



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SECOND ENERGY SECTOR PROJECT
APPROVED ON JUNE 15, 2017
TO
MONGOLIA

ENERGY & EXTRACTIVES

EAST ASIA AND PACIFIC

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ABBREVIATIONS AND ACRONYMS

All abbreviations are spelled out in the main text.



BASIC DATA

Product Information

Project ID P152343	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 15-Jun-2017	Current Closing Date 31-Mar-2024

Organizations

Borrower Mongolia	Responsible Agency
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Project Development Objective (PDO)

Original PDO

The development objective of the proposed project is to improve reliability and sustainability of electricity services in Mongolia.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-61020	15-Jun-2017	05-Jul-2017	15-Dec-2017	31-Mar-2024	42.00	34.56	7.23
TF-A4506	05-Jul-2017	05-Jul-2017	15-Dec-2017	31-Mar-2024	12.40	11.61	.79

Policy Waiver(s)

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

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

Background:

- 1. This restructuring paper seeks approval to restructure the Second Energy Sector Project (ESP2; P152343).** The Government, in its letter dated December 11, 2023, has requested to extend the closing date of the project for 5 months from the current March 31, 2024, to August 31, 2024, to allow additional time for completion of 4 new activities in 6 aimags in the western region of the country and fully achieve the Project Development Objective (PDO). The following changes will be made to accommodate the request: (i) extending the closing date; (ii) updating the disbursement estimate; and (iii) revising the implementation schedule. This is the second restructuring for the project and the first restructuring extended the closing date for 18 months from September 30, 2022, to March 31, 2024.
- 2. The Project Development Objective (PDO) remains valid, namely:** “to improve reliability and sustainability of electricity services in Mongolia”. The project has three components: Component 1: Rehabilitation of the Distribution Network; Component 2: Construction of a 10 MW Solar PV Power Plant; and Component 3: Capacity Building.
- 3. The Project was approved on July 15, 2017, and became effective on December 15, 2017, with the project cost of US\$55.4 million** comprising three sources of funding: (i) International Development Association (IDA) credit in the amount of US\$ 42.0 million; (ii) a Scale-up of Renewable Energy Program (SREP) trust fund grant equivalent to US\$12.4 million; and (iii) US\$1.0 million counterpart funds. The project has been implemented by the Ministry of Energy (MOE) and four project implementation units.
- 4. The overall project disbursement is US\$45.57 million or 84.39 percent of the total project cost** (the rate is 81.09 percent for IDA credit and 93.62 percent for SREP Trust Fund grant). With the newly added activities being completed, overall disbursement rate is expected to reach 100 percent and all the results indicators would be fully achieved.
- 5. The project is progressing satisfactory in general.** Both the progress towards achievement of PDO (DO) and the Overall Implementation Progress (IP) are currently rated Satisfactory (S). The project complies with Investment Project Financing (IPF) policy requirements for the proposed extension as part of this restructuring. Project counterparts are highly committed and perform satisfactorily. They are ready to follow the updated implementation schedule and complete all the project activities by the newly proposed closing date.
- 6. The project is in full compliance with legal, safeguard, and fiduciary requirements.** There are no outstanding audit reports which have consistently been unqualified. Project procurement, financial management (FM), and safeguards performance have consistently been rated Satisfactory or Moderately Satisfactory throughout the project lifetime. All the legal covenants are complied with.

Implementation Status by Component and Rationale for restructuring:

- 7. Component 1: Rehabilitation of the Distribution Network:** This component is to reduce system losses and improve reliability of and access to electricity services in selected parts of the distribution networks through the strengthening of power infrastructure of two regional distribution company networks. All the original component 1 activities are



progressing well, and on track to be completed by the current closing date. The component has accrued cost savings of US\$ 4.6 million, and it was agreed to add four new distribution upgrade activities in the Western aimags. However, four bids, aiming at fully using the remaining budget, were initiated with delays, and two experienced rebidding because no qualified bidders responded to the bids. Four new contracts were signed in October 2023 but missed the short construction season of 2023. Therefore, the MOF requested a 5-month project closing date extension to allow for the completion of these contracts. These activities are important for the project to achieve its development objective, by improving the reliability and sustainability of electricity services in western Mongolia, where the economy and social development is lagging behind the other parts of the country.

8. **Below is the detailed information on the four contracts (rehabilitation of distribution network) in 6 Western aimags:**
 - A-30-1 / Rehabilitation of 6-0.4 kV electricity distribution systems in Khovd aimag;
 - A-31-2 / Rehabilitation of 6-0.4 kV electricity distribution systems in Uvs aimag;
 - A-32-2 / Rehabilitation of 6-0.4 kV electricity distribution systems in Bayan-Ulgii aimag;
 - A-33-1 / Rehabilitation of 6-0.4 kV electricity distribution systems in Zavkhan, Gobi-Altai and Bayankhongor aimag
9. **Component 2: 10MW Solar Power Plant in Myangad:** This component is to support investments on construction of grid connected solar PV power generation capacity outside of the Central Energy System. The 10 MW Solar Power Plant was successfully commissioned and has operated since June 2023. From the beginning of production in April 2022 until the end of July 2023, the plant produced 30.4 GWh of electricity, by which the target generation of 22.7 GWh per year is fully achievable. The Green House Gas (GHG) emission reduction as of the end of July 2023 is 30,441 tones/year.
10. **Component 3: Capacity Building:** This component is to provide technical and operational assistance to strengthen the institutional, organizational, and technical capacity of the client. The international training of the PMO: (i) site visit of a solar power plant in Japan; (ii) Advanced Metering Infrastructure (AMI) training in China; and (iii) Energy Efficiency and Demand Side Management study tour to Philadelphia, USA, have been conducted.

II. DESCRIPTION OF PROPOSED CHANGES

11. The proposed restructuring includes the following changes.

(a) Project closing date extension: A 5-month extension of the closing date is necessary to allow for the completion of the new activities in 6 aimags in the western region to make use of the project savings and fully achieve the PDO. The equipment of the four new contracts have been delivered to the site and the installation and construction will start in April 2024 and are expected to be completed before the newly proposed closing date.

(b) Disbursement estimate update: The disbursement schedule is updated to reflect the new implementation schedule in line with the newly proposed closing date.

(c) Implementation schedule update: After the mission in October 2023, the Bank team discussed and agreed with the Ministry of Energy on a detailed action plan and adjusted the implementation schedule (Annex 1) to ensure that all the remaining activities will be completed by the newly proposed closing date.



III. SUMMARY OF CHANGES

	Changed	Not Changed
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementation Schedule	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-61020	Effective	30-Sep-2022	31-Mar-2024	31-Aug-2024	31-Dec-2024
TF-A4506	Effective	30-Sep-2022	31-Mar-2024	31-Aug-2024	31-Dec-2024

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2017	0.00	0.00
2018	1,800,000.00	1,800,000.00
2019	750,000.00	750,000.00
2020	6,200,000.00	6,200,000.00
2021	6,250,000.00	6,250,000.00
2022	10,089,789.00	10,089,789.00
2023	9,000,000.00	4,528,505.59
2024	7,910,211.00	8,650,940.41
2025	0.00	3,730,765.00



Annex 1: 2024 ACTION PLAN OF THE "SECOND ENERGY SECTOR PROJECT"

2024 ACTION PLAN OF THE "SECOND ENERGY SECTOR PROJECT"
PROJECT IMPLEMENTER: MINISTRY OF ENERGY

Package	Type	Activities	Start date	End date	2024									
					1	2	3	4	5	6	7	8		
A. WORKS														
A-17	WORK-1	Renovation and improvement work of 6-0.4 kV electricity distribution network in Bayan-undur soum, Orkhon aimag	11/6/2020	3/30/2024										
A-18	Work-2	Renovation and improvement work of 10-0.4 kV electricity distribution network in Arvaikheer soum, Uvurkhangai aimag	12/21/2020	3/30/2024										
A-23-3	Work-2	Renovation and improvement work of 6-0.4 kV electricity distribution network in Khentii aimag Center	2/27/2023	2/27/2024										
A-30-1*	Work-4	Renovation and improvement of the 10, 6-0.4 kV electricity distribution network works in Mankhan, Tsetseg, Buyant and Chandmani soum centers in Khovd province	10/20/2023	6/15/2024										
A-31-2*	Work-5	Renovation and improvement of the 6-0.4 kV electricity distribution network in Uvs province's Ulaangom, Tsagaankhairkhan, Zuungovi, Zavkhan, Baruunturuun, and Ummungovi sum centers	10/4/2023	6/15/2024										
A-32-2A*	Work-6	Renovation and improvement of the 6-0.4 kV electricity distribution network in Bayannuur and Ulaankhus sum centers of Bayan-Olgii province	10/27/2023	6/15/2024										
A-33-1*	Work-7	Renovation and improvement of the 6-0.4 kV electricity distribution network in Tsetsen-Uul, Ider, Tsagaanchuluut, Songino Soums of Zavkhan Aimag, Sharga and Khokhmurt soum of Gobi-Altai aimag and Erdenetsogt, Gurvanbulag Soums in Bayankhongor aimag.	8/4/2023	6/15/2024										
P-ICB-B-2	Work-8	10 MW solar power plant and connect it to the WES	12/23/2020	7/30/2024										
B. CAPACITY BUILDING														
	1	Study tour and training of NPTG employees and the workshop of the ESP2 project results for BSEDN, EBEDN and WES.	1/1/2024	8/30/2024										
	2	Workshop of training and project results for the employees of "BSEDN".	1/1/2024	8/30/2024										
	3	Workshop of training and project results for the employees of "EBEDN".	1/1/2024	8/30/2024										
	4	Workshop of training and project results for the employees of "WES".	1/1/2024	8/30/2024										
C. CONSULTANCY SERVICE														
C-31	Consultancy-1	The author's supervision of the technical drawings for updating and improving the 6.10-0.4 kV electricity distribution network in Arvaikheer and Kharkhorin Sum of Uvurkhangai aimag	3/29/2021	3/30/2024										
C-32	Consultancy-2	The author's supervision of the technical drawings for updating and improving the 6.10-0.4 kV electricity distribution network in Bayan-Undur soum of Orkhon province	3/29/2021	3/30/2024										
C-33	Consultancy-4	The author's supervision of the technical drawings for updating and improving the 6.10-0.4 kV electricity distribution network in Saintsagaan soum of Dundgovi province	3/29/2021	3/31/2023										
C-44	Consultancy-5	Technical control of the construction and renovation work drawings for the construction and renovation of switch gear substation facilities in Khentii province and Baganuur district	3/31/2022	2/1/2023										
C-34-2	Consultancy-3	The author's supervision of the technical drawings for updating and improving the 6.10-0.4 kV electricity distribution network in Bayan-Undur soum of Orkhon province	3/14/2023	2/27/2024										
C-36	Consultancy-7	Technical drawings for the renovation and improvement of the 6-0.4 kV power distribution network in Mankhan, Tsetseg, Buyant, and Chandman soum centers of Khovd province	1/30/2023	3/31/2023										
C-37	Consultancy-8	Technical drawings for the renewal and improvement of the 6-0.4 kV power distribution network in Uvs province's Ulaangom, Tsagaankhairkhan, Zuungovi, Zavkhan, and Baruunturuun soum centers.	1/30/2023	3/31/2023										
C-38	Consultancy-9	Technical drawings for the renewal and improvement of the 6-0.4 kV power distribution network in Bayan-Ulgii province's Deluun and Ulaankhus soum centers.	1/30/2023	3/31/2023										
C-39	Consultancy-10	Technical drawings for renewal and improvement of the 6-0.4 kV power distribution network in Tsetsen-Uul, Ider, Tsagaanchuluut, Songino Soums of Zavkhan aimag, Sharga and Khokhmurt soums of Gobi-Altai aimag and Edenetsogt, and Gurvanbulag soums of Bayankhongor aimag.	1/30/2023	3/31/2023										
C-40	Consultancy-4	The author's control of the technical drawings for the renovation and improvement of the 6-0.4 kV power distribution network in the center of Mankhan, Tsetseg, Buyant and Chandmani sum of Khovd province	11/6/2023	6/15/2024										
C-41	Consultancy-5	The author's of the technical drawings for rebovatio ad improvement of the 6-0.4 kV power distribution network in the Uvs aimag Ulaangom, Tsagaankhairkhan, Zuungobi, Zavkhan aimag Baruunturuun, Ummugobi soum.	11/1/2023	6/15/2024										
C-42	Consultancy-6	The author's supervision of the technical drawings for the renovation and improvement of the 6-0.4 kV power distribution network in Bayannuur and Ulaankhus soum centers of Bayan-Olgii province	10/31/2023	6/15/2024										
C-43	Consultancy-7	The author's supervision of the renovation and improvement of the 6-0.4 kV electricity distribution network in the center of Tsetsen-Uul, Ider, Tsagaanchuluut, Songino Soum of Zavkhan Province, Khokhmurt and Sharga soums of Gobi-Altai Province, and Erdenetsogt, Gurvanbulag soums of Bayankhongor province.	8/23/2023	6/15/2024										
C-46	Consultancy-8	Project report on the implementation of the ESP-2 project	4/7/2023	7/6/2024										

*: Contracts that will be in completed within the extended period.