Dhaka South City Corporation
DPP	Development Project Proposal
DTCA	Dhaka Transport Coordination Authority
DTCB	Dhaka Transport Coordination Board
DUTP	Dhaka Urban Transport Project
MTR	Mid-Term Review
PAD	Project Appraisal Document
PDO	Project Development Objective
PIU	Project Implementation Unit

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BANGLADESH
CLEAN AIR & SUSTAINABLE ENVIRONMENT PROJECT (FY09)

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BANGLADESH

CLEAN AIR & SUSTAINABLE ENVIRONMENT PROJECT (FY09)

A. SUMMARY

1. This restructuring paper proposes the following changes to the Clean Air & Sustainable Environment Project (CASE): (i) revise the scope of some activities, (ii) refine and simplify the results framework to make it a more useful management tool, (iii) reallocate project funds, (iv) extend the closing date, and (v) amend some terminologies and definitions to match Government institutional and economic framework. The proposed restructuring is in line with a Government request stated in a letter dated January 23, 2013 and with the Aide Memoire of the Mid-Term Review of the project which took place between January 6 – 17, 2013.

2. The proposed restructuring would allow successful completion of activities, enhance the implementation of the project and facilitate achievement of the project development objective.

B. PROJECT DESCRIPTION

3. The Project Development Objective (PDO) is to improve air quality and safe mobility in Dhaka through the implementation of demonstration initiatives in urban transport and brick making.

4. The project is designed to address urban air pollution by undertaking demonstration interventions, encouraging institutional reform and providing technical assistance in key polluting sectors (mainly brick making and transport). It encourages integration across environment and transport through the demonstration of possible “co-benefits” of addressing local and climate pollutants, such as, PM and GHG¹ emissions. The project design recognizes that addressing air pollutants not only reduces negative health impact but also generates co-benefits including better mobility in the case of transport and reduced energy consumption in brick industries. The project consists of two components.

Component 1²: Environment (Implementing Agency - DOE)

5. The objective of this component is to strengthen the capacity of the Department of Environment (DOE) in air quality management. In order to achieve that, the project supports various activities to build the capacity of the *Air Quality Cell*, and install a network of air quality monitoring stations across the main cities in Bangladesh to improve the collection of air quality data. It also provides technical assistance in air quality monitoring, data analysis, vehicular emission monitoring and updating emission standards. This component also provides technical assistance to pilot energy efficient and cleaner brick kiln technologies, application of alternative raw materials, and production of new building materials; establishing a brick technology center, and updating the *Brick*

¹ PM = Particulate Matter; GHG = Greenhouse Gases

² Corresponding to Part A in the Financing Agreement.

Manufacturing Act and Rules. A communication campaign accompanies all the above activities to enhance public awareness.

6. **DOE building.** In order to accommodate a major shortage in office space, especially in front of an expanding air quality and climate change agenda for the Ministry of Environment and Forests (MOEF), it was foreseen that this component would finance the construction of an additional building for DOE. The construction of the building was to be conditional on satisfactory implementation progress of Component 1 as assessed at the Mid-Term Review (MTR). As the MTR determined that satisfactory progress has been achieved, it is proposed to proceed with funding the building. Feasibility study, detail and architectural designs have been completed and tender documents are ready for advertisement. An initial amount of \$2.8 million was allocated to this activity at the time of project approval, but this estimate has been revised to US\$ 5 million as a result of the introduction of **green building** concepts with respect to energy use, waste management and other ecological considerations. In addition, the design will conform to the requirements of fire and earthquake safety, handicap accessibility and all other regulations of the *Bangladesh National Building Code*. It is estimated that it will require approximately 3.5 years to complete construction of the building from the time of bid launch.

Component 2: Transport³

Physical Improvement of Traffic Flow and Pedestrian Mobility (Implementing Agency- DNCC/DSCC)

7. This component supports capacity building through technical assistance and demonstration initiatives aimed at improving traffic flow and pedestrian movement. Investments include construction of foot over bridges (FOBs), traffic signals, and sidewalks. Technical assistance and capacity building are also provided in areas such as traffic engineering design, traffic signal systems operation, and raising public awareness on traffic safety.

Bus Network Rationalization and Franchising (Implementing Agency - DTCA)

8. The objective of this component is to encourage a modal shift from existing transport modes to cleaner and safer ones in the long term. Studies undertaken under this sub component are (i) a feasibility study for a bus rapid transit (BRT); (ii) the BRT detailed design, and; (iii) a bus network restructuring study.

³ Corresponding to Part B in the Financing Agreement.

C. PROJECT STATUS

9. The IDA Credit of SDR42.2 million (US\$ 62.2 million equivalent) was approved by the Board in May 2009 and declared effective in August 2009. The Government's Development Project Proposal (DPP) was approved in December 2009 and the Ministry's Administrative Order was issued end of March 2010. Hence project expenditures could only start in April 2010, almost a year after Board approval.

10. Despite this delay, once the Administrative Order was issued, project activities started promptly and as of today about 35% of total loan have been disbursed and an additional 46% is committed. The Project is currently rated Moderately Satisfactory with regard to PDO achievement and Implementation Progress.

11. The overall progress of the **Environment** component is satisfactory. Despite slow progress in piloting new brick technologies, the DOE has made substantial progress in air quality monitoring with 11 Continuous Air Monitoring Stations now functioning and producing real time data. *Important policy reforms* have also been achieved as follows:

- **Revision of the Brick Burning Act:** The government revised the brick burning act to promote the cleaner and energy efficient brick making technologies, based on the technical studies carried out under the project. *Brick Manufacturing Control Act of 2013* was approved by the Cabinet on April 22, 2013. It is expected that the Brick Burning Act will be placed in the coming parliament session.
- **Revision of Vehicular Emission Standards:** The DOE has drafted new *Vehicular Emission Standards* through a consultative process and submitted it to MOEF for review. This revision is important as it brings the standards in line with international practices. The draft has undergone inter-ministerial review. It will now be reviewed by the Ministry of Law and once cleared, it will be promulgated as Special Regulatory Order (SRO) by MOEF.
- **Dhaka Transport Coordination Authority (DTCA):** A major institutional reform has been achieved with the establishment of the DTCA, with the mandate to coordinate transport projects in the capital city.
- **Revision of Motor Vehicle Ordinance:** The Road Transport and Traffic Act has been drafted by DTCA to replace the outdated Motor Vehicle Ordinance (of 1983). This is currently under review by the Ministry of Law. Once cleared by the Ministry of Law, it will go to cabinet and then Parliament for approval.

12. Progress of the **Transport** sub-component implemented by **Dhaka North and South City Corporation (DNCC and DSCC)** has recently improved with all, but one, of the procurement plan contracts procured and substantial progress on the sidewalks and road improvement works. Over 20 kilometers of roads have been fully rehabilitated and 5 FOBs constructed. These provide substantially safer mobility for pedestrian. Equipment to improve the efficiency of traffic signals has been purchased and its installation will improve traffic flow at intersections. However, the implementation of lane separation work for motorized and non-motorized vehicles was unsuccessful, due mostly to the need of the Police to maintain the total road width clear during VIP motorcade movement.

13. Progress of the **Transport** sub-component implemented by **Dhaka Transport Coordination Authority (DTCA)** continues to make very satisfactory progress with

85% of contracts committed. In addition to successfully undergoing the DTCA reforms and the revision of the Vehicle Motor Ordinance mentioned above, DTCA has also successfully completed the feasibility study for a proposed 20 km long Bus Rapid Transport (BRT) [that starts from the Airport and runs through one of Dhaka's busiest north-south corridor to terminate at the south of Buriganga Bridge] and is the final stage of completing a *Bus Network Restructuring Study*.

14. There are no fiduciary or safeguards issues, nor pending audit reports. The overall FM performance of the Project was rated Moderately Satisfactory during the MTR as two audit observations related to the previously Bank-funded *Dhaka Urban Transport Project (DUTP)* had not been resolved. However, the project has taken necessary steps to resolve these observations with the auditors. There is a strong possibility of improvement in the FM rating upon successful resolution of these two audit observations. Procurement performance is rated Moderately Satisfactory due mostly to delays in completing procurement processing in many cases.

C. PROPOSED CHANGES

15. Based on a comprehensive review of all project activities during the MTR, the Bank team and the government agreed on the following key changes to enhance the development impact of the project:

(i) Revise the scope of some activities

16. In order to reduce the multiplicity of activities and enable the implementing agencies to focus on completing the project's key outcomes and ensure that the PDO is fully achieved, it is proposed **to drop** the following activities:

- **Industrial air emission control activity (Environment Component).** It is proposed to drop the industrial air emission control⁴ sub-component so that DOE's effort can focus on improving the vehicle emission enforcement program instead. This change will be reflected in the Financing Agreement and in the correspondent intermediate indicator in the Results Framework (see Annex 1).
- **One way streeting in Mohammadpur and Old Dhaka (Transport Component).** Given DNCC/DSCC's difficult experience in implementing lane separation (as explained in paragraph 12), it is proposed to substantially reduce the scope of this activity and pilot it in a very small section only. This activity will be deleted from the Financing Agreement⁵, and dropping it will not affect achievement of the PDO.
- **Parking Strategy Study.** This activity was initially conceived as a follow up to the parking policy work carried out during the previously Bank-funded DUTP. However, the Bank and the Government consider that the focus and the main challenges that lay ahead of the achievement of the PDO of the project are related to traffic management, in particular intersection design and signaling. Embarking on a

⁴ Ref PAD Annex 4 *Sub-component 1A (iii) Standards, Monitoring and Support for Emission Enforcement*; corresponding to Part A.1(c) in Schedule 1 of the Financing Agreement.

⁵ Ref: PAD Annex 4 *Sub-component 2A(i)d One way streets: Mohamadpur and Old Dhaka*; corresponding to Part B.1 (a) (iv) in Schedule 1 of the Financing Agreement.

Parking Strategy Study would require shifting focus and resources of the PIU from what will be the critical issues for the success of the project. It is therefore proposed to drop this activity from the project scope, and the Financing Agreement will be amended to reflect that change⁶.

(ii) Simplify the Results Framework (Annex 1)

17. **Results Framework.** The results framework was thoroughly reviewed during the MTR and simplified to make it a more useful and measurable tracking tool, consistent with the SMART framework (Specific, Measurable, Attributable, Realistic, and Time Bound). The content of most indicators remain the same but most have been revised to enhance their measurability. One PDO transport indicator, which was difficult to measure, will be replaced by two indicators that are easier to quantify. All detailed changes are presented in Annex 1.

(iii) Reallocate project funds (Annex 2)

18. **Reallocation of proceeds.** It is proposed to reallocate funds from Goods, Works and Services including training, seminars and studies Category to Incremental Operating Costs Category under Part A, B1 and B2 of the project as described in Annex 2. The sharp increase in Incremental Operating Costs (especially under the Environment Component) is due to (a) the substantial increase in fuel costs (petroleum price went up by 100% and electricity costs by 200%); (b) the increase in salaries of PIU staff⁷, and (c) the extension of the project closing date.

(iv) Extension of the closing date (Annex 3)

19. It is proposed that the project closing date be extended from December 31, 2014 to December 15, 2016. This is the first extension of the project. The Task Team confirms that the requirements of OP/BP13.30 regarding extension of closing date have been met. First, the project objectives continue to be achievable within the extended period. Second, the performance of the recipient is satisfactory. Third, the recipient has prepared an action plan to complete all activities by the revised closing date; this plan has been reviewed by the team and found to be realistic (including the updated procurement plan). As indicated in the Table below, most activities will be completed by the original closing date, except for two major activities under the Environment Component. First the completion of Brick Piloting, which is taking longer than expected, and second the construction of the DOE building (explained in paragraph 6). A more detailed justification of the extension is provided in Annex 3.

⁶ Ref PAD Annex 4 *Sub-component 2A(i)g Parking strategy study*; corresponding to Part B.1 (viii) in Schedule 1 of the Financing Agreement

⁷ The current salary structure is far below the market rate; the increased is considered justified by the Team.

	Amount Allocated	Disbursed	Remaining Committed	Remaining Uncommitted	% activities completed by original closing date	% activities completed by revised closing date
	(\$million)	(\$million)	(\$million)	(\$million)	(Dec 30, 2014)	(Dec 15, 2016)
Environment Component (DOE)	16.2	5.7	2.7	7.8	60% All air quality and communication activities will be fully completed. Brick activities will be partially completed	40% 10% brick piloting will require additional time (DOE-S9b for Tunnel Kiln) and 30% (ie \$5 million) for the construction of the DOE building (DOE-W1)
Transport Component (DCC)	39.3	13.7	22.8	2.8	95% All infrastructure (FOBs and road rehabilitation) will be completed	5% Additional time will be beneficial to pursue the traffic signalization training program [DCC-S10 & Training]
Transport Component (DTCA)	6.7	2.7	3.0	1.0	90% All activities completed except possibly for the detail design of the BRT (DTCB-S2)	10% The contract for the BRT detail design (DTCB-S2) will be signed in July 2013. This is a 2 years study, so its completion will exceed the existing closing date

(v) Amendment of Terminologies

20. Implementation arrangements:

- DCC was split into Dhaka North City Corporation and Dhaka South City Corporation through the Gazette Order of December 12, 2011. However, these changes do not change the implementation arrangements in practical terms. The project will (i) retain the same PIU with only one Project Director, (ii) depending on the contract's location of intervention the PIU will report either to DNCC or DSCC, and (iii) the PIU office location will continue to be based at the existing location.
- The name of the implementation agency of the second sub-component on transport has changed from Dhaka Transport Coordination Board to Dhaka Transport Coordination Authority (DTCA) following an institutional reform. DTCA was formally established through the publication of the DTCA Act in the Gazette on March 8, 2012 following the passage by the Parliament of the Act on February 8, 2012.

21. Incremental Operating Costs: During the MTR, it was noted that in the current DPP the heads of expenditures (or government economic codes) under Operating Costs are not appropriately linked with the definition of the Incremental Operating Costs mentioned in the Financing Agreement. In order to keep the consistency between the definitions, it is recommended to revise the definition of Incremental Operating Costs in the Financing Agreement as indicated below:

“Operating Costs” means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses, translation, printing, photocopying and postal expenses, bank charges, advertising expenses, insurance, costs of clearing, forwarding, inspection, survey and transportation of goods, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, other administrative costs directly related to the Project, and salaries and allowances⁸ of Project Implementation Unit staff assigned to the Project as agreed with the Association, but excluding the salaries of the Recipient's civil servants.

⁸ As authorized by the Ministry of Finance in official circulars or other documents.

ANNEX 1
Results Framework
Bangladesh: Clean Air and Sustainable Environment Project

The PDO is to improve air quality and safe mobility in cities through the implementation of demonstration initiatives in urban transport and brick making.

Project Outcome Indicators

Project Outcome Indicators	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline	Cumulative Targets				Frequency	Data Source/ Methodology	Responsibility for Data Collection
					Actual	2014	2015	2016			
Number of brick kilns adopting cleaner technology and decreasing (i) particulate emissions by 20% and (ii) GHG emission by 20% by end of project period		R	Number	0	2	7	10	12	Yearly	DOE-S8 DOE-S9/S9a/S9b	DOE
Increase of vehicular traffic in location of interventions		R	Number	217,700 counts ⁹	0	0	239,500	239,500	Once	DCC-S3	DSCC
Reduction in the number of traffic accidents in locations of intervention		D									
Pedestrian using Foot Over Bridges in locations of intervention		N	Percent age	0	20	40	60	75	Yearly	DCC-S3	DSCC
Pedestrian using sidewalks in locations of intervention		N	Percent age	0	42	55	65	75	Yearly	DCC-S3	DSCC

⁹ In 16 hours period for both directions

Intermediate Outcome Indicators: Environment

Intermediate Outcome Indicators	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline	Cumulative Targets				Frequency	Data Source/ Methodology	Responsibility for Data Collection
					Actual	2014	2015	2016			
At least 2 cities with updated source / emissions profiles		R	Number	Crude profiles exist for Dhaka& Chittagong	Data collection continues	1	2	2	Semi-annual	DOE-S13	DOE
Air quality monitoring stations installed		R	Number	0	6	6	6	6	Monthly	DOE-G1 DOE-W2	DOE
<i>Brick Burning Act</i> drafted for Cabinet's approval		R	Text	None	<i>Brick Burning Act</i> submitted to Law Ministry	<i>Brick Burning Act</i> submitted to Cabinet			Yearly		DOE
<i>Vehicular Emission Standards</i> updated		R	Text	None	Draft prepared & consultations held	<i>Vehicle Emission Standards</i> approved			Yearly	DOE-S4 DOE-S5	DOE
Communication campaign implemented		R	Text	None	Strategy completed. Campaign launched in local media.	Campaign continued	Campaign continued	Campaign continued	Yearly	DOE-S12	DOE

Intermediate Outcome Indicators: Transport

Intermediate Outcome Indicators	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline	Cumulative Targets				Frequency	Data Source/ Methodology	Responsibility for Data Collection
					Actual	2014	2015	2016			
Foot over bridges constructed		C	Number	0	5	18	20	25	Yearly	DCC-W6/W7A/W7B	DSCC/DNCC
70 kms of new sidewalks with surface drainage constructed		C	Km	0	20.5	40	70	70	Yearly	DCC-W1/W2A/W2B1/W2B2/W3A/W3B/W4	DSCC/DNCC
80 kms one way streets implemented		D	Km								
3 traffic safety campaigns		C	Number	0	1	2	3	3	Yearly	DCC-S1	DSCC/DNCC
2 corridors for separation of MV and NMV traffic		C	Number	0	2	2	2	2	Yearly	DCC-W5	DSCC/DNCC
39 traffic signals newly installed or fixed		R	Number	0	9	20	30	39	Yearly	DCC-G2	DSCC/DNCC
40 intersections improved		R	Number	0	6	21	40	40	Yearly	DCC-W8A/W8B	DSCC/DNCC
Studies for (i) rationalization of bus route network (ii) BRT on a pilot corridor		R	Number	0	1	2	2		Yearly	DTCA-S1/S2/S3	DTCA
Revised DTCA Act empowering DTCA presented to the Cabinet for approval		C	Text	Revision initiated	Passed by Parliament and Published in the Gazette				Yearly		DTCA
Revised MVO Act for reduction in emissions submitted to Cabinet		R	Text	None	Revisions recommended	Presented to the Cabinet for approval			Yearly	DTCA-S5a	DTCA

ANNEX 2

Reallocation of Proceeds

Bangladesh: Clean Air and Sustainable Environment Project

Category of Expenditure	Amount of the Credit Allocated in SDR		% of Expenditures to be financed (exclusive of import duties)	
	Current	Revised	Current	Revised
1) Part A of the Project				
a) Goods, Works and Services including training, seminars and studies	10,800,000	10,060,000		
b) Incremental Operating Costs	210,000	950,000	100%	100%
2) Part B.1 of the Project				
c) Goods, Works and Services including training, seminars and studies	26,460,000	26,400,000	100%	100%
d) Incremental Operating Costs	190,000	250,000		
3) Part B.2 of the Project				
e) Goods, Works and Services including training, seminars and studies	4,490,000	4,428,000	100%	100%
f) Incremental Operating Costs	50,000	112,000		
TOTAL AMOUNT	42,200,000	42,200,000		

ANNEX 3

Extension of Closing Date

Bangladesh: Clean Air and Sustainable Environment Project

1. The closing date for the Bangladesh - Clean Air and Sustainable Environment Project (Cr. 4581-BD - P098151) will be extended from December 31, 2014 to December 15, 2016.
2. This is the first extension of the project.
3. The Task Team confirms that the requirements of OP/BP10.00 regarding extension of closing date have been met. First, the project objectives continue to be achievable within the extended period. Second, the performance of the borrower and implementing agencies is satisfactory. Third, the borrower has prepared an action plan acceptable to the Bank to complete all activities by the revised closing date.
4. The extension of the closing date is necessary due to initial delays in implementation and in order to satisfactorily complete all project components and achieve the project development objective. More specifically, the extension is needed due to the following:
 - Delay in starting project implementation. The project was approved by the World Bank Board in May 2009 and declared effective in August 2009. However, the Government's Development Project Proposal (DPP) was only approved in December 2009 and the Ministry's Administrative Order was issued end of March 2010. Hence expenditures could only begin in April 2010, almost a year after Board approval.
 - Construction of the DOE Building. As indicated in the PAD, the construction of the DOE building was conditional on project progress to be assessed at MTR. At that time (January 2013), the Government and the Bank assessed implementation progress to be satisfactory and endorsed the need to build additional office space to accommodate the newly recruited DOE staff and the expanding team who will be working on air quality and climate change. The design of the building has been prepared. To accommodate contract tendering and a realistic construction schedule, about 3.5 years will be necessary. Hence an extension till mid December 2016 is being requested.
 - Second and final DPP revision. In Bangladesh, only 2 DPP revisions are allowed in the lifetime of a project. The project's DPP was revised for the first time in February 2011 to accommodate adjustments within the approval ceiling of the Ministry. It is now possible to revise the DPP one more time only. As changes and adjustment in DPP contract packages are needed to be consistent with the proposed changes in project scope contained in this Restructuring Paper, a second DPP revision is now necessary. If an extension to the closing date is to be considered, it has to be reflected in this second DPP revision.