



REPORT NO.: RES36677

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF THE
DRINA FLOOD PROTECTION PROJECT
APPROVED ON MAY 16, 2014
TO
BOSNIA AND HERZEGOVINA

June 10, 2019

WATER GLOBAL PRACTICE
EUROPE AND CENTRAL ASIA

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ABBREVIATIONS AND ACRONYMS

BiH	Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina (also “the Federation”), a constituting Entity of Bosnia and Herzegovina
Ha	Hectare
Km	Kilometers
PDO	Project Development Objective
PIU	Project Implementation Unit
RS	Republika Srpska, a constituting entity of Bosnia and Herzegovina
SDR	Special Drawing Rights
US\$	United States Dollar



BASIC DATA

Product Information

Project ID	Financing Instrument
P143844	Investment Project Financing
Original EA Category	Current EA Category
Partial Assessment (B)	Partial Assessment (B)
Approval Date	Current Closing Date
16-May-2014	31-Dec-2019

Organizations

Borrower	Responsible Agency
Ministry of Finance and Treasury of Bosnia and Herzegovina	Ministry of Agriculture, Forestry and Water Management, Ministry of Agriculture, Water Management and Forestry

Project Development Objective (PDO)

Original PDO

The Project's objective is to provide increased protection from flood events to agricultural and commercial interests and communities in the project areas.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-54440	16-May-2014	10-Sep-2014	21-May-2015	31-Dec-2019	24.00	7.95	13.56

Policy Waiver(s)

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

No



Note to Task Teams: End of system generated content, document is editable from here.

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring entails: 1) revising Component One to exclude the activities that will not be implemented and include the new set of activities that have been agreed with the Government and are aligned with the Project's PDO; 2) cancel the amount of SDR 1,249,003 million (US\$1,723,198 million equivalent) from Component One that will not be utilized by the Project's closing date, stemming from the previously referenced changes; and 3) adjusting the Result Framework (RF) to reflect the changes accordingly. The scope of restructuring was agreed during the February 2019 mission and the request for this restructuring was received from Ministry of Finance and Treasury of BiH on April 30, 2019.

2. The Bosnia and Herzegovina Drina Flood Protection Project was approved by the Board on May 16, 2014. The total project cost is US\$28.27 million, of which US\$24 million is financed with IDA credit (Credit 5444-BA, SDR 15.6 million). It comprises two components: (i) Flood Protection in Bijeljina Area in Republika Srpska; and (ii) Flood Protection in Gorazde Area in Federation of BiH. The Project was declared effective on May 21, 2015, and the delay in effectiveness was due to the floods of 2014 and establishment of the then newly elected government. The Project is scheduled to close on December 31, 2019. As of May 2019, 33 percent (US\$7.95 million) of the total original IDA credit of US\$24.0 million (SDR15.6 million) has been disbursed, while commitments are an additional 60 percent (US\$14.5 million). Progress towards achievement of the Project Development Objectives (PDO) and implementation progress have been rated 'Moderately Unsatisfactory' since June 2018 due to delays on Component 1. There are no overdue audits. With the changes proposed in this restructuring the PDO becomes achievable again and project implementation is expected to be brought back on track. There is a revised action plan agreed with the Client and the team will verify the progress on the ground during mission scheduled for June 17-21, 2019.

Component One: Flood Protection in Bijeljina Area – Republika Srpska, (IDA credit - US\$13.8 million of which less than US\$1 million has been disbursed and US\$9 million has been committed). This component was planning to finance civil engineering works and related investments for the construction of the dike that will protect the Bijeljina town and the Janja and Amajlje settlements, as well as other smaller settlements, on the Lower Drina left bank. This component has faced delays in implementation, due to lack of agreement with citizens from the settlements Janja, Popovi and Amajlje on the proposed dike alignment. Namely, citizens sent a petition in March 2018, following the public consultation on RAPs as well as their public display, against the proposed dike alignment. Since May 2018, eight public consultations with representatives of local communities were held, nonetheless the strong resistance remained with no agreement to be reached. The Bank team proactively worked with the RS Ministry and PIU to find a solution and finally in January 2019 the agreement was reached to not finance the originally planned dike, and instead to undertake: (i) works on improvement of Janja riverbed covering the length of 1.8 km for which all issues were resolved; and (ii) works on protection of erosive river banks of Drina at 11 sites for the length of 7,860 meters, as per the request from the citizens. These revised activities are fully in line with the Project's PDO, as they will provide protection from flood events to agricultural areas in wider Bijeljina region and communities of Janja settlement. Over the past few months the activities have accelerated. Contract for Janja improvement was signed on May 16, 2019 and to be finalized by December 30, 2019. Design for protection of erosive Drina river banks is on-going, and the works contract is scheduled to be signed by end of June 2019 with expected completion date of December 30, 2019. The revised scope and cost estimates for this component resulted in



US\$1,723,198 million that will not be utilized and are thus suggested for cancellation from the loan proceeds. In addition, the project's targets and indicator description will need to be adjusted to the revised scope.

Component Two: Flood Protection in Gorazde Area – Federation BiH, (IDA credit - US\$10.2 million of which around US\$5 million has been disbursed and additional US\$5.5 million has been committed). This component was set up to finance the civil engineering works and related investments for the flood protection in four clusters around City of Goražde. So far two rehabilitation projects on river Praca, construction of embankment on river Drina in Ustikolina and on Kolina river in Gorazde have been completed. After first phase, the Client developed project designs for seven additional sites. After discussion with local community, the Client decided that priority should be given to the construction of the embankments of Drina River in Gorazde. Works are on-going and scheduled to be completed by December 30, 2019. Additional five projects in Gorazde and one in Foca-Ustikolina will not be financed under this project due to lack of funds. Although some activities will not be implemented as planned, the project PDOs and targets will be achieved providing the increased protection from flood events to agricultural and commercial interests and communities in the Project area. Limited adjustments to intermediate indicators and targets will be needed to reflect the impact of dropping some of the projects.

3. Apart from the above-mentioned petition, there are no outstanding environmental and social safeguards issues. The financial management arrangements of the Project, including accounting, budgeting, organization and staffing, internal controls, counterpart funding, audit and financial reporting, continues to be adequate and comply with the Bank's requirements. There are currently no overdue interim unaudited financial reports and audit reports for the Project.

II. DESCRIPTION OF PROPOSED CHANGES

4. In response to the Ministry of Finance and Treasury of the BiH letter dated April 24, 2019 requesting the restructuring of the project, the team is proposing modifications, as listed below:

- a. **Partial cancellation of loan funds under Component One:** An amount of SDR 1,249,003 million (US\$1,723,198 million equivalent) under Category 1, Goods, Works, Non-consulting Services, Consultants' Services, Training, and Incremental Operating Costs for Part A of the Project, is suggested to be cancelled. The total amount for Category 1 would thus be revised from the original amount of SDR 8,970,000 to SDR 7,720,997 million. The amount suggested for cancellation represents the balance between the amounts budgeted for the activities that will not be implemented (originally estimated at US\$13.8 million) and the cost estimate of the activities that will be implemented (including those that have been added under Component One, as elaborated above) estimated at US\$10 million.
- b. **Revision of the disbursement estimate** to align with the new Project amount due to the partial cancellation.
- c. **Adjustment for the Results Framework includes** revision of one PDO level indicator by decreasing the target value of rural/agricultural land protected, and revisions of two Intermediate level indicators by revising the description of indicator for RS and decreasing the target value for FBiH, as follows:
 - i. Target value of PDO indicator "Rural/Agricultural land protected from floods in project locations" will be decreased from 8.500 Ha to 3.200, due to the inability to construct Drina dike in RS
 - ii. Description of the intermediate indicator "Lengths of river dikes constructed in RS" will be revised to read "length of river embankments rehabilitated and improved in RS" and its target value will be reduced from 33.4 km to 12 km, due to the inability to construct Drina dike in RS.



- iii. Target value of the intermediate indicator for “Length of river embankments/dikes rehabilitated and improved in FBiH” will be decreased from 32 km to 18 km, as activities in FBiH were underestimated and could not be implemented due to lack of funds.

I. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓



Environmental Analysis

✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
1. Flood Protection in Bijeljina Area (RS).	17.60	Revised	1. Flood Protection in Bijeljina Area (RS).	15.86
2. Flood Protection in Gorazde Area (FBiH).	10.67	No Change	2. Flood Protection in Gorazde Area (FBiH).	10.67
TOTAL		28.27		26.53

CANCELLATIONS

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IDA-54440-001	Disbursing	XDR	15,600,000.00	1,249,003.00	30-Apr-2019	14,350,997.00	BORROWER'S REQUEST FOR COUNTRY REASONS

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed
IDA-54440-001	Currency: XDR			
iLap Category Sequence No: 1	Current Expenditure Category: GO,CW,Non-CS,CS, TR,IOC-Part A			
8,970,000.00	524,940.74	7,720,997.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: GO,CW,Non-CS,CS, TR,IOC-Part B			



6,630,000.00	3,653,656.82	6,630,000.00	100.00	100.00
Total	15,600,000.00	4,178,597.56	14,350,997.00	

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2014	0.00	0.00
2015	1,000,000.00	0.00
2016	2,000,000.00	0.00
2017	6,000,000.00	0.00
2018	7,000,000.00	0.00
2019	4,500,000.00	2,000,000.00
2020	3,500,000.00	11,960,000.00
2021	0.00	0.00



Results framework

COUNTRY: Bosnia and Herzegovina DRINA FLOOD PROTECTION PROJECT

Project Development Objectives(s)

The Project's objective is to provide increased protection from flood events to agricultural and commercial interests and communities in the project areas.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Provide increased protection from flood events to agriculture and commercial interests							
Semi-urban and urban area protected from floods in project locations (2010) baseline (Hectare(Ha))		0.00	0.00	0.00	54.00	54.00	54.00
Rural/Agricultural land protected from floods in project locations (2010) baseline (Hectare(Ha))		0.00					3,200.00



Intermediate Results Indicators by Components



The World Bank

DRINA FLOOD PROTECTION PROJECT (P143844)

