REPORT NO.: RES41214

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

BANGLADESH: RURAL ELECTRICITY TRANSMISSION AND DISTRIBUTION PROJECT

APPROVED ON FEBRUARY 27, 2014

TO

GOVERNMENT OF BANGLADESH

ENERGY & EXTRACTIVES

SOUTH ASIA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P129920</td>
<td>Investment Project Financing</td>
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<table>
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<tr>
<th>Original EA Category</th>
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<tr>
<td>Partial Assessment (B)</td>
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<table>
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<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tr>
<td>27-Feb-2014</td>
<td>30-Jun-2020</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<tr>
<td>Government of Bangladesh</td>
<td>Bangladesh Rural Electrification Board, Power Grid Company of Bangladesh (PGCB)</td>
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</table>

Project Development Objective (PDO)

Original PDO

The proposed Project development objectives are to reduce system losses and enhance capacity in the rural distribution network of primarily the eastern part of Bangladesh.

Summary Status of Financing

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<th>Ln/Cr/Tf</th>
<th>Approval Date</th>
<th>Signing Date</th>
<th>Effectiveness Date</th>
<th>Closing Date</th>
<th>Net Commitment</th>
<th>Disbursed</th>
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Policy Waiver(s)

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

No

I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
I. Status of the Project

Progress towards achievement of the Project Development Objectives (PDOs) is satisfactory and the PDOs will be achieved with one-year extension of the Project Closing Date. The Project was approved on February 27, 2014; and the PDOs are to reduce systems losses and enhance capacity in the rural distribution network of primarily the eastern part of Bangladesh. Two PDO indicators have been achieved. The Project targeted Electricity losses in the project areas (technical losses) to reduce to 10.5 percent. At present, technical losses have reduced to 7.6 percent, surpassing the target. The Project has end-target of adding 1,800 Mega Volt Ampere (MVA) under the indicator MVA Capacity addition in the 33/11 kilo-Volt (kV) network of the Project Palli Bidyut Samity (PBSs). By the end of April 2020, 1,810 MVA capacity has been added in the 33/11 kV rural network; and the target has been exceeded.

The overall Implementation Progress (IP) rating has been satisfactory. Project has disbursed 82 percent (US$445.37 million) of the committed fund. There is an exchange rate loss of US$ 57.34 million, there is no cancellation. The Project has three components.

Component A: Rural Grid Augmentation and Rehabilitation is implemented by Bangladesh Rural Electrification Board (BREB). Under Component A, 7,050 kilometers (kms) of distribution lines have been constructed/rehabilitated against a target of 6,249 kms. All of the targeted 110 distribution substations (33/11 kV level) have been built with a capacity of 1,810 MVA. All major procurement activities are completed, except procurement of Test Equipment for the Laboratory Building of BREB. This procurement cannot be completed within the current Project Closing Date of June 30, 2020.

Component B: Transmission Enhancement is implemented by Power Grid Company of Bangladesh Limited (PGCB). Under Component B, five out of targeted six grid substations are complete, 385 kms out of targeted 389 kms transmission lines are constructed or rehabilitated, and the targeted 280 kms transmission lines are rehabilitated. Construction for the transmission enhancement has picked up with an overall progress of 97 percent. However, Keraniganj Substation, which is financed by the Project, was damaged by fire on February 27, 2019.

Under Component C: Institutional Strengthening, Component C1 finances institutional strengthening of BREB and Component C2 finances institutional strengthening of PGCB. Implementation of Component C2 is complete. While progress of Component C1 has improved, 11 studies under this component have not been finalized.

In the recent mission (November 24-28, 2019), the performance rating was satisfactory for procurement and moderately satisfactory for safeguards and financial management.

The outstanding safeguards issues are:

(i) Settlement of a complaint under Component A: A local resident had filed a complaint regarding safety impacts of a distribution line passing over the resident’s house in Chottogram. This distribution line is connected to a river crossing tower, which was financed by the Project. A technical assessment carried out by BREB and its consultants following the Environmental and Social Management Framework (ESMF) of the Project, found the distribution line to have no safety impacts. As per Resettlement Action Plan, BREB is authorized to compensate the affected households. BREB has allocated a compensation amount, which it can pay out from the Project Office. BREB has made several attempts to contact the local resident to settle the complaint. However, the local resident has not responded and there has not been additional correspondence regarding this complaint. BREB has committed to making the compensation available to the local resident when they contact BREB. BREB will continue its attempt to contact the local resident.
(ii) Compensation of Entitled Persons (EPs) under Component B: EPs, in this context, are landowners affected by construction of 6 substations. Nineteen (19) EPs remain to be compensated. The delay is due to legal disputes on land ownership and as three EPs are living abroad and could not be contacted. The six substations affected a total of 192 EPs; 167 EPs have been compensated; and 6 are in the process of receiving compensation.

(iii) Right of Way (ROW) agreement: Bangladesh Inland Water Transport Authority (BIWTA) and PGCB are working towards a consent by December 31, 2020 on ROW to build towers along the river bank for a 4 km transmission line. This transmission line will connect with Keraniganj substation.

The response from Foreign Aided Project Audit Department (FAPAD) on PGCB’s financial statement is delayed. FAPAD is expected to issue a revised audit report by May 28, 2020. There are no other outstanding audits of the Project.

II. Description of Proposed Change

This restructuring paper proposes an extension of the Project Closing Date to June 30, 2021. This is the first extension of the Closing Date. The Government of Bangladesh (GOB) through a letter dated January 16, 2020, has requested this extension for restoration of the fire-damaged Keraniganj substation (see para (2) below). This will also facilitate completion of the other ongoing activities of the project.

III. Rationale for Extension of the Project Closing Date

The extension of the Project Closing Date will enable BREB and PGCB to complete ongoing activities under the Project. The PDOs can be fully achieved within the proposed Project Closing Date. The performance of the implementing agencies, BREB and PGCB, has been satisfactory. The Bank, PGCB and BREB have agreed on the following actions for successful and orderly completion of the Project by the proposed Closing Date:

(1) Under Component A, BREB will complete: (i) construction of 33/11 kV substations and distribution lines, eleven switching stations, and a laboratory building; (ii) supply of SPC poles; and (iii) procurement and installation of laboratory testing equipment. BREB will build additional 560 MVA 33/11 kV substations and 850 km distribution lines. BREB will also settle the complaint filed by local resident by March 31, 2021;

(2) Under Component B, PGCB will complete: (i) restoration of Keraniganj Substation, which was severely damaged by fire; and (ii) construction of a 4 km transmission line connecting with the substation. The Bank team reviewed the final construction schedule for restoration of the Keraniganj substation and agrees with the plan. PGCB will also disburse compensation to the remaining 19 EPs by December 31, 2020;

(3) BREB will finalize all ongoing studies under Component C1; and

(4) GOB will process an extension of the Development Project Proforma (DPP) of both PGCB and BREB up to December 2021 to enable both agencies process invoices and finish their Project related activities.

II. DETAILED CHANGES
# LOAN CLOSING DATE(S)

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<tr>
<th>Ln/Cr/Tf</th>
<th>Status</th>
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