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Report No:

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF

NORTHERN AREAS REDUCTION OF POVERTY INITIATIVE (NARI)
PROJECT (P114841)
(MARCH 25, 2012)

TO

THE PEOPLE'S REPUBLIC OF BANGLADESH

FEBRUARY 17, 2014

SUSTAINABLE DEVELOPMENT DEPARTMENT
SOCIAL DEVELOPMENT UNIT
SOUTH ASIA REGION

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Country Director:	Johannes C.M. Zutt
Sector Manager:	Maria. C. Correia
Task Team Leader:	Sabah Moyeen

DATA SHEET

Bangladesh

*Northern Areas Reduction of Poverty Initiative (NARI)
Project (P114841)*

SOUTH ASIA

SASDS

Report No:

Basic Information									
Project ID:	P114841			Lending Instrument:	Specific Investment Loan				
Regional Vice President:	Philippe H. Le Houerou			Original EA Category:	Partial Assessment (B)				
Country Director:	Johannes C.M. Zutt			Current EA Category:	Partial Assessment (B)				
Sector Director:	John Henry Stein			Original Approval Date:	27-Oct-2011				
Sector Manager:	Maria. C. Correia			Current Closing Date:	31-Dec-2015				
Team Leader:	Sabah Moyeen			GEF Focal Area:					
Borrower:	People's Republic of Bangladesh								
Responsible Agency:	Ministry of Labor and Employment (Line Ministry), Bangladesh Export Processing Zones Authority (Implementing Agency)								
Restructuring Type									
Form Type:	Short Form			Decision Authority:	Country Director Approval				
Restructuring Level:	Level 2								
Financing (as of 24-Jul-2013)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P114841		Effective	27-Oct-2011	04-Dec-2011	25-Mar-2012	31-Dec-2015	31-Dec-2015		
Disbursements (in Millions)									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed

P114841		Effective	USD (XDR)	29.29 (18.20)	29.29 (18.20)	0.00 (0.00)	10.79 (7.10)	18.5 (11.10)	36.8 (39%)

Policy Waivers

Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any policy waiver(s)?	Yes []	No [X]

A. Summary of Proposed Changes

The proposed change is the extension of project closing date from 31-Dec-2015 to 31-Oct-2017

B. Project Status

The project development objective is to facilitate access to employment opportunities in the garment sector for poor and vulnerable women from lagging areas by providing information, technical and life skills training, transitional housing, and other support to adjust to urban life and formal sector employment.

The project suffered a start-up delay of six months due to late DPP approval. In addition, the timeframe allotted for the commencement and completion of civil works at the design stage of the project (please see details in the next section) was unrealistic. However, the project has noted good progress in terms of civil works and all other major procurement packages. Disbursements currently stand at 37% of total project funds (39% in XDR).

The restructuring is proposed in order to extend the original closing date of the project from December 31, 2015 to October 31, 2017 to accommodate the start-up delay, the more realistic time-frame for civil works, the recent political turmoil and associated blockades/strikes which made movement of construction materials difficult. This would help to remove the disconnect with the timeline in the original project design and the current project implementation schedule (which is on track).

No additional funds or the reallocation of funds is proposed at this stage.

C. Proposed Changes

Financing

Change in Loan Closing Date(s):

Explanation

- The original effectiveness date for the project was January 1, 2012. The project was declared effective in March 25, 2012, but the DPP had only been conditionally approved. It was finally approved on May 15, 2012, and all clearances, paperwork pertaining to it were completed by June 2012.

- The civil works contracts were scheduled to begin implementation at the time of original effectiveness date of January 1, 2012. This was a design flaw as it takes at least 3 months at a minimum to get the contracts to be awarded. Moreover the contracts could only be awarded after the DPP was finalized and approved. Hence the construction works were fielded only in November 2012
- According to the original time frame, the construction of the dormitory was scheduled to be completed within a year that is by January 2012. This was clearly unrealistic for civil works of this scale which generally require 15-18 months.
- The project aims to train and put into employment 10,800 girls in three years. The PDO will not be achieved within the original closing date, December 31, 2013 as the girls will commence training from June 2014 after they are inducted into the completed dormitories, instead of the originally planned start date of February 2013. The project thus has been delayed, due to the late start and the longer, more realistic building schedule.
- The recent political turmoil in the country and frequent and continuous blockades have had some adverse effect on the progress of civil works due to difficulties and long delays in carrying materials to the construction sites. Although major delays were avoided, an extra month to a month and a half delay can be anticipated.
- Given the delay discussed above the project anticipates a time extension till October 31, 2017 (twenty months additional to the original date) to achieve its targets.

Ln/Cr/TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date	Previous Closing Date(s)	
IDA-50150	Effective	31-Dec-2015	31-Dec-2015	31-Oct-2017	31-Dec-2015	
Reallocations						
Explanation						
No reallocation is sought.						
Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation		Disbursement % (Type Total)	
			Current	Proposed	Current	Proposed

**NORTHERN AREAS REDUCTION OF POVERTY INITIATIVE (NARI)
PROJECT (P114841)**

RESTRUCTURING PAPER

A. SUMMARY

This Restructuring Paper (RP) seeks the Country Director's approval for extension of the original project closing date from 31-Dec-2015 to 31-Oct-2017 (by twenty months) in order to accommodate the start-up delay, the more realistic time-frame for civil works, the recent political turmoil and associated blockades/strikes which made movement of construction materials difficult. This would help to remove the disconnect with the timeline in the original project design and the current project implementation schedule (which is on track).

The current implementation status of the Projects and the reasons for the proposed changes are provided below.

B. PROJECT IMPLEMENTATION STATUS

1. The original effectiveness date for the project was January 1, 2012. The project was declared effective in March 25, 2012, but the DPP had only been conditionally approved. It was finally approved on May 15, 2012, and all clearances, paperwork pertaining to it were completed by June 2012. The civil works contracts were scheduled to begin implementation at the time of original effectiveness date of January 1, 2012. This was a design flaw as it takes at least 3 months at a minimum to get the contracts to be awarded. In the project design there was another design flaw, which was that the original time frame for the construction of the dormitory was scheduled to be completed within a year that is by January 2012. This was also clearly unrealistic for the work of this scale which generally requires 15-18 months. The on-going construction works are being implemented smoothly, having avoided major delays which were anticipated due to the recent political turmoil and blockades in the country which made movement of construction materials precarious. A month to a month and a half delay may however be expected due to the disruption; the civil works will be completed by June 2014. The project aims to train and put into employment 10,800 girls in three years. The girls will commence training from June 2014 after they are inducted into the completed dormitories, instead of the originally planned start date of February 2013. The project thus has been delayed due to the late start and the longer, more realistic building schedule and the country situation over the last two months. Based on this a twenty month time extension is proposed.

2. The last mission noted good progress in terms of both quality and timeliness on the civil works which are nearly 75% complete. All other major contracts which were noted to be on the critical path during the last mission show good progress and are on track. The Procurement performance rating for the project as of the last mission is Satisfactory. There are no outstanding Financial Management issues; all audit reports and IUFRRs have been submitted on time and were reviewed to be found satisfactory.

C. PROPOSED CHANGES

3. In light of the above discussion, the PDO cannot be achieved within the original closing date of December 31, 2015 due to the late start and the longer, more realistic building schedule. Therefore a twenty month time extension is proposed.