



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SOLOMON ISLANDS RURAL DEVELOPMENT PROGRAM II
APPROVED ON NOVEMBER 21, 2014
TO
SOLOMON ISLANDS

SOCIAL, URBAN, RURAL AND RESILIENCE GLOBAL PRACTICE

EAST ASIA AND PACIFIC

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ABBREVIATIONS AND ACRONYMS

ASEF	Agriculture Supplemental Equity Facility
CDG	Community Development Grant
DDO	Deferred Drawdown Option
DRG	Disaster Recovery Grant
EA	Environmental Assessment
IDA	International Development Association
KPI	Key Performance Indicator
MTR	Midterm Review
PDO	Project Development Objective
SBD	Solomon Islands Dollar
USD	United States Dollar



Note to Task Teams: The following sections are system generated and can only be edited online in the Portal.

BASIC DATA**Product Information**

Project ID P149282	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 21-Nov-2014	Current Closing Date 28-Feb-2020

Organizations

Borrower Solomon Islands	Responsible Agency Ministry of Agriculture and Livestock Development, Ministry of Development Planning and Aid Coordination
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Project Development Objective (PDO)

Original PDO

The proposed development objective for the project is to improve basic infrastructure and services in rural areas and to strengthen the linkages between smallholder farming households and markets.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
COFN-C1360	07-May-2015	07-May-2015	07-May-2015	30-Jun-2020	4.30	3.65	.66
IDA-55740	21-Nov-2014	29-Jan-2015	27-Feb-2015	28-Feb-2020	5.00	4.56	.01
IDA-D0220	21-Nov-2014	29-Jan-2015	27-Feb-2015	28-Feb-2020	4.00	3.75	0
TF-A5083	14-May-2017	29-Sep-2017	29-Sep-2017	28-Aug-2019	5.10	0	5.10



TF-19256 21-Nov-2014 17-Apr-2015 17-Apr-2015 28-Feb-2020 9.00 7.46 1.54

Policy Waiver(s)

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

No

Note to Task Teams: End of system generated content, document is editable from here.

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

- 1. The Project was approved on 21 November 2014, the IDA Financing Agreement was signed on 29 January 2015, and became effective on 27 February 2015.** The Project’s Overall Implementation Progress is currently rated “Moderately Satisfactory”, since the project has made substantial progress in the first half of the implementation period, and the project is on track to complete the planned implementation cycles for subprojects by the closing date, notwithstanding some delays (about six months) experienced to date. To date, the Project has disbursed 70% of its financing envelope. Nonetheless, the Project’s overall progress towards achievement of the PDO is currently rated “Moderately Unsatisfactory”, as the Project is not likely to meet the target values for three of its four current Key Performance Indicators (KPIs), even if all the planned activities are completed by the closing date. The Midterm Review (MTR) of the Project was advanced to September 2017 to proactively address a number of critical issues that have affected the ability of the Project to meet its objectives. Financial audits received to date have all been unqualified, and there are no outstanding financial audits for the Project.
- 2. The Project is experiencing a financial shortfall of approximately USD5.8 million.** A total financing of USD46.9 million was initially committed for the Project in various currencies, which equated to the initial project budget of SBD341 million at the time of Project appraisal. During implementation, the projected cost of the project activities has increased to approximately SBD 349 million (2% increase). However, at the same time, the total amount of available financing has declined to approximately SBD303 million equivalent due to the depreciation of some financing currencies, creating a financial shortfall of SBD46 million (approximately USD5.8 million). Consequently, the Project cannot fully implement all the activities envisaged during preparation. To address this constraint, the MTR mission, in consultation with government counterparts, proposed adjustments that result in a cost reduction of SBD 21 million under Component 1 and SBD25 million under Component 2 (a total cost reduction of SBD46 million). These adjustments include: (a) cessation of activities in 56 wards that have already received five rounds of Community Development Grants (CDGs) from the second cycle of CDGs under RDP II out of a total number 172 wards; (b) a reduction in the number of Agribusiness Partnerships (APs) to be assisted (from an initially planned 79 to about 43 partnerships); (c) a reduction in the amount of Agriculture Supplemental Equity Facility (ASEF) grants to SBD8 million; (d) a reduction of training activities for the staff of the Ministry of Agriculture and Livestock; and (e) cancellation of community scorecards activities. These adjustments imply that the number of subprojects, partnerships, and beneficiaries supported under the Project will be reduced, with implications for the Results Framework of the Project as outlined below.



3. **The Project Results Framework requires modifications to more accurately reflect project realities.** In addition to financing constraints, a number of technical and beneficiary changes need to be reflected in the RF based on implementation experience to date. First, the estimated number of beneficiaries from Community Development Grant (CDG) subprojects under Subcomponent 1.1 and Disaster Recover Grant (DRG) subprojects under Subcomponent 1.3 was overestimated, as fewer people are benefitting from each subproject on average to date. Second, the Project was projected to support up to 79 agribusiness partnerships under Subcomponent 2.1; however, as each partnership has required a greater grant amount than originally estimated, this number needs to be revised downward. Also, the average number of beneficiaries per agribusiness partnership has been approximately 300 persons to date rather than 900 as estimated at appraisal. Finally, the number of beneficiaries of agriculture and livestock disaster recovery and resilience support (Subcomponent 2.4) was overestimated, as further assessment and verification on the losses sustained by households has led to a reduction of the number of eligible households.
4. These over-estimates in the beneficiary estimates, together with the reduction in the scale of Project activities required by financing shortages, necessitate a revision of the target values for some PDO and intermediate outcome level indicators in the Results Framework. Furthermore, some intermediate results indicators in the Results Framework will be adjusted to make them more relevant and measurable.

II. DESCRIPTION OF PROPOSED CHANGES

5. **This restructuring involves changes to the results framework.** Specifically, the target values for three of the four PDO level indicators will be adjusted downwards to reflect the reduction in the numbers of (a) CDG and DRG subprojects and their beneficiaries; (b) agribusiness partnerships and their beneficiaries; and (c) beneficiaries receiving agriculture and livestock support to recover incomes lost from April 2014 flooding. Furthermore, a PDO level indicator on “Increase in sales for farmers engaged in partnerships” will be revised to “Increase in the volume of produce sold by households engaging in agricultural partnerships” to better reflect the nature of partnerships and to avoid dependency on external factors, such as weather and markets. At the intermediate outcome level, (d) the target values will be adjusted downwards for five indicators; (e) three indicators will be revised; (f) a new indicator will be added; and (g) five indicators that do not adequately reflect the scope and nature of the Project will be removed.
6. **The proposed changes to the target values and indicators of the results framework, as well as their justifications are summarized in the table below.** The new revised Results Framework is found in Section IV: Detailed Changes.

Indicator		Target Value		Reason for Revision
Current	Revised	Current	Revised	
PDO Level				
(No change) Beneficiaries with improved quality of, and/or, access to rural infrastructure or services (including from disaster recovery)		262,850	140,000	The expected number of beneficiaries was reduced, since 260 subprojects (as opposed to 374 subprojects) are expected to be completed under the Project. Based on data collected from ongoing subprojects, each is on average estimated to benefit approximately 500 individuals. Therefore, 140,000 individuals are



Indicator		Target Value		Reason for Revision
Current	Revised	Current	Revised	
				expected to benefit from 260 subprojects (260*500).
(No change) ...Of which female (beneficiaries)		131,425	70,000	The target value was revised in accordance to the new target value for the above indicator (50% of beneficiaries).
(No change) Male and female members of farming households engaged in productive partnerships with commercial enterprises		68,200	14,000	The expected number of beneficiaries was reduced, since 43 partnerships (as opposed to 79 partnerships) are expected to be supported under the Project. Based on data collected from ongoing partnerships, each partnership is on average estimated to benefit approximately 325 individuals. Therefore, 14,000 individuals are projected to benefit from 43 partnerships (43*325).
Increase in sales for farmers engaged in partnerships	Increase in the volume of produce sold by households engaging in agribusiness partnerships	30%	15%	The original indicator is highly dependent on market prices and weather. The new indicator removes the effect of prices, and more accurately reflects the nature of the partnerships. The revised indicator assumes that the skills and inputs farmers gain through partnerships are translated into increased volume of production, which will be sold even at low prices, due to the farmers' commitments to sell the products to the lead partners.
(No change) Number of male and female beneficiaries receiving agriculture and livestock support to recover incomes lost from April 2014 flooding		5,400	2,500	The number of beneficiary households was reduced, based on further assessment and verification on the losses sustained by the households.
Intermediate Results (Component 1): Community infrastructure and services				
(No change) Number of community infrastructure sub-projects completed (including from disaster recovery)		374	260	The number of target wards will be reduced by 56 for the second cycle of community development grants, bringing down the total number of sub-projects to 325 (this number reflects the additional subprojects that have been implemented under the first cycle and through disaster recovery grants). Aiming to complete 80% of all sub-projects implemented with community development grants and disaster recovery grants, the target value is adjusted to 260 (325*0.8).
Percentage of sub-projects for which plans for community engagement in post-project operations and	Percentage of completed sub-projects for which community engagement in post-	100		The indicator was strengthened as it is important for communities to have actual O&M arrangements in place (verified by the Project Team), rather than just plans.



Indicator		Target Value		Reason for Revision
Current	Revised	Current	Revised	
maintenance are confirmed	project operations and maintenance are established			
(No change) Community and other non-project financed contributions as a percentage of total sub-projects costs (at the time of completion)		30	20	The target value was revised to be consistent with the value that had been established in the Project Implementation Manual.
Percentage of sub-projects with co-financing from MPs, MPAs or Provincial Government	(Removed)	30	(Removed)	The indicator was not relevant to the project's intended outcomes, as contributions from MPs or provincial counterparts lie beyond the control of the project, and do not necessarily reflect the project's success.
Intermediate Result (Component 2): Agriculture Partnerships and Support				
--	(New) The economic rate of return of a sample of agribusiness partnerships	--	11%	This indicator was introduced to measure the economic viability of agribusiness partnerships.
(No change) Number of agribusiness partnerships established		79	43	The initial target value was based on the assumption that 21%, 36%, and 43% of the partnerships would receive large (≈SBD1.5 –2.0 million), medium (≈SBD1.0 million), and small (≈SBD0.2-0.5 million) grants, respectively. The projected distribution of grants is updated, since approximately 50%, 27%, and 23% of proposals were received for partnerships that require large, medium, and small grants, respectively. Considering the reduced budget allocated for agribusiness partnership grants (from SBD72 million to SBD61.5 million) due to financial shortages, the target number of agribusiness partnerships was adjusted to 43 (21 large, 12 medium, and 10 small).
Increase in area of crops with improved farming practices under partnerships	Number of male and female partnership members who adopt improved farming practice due to engagement in agribusiness partnerships	25%	7,000	This indicator was revised to more accurately reflect the extent to which improved farming practices are adopted by partnership members, since area does not effectively capture the extent to which improved farming practice is applied for many products.
(No change) Total value of ASEF grants disbursed (USD)		2,000,000	1,000,000	The target value was adjusted in accordance with the reduction in the budget allocated for ASEF grants due to financial shortages.



Indicator		Target Value		Reason for Revision
Current	Revised	Current	Revised	
Increase in employees of small and medium-sized enterprises (ASEF recipients) and agricultural partnerships	(Removed)	10%	(Removed)	The indicator was removed, since the number of employees of ASEF recipients is subject to many external factors, and ASEF is not per se intended to increase the number of employees of ASEF recipients. ASEF grants may have substantial positive impacts on farmers along the value chain, who supply the enterprises that receive ASEF, without increasing the number of employees of ASEF recipients.
Male and female farmers who are members of a formal association, and who participate in agriculture partnerships	(Removed)	60%	(Removed)	This indicator was removed, because most partnership members are already members of an association in the context of Solomon Islands, and tracking this indicator does not add value (it does not demonstrate that the participation of farmers in agriculture partnerships contributes to their membership in a formal association).
Intermediate Result (Component 3): Project Management				
(No change) Audit reports submitted on time		5	4	The target value was adjusted, since audit reports are due six months after the completion of each fiscal year, and it is thus not possible to submit five audit reports during the five-year implementation period of the Project.
Percentage of sub-projects with data entered into the MIS from the field	(Removed)	60%	(Removed)	This indicator was removed, since tracking the conformity to a particular data collection and entry method is not a representative indication of the quality of project management.
Social Accountability pilot scaled up beyond pilot communities	(Removed)	Yes	(Removed)	This indicator was removed, since this activity, which does not directly contribute to the achievement of the Project Development Objective, was cancelled as part of the cost reduction exercise.
Years with adequate government counterpart contribution	The agreed amount of government counterpart contribution being disbursed (USD)	5	6,250,000	This indicator was revised, since the amount of adequate government counterpart contribution, rather than the years of contribution is more important and relevant for successful project implementation.

7. **The modifications proposed under this restructuring will not change the Project Development Objective (PDO).** No new activities are being proposed and there are no changes to Project components, as the restructuring only involves scaling



down of activities. There is no escalation of the safeguard rating, and no additional safeguards policies are triggered. The Project cost, as indicated in USD, will not change at this time.

- 8. **The proposed adjustments to the Results Framework do not require a change in Economic and Financial Analysis of the Project.** The original economic and financial analysis conducted during the preparation of the Project remains valid. New project costs and target values were used to update and validate the results of the original economic and financial analysis. The validation exercise also involved some updates to assumptions and estimates based on more accurate data obtained during the implementation of the project. The updated overall economic internal rate of return (EIRR) for the Project is 12% with a Net Present Value (NPV) of USD2.6 million, compared to the original estimates of an EIRR of 17% and an NPV of USD22 million. This is consistent with the sensitivity analysis conducted as part of the original economic analysis, which had estimated an EIRR of 10% and an NPV of USD0.25 million, if (a) only 50% of Component 2 were implemented, (b) the second round of CDG was scaled-down by 15%, and (c) the benefits of each CDG were reduced by 5%, but (d) the project cost remained the same.

III. SUMMARY OF CHANGES

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



Change in Procurement		✓
Change in Implementation Schedule		✓
Other Change(s)		✓
Change in Economic and Financial Analysis		✓
Change in Technical Analysis		✓
Change in Social Analysis		✓
Change in Environmental Analysis		✓

IV. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

Beneficiaries with improved quality of, and/or, access to rural infrastructure or services (including from disaster recovery)				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	19398.00	140000.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	

Of which female (beneficiaries)				
Unit of Measure: Number				
Indicator Type: Custom Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	9684.00	70000.00	Revised

Male and female members of farming households engaged in productive partnerships with commercial enterprises				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	6460.00	14000.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	



Female members of farming households engaged in productive partnerships with commercial enterprises

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	3048.00	7000.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	

Increase in the volume of produce sold by households engaging in agribusiness partnerships

Unit of Measure: Percentage

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	15.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	

Number of male and female beneficiaries receiving agriculture and livestock support to recover incomes lost from April 2014 flooding

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	2469.00	2500.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2018	

Female beneficiaries of agriculture and livestock recovery support

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	1200.00	1250.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2018	

Intermediate Indicators

Number of community infrastructure sub-projects completed (including from disaster recovery)

Unit of Measure: Number

Indicator Type: Custom



	Baseline	Actual (Current)	End Target	Action
Value	0.00	43.00	260.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Participants in community prioritization/consultation meetings Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	213088.00	180000.00	No Change
Date	27-Feb-2015	28-Aug-2017	28-Feb-2018	

Participants in community prioritization/consultation meetings (of which are women) Unit of Measure: Number Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	105927.00	90000.00	No Change
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	

Percentage of completed sub-projects for which community engagement in post-project operations and maintenance are established Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	73.00	100.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	

Community and other non-project financed contributions as a percentage of total subproject costs (at the time of completion) Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	27.00	20.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2018	

Representatives in Ward Development Committees who are women Unit of Measure: Percentage Indicator Type: Custom				
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	Baseline	Actual (Current)	End Target	Action
Value	0.00	37.00	50.00	No Change
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Percentage of Subprojects with co-financing from MPs, MPAs or Provincial Government				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	7.65	20.00	Marked for Deletion
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
The economic rate of return of a sample of agribusiness partnerships				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	11.00	New
Date	08-Sep-2017	08-Sep-2017	28-Feb-2020	
Number of agribusiness partnerships established				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	20.00	43.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Number of male and female partnership members who adopt improved farming practice due to engagement in agribusiness partnerships				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	7000.00	Revised
Date	08-Sep-2017	08-Sep-2017	28-Feb-2020	
Total value of ASEF grants disbursed				
Unit of Measure: Amount(USD)				
Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	0.00	88700.00	1000000.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Increase in employees of small and medium-sized enterprises (ASEF recipients) and agricultural partnerships Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	10.00	Marked for Deletion
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Male and female farmers who are members of a formal association, and who participate in agriculture partnerships Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	60.00	Marked for Deletion
Date	27-Feb-2015	28-Aug-2017	28-Feb-2019	
Client days of agriculture training provided (number) Unit of Measure: Number Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	3109.00	20000.00	No Change
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Client days of agriculture training provided - Female (number) Unit of Measure: Number Indicator Type: Custom Breakdown				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	8000.00	No Change
Date	27-Feb-2015	13-Feb-2017	28-Feb-2020	
Audit reports submitted on time Unit of Measure: Number Indicator Type: Custom				



	Baseline	Actual (Current)	End Target	Action
Value	0.00	2.00	4.00	Revised
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Percentage of subprojects with data entered into the MIS from the field				
Unit of Measure: Percentage				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	15.00	60.00	Marked for Deletion
Date	27-Feb-2015	28-Aug-2017	28-Feb-2020	
Social accountability pilot scaled up beyond pilot communities				
Unit of Measure: Yes/No				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	No	No	Yes	Marked for Deletion
Date	27-Feb-2015	28-Aug-2017	28-Feb-2018	
The agreed amount of government counterpart contribution being disbursed				
Unit of Measure: Amount(USD)				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	1250000.00	6250000.00	Revised
Date	27-Feb-2015	08-Sep-2017	28-Feb-2020	