

BANGLADESH
Ghorashal Unit 4 Repowering Project (IDA Credit no 5758-BD)
Implementation Support Mission
(April 10-16, 2017)
Aide Memoire (AM)

1. During April 10-16, 2017, a Bank Team¹ carried out an Implementation Support Mission of the Ghorashal Unit 4 Repowering Project. This Aide Memoire (AM) summarizes the findings on the status of the project implementation, and suggestions and agreements reached with the relevant agencies to take corrective measures and/or to expedite implementation. The AM was discussed at the wrap-up meeting on April 16, 2017 with the Secretary, Power Division as the Chair.

OVERALL STATUS AND KEY PROJECT DATA

2. The implementation of the key component (Com 1: Repowering) of the project has picked up since the last mission in August 2016. The EPC (Engineering, Procurement and Construction) contract signed on June 06, 2016 was declared effective from November 01, 2016. Works at the site have started and the Gas Turbine package, the major equipment under the contract has been shipped. Although delayed, the Owner’s Engineer (OE), Environmental Specialist (ES) and Financial Management Specialist (FMS) are all on board. However, there are concerns and observations on the progress of some activities; in particular, delay in submitting the request for Special Commitment and progress of the automation of BPDB’s reporting, implementation of Strategic Business Unit (SBU), and safeguard non-compliance in the field. Considering the overall progress, implementation performance has been retained at “Moderately Satisfactory (MS)”. The key project and performance data as of April 10, 2017 are shown in Table 1:

Table 1: Project Performance Ratings

Board Approval	December 21, 2015	Summary Ratings	Last	Now
Effectiveness Date	May 15, 2016	Project Development Objective (PDO)	S	S
Closing Date of IDA Credit	March 31, 2022	Implementation Progress	MS	MS
IDA Credit Amount	SDR 155.40 M (Current value is US\$211.27 M equi)	Procurement	MS	MS
Amount Disbursed so far	US\$17.71 M	Financial Management	MU	MU
		Safeguard	MS	MS
Ratings: HS=Highly Satisfactory; S=Satisfactory; MS=Moderately Satisfactory; MU=Moderately Unsatisfactory; U=Unsatisfactory; HU=Highly Unsatisfactory; NA=Not Applicable; NR=Not Rated				

KEY POINTS DISCUSSED AND AGREED ACTIONS

3. **Progress of EPC Works:** Civil works of the project have commenced since Nov. 2016. Project’s basic design review had been completed in January 2017. Gas Turbine and Generator (GTG), the key equipment package has already been shipped and the piling for the GTG foundation has been completed. Works on the remaining service pile are on-going. However, below are few concerns that need to be addressed soon:

- a) Due to the delay in removal of the live underground gas pipeline for unit 5 and 6 at the unit 4 project site, some piling works are being hampered. The contractor has requested a time extension which BPDB is reviewing.

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- b) There has been discussion to change the pipe diameter of the gas Regulatory Metering Station (RMS) to be designed and built by the contractor for unit 4. BPDB has been advised to provide revised requirements for the RMS to the contractor. Since the RMS has already been ordered by the contractor, such revision may necessitate a variation to the contract.
- c) The mission understood that the storm water drainage system is not functional which may result in waterlogging at site. Access roads will also need to be made suitable for use by heavy vehicles before the monsoon sets in.
- d) There has been significant delay in the issuance of Special Commitment (SC). The Letter of Credit (LC) was initially opened and transmitted via another commercial bank of the supplier country instead of direct transmission of LC to the supplier's bank. The request for issuing the SC was submitted to the WB on February 20, 2017 with this inconsistent information. The Bank advised the Project to ensure that the proposed LC is directly transmitted to the supplier's bank. The project is now working on this through its LC opening bank and expected that transfer of the proposed LC will be completed/delivered directly to the supplier's bank shortly.

4. **Role of Owner's Engineer (OE):** Now that the OE is on board, the Bank's team emphasized the importance of the physical presence of the lead as well as the local partner of the OE at site to monitor the progress diligently and deliver the responsibility of steering the project in all aspects such that, the project is completed in accordance with the contract. OE would review the Project Procedure Manual submitted by the contractor. A kick-off meeting with the OE took place on April 19, 2017.

5. **PGCB's Network Strengthening Work:** It is now certain that the 230kV Gas Insulated Substation (GIS) and the transmission line from Ghorashal to Tongi to be built by PGCB under the Islamic Development Bank financed project will not be ready for the commissioning of the GTG. GIS and transmission line were expected to serve the back feed and evacuation requirement of Ghorashal 4 Project. The team had brought this issue to the attention of higher management to expedite this work since project appraisal.

6. BPDB and PGCB are now reviewing an alternate solution such that, upon the shutting down of the Unit 4 boiler and Steam Turbine and Generator (STG), the 230 kV cable can be disconnected at the step-up transformer of the STG. The 230 kV cable then, will have to be extended and connected to the high voltage side of the GTG step up transformer. The work would be streamlined by laying the 230 kV cable between the STG transformer and the GTG transformer now. PGCB has agreed to complete this work from their own funds. However, this arrangement is temporary until the new transmission line and 230 kV GIS are built. PGCB will need to continue to expedite the completion of the works under that IDB financed project.

7. **Long Term Service Agreement (LTSA):** With the expected commissioning of Gas Turbine from April 2018, it was agreed that the LTSA between BPDB & GE would need be negotiated soon. Amongst other key activities (Availability guarantee, Liquidity Damages, Cost, etc.) to be agreed in the LTSA, spare parts that are already in the scope of the EPC contractor must be taken into consideration. Having the LTSA in place is one of the covenants agreed in the Financing Agreement of the project.

8. It was agreed during the last mission that the savings from the project (due to reduced actual EPC price) would be utilized to finance part of the LTSA contract. The decision has been revisited in this mission. It is now agreed that project funds would not be used for such a service contract. The Chair of the wrap-up meeting emphasized that such LTSA contract should rather be financed from the agency's revenue budget as originally planned. As the savings has gone down due to exchange rate loss, the Bank and BPDB team agreed to review later during implementation whether the potential savings (beyond some contingency and further exchange rate loss) can be utilized for any other activities.

9. **Implementation of Strategic Business Unit (SBU):** The mission noted with concern that the implementation of SBU (which was proposed by BPDB) on the ground is far behind what was agreed earlier. The mission understood that the primary reason for the lag is the absence of a revised organogram with few important departments such as, procurement, design and accounting not created and functional. The mission requested BPDB that the SBU is made functional as soon as possible.

10. **Development Project Proposal (DPP):** The Bank team noted that the DPP of the project has been approved with three years' implementation period although the Financing Agreement reflects six years for the same as agreed during project Negotiation. Six years were agreed to cover for the payment during warranty period. As the payment to the contractor would be made through Special Commitment (SC) against the LC during 2 years of warranty period (beyond 3 years of EPC implementation period), Bank team advised that DPP be revised. BPDB suggested that the final payment after the warranty period can be made to the contractor upfront against a Bank guarantee so that they can close the project after the DPP period. Bank team is not comfortable with this approach and will carefully look into this suggestion. It was agreed that a more detailed discussion needs to take place amongst Ministry, BPDB and the Bank to reach an agreement to this DPP period to avoid any bottlenecks during implementation.

PROCUREMENT AND FINANCIAL MANAGEMENT

11. **Procurement Performance:** The overall procurement performance rating of the project is **“Moderately Satisfactory”**. All large value contracts (such as EPC and Owner's Engineer) are already contracted and on board. There is one prior review goods contract pending which depends upon the input of two individual consultants. The recruitment process of these two individuals is being carried out by BPDB currently. The project has option to hire some individuals on *as and when required* basis. But these are below prior review threshold. BPDB will hire one training service provider for capacity development of BPDB. The hiring process of the training service provider will start very soon after finalizing the scope. The updated procurement plan was discussed with BPDB in the mission period and it is being revised after discussion.

12. **Financial Management (FM) Performance:** There has not been much improvement in terms of execution of the action plan agreed during last mission; therefore, the FM rating has been retained at ***Moderately Unsatisfactory (MU)***. FM staffing of the project appears to be adequate with the newly recruited FM consultant who came on board from October 23, 2016. The mission noted that the hiring process of Accounting System Consultant (ASC) and IT/ICT Consultant has not yet been completed. During the first Requests for Expression of Interest (REOIs), satisfactory candidates were not found. A second round of REOIs has been circulated which will be closed by April 23, 2017. Furthermore, procurement of an off-the-shelf accounting software, that was agreed to be installed by August 30, 2016 during the last mission, has not yet been initiated. The external audit of the project will be due on December 31, 2017 so the Terms of Reference (TOR) for the audit need to be prepared and shared with the Bank for its concurrence. The project has submitted the Interim Unaudited Financial Reports on a regular basis and based on the desk review, the reports were found to be acceptable by the Bank.

13. **Disbursements:** As of April 12, 2017, cumulative disbursement is SDR 12.65 million which is equivalent to US\$ 17.71 million. Ten (10) percent mobilization advance to the EPC contractor was paid end September 2016 in the amount equivalent to US\$ 17.65 million. Considering the present implementation progress and the schedule of shipment of goods and other physical works by the EPC contractor as well as other expenditures, the revised FY17 disbursement by IDA is estimated to be about US\$ 53.59 million, instead of US\$ 58.00 million estimated at the start of the current FY. However, the project has estimated about US\$ 60.60 million equivalent expenditures during FY17.

SAFEGUARD MANAGEMENT

14. **Environmental Safeguards:** As per the Environmental and Social Impact Assessment (ESIA), the PMU has recruited an ES since January, 2017. The OE has also been hired very recently and ES from the OE team will also monitor the implementation of EMP along with the ES of Ghorashal.

15. During the recent field visit to the project site, it was observed that several basic construction related environmental safeguard activities were absent or not adequate. These include: inadequate attention to worker health and safety issues (insufficient Personnel Protective Equipment) at site, workers are not enforced to wear PPE at all times in the site); no provision of sanitation facilities for the workers; absence of dedicated environmental staff in the team of the EPC contractor; general unfamiliarity with environmental issues among the EPC contractor, sub-contractor and others; uncontrolled dust (particulate matter from earthwork) at the site; etc. BPDB management will need to ensure that the contractor take necessary steps regarding these. The EPC contractor is yet to submit the Environmental Management Action Plan (EMAP) which was due before commencement of work. So far, the EPC contractor has submitted the draft health and safety plan which is being reviewed by BPDB. But they are yet to submit the monitoring report (due March, 2017). The Bank team highlighted these issues and suggested BPDB to take action on these pending items. Annex 1 below includes few agreed actions in this regard.

16. **Social Safeguards:** The project does not trigger either OP 4.12 or OP 4.10 as all construction works will be contained within the bounded plant area; there are no indigenous people in the locality and/or surrounding areas. Approximately 300 Chinese workers will be joining a team of local workers at the Ghorashal site. The contracts for civil works contractors and supervision consultants emphasize due diligence on gender issues, labor standards, sexual behaviors and HIV/AIDS prevention. However, with the issuance of a specific Guidance Note on Influx Management by the Bank, it was agreed between the Bank, BPDB, the contractors and the supervision consultants that a project specific Influx Management Plan (IMP) will be prepared jointly, incorporating the Bank guidelines and standards maintained by the above mentioned stakeholders. The plan will be implemented by the contractor and monitored by the supervision consultants and BPDB in addition to the Bank.

NEXT MISSION: Third week of October 2017.

Annex I: Summary of Agreed Actions

SL	Actions	Responsibility	Agreed timeline
1	Submit request for issuance of Special Commitment to the World Bank	BPDB	Apr 25, 2017
2	Completion of alternate solution for the GIS and transmission line at Ghorashal	PGCB	Nov 30, 2017
3	Create new departments to allow functioning of Ghorashal SBU	BPDB/SBU	Jun 30, 2017
4	Sharing the Evaluation Committee Report of the consultants “Accounting System Consultant (ASC) and IT ICT Consultant” for the Bank’s concurrence	BPDB	May 30, 2017
5	Completion of hiring process and signing contract with the consultants	BPDB	July 15, 2017
6	Procurement of off-the-shelf accounting software	BPDB	May 15, 2017
7	Preparation of ToR for hiring the firm for external audit of the project for FY 2017 and share the same with the Bank for its concurrence	BPDB	May 31, 2017
8	Preparation of ToR for hiring the firm for internal audit of the project and share the same with the Bank for its concurrence	BPDB	Jun 30, 2017

9	Prepare Influx Management Plan (IMP)	BPDB	May 30, 2017
10	Submission of EAP by the contractor	EPC contractor	Apr 30, 2017
11	1 st environmental monitoring report (due March, 2017)	EPC contractor	May 15, 2017
12	Revision of DPP to reflect the payments need till end of warranty period	BPDB	Dec 15, 2017