



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
ACCESS TO SUSTAINABLE ENERGY PROJECT
APPROVED ON APRIL 28, 2016
TO
National Power Corporation

ENERGY & EXTRACTIVES
EAST ASIA AND PACIFIC

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ABBREVIATIONS AND ACRONYMS

AAAAR	Agreement Providing for the Assignment, Assumption, Amendment and Restatement of the EU Grant Agreement	LGU	Local Government Unit
ASEP	Access to Sustainable Energy Project	LGUGC	LGU Guarantee Corporation
AWFP	Annual Work and Financial Plan	MW	Megawatt
BAC	Bids and Awards Committee	NCB	National Competitive Bidding
BG	Bank Guarantee	NEA	National Electrification Administration
BWI	Bidding Window I	NPC	National Power Corporation
COA	Commission on Audit	ODA	Official Development Assistance
DA	Designated Account	PAD	Project Appraisal Document
DBP	Development Bank of the Philippines	PDO	Project Development Objective
DD	Due Diligence	PDM 1	Program Development and Management 1
DOE	Department of Energy	PMO	Project Management Office
DOF	Department of Finance	PMU	Project Management Unit
EC	Electric Cooperative	PPM	Pre-paid Metering
ESMF	Environment and Social Management Framework	PV	Photovoltaic
ESSU	Environment and Social Safeguards Unit	PVM	PV Mainstreaming
EU	European Union	RNS	Rural Network Solar
FSU	Fund Sourcing Unit	SHS	Solar Home Systems
FY	Fiscal Year	TA	Technical Assistance
GA	Grant Agreement between the WB and LGUGC	TWG	Technical Working Group
GOCC	Government-Owned and Controlled Corporation	VA	Verification Agent
GPOBA	Global Partnership on Output-Based Aid	WB	World Bank
ICB	International Competitive Bidding		
ISR	Implementation Status Report		



BASIC DATA

Product Information

Project ID P153268	Financing Instrument Investment Project Financing
Original EA Category Financial Intermediary Assessment (F)	Current EA Category Financial Intermediary Assessment (F)
Approval Date 28-Apr-2016	Current Closing Date 30-Sep-2021

Organizations

Borrower National Power Corporation	Responsible Agency National Power Corporation
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Project Development Objective (PDO)

Original PDO

The Project Development Objective (PDO) is to increase household access to solar powered electricity within select electric cooperative service areas.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
TF-A2379	28-Apr-2016	14-Jun-2016	16-Jun-2016	30-Sep-2021	21.93	1.59	20.25
TF-A2497	28-Apr-2016	14-Jun-2016	16-Jun-2016	31-Dec-2018	2.92	2.92	0

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 paper seeks approval to restructure Access to Sustainable Energy Project (ASEP, the Project). The restructuring seeks to: (i) extend the Project’s closing date by 12 months until September 30, 2022, to allow for completion of the remaining important activities; and (ii) a change in the Project activities and implementation arrangement to enable the National Power Corporation (NPC) to be involved directly in carrying out the distribution and installation of solar home systems (SHS) and the implementation of the photovoltaic mainstreaming program under Part 1, the development of grid-connected solar power plants and the implementation of rural network solar program under Part 2, and similarly, the installation of pre-paid meters and the implementation of pre-paid metering pilot under Part 3 of the Project; and accordingly, the inclusion of “works” in procurement and disbursement category for certain activities to be carried out directly by NPC.
2. This is the second restructuring of the Project. The first restructuring was in December 2019 to reassign the European Union (EU) grant recipient and implementation agency from Local Government Unit Guarantee Corporation (LGUGC) to NPC. The *Agreement providing for the Assignment, Assumption, Amendment and Restatement of the EU Grant Agreement* was signed by LGUGC, NPC, and the World Bank on December 9, 2019. A retroactive extension of the closing date of the project from October 31, 2019 to September 30, 2021 was approved by the World Bank on December 20, 2019. The cumulative extension of the project closing date will be 35 months.

PROJECT STATUS

3. The Access to Sustainable Energy Project (ASEP, the Project) is a component of the Department of Energy (DOE)- EU Access to Sustainable Energy Program financed by the World Bank (WB) as administrator of the WB-EU Access to Sustainable Energy Project Trust Fund. The Project also included co-financing from the Global Partnership on Output Based Aid (GPOBA). The implementation of the GPOBA grant was completed and closed as of December 31, 2018.
4. A summary of project financing by activity at approval is provided in the table below. NPC is only responsible for the implementation of the EU Grant Agreement, which was amended and restated on December 9, 2019 to reflect changes in recipient, implementation agency, and closing date.

Table 1. Project Financing at the Time of Project Approval

Expenditure Category	Component	EU Grant (EUR)	EU Grant (USD)*	GPOBA Grant (USD)
(1) Goods, non-consulting services, incremental operating costs, and consultants’ services under the Project	Project management and other incremental operating costs	1,018,000	1,119,800	600,000



(2) Grants under Parts 1, 2 and 3 of the Project	Component 1 (or Part 1): Photovoltaic Mainstreaming (PVM) of solar home systems (SHS) Component 2 (or Part 2): Rural Network Solar (RNS) Component 3 (or Part 3): Pre-Paid Metering (PPM) Pilot	17,382,000	19,120,200	2,400,000
Subtotal		18,400,000	20,240,000	3,000,000

* Value at approval. Note that the USD amount changes over time due to fluctuation in exchange rate

5. The progress toward the achievement of the PDO and the overall implementation progress are rated moderately satisfactory in the latest Implementation Status and Results (ISR) Report dated July 7, 2021. NPC started as a new implementing agency without previous World Bank project experience and had to cope with the significant impact of COVID-19 pandemic on project implementation, including nearly three months of suspension of procurement due to the first Enhanced Community Quarantine from late March to early June 2020. NPC has managed to make significant progress in project procurement since the beginning of 2021, including the signing of the PVM supply contract of 30,500 SHS in April 2021, and the registration of 30,492 beneficiary households by the end August 2021. The virtual Mid-Term Review that has taken place in March 2021 concluded that the project’s development objective remained highly relevant and the project would be able to achieve its development objective and intended results, provided that the project’s closing date would be extended by 12 months. The performance of NPC is satisfactory. NPC has agreed with the Bank an action plan to complete project activities by the proposed new closing date.

6. The status of implementation by project component is as follows:

- **Component 1 – PVM**, which supports off-grid rural electrification using SHS for a target of 40,500 households within the coverage areas of the participating electric cooperatives (ECs) in Mindanao. The implementation of this component is divided into Window 1 (W1) of 10,000 SHS and Window 2 (W2) of 30,500 SHS. W1 was successfully completed in 2019 under the management of LGUGC. W2 is under implementation by NPC. The supply contract for the 30,500 SHS valued at US\$7,891,650 was signed on April 27, 2021. The first shipment of SHS reached Davao Warehouse by July 23, 2021. Two additional shipments are scheduled to be completed in September and October 2021, respectively. The expected completion of this component is in June 2022. As a mitigating measure to the slow pace of SHS installation by the vendor under W1, the installation work under W2 will be undertaken by participating ECs directly. The direct contracting with ECs on SHS installation is being finalized. The six participating ECs have been mobilized to register households for the installation of SHS since June 2020. As of August 31, 2021, the ECs had registered 30,492 member households for receiving SHS, compared with the target installation of 30,500 SHS. The main implementation risks for PVM going forward are potential delays in production and shipping internationally, as well as in installation due to potential movement restrictions to control possible future COVID19 outbreaks. NPC will proactively monitor the supply contract implementation and working closely with the DOE and the National Electrification Administration (NEA) in addressing potential issues in installation.



- **Component 2 – RNS**, which aims to increase renewable energy production via small, grid-connected solar power plants. The investment is expected to provide a total of 7 MW of new solar power generation capacity to 7 participating ECs (1 MW each). The RNS will be implemented through supply and installation contracts. Bids for 4 sites are currently under evaluation and the contracts are expected to be awarded in September 2021. The other 3 sites will be rebid due to the lack of interested bidders during the current round of tender. The rebidding process will start in September 2021 and is expected to conclude in January 2022. The expected completion of the RNS component is in July 2022. Beside the potential COVID-19 interruptions, the main implementation risks for RNS going forward are potential delays in obtaining permits and approvals required for construction of grid-tied solar power plants. NPC is proactively addressing these risks in coordination with DOE and NEA.
 - **Component 3 – PPM Pilot**, which will install 1,000 prepaid meters at Sulu EC in Mindanao for improving collections and ultimately demonstrate a viable approach to strengthen the financial sustainability of the ECs which face significant collection challenges. The procurement of the meters will start in September 2021. The expected completion of the pilot is in August 2022, including 5 months of results monitoring.
7. **Disbursement of EU grant:** As of August 31, 2021, US\$1.66 million EU grant was disbursed, with an undisbursed balance of US\$20.01 million. Based on signed contracts and on-going procurement the estimated additional disbursement by the end of December 2021 is about US\$14 million, which will bring the disbursement rate of the EU grant from current 7 percent to 72 percent.
 8. **Disbursement of GPOBA grant:** The total GPOBA grant disbursement was US\$2,922,178 at closing. The remaining balance of the US\$77,822 grant was cancelled on September 13, 2019 and the Grant Account was closed.
 9. **Financial Management:** The project is in compliance with financial management requirements and does not have an overdue audit report.
 10. **Safeguards:** The Project is subject to the old World Bank safeguards policies and is in compliance with environment and social safeguards requirements. The Project supports installation of SHS in rural villages and the installation of small solar power plants in rural areas. The environmental and social risk is rated low. The Project Management Unit (PMU) has experienced environmental and social safeguards specialists who are regular NPC staff. The Project-level Grievance Redress Mechanism (GRM) is set up and operational. The Project has in place the following instruments: Environment and Social Safeguards Framework (ESSF) which includes Environmental and Social Management Plan (ESMP), Environmental Code of Practice, and Indigenous Peoples Plan, Abbreviated Resettlement Plan and Physical Cultural Heritage Management Plan as annexes to manage environmental and social risks and impacts. For both Components 1 and 2, the recommended environmental and social measures were satisfactorily implemented by the PMU and no major issues or grievances were observed. The Project's environmental and social performance rating continues to be satisfactory due to the consistent safeguards due diligence which includes the diligent reporting by the ECs of their respective ESMPs and other safeguards' plans according to the ESSF, as well as the PMU's regular monitoring and evaluation of the ECs' safeguards performance and GRM status. There are currently no outstanding safeguards commitments nor compliance issues in the Project.



11. The Integrated Safeguards Data Sheet (ISDS) and ESSF of the project were updated and disclosed during the previous restructuring when NPC was assigned as the EU grant recipient and implementation agency. The proposed changes under this restructuring will not lead to any changes or updates of the safeguards policies and requirements thus, the ISDS and ESSF will not be further updated.
12. **Risks:** The risk of “Institutional Capacity for Implementation and Sustainability” has been adjusted from substantial to moderate due to the significant implementation experience gained by NPC and broad improvement of government policies toward renewable energy. The “Other” risks were added and rated substantial to capture the potential impact of COVID19 interruptions, which will remain a significant concern in the months ahead. The overall risk remains moderate.

RATIONALE FOR RESTRUCTURING

13. The restructuring to extend the closing date of the EU grant will allow the Project to fully implement its remaining activities to make up for the delays caused by the movement restrictions imposed by the government due to the COVID-19 pandemic. The Project is part of the government’s last-mile rural electrification program and focuses on the least connected and least developed Mindanao region. The results in terms of “last-mile” electrification that the Project aims to achieve remain highly relevant for the marginalized target population in remote areas of Mindanao. While the project implementation has encountered significant challenges, including the pandemic in the last 18 months, substantial progress has been made in Project implementation, including procurement and contracting. The Project is now well positioned to complete its activities provided that additional time is granted to allow for contract implementation. The government and EU are strongly supportive of completing the Project and have extended the validity period of the EU-Philippines Financing Agreement by 12 months so as to enable an extension of the End Disbursement Date of the WB-EU Access to Sustainable Energy Project Trust Fund and on that basis, allow the Project to extend its closing date for completing the remaining activities. The amendment to the EU-WB Administrative Agreement on extending the end disbursement date by 12 months from November 30, 2021 to November 30, 2022 has been agreed with the EU Delegation and is being processed for signing. -
14. It is proposed to extend the closing date of the Project by twelve months from September 30, 2021 to September 30, 2022. This will be the second extension for a cumulative extension of 35 months. The restrictions set by the EU-Philippines Financing Agreement limit the period of extension to 12 months. While the pandemic remains a chief concern for potential interruptions of the implementation going forward, it is a risk which the client has learned to manage with some and increasing success. Based on assessment of NPC and the team, all remaining activities of the Project can be completed by September 2022.
15. In addition to the proposed extension of the closing date, the team also proposes to introduce “works” in the procurement category and the disbursement table to enable the EU grant proceeds to finance for the activities to be carried out by NPC. To facilitate the project implementation progress, in addition to the participating organizations NPC would be involved directly in the distribution and installation of SHS and implementation of a program of PV mainstreaming under Component 1 of the Project, as well as in the implementation of Component 2 and Component 3 of the Project. These changes will cause the change in disbursement arrangement and reallocation of the grant proceeds. The disbursement against category 1 and 2 and output-based subsidies payment will no longer be used. A



new disbursement category 3 is added in the withdrawal table under the grant agreement for payment of Goods, Works, Non consulting services, Incremental Operating Costs, and Consultants’ services for project activities after the amendment. The project will use direct payment method for payment of eligible expenditures under part 1.c, 2.c, 3.c. The minimum value of application for direct payment and reimbursement is reduced to USD 50,000.

II. DESCRIPTION OF PROPOSED CHANGES

- 16. The Restructuring is initiated following DOE/NPC request letter dated September 22, 2021, requesting for (i) extend the Project’s closing date by 12 months until September 30, 2022, to allow for completion of the remaining important activities; (ii) a change in the Project activities and implementation arrangement to enable the National Power Corporation (NPC) to be involved directly in carrying out the distribution and installation of solar home systems (SHS) and the implementation of the photovoltaic mainstreaming program under Part 1, the development of grid-connected solar power plants and the implementation of rural network solar program under Part 2, and similarly, the installation of pre-paid meters and the implementation of pre-paid metering pilot under Part 3 of the Project; and accordingly, the inclusion of “works” in procurement and disbursement category for certain activities to be carried out directly by NPC.
- 17. Fiduciary and Safeguards Arrangements. The Project does not have any unresolved, legal, safeguards and fiduciary compliance issues. Also, the proposed changes to the project do not alter environment and social risks and impacts nor cause changes in the safeguards policies triggered. The same fiduciary and safeguards policies, documents, and arrangements following the previous restructuring would be followed. Compliance to the specific policies and guidelines would be closely monitored by the task team.
- 18. Recommendation: It is recommended to approve the proposed restructuring in support of the NPC request for the extension of the closing date by twelve (12) months and for other changes in the Project activities and implementation arrangement to enable NPC to be involved directly in carrying out the distribution and installation of solar home system and the implementation of the photovoltaic mainstreaming program under Part 1, the development and grid-connected solar plants and the implementation of rural network solar program under Part 2, and similarly, the installation of pre-paid meters and the implementation of the pre-paid metering pilot under Part 3 of the Project.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	



Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursements Arrangements	✓	
Disbursement Estimates	✓	
Overall Risk Rating	✓	
Procurement	✓	
Implementation Schedule	✓	
Other Change(s)	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
PBCs		✓
Cancellations Proposed		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
APA Reliance		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
PV Mainstreaming	15.20	Revised	PV Mainstreaming	12.20



Rural Network Solar	6.90	Revised	Rural Network Solar	9.80
Pre-Paid Metering	0.10	Revised	Pre-Paid Metering	0.20
TOTAL	22.20			22.20

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A2379	Effective	31-Jul-2019	30-Sep-2019, 31-Oct-2019, 30-Sep-2021	30-Sep-2022	30-Sep-2022
TF-A2497	Closed	30-Jun-2018	20-Oct-2019		

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
TF-A2379-001 Currency: EUR					
iLap Category Sequence No: 1		Current Expenditure Category: TFA2379 GDS, NON-CS, MNGMNT FEES, CS			
	1,018,000.00	370,446.30	371,000.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: TFA2379 GRANTS UNDER PT. 1, 2 & 3			
	17,382,000.00	939,944.69	940,000.00	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: TFA2379 GDS, NON-CS, MNGMNT FEES, CS			
	0.00	0.00	17,089,000.00		100
Total	18,400,000.00	1,310,390.99	18,400,000.00		



DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2016	0.00	0.00
2017	0.00	421,517.00
2018	0.00	427,394.00
2019	0.00	2,578,718.00
2020	0.00	962,840.00
2021	0.00	14,109,531.00
2022	0.00	6,350,000.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating at Approval	Current Rating
Political and Governance	● Moderate	● Moderate
Macroeconomic	● Low	● Low
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Substantial	● Moderate
Fiduciary	● Moderate	● Moderate
Environment and Social	● Low	● Low
Stakeholders	● Moderate	● Moderate
Other		● Substantial
Overall	● Moderate	● Moderate



Results framework

COUNTRY: Philippines

Access to Sustainable Energy Project

Project Development Objectives(s)

The Project Development Objective (PDO) is to increase household access to solar powered electricity within select electric cooperative service areas.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
To increase access to electricity in a sustainable manner			
Generation capacity of energy constructed or rehabilitated (CRI, Megawatt)		0.00	7.00
<i>Action: This indicator has been Revised</i>			
People provided with new or improved electricity service (CRI, Number)		0.00	202,500.00
<i>Action: This indicator has been Revised</i>			

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Project Level Intermediate Indicators						



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Solar home systems installed (Number)		0.00	0.00	10,000.00	25,000.00	40,500.00
Action: This indicator has been Revised						
Private Capital Mobilized (Amount(USD))		0.00	0.00	0.00	0.00	0.00
Action: This indicator has been Revised						
Direct project beneficiaries (Number)		0.00	0.00	50,000.00	127,500.00	207,500.00
Action: This indicator has been Revised						
Female beneficiaries (Percentage)		0.00	0.00	25,000.00	63,750.00	103,750.00
Estimated GHG emission reduction compared to a business-as-usual baseline (Metric ton)		0.00	0.00	0.00	0.25	0.50
Action: This indicator has been Revised						
Villages where PV Mainstreaming is implemented with at least one public consultation held (Percentage)		0.00	25.00	50.00	75.00	100.00
Action: This indicator has been Revised						



The World Bank

Access to Sustainable Energy Project (P153268)

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Pre-Paid Meters Installed Under Pilot (Number)		0.00	0.00	0.00	500.00	1,000.00
Action: This indicator has been Revised						



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