



REPORT NO.: RES31403

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
ELECTRICITY ACCESS EXPANSION PROJECT  
APPROVED ON JULY 20, 2016  
TO  
SOLOMON ISLANDS

ENERGY & EXTRACTIVES  
EAST ASIA AND PACIFIC

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## BASIC DATA

### Product Information

Project ID	Financing Instrument
P151618	Investment Project Financing
Original EA Category	Current EA Category
Partial Assessment (B)	Partial Assessment (B)
Approval Date	Current Closing Date
20-Jul-2016	30-Jun-2018

### Organizations

Borrower	Responsible Agency
Solomon Islands	Solomon Islands Electricity Authority,Ministry of Mines, Energy & Rural Electrification

### Project Development Objective (PDO)

Original PDO

The project development objective is to increase access to electricity services in low-income areas of Solomon Islands.

### Summary Status of Financing

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-A2923	20-Jul-2016	15-Aug-2016	02-Nov-2016	30-Jun-2018	2.23	.30	1.93

### Policy Waiver(s)

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

No



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## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. This restructuring paper seeks to: (i) to extend the project closing date by 21 months, from June 30, 2018 to March 31, 2020; (ii) add the provision of electricity connectivity to micro enterprises and community infrastructure<sup>1</sup> connections as eligible activities under component 1, at no additional cost for the overall project; (iii) revise the results framework; (iv) update the disbursement projections (v) change the periodicity of the quarterly progress reports and quarterly interim unaudited financial reports (IFRs). There are no changes to the Project Development Objective (PDO).

### Project Status

2. **Summary of Project Status.** Project performance is currently rated Moderately Satisfactory for both implementation progress and progress toward achievement of the PDO. The project has suffered delays initially, but most of the bottlenecks have been addressed and implementation is now accelerating. Despite the implementation progress, it will not be possible to achieve the project development objective without a project extension.

### Status of Project Components:

#### Component 1 - Subsidies for new electricity connections and in-house wiring for low income households

3. As of March 9, 2018, out of the original target of 2,565 households, 520 applications for connection have been approved and 354 households had been energized, verified and subsidy paid to Solomon Power (SP), corresponding to 13.4% disbursement of the project funds.

#### Component 2 - Implementation Support for project management

4. Solomon Power has appointed an internal project manager and a team to support project implementation, and has so far not utilized the funds available for project implementation support under this component. Substantial implementation progress has been made by the implementation team including: (i) procuring materials for service lines and in-house wiring; (ii) hiring licensed electrical contractors to perform in-house wiring; (iii) managing distribution of materials; (iv) administering or managing payments to suppliers and electrical contractors; (v) reporting to the Independent Verification Agent (IVA) and the Bank. As the project accelerates, SP still plans to recruit additional project management support and utilize the funds under this component.
5. The safeguards and financial management ratings are satisfactory, and there are no overdue IFRs or audits. The procurement rating is currently satisfactory.

### Implementation Delays:

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<sup>1</sup> The definition of community infrastructure will be included in the project operations manual, but includes schools, health centers, market houses, community halls, churches.



6. The initial implementation delays under the project can mainly be attributed to: (i) delays in the procurement and delivery of materials; (ii) issues linked to the difficulty of applicants to show valid land titles as part of their application for obtaining an electricity connection; and (iii) delays in the recruitment of the program manager. Most of the issues that caused the implementation delays initially have now been substantially resolved.
7. The delays in the procurement and delivery of materials were mainly caused by the need to standardize the equipment and the remoteness of the country with regards to logistics. This issue has been addressed as SP has completed the necessary procurement of materials for the project. SP has received sufficient materials to cover 806 household connections and has finalized procurement for equipment for additional 1,759 households to be delivered starting in March 2018.
8. A key issue affecting the pace of implementation has been the difficulties faced by a considerable number of applicants in Honiara in obtaining the valid land titles necessary to present their application to the program, a SP requirement. The issue applies to applicants living under Perpetual and Fixed Term Estate (FTE) regimes who do not have a valid land title. The Ministry of Lands and Housing Survey (MoLHS) has issued a support letter in January 2018 allowing all potential applicants living in Perpetual Estate Land to apply for an electricity connection, thereby significantly addressing the issue. With regards to applicants living in FTE land, discussions are ongoing with the Commissioner of Lands, the Solicitor General and SP, and a solution is likely to be found soon<sup>2</sup>.
9. Lastly, there have been several unsuccessful attempts in hiring a project manager for the program, as it is difficult to identify professionals with experience and specialized skills in small island states, such as Solomon Islands. Solomon Power has appointed an internal project manager to ensure the project's targets stay on track, but it will still pursue the recruitment of a program manager.

#### Rationale for Restructuring

10. The objectives of the project continue to be achievable, but an extension of the closing date is required to complete implementation of the project activities and achieve the PDO. The project was designed with a very ambitious implementation plan, of 18 months, tied to the closing of the parent Trust Fund on June 30, 2018. An extension of the closing date was expected at the outset. The GPOBA Multi Donor TF has now been extended to December 31, 2022, allowing the extension of this Project by an additional 21 months.
11. The project is proposing to add, under component 1, micro enterprises and community infrastructure connections to increase the project's impact in unserved communities, and allow for a more holistic approach that will support household-driven economic activity and access to basic community-driven services. To mitigate the land issue described above, SP is also increasing the number of connections in outstations. The results framework is revised to reflect the longer implementation period and the changes to component 1, and to align indicators with corporate sector indicators.
12. Disbursement estimates have been adjusted to account for the disbursement delays and reflect the new extended implementation period.

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<sup>2</sup> A court case ruled in favor of SP, indicating that SP cannot refuse connections to applicants on the basis of an absence of land title by potential applicants. As such, SP appears to have legal basis to connect those applicants living on land covered under an FTE title. SP has been advised to conduct consultation with landowners, while also informing potential applicants of their responsibilities towards them. The safeguards documents will be updated accordingly and redisclosed.



13. Finally, the submission of quarterly progress reports and quarterly interim unaudited financial reports (IFRs) by SP was found to be excessive, as the preparation of these reports requires significant effort from SP. It is proposed that each progress report and IFR will cover the period of one calendar semester and they will be furnished to the Association not later than forty-five days after the end of each calendar semester. Such periodicities specified in the Grant Agreement, Project Agreement and Subsidiary Agreement of the project will also be amended accordingly.

## II. DESCRIPTION OF PROPOSED CHANGES

1. **Change in Grant Closing Date:** It is proposed to extend the closing dates of the GPOBA grant by 21 months from June 30, 2018 to March 31, 2020. A revised implementation schedule has been adopted to ensure successful completion of project activities and achievement of the PDO by the new proposed closing date.
2. **Change in Component:** Component 1 would be amended to subsidize electricity connectivity to micro-enterprises and community infrastructure (in addition to low-income households) as eligible activities, to be paid at the same subsidy level. These changes are still consistent with PDO. There is no change to Component 1 costs change.
3. **Change in Results Framework:** The Results Framework will be revised to: (i) replace all PDO indicators by corporate sector indicators measuring similar results; (ii) add new PDO indicators to measure the breakdown of the number of people connected through household, community infrastructure and microenterprise connections financed under the project (each of which with a geographical breakdown of number of people connected in Honiara and outstations); (iii) change implementation targets as a reflection of the addition of new types of connections being included, the increase of the number of connections in the outstations, and the longer implementation period.
4. **Change in Disbursement Estimates:** Disbursement estimates are adjusted to reflect the new implementation period.
5. **Change in Financial management:** The periodicity of submission of interim unaudited financial reports (IFRs) is changed from quarterly to a bi-annual basis. An IFR will be due forty-five days after the end of each calendar semester.
6. **Other Changes:** The periodicity of submission of progress reports is changed from quarterly to a bi-annual basis. A progress report will be due forty-five days after the end of each calendar semester.

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## III. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	
Change in Components and Cost	✓	



Change in Loan Closing Date(s)	✓	
Change in Disbursement Estimates	✓	
Change in Financial Management	✓	
Change in Implementation Schedule	✓	
Other Change(s)	✓	
Change in Implementing Agency		✓
Change in Project's Development Objectives		✓
Cancellations Proposed		✓
Additional Financing Proposed		✓
Reallocation between Disbursement Categories		✓
Change in Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Procurement		✓

#### IV. DETAILED CHANGE(S)

##### RESULTS FRAMEWORK

###### Project Development Objective Indicators

Direct project beneficiaries			
Unit of Measure:	Number		
Indicator Type:	Custom		
	Baseline	Actual (Current)	End Target
Value	0.00	91.00	14620.00
Date	05-Apr-2016	04-Dec-2017	30-Jun-2018

Direct female project beneficiaries	
Unit of Measure:	Number



Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	980.00	7523.00	Marked for Deletion
Date	05-Apr-2016	12-Mar-2018	31-Mar-2020	

People in urban and peri urban areas of Honiara provided with access to electricity by household connection -Grid

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	91.00	12113.00	Marked for Deletion
Date	30-Apr-2016	04-Dec-2017	30-Jun-2018	

People provided with access to electricity from oustation minigrids by household connection - renewable mini-grids

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	2507.00	Marked for Deletion
Date	30-Apr-2016	04-Dec-2017	30-Jun-2018	

People provided with new or improved electricity service

Unit of Measure: Number

Indicator Type: Corporate

	Baseline	Actual (Current)	End Target	Action
Value	0.00	2018.00	15498.00	New
Date	05-Apr-2016	14-Mar-2018	31-Mar-2020	

People provided with new or improved electricity service - Female

Unit of Measure: Number

Indicator Type: Corporate Supplement

	Baseline	Actual (Current)	End Target	Action
Value	0.00	980.00	7523.00	New

People provided with access to electricity under the project by household connections (grid or off-grid).

Unit of Measure: Number



Indicator Type: Corporate Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	2018.00	12770.00	New
Date	05-Apr-2016	14-Mar-2018	31-Mar-2020	

People provided with access to electricity under the project by household connections in Honiara

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	1545.00	8939.00	New
Date	05-Apr-2016	14-Mar-2018	31-Mar-2020	

People provided with access to electricity under the project by household connections in outstations

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	473.00	3831.00	New
Date	05-Apr-2016	14-Mar-2018	31-Mar-2020	

People provided with access to electricity through Community electricity connections under the project.

Unit of Measure: Number

Indicator Type: Corporate Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	2480.00	New
Date	14-Mar-2018	14-Mar-2018	31-Mar-2020	

People provided with access to electricity through Community electricity connections in Honiara

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	1736.00	New
Date	14-Mar-2018	14-Mar-2018	31-Mar-2020	



People provided with access to electricity through Community electricity connections in outstations

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	744.00	New
Date	14-Mar-2018	14-Mar-2018	31-Mar-2020	

People provided with access to electricity through microenterprise electricity connections under the project

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	248.00	New
Date	14-Mar-2018	14-Mar-2018	31-Mar-2020	

People provided with access to electricity through microenterprise electricity connections in Honiara

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	174.00	New
Date	14-Mar-2018	14-Mar-2018	31-Mar-2020	

People provided with access to electricity through microenterprise electricity connections in outstations

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	74.00	New
Date	14-Mar-2018	14-Mar-2018	31-Mar-2020	

## Intermediate Indicators

Number of LED bulbs distributed and installed

Unit of Measure: Number

Indicator Type: Custom

Baseline	Actual (Current)	End Target	Action



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Value	0.00	708.00	7111.00	Revised
Date	05-Apr-2016	14-Mar-2018	31-Mar-2020	
Community contribution (beneficiary contribution) to the total cost of the project				
Unit of Measure: Amount(USD)				
Indicator Type: Custom				
Baseline	Actual (Current)	End Target	Action	
Value	0.00	32603.00	220664.00	Revised
Date	05-Apr-2016	12-Mar-2018	31-Mar-2020	

## COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1: OBA subsidies for new electricity connections and basic in-house wiring for low-income households	2.13	Revised	Component 1: OBA subsidies for new electricity connections and basic in-house wiring for low-income households, micro-enterprises and community infrastructure	2.13
Implementation support for project management	0.10	No Change	Implementation support for project management	0.10
Independent verification of outputs	0.08	No Change	Independent verification of outputs	0.08
<b>TOTAL</b>	<b>2.31</b>			<b>2.31</b>

## LOAN CLOSING DATE(S)

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A2923	Effective	30-Jun-2018		31-Mar-2020	31-Jul-2020

## DISBURSEMENT ESTIMATES

Change in Disbursement Estimates



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Yes

Year	Current	Proposed
2017	950,000.00	12,704.00
2018	1,275,000.00	417,249.00
2019	0.00	872,620.00
2020	0.00	822,428.00

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