REPORT NO.: RES41930

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
BD CHITTAGONG WATER SUPPLY IMPROVEMENT AND SANITATION PROJECT
APPROVED ON JUNE 23, 2010
TO
PEOPLE'S REPUBLIC OF BANGLADESH

WATER
SOUTH ASIA

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The World Bank
BD Chittagong Water Supply Improvement and Sanitation Project (P103999)

I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Product Information</th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td>Project ID</td>
<td>P103999</td>
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<tr>
<td>Financing Instrument</td>
<td>Investment Project Financing</td>
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<td>Original EA Category</td>
<td>Partial Assessment (B)</td>
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<td>Current EA Category</td>
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<tr>
<td>Approval Date</td>
<td>23-Jun-2010</td>
</tr>
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<td>Current Closing Date</td>
<td>15-Jun-2020</td>
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Organizations

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<th>Responsible Agency</th>
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<tr>
<td>Borrower</td>
<td>PEOPLE'S REPUBLIC OF BANGLADESH</td>
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<tr>
<td>Responsible Agency</td>
<td>Chittagong Water Supply and Sewerage Authority (CWASA)</td>
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Project Development Objective (PDO)

Original PDO

The objective of the Project is to increase the sustainable access to safe water and improved sanitation, as well as support the establishment of a long term water supply, sanitation and drainage infrastructure development and operational management program in Chittagong.

Current PDO

The revised PDO is to increase access to safe water and improve CWASA’s institutional capacity and investment planning for sanitation and drainage in Chittagong City.

Summary Status of Financing

<table>
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<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Commitment</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

Project Status

The project was approved on June 23, 2010 with an IDA credit of US$170 million to increase the sustainable access to safe water and improved sanitation, as well as support the establishment of a long-term water supply, sanitation and drainage infrastructure development and operational management program in Chittagong, and the original credit Closing Date was December 31, 2015. The project consisted of three components. They were: (i) Water Supply and Sanitation; (ii) Sewerage and Drainage; and (iii) Institutional and Operational Development, and Project Management Support.

A two-part restructuring was carried out in 2014 and 2015. The first part was a Level I restructuring approved by the Board on April 1, 2014 that revised the PDO and resized and refocused the project. The revised PDO was to increase access to safe water supply and improve CWASA’s institutional capacity and investment planning for sanitation and drainage in Chittagong City. The restructuring included a partial cancellation of US$ 14.5 million equivalent of SDR. The project scope was streamlined to focus on critical works and technical assistance activities under three components: (i) Water Supply Improvement; (ii) Investment Planning for Sanitation and Drainage; and (iii) Institutional Capacity Development and Project Management Support. A subsequent Level II restructuring (approved on June 12, 2015) granted an extension of the project Closing Date by three years to December 31, 2018.

A second Level 1 restructuring was approved on June 24, 2017 which: (i) included additional financing of US$ 47.49 million; (ii) reallocated project funds; (iii) extended the closing date of the project to March 31, 2020; and (iv) refined and updated the results framework to make it compatible with the project period. The increase in cost of the component for water supply improvement of the restructured project and the attrition due to exchange rate variation contributed together to a large (US$83.05 million) financing gap. This has been partly met by Additional Financing and partly by the Government of Bangladesh financing. The third restructuring was a Level 2 restructuring to further extend the Closing Date by 2.5 months to June 15, 2020 to enable the project to complete the committed activities. However, in late March 2020 project implementation was shut down by government restrictions designed to address the COVID-19 pandemic.

The proposed Level 2 restructuring will be the fourth restructuring to extend the closing date. It is designed to permit adequate time to restart implementation after COVID-19 restrictions were lifted by the government on June 1, 2020, and then complete the project. After this proposed extension, the cumulative extension for the project will be 5 years.

Project Performance

Almost all project funds are committed (including contingencies) by signed contracts and the project has disbursed US$ 148.23 million (US$ 126.52 million from the parent credit, IDA-47340 and US$ 21.71 million from the AF, IDA-60930). The project made satisfactory progress with the execution of works packages of the parent credit (IDA-47340). Of the activities financed under the parent credit, all construction works were fully completed, and one consulting
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services contract is in progress. The progress with the key works contract (Package W-5), which is financed out of Additional Financing (IDA-60930), was making slow progress due to contractor’s performance issue and interruptions caused by rains and national elections, and has now been completely halted by government COVID-19 restrictions. Fortunately, the works had reached the last stage of completion before stoppage and 85% progress was achieved as of the end of March 2020. Other activities financed by the Additional Financing, e.g., the Master Plans for Sanitation and Drainage and technical assistance for improving institutional capacity of the utility, are completed.

No supervision could be undertaken for the project since the last implementation review mission in November 2019, as the travel of Bank staff was suspended in March 2020. The project is rated moderately satisfactory in progress toward achievement of the Development Objective and Overall Implementation Progress. Fiduciary ratings are moderately satisfactory for procurement and financial management, and Safeguards ratings are satisfactory for environmental safeguards and social safeguards. There are no outstanding audits. In terms of results, all four of the PDO-level outcome indicators have achieved their stipulated targets. Performance of the implementing agency (CWASA, Chittagong Water Supply and Sewerage Authority) is rated as moderately satisfactory mainly due to the delays in contract completion, which in fact is contributed by the below performance of the supervision consultants. The supervision consultant team has now been strengthened.

Rationale for Restructuring

The project has completed all physical activities envisaged under the parent credit (IDA-47340) and these are being operated to produce and distribute water. Thus, the project is providing partial benefits to the city. In order to achieve the overall Development Objective envisaged, infrastructure to transfer water to southern part of Chittagong needs to be completed. The proposed transmission main will convey 45 MLD treated water from the newly constructed Modunaghat water treatment plant and will provide improved water to about 0.46 million people in the southern part of the city (or about 13.86% of Chittagong’s population). The only major and critical work (package W-5) to transfer water to southern part of the city is financed under the AF (IDA-60930) and was, as described above, substantially completed before the COVID-19 restrictions came into effect. It is the Task Team’s opinion that the unfinished construction work can be completed within 5 months once construction re-starts. A new work plan to complete the works (entailing an estimated 150-160 days) has been prepared by the contractor and reviewed by the Task Team and CWASA. Fortuitously the main contractor is a Bangladeshi firm and its workers are predominantly from Bangladesh. The contractor has, therefore, informed the PMU that it expects to be fully mobilized and working by June 14, 2020. Hence, a further extension of the Closing Date by 6.5 months is both required and is reasonable as it allows about 2 months for unforeseen slippages.

The water utility and the Government will not be able to complete and commission the works and integrate the completed works with the water supply systems in Chittagong should the project close on June 15, 2020. This is because the government cannot readily mobilize: i) US$ 9.7 million (the amount that would be outstanding and owed to the contractor); and ii) the required technical and safeguards oversight.

In view of the above factors (which is beyond the control of implementing agencies and contractors) and critical nature of the ongoing activity for achievement of Development Objectives, an extension of 6.5 months is proposed.

DESCRIPTION OF PROPOSED CHANGES

Extension of Closing Date
The restructing proposes to further extend the project closing date by 6.5 months to December 31, 2020.

## II. DETAILED CHANGES

### LOAN CLOSING DATE(S)

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