



1. Project Data:		Date Posted : 05/21/2001	
PROJ ID: P009533		Appraisal	Actual
Project Name: Gas Infrastructure Development	Project Costs (US\$M)	171.60	134.87
Country: Bangladesh	Loan/Credit (US\$M)	120.80	67.92
Sector(s): Board: EMT - Oil and gas (77%), Telecommunications (15%), Central government administration (8%)	Cofinancing (US\$M)	30.20	32.00
L/C Number: C2720			
	Board Approval (FY)		95
Partners involved : DFID	Closing Date	06/30/2000	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
Kevin Warr	Roy Gilbert	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
The project had three objectives :			
<ol style="list-style-type: none"> 1. to alleviate the worsening gas supply shortages through partially financing the sector's priority investments; 2. to assist in implementing further reforms to improve the enabling environment for private sector participation in the sector; and 3. to develop the gas sector entities' institutional capabilities particularly in the areas of operations and maintenance; safety; environmental protection; and accounting and financial management . 			
b. Components			
The original project components included : (a) a 58-km, 30-inch diameter gas pipeline from Ashuganj to Bakhrabad; (b) a Supervisory Control and Data Acquisition (SCADA) and pipeline telecommunication system for the entire transmission trunkline from Kailashtilla to Chittagong and integration with existing facilities; (c) three production wells at Rashidpur gas field; (d) a gas processing plant to purify gas from the new wells; and (e) technical assistance components consisting of:			
(i) project implementation support through consultancy and management services to prepare designs and bid documents, assist in bid evaluation and provide construction supervision /management for the components listed in items (a), (b), (c) and (d) above; (ii) institution building assistance through consultancy and management services to develop managerial and technical capabilities of Gas Transmission Company Limited (GTCL), establish a group-wide environmental and safety management system, strengthen reservoir management capability, and improve Petrobangla group's management systems; and (iii) training of Petrobangla staff in key aspects of gas sector operations.			
The credit also supported preparation of the Second Round of exploration licensing, which involved arranging a promotional effort to the oil industry, training Petrobangla staff, and assisting in the evaluation of the offers of oil companies.			
c. Comments on Project Cost, Financing and Dates			
The total project cost was US\$ 134.87 million, compared to an appraisal estimate of US\$ 161.60 million. The Bank provided loans in the amount of US\$67.90 million, compared to the appraisal figure of US\$ 120.80 million. US\$45.95 million was canceled. The Government provided funding in the amount of US\$ 34.90 million, compared to the appraisal figure of US\$10.60 million. Cofinancing was provided by the Department for International Development (DFID), UK, in the amount of US\$32.00 million, which was US\$1.8 million over the appraisal figure. The project closed on schedule.			
3. Achievement of Relevant Objectives:			
<ol style="list-style-type: none"> 1. Alleviate gas supply shortages : This objective was not achieved. The Asugani-Bakhrabad pipeline was designed to bring excess gas from the Northeast part of Bangladesh to the Southeast . However, gas flows in the A-B pipeline over the past two years have averaged less than 100 million cubic feet per day (MMCFD), against a design capacity of 450 MMCFD. It is anticipated that by 2004 the A-B pipeline will operate at about 			

50-75 percent of its design capacity, contingent on the commissioning of two large independent power producers (IPPs), which have already been identified. The reason the pipeline is under-used is because of an unexpected gas discovery that is producing 160 MMCFD and has alleviated the need to bring gas from the Northeast fields to the Southeast, except in emergency situations. This discovery could not have been anticipated at the project's preparation. Three new wells were drilled and a treatment plant was installed, but the additional wells could not be put into full production because of pipeline constraints and a lack of sufficient demand.

2. **Assist in implementing reforms to improve the enabling environment for private sector participation in the sector:** This objective was not achieved. The project did not contain any covenants directed toward private sector development in the sector. Moreover, the only project component that addressed private sector involvement was the twinning arrangement for the Gas Transmission Company, Ltd. (GTCL), which, at project preparation, was envisaged to be the common carrier of gas to ensure a level playing field for private and public companies. However, because of labor opposition and lack of political will on the part of the borrower, GTCL was not made the common gas carrier. Nevertheless, the twinning agreement was implemented successfully.
3. **Develop the gas sector entities' institutional capabilities:** This objective was not achieved. The Supervisory Control and Data Acquisition (SCADA) system has not been fully implemented because of the insolvency of the contractor. Even if the system had been implemented, it could not have been used effectively unless the high-pressure transmission pipelines currently operated by three transmission and distribution companies were transferred to GTCL, as the common carrier. The sizable training program experienced significant delays because of bureaucratic constraints, and was canceled in early 2000 when it became clear that the closing date of the project would not be extended. Also, because of delays, the Reservoir Management Assistance program was considerably reduced, contributed little to upgrading local skills, and did not provide the essential software and hardware with the skills to operate them. However, according to the borrower, the Environment and Safety Management component was successful in training 31 staff in environmental and safety management.

4. Significant Outcomes/Impacts:

There were no significant outcomes or impacts of the project.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- The project lacked components for implementing private sector development, even though privatization was one of the operation's main objectives. Objectives without concrete actions attached to them are almost certainly likely to fail.
- The Bank relied on the conditionality attached by another donor to address major policy issues in the gas sector, and as a result, had limited leverage to facilitate private sector involvement.
- There was not sufficient assessment of Government commitment to the project's objectives during preparation. As a result, the Government lacked initiative in making decisions.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	Project failed to meet its intended objectives.
Institutional Dev.:	Negligible	Negligible	
Sustainability:	Unlikely	Unlikely	The ability of Petrobangla to meet its investment requirements to prevent gas shortages in the future is severely limited. Given the desire of the Government and Petrobangla to maintain the gas sector under public ownership, it is unlikely that the necessary structural changes will be made to create an environment for enhanced private sector participation.
Bank Performance:	Unsatisfactory	Unsatisfactory	
Borrower Perf.:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- Careful project preparation, including appropriate conditionalities, is necessary to gauge Government commitment to the project and to the reforms attached to the project.
- In order to effectuate policy change, the Bank should not rely on other donors' conditionalities, but should take steps during project preparation to augment its own leverage through appropriate conditionalities and covenants.

- Objectives without concomitant components are almost certainly not going to be achieved .

8. Assessment Recommended? ☐ Yes ☒ No

9. Comments on Quality of ICR:

The quality of the ICR is satisfactory . It is clearly written and covers the relevant issues thoroughly and objectively . Its value added stems from its assessment of the necessary steps required to provide an enabling environment for private sector participation in the Bangladeshi gas sector (Section 3.5, p. 2 and Section 4.1, p. 4). Also, the Borrower ICR is a valuable document, especially where it explicitly compares Borrower and Bank evaluations item -by-item.