



REPORT NO.: RES42270

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
ENERGY EFFICIENCY PROJECT  
APPROVED ON MARCH 13, 2014  
TO  
BOSNIA AND HERZEGOVINA

ENERGY &amp; EXTRACTIVES

EUROPE AND CENTRAL ASIA

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## I. BASIC DATA

### Product Information

Project ID P143580	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 13-Mar-2014	Current Closing Date 29-Feb-2024

### Organizations

Borrower Bosnia and Herzegovina	Responsible Agency FBH Ministry of Physical Planning, RS Ministry of Spatial Planning, Civil Engineering and Ecology
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### Project Development Objective (PDO)

#### Original PDO

The project development objective is to demonstrate the benefits of energy efficiency improvements in public sector buildings and support the development of scalable energy efficiency financing models.

#### Current PDO

The project development objective is to improve energy efficiency in public buildings, and to support the development and implementation of scalable energy efficiency financing models

### Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IBRD-89060	30-Oct-2018	18-Jan-2019	11-Mar-2020	29-Feb-2024	32.00	.08	31.92
IDA-53930	13-Mar-2014	29-Oct-2014	27-May-2015	30-Jun-2020	28.00	25.21	0
IDA-55380	13-Mar-2014	29-Oct-2014	27-May-2015	30-Jun-2020	4.00	2.29	1.34



## Policy Waiver(s)

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

No

## I. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

The proposed restructuring entails extension of IDA Credit IDA-55380, one of the two parent credits of the Project, by five months from June 30, 2020 to November 30, 2020, as per the BiH Ministry of Finance and Treasury's request letter dated May 25, 2020. This will be the third extension of this credit, bringing the cumulative extension to 29 months. The extension does not impact the closing date of the whole project, which is February 29, 2024 (as approved with the AF, Loan No 8906-BA), and remains unchanged.

### A. Project Status

The Project development objective (PDO) is to improve energy efficiency (EE) in public sector buildings, and to support the development and implementation of scalable EE financing models. Progress towards achievement of the PDO and the Overall Implementation Progress are currently rated Moderately Satisfactory. The large majority of implementation activities have been completed; outstanding renovation works are limited to a small number of buildings in the Federation of Bosnia and Herzegovina (FBiH). As of June 5, 2020, the total disbursement rate reached 95.37 percent of the original IDA credits totaling US\$32 million (IDA-53930 and IDA-55380). All credit funds allocated to the Republika Srpska (RS) have been withdrawn (US\$ 11.50 million), with US\$1.34 million remaining to be withdrawn by the Federation of Bosnia and Herzegovina (FBiH), out of allocated credit funds of US\$ 17.25 million. The amount is based on SDR/US\$ exchange rate of June 12, 2020.

The Project was approved on March 13, 2014 and became effective in RS on May 27, 2015, and on December 14, 2015 in FBiH. The original closing date was June 30, 2018, it was extended twice for a total of 24 months until June 30, 2020. An Additional Financing (AF) was approved by the World Bank's Board of Directors on October 30, 2018, building on the successful completion of EE investments in public buildings under the Project and deepening the support for the development of scalable financing mechanism and capacity building. The AF Loan became effective on March 12, 2020 and has a closing date of February 29, 2024.

The Project includes three components: (i) EE investments in public facilities (e.g. schools, hospitals, clinic centers, and other public buildings), as well as related technical consultancy services (US\$27.37 million); (ii) support for the development of scalable financing mechanisms and capacity building (US\$2.71 million); and (iii) project management (US\$1.92 million).

Overall implementation progress of Component 1 is Satisfactory. To date, EE renovation works have been completed in 80 public buildings (48 public buildings in the FBiH and 32 in the RS). The EE investments have improved conditions in 56 schools, 16 hospitals and 8 administrative buildings directly benefitting citizens. The Project helped to demonstrate significant energy savings and other benefits associated with EE improvements, including the following: (i) lifetime energy savings of more than 641,000 megawatt hour (MWh), comparing to BiH's total final energy consumption of 41,344,000 MWh in 2017. The lifetime energy and carbon savings of the 80 retrofitted buildings under BEEP alone are estimated to be equivalent to taking 98,000 cars off the streets (US Environmental Protection Agency,



GHG equivalencies converter, using US estimates); (ii) reduction of lifetime carbon dioxide (CO<sub>2</sub>) emissions by 177,000 tons of CO<sub>2</sub> equivalent, comparing to BiH's total CO<sub>2</sub> emissions of 22 million tons in 2017; (iii) 210 trained municipal energy managers; and (iv) more than 750,000 children, students, patients, teachers, doctors, nurses and other staff estimated to have benefitted from improved learning, health recovery and working conditions in retrofitted buildings, with female beneficiaries reaching 46 percent in the RS and 53 percent in FBiH. All the PDO indicators under the project have been reached or exceeded.

The delay in the implementation of the retrofits in the last seven remaining cantonal buildings in the FBiH is a result of the unforeseeable disruption caused by the COVID-19 pandemic and the state of emergency that was put in place in mid-March 2020 and halted economic activity. The main reasons for the delay have been: (i) limited capacity of consultants to visit buildings and complete audits/technical design for the preparation of retrofit works; (ii) prolonged administrative procedures for launching bids for contractors because the government officials were not at work; and (iii) construction work stoppage. Since corona-related restrictions on the economy have gradually eased from May 2020, substantial efforts have been made by the FBiH PIU and the Canton administrations where the unfinished buildings are located to finalize implementation during the ongoing construction period. Construction works have resumed on May 11, 2020, in two buildings where civil works had been started already; for the remaining five buildings, all preparatory work has been completed, and the tender for works has been launched for three buildings on June 5, 2020, and for the remaining two buildings to be published on June 19, 2020; the bid period is 15 days, implying a start of civil works in July for the outstanding buildings. The works are estimated for a duration of three months, with completion for all buildings scheduled for October before the start of the heating season. A detailed Action Plan concerning the completion of the works on the outstanding seven buildings has been agreed between the Client and the World Bank team as follows:

- (i) Construction works of the two buildings, located in Sarajevo canton (JU Srednja škola za okoliš i drvni) and Canton 10, Drvar, (Osnovna škola „Drvar“) have resumed May 11 and the works are on track to be completed in August.
- (ii) The bidding documents for three buildings in HNK canton, located in Mostar and Konjic were published in two packages on June 5, 2020. The bid for two buildings in Mostar (U Srednja prometna škola/ srednja mašinsko - saobraćajna škola), Čitluk (Dom Zdravlja Čitluk) were published in one package, while the bid for the National Monument in HNK canton in Konjic was published in a separate package. Construction is expected to start in July.
- (iii) The bidding documents for the remaining two buildings in HNK canton, one health care center in Čapljina (Dom zdravlja Čapljina), and one building in Srednja škola Prozor-Rama, will be published on June 19, 2020. Construction is expected to start in July and be completed by the end of October.

Implementation progress of Component 2 is Satisfactory, and will continue under the Additional Financing. Substantial progress has been made to develop a scalable EE financing model, and a number of technical inputs for the design of the revolving fund schemes planned under the AF have been produced. Consultancies are under way to help develop performance-based contracting schemes, with 10-year investment repayment periods, in the FBiH, as well as a model based on an energy service company (ESCO) in the RS. Moreover, the revolving fund scheme is intended to be joined by other donors/partners. For instance, Kreditanstalt für Wiederaufbau (KfW) has agreed to provide a €9.5 million grant for EE improvements in public buildings to be implemented through the FBiH PIU under the revolving fund scheme to be set up by the Project. In the RS, KfW will provide a €4 million grant for EE improvements in public buildings to be implemented through the Ministry of Spatial Planning, and will be closely synchronized with the Project given similar eligibility and selection criteria for public buildings, and the use of the same list of nominated buildings. The Green Climate Fund (GCF) has approved in October 2017 a US\$17 million UNDP and Recipient executed grant to



support EE improvements in the public buildings sector. Both additional sources will result in parallel financing adopting the parameters of BEEP, from building selection and eligibility to preparation works and standards to meet. Thus, the revolving fund schemes are being adopted in the country, beyond BEEP, which is important for sustainable EE financing for public buildings in BiH.

Significant EE capacity has also been built in the local energy service providers community throughout Project implementation, and is being built upon under the Additional Financing. The different entities engaged in EE retrofits, such as energy auditors, design companies, construction firms and others, have increased in numbers and skills as demonstrated through a steady increase in the number of responsive bidders and improved quality of technical documentation under BEEP. In addition, extensive communication and promotion activities were conducted to help increase awareness and understanding of EE among public and private stakeholders, and to promote achievements and Project results. To this end, a wide range of communication tools were used, including dedicated Project websites, brochures and videos, social, printed and TV media, child-friendly awareness campaigns in retrofitted schools, and organization of EE conferences with regional participation.

The continued engagement and high motivation of the Client is demonstrated by the fast progress on the implementation of the AF. Project implementation is in the early stage started with the launch of bidding in the RS and preparation of agreements to be signed with the cantons in the FBiH. The RS PIU is planning to commit the retrofit of about 12 to 15 public buildings by the end of the calendar year 2020 assuming the COVID situation remains stable. The RS has launched the first bid for a first package of five public buildings for an estimated amount of US\$1.9 million and a second package of five buildings for an estimated investment of US\$ 0.89 million. Bidding documentation for a third package for another 8 public buildings is under preparation and is expected to be launched by the first half of June, with construction works expected to start in August. In FBiH, as the cantons take a loan for EE investments, the PIU has issued a call to all 10 cantons to send their nominations by the first week of June and two cantons expressed interest in participating in the AF. The expectation is that the subsidiary agreement between the cantonal government and the FBiH's Ministry of Finance would be signed by July 15. As for Component 2, ToRs for the technical work to develop a scalable financing mechanism, the development of a centralized database and a communication strategy were developed in both PIUs.

The Client's project management arrangements have strengthened over the more than four year period of Project implementation and are fully adequate. As for Project Management core staff, the FBiH PIU is staffed with a Project Manager, technical experts, fiduciary specialists, a contract management expert and an administrative assistant. The PIU of RS is also fully staffed with a Project Manager, technical experts, fiduciary specialists and supporting staff. All staff contracts are renewed to cover the implementation of the AF based on satisfactory performance.

The Project is in compliance with environmental, social, and financial management requirements. Interim un-audited Financial Reports (IFRs) have been submitted regularly to the World Bank and were found to be acceptable. The audit reports of previous years have been delivered on time and considered acceptable. There are no outstanding audit reports for this Project.

#### B. Proposed Changes

The proposed restructuring seeks approval for the third extension of the closing date of IDA Credit IDA-55380, one of the two parent credits of the Project by five months from June 30, 2020 to November 30, 2020, bringing the cumulative extension of the IDA credit to 29 months. The Project closing date is February 29, 2024 and remains unchanged. This third extension of the parent credit will accommodate the completion of retrofitting seven cantonal



buildings in the FBiH which were delayed due to the unforeseeable stop of all preparation and construction activities in March 2020 caused by the coronavirus pandemic. Moreover, the Government requested a small reallocation of resources from project components 2 to 1 in order to fully utilize the remaining IDA credit for building retrofits. This has been discussed and agreed with the client. Such reallocations between components do not require an amendment to the financing agreement.

The Government, the cantons and the FBiH PIU have demonstrated strong commitment to complete the remaining seven buildings through active procurement of contractors as described above. Strong tender participation is expected following COVID-19 lockdown (this assumption is supported by the experience of the civil works tenders completed by the RS PIU in May 2020, where 28 qualified bidders participated). Given the fact that the retrofit works for the seven outstanding buildings are either ongoing or are under tender, the five-month extension is considered adequate to complete retrofitting all buildings, based on actual experience of the 48 previous buildings in the FBiH, which took on average three months to complete. Successful completion of these seven buildings will represent continuity with regard to implementation of the AF which is already underway in both RS and FBiH.

Risk of second coronavirus wave. The retrofits work for the remaining seven buildings are expected to be implemented during July–October 2020. Contractors will be allowed to work flexible hours to take full advantage of long days and completion of works to time and quality standards is expected under normal circumstance. However, should the coronavirus pandemic produce a second wave of infections that necessitates another shut-down of works before completion, the contract interruption due to force majeure, in combination with the onset of the heating season, is likely to produce a delay until early Spring 2021. If works cannot be completed by November 30, 2020 (the new proposed closing date), the unutilized IDA funds will be cancelled, and the Government may request using AF IBRD loan proceeds to cover the financing gap of any unfinished building works. The FBiH PIU has been informed of this approach.

## II. DETAILED CHANGES

### LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-89060	Effective	29-Feb-2024			
IDA-53930	Effective	30-Jun-2018	31-Dec-2019, 30-Jun-2020	30-Nov-2020	30-Mar-2021
IDA-55380	Effective	30-Jun-2018	31-Dec-2019, 30-Jun-2020	30-Nov-2020	30-Mar-2021