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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
OFF-GRID RURAL ELECTRIFICATION PROJECT

APRIL 8, 2003

IN THE INITIAL IDA CREDIT AMOUNT OF SDR 8.8 MILLION (US\$ 12 MILLION
EQUIVALENT)

AND A GRANT FROM THE GLOBAL ENVIRONMENT FACILITY

TRUST FUND OF US\$ 4.02 MILLION

AND

A RESTRUCTURED IDA CREDIT AMOUNT OF SDR 8.8 MILLION (US\$ 13.35
MILLION EQUIVALENT)

AND A GRANT FROM THE GLOBAL ENVIRONMENT FACILITY

TRUST FUND OF US\$ 4.02 MILLION

TO THE

REPUBLIC OF NICARAGUA

June 14, 2010

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ABBREVIATIONS AND ACRONYMS

BBR	Bosawas Biosphere Reserve
BDS	<i>Business Development Services</i>
CABEI	Central American Bank for Economic Integration
CAS	Country Assistance Strategy
CDP	Community Development Plan
CNE	<i>Comisión Nacional de Energía</i>
INE	<i>Instituto Nicaragüense de Energía</i>
EMF	Environmental Management Framework
EIB	European Investment Bank
FODIEN	<i>Fondo para el Desarrollo de la Industria Eléctrica Nacional</i>
GEF	Global Environment Facility
GEO	Global Environment Objective
IDA	International Development Association
IDB	Inter-American Development Bank
IP	Overall Implementation Progress
IPDF	Indigenous People Development Framework
IPDP	Indigenous People Development Plan
MARENA	<i>Ministerio del Ambiente y los Recursos Naturales</i>
MEM	<i>Ministerio de Energía y Minas</i>
MFI	Micro-financing Institution
FNI	Financiera Nicaragüense de Inversiones
NGO	Non-Governmental Organization
PAD	Project Appraisal Document
PCH	Pico-hydro plant
PDO	Project Development Objective
PERZA	<i>Proyecto de Electrificación Rural para Zonas Aisladas</i>
PIU	Project Implementation Unit
PMU	Project Management Unit
PNESER	<i>Programa Nacional de Electrificación Sostenible y Energía Renovable para Nicaragua</i>
RET	Renewable Energy Technology
SBCS	Solar Battery Charging Station
SHS	Solar Home Systems
UGA	<i>Unidad de Gestión Ambiental</i>

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NICARAGUA

OFF-GRID RURAL ELECTRIFICATION

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A. SUMMARY

1. This restructuring package seeks your approval for a Level I restructuring of the *Nicaragua Off Grid Rural Electrification Project – PERZA (Credit No. IDA-3760-NI and GEF Grant No. TF51960* collectively referred to as the “Project”) which includes a trigger of OP4.12 Involuntary Resettlement that the team considered necessary during recent supervision.

2. Two other changes included in the same package have been approved by the Regional Vice President: an 18 month extension of the closing date, from June 30, 2010 to December 31, 2011 and a reallocation of credit and grant proceeds, as requested by the Ministry of Finance of Nicaragua (see the attached request dated April 19, 2010). The proposed changes would allow: (i) an additional 3,660 new electric services connections to poor households in rural Nicaragua, (ii) a full disbursement of the remaining IDA credits and GEF grant, and (iii) compliance with the Bank safeguards policies and guidelines. The Development Objective of the Project would remain the same.

B. PROJECT STATUS

3. The Project’s Development Objective (PDO) is rated satisfactory, which is to support the sustainable provision of electricity services and associated social and economic benefits in selected rural sites in Nicaragua, and to strengthen the Government’s institutional capacity to implement its national rural electrification strategy. The Project’s Global Environmental Objective (GEO) is rated moderately satisfactory, which is to achieve greenhouse gas reductions through the reduction of policy, informational, financing and institutional capacity barriers that currently hinder renewable energy technology (RET) dissemination and market development in Nicaragua.

4. The Overall Implementation Progress is rated moderately satisfactory. Although disbursements of the IDA credits and GEF grant have been slower than desired, implementation is on track to achieve the Project’s objectives. Achievements of the blended project so far include: (a) installation of 6,863 individual solar home systems (SHS) to provide electricity to remote rural households, benefitting more than 41,000 people; (b) installation of seven solar photovoltaic charging stations; (c) completion of three interconnections of isolated systems to the Interconnected National System, two of which are supported with small hydro generation; (d) joint development with the Government and other donors (IDB, CABEL, EIB, etc.) of the National Sustainable Electrification and Renewable Energy Program, which aims to invest approximately US\$300 million to increase electricity coverage from 67% in 2010 to 84% in 2014; and (e) a total of approximately 60,000 direct project beneficiaries in rural areas of Nicaragua to date.

5. As of April 5, 2010, US\$10.9 million equivalent of the IDA credit and US\$ 2.3 million of the GEF grant were disbursed. This leaves US\$2.37 million of the IDA credit and US\$1.74 million of the GEF grant remaining to be disbursed. Disbursements of

approximately US\$ 0.52 million from the credit and US\$ 0.56 million from the grant are expected by the current closing date.

C. PROPOSED CHANGES

Results/indicators

6. Neither the PDO nor the GEO would be changed through the restructuring. The project team proposes to drop the monitoring and evaluation of the sector-related CAS indicators from the results framework because they are beyond the scope of the project. The results frameworks of the project follow the old PAD template and as a result, include sector-related CAS indicators which are no longer required by the updated Bank guidelines.

7. There are 18 PDO indicators in the original PAD. Not all of them are high-level indicators and in fact, some are redundant with current output indicators. In this restructuring, the project team proposes to drop 9 PDO indicators, as they either apply to activities beyond the project life or refer to pilot initiatives that will not have been replicated in a larger scale during project implementation, and to incorporate 7 of the PDO indicators into output indicators. Only the two high-level PDO indicators are retained, including 1) adoption of a sustainable national rural electrification strategy by the MEM and 2) at least 7,000 new connections with minigrids and individual systems (including SHS and batteries) are made.

8. There are 2 GEF Operational Program indicators and 2 GEO indicators, of which only GEO indicator 1 (i.e. actual tons of CO₂ abated by pilot projects) has a clear target value and time frame to achieve it. It is then proposed to (i) retain one GEO indicator (actual tons of CO₂ abated by pilot projects, reaching a total of 10,000 tons by the end of PERZA) in the results framework because it is clearly linked to the GEO and is measureable and verifiable during the project life, (ii) incorporate GEF OP indicators with GEO indicators since they are repetitive and redundant, and (iii) eliminate from the results framework the GEF renewable energy projects replicability indicators that are not quantifiable during the project life but whose trends of development will continue to be monitored by the MEM after the project. It should be mentioned that even though some pilot projects of PERZA are still under implementation, lessons emerged from the earlier pilots of PERZA, including small hydro projects and the solar program, have been studied by the government and other donors and incorporated into the recent development of the national electrification program.

9. The original indicators, proposed changes, and their justifications are shown in Annex 1.

Safeguards

10. The team proposes to trigger OP 4.12 Involuntary Resettlement through this restructuring. During the recent supervision, it was found that small scale resettlement (i.e. no physical displacement of people) involving the acquisition of some private and community land happened under the project. In this context, community land refers to the land whose title is registered under a community organization. This was carried out in compliance with the Nicaraguan law in the absence of a Bank's approved instrument through the Project activities to date. The only subproject that involves indigenous people is the solar central charging station in Francia Sirpi where only community land (no private land) was used for housing the station. The choice of the location of the charging station was done through a participatory process and in compliance with the Indigenous People Development Plan and was finalized through a written agreement with community members who are also beneficiaries of the project by receiving electricity services through the project. OP 4.01 (Environmental Assessment), OP 4.04 (Natural Habitats) and OP 4.10 (Indigenous Peoples), which were already triggered at project approval, are still applicable. The assessment carried out by the Bank in March 2010 confirmed that there are no outstanding safeguard issues. An abbreviated resettlement plan was prepared and disclosed in country on May 24, 2010 and at the Infoshop on May 20, 2010.

Financing

11. The restructuring proposes to (i) take advantage of an additional dollar amount of US\$ 1.35 million available due to the appreciation of SDR; and (ii) move some project funds from technical assistance to investment activities under Component 2 Rural Electrification Subprojects to speed up disbursements and maximize the Project's impact. The proposed changes will not affect project performance in achieving the Project's objective of expanding rural electricity services. Instead they will allow the project to use the Project's funds more effectively toward achieving the PDO.

12. The proposed reallocations do not introduce significant changes to the Project. It represents a minor change in line with BP 13.05 (Project Supervision) and BP 13.25 (Use of Project Cost Savings). Most of the changes involve the procedures for carrying out the activities, not the activities per se.

13. The level of financing for various project components as a result of the proposed reallocations are illustrated in the following table:

(IDA in US\$ million;¹ GEF in US\$ million)

Components	Original Allocations		Proposed Allocations		Difference due to Reallocations	
	IDA		IDA		IDA	GEF

¹ Exchange rate of US\$ 1 = SDR 1.51686 as of April 5, 2010.

		GEF		GEF		
1	0.63	0.37	0.83	0.24	0.2	-0.13
2	8.78	2.85	9.60	2.71	0.82	-0.14
3	1.17	0	1.25		0.08	0
4	0.47	0	0.55		0.08	0
5	0.30	0.36	0.40	0.59	0.1	0.23
6	0.65	0.44	0.72	0.49	0.07	0.05
Not allocated*	1.35	0			-1.35	0
Total	13.35	4.02	13.35	4.02		

*Due to the appreciation of SDR against US dollar.

14. The detailed reallocations by category of expenditure, both for the IDA credits and GEF grant are shown in Annex 2.

Closing date

15. With the proposed 18-month extension the project closing date for the project would be extended from June 30, 2010 to December 31, 2011. This would be the second extension of the project. The first extension was approved in November 2008 for 18 months. If the proposed extension is approved, the Project will be 8 years old at closing.

16. Without the proposed extension, the Project would be expected to cancel an estimated US\$1.85 million of the loan and US\$1.18 million of the grant. As a result, it would fail to provide electricity to approximately 3,660 households or 20,760 people.

17. Additional time is required to ensure that the Project's objectives are achieved and all in-country activities are brought to a successful and logical conclusion. The project objectives continue to be achievable, the performance of the project team in the Ministry of Energy and Mines (MEM) is satisfactory, and the MEM has prepared a feasible implementation plan indicating activities to be undertaken during the extension period.

18. The performance of the Ministry of Energy and Mines, the implementing agency, has been satisfactory and there are no outstanding audits for this project.

D. APPRAISAL SUMMARY

Safeguards

19. The same environmental and social framework developed for the original project will be used. The MEM/PERZA team, with the support received from the MEM/UGA and MARENA on environmental issues, has the implementation capacity required to continue ensuring compliance of the project activities with Bank's safeguards.

20. As part of the safeguards review in March 2010, the Bank team visited 4 sub-projects in order to verify that compliance with environmental and social safeguards had been adequately addressed during project implementation. The three safeguard policies that were triggered at project appraisal (OP/BP 4.01, OP/BP 4.04 and OP/BP 4.20) will continue to be applicable during the extended project implementation period and the existing safeguard instruments will provide the necessary guidance to the MEM/PERZA team.

21. OP/BP 4.12 - Involuntary Resettlement - was not triggered at appraisal. However, during the recent supervision, the Bank team confirmed that small scale resettlement has happened during project implementation and, as a result, it was recommended that the policy should be triggered. This resettlement, which does not involve physical displacement of people, has involved the acquisition of some private and community land and was carried out in compliance with the Nicaraguan law in the absence of a Bank's approved instrument. The Bank took action by (i) indicating applicability of the policy, (ii) sending a mission to Nicaragua to identify any existing gaps between implementation and Bank's requirements, and (iii) requesting to the counterpart (MEM/PERZA team) the preparation of an Abbreviated Resettlement Plan.

22. The MEM/PERZA team has already submitted to the Bank the Abbreviated Resettlement Plan, together with supporting documentation such as detailed lists of affected land-owners, including land area affected and method used for land acquisition (i.e. purchase, donation or easements), for the sub-projects. The Plan and the supporting documentation have been considered acceptable by the Bank. It is expected that compliance with OP/BP 4.12 will not encounter significant difficulties in the extended implementation period.

ANNEX 1:
Results Framework and Monitoring

Nicaragua: Off Grid Rural Electrification Project (PERZA)

1. There is no change to the project development objective, which is to support the sustainable provision of electricity services and associated social and economic benefits in selected rural sites in Nicaragua, and strengthen the Government's institutional capacity to implement its national rural electrification strategy.
2. There is no change to the project's global environmental objective, which is to achieve greenhouse gas reductions through the reduction of policy, informational, financing and institutional capacity barriers that currently hinder renewable energy technology (RET) dissemination and market development in Nicaragua (GEF Operational Program No. 6).
3. The results frameworks of the project follows the old PAD template and include sector-related CAS indicators, outcome/impact indicators for PDO/GEO and output indicators for each project component. Since monitoring and evaluation of the sector-related CAS indicators are beyond the scope of the project, we propose these indicators are eliminated.
4. There are 18 PDO indicators in the original PAD. Not all of them are high-level indicators and in fact, some are redundant with current output indicators. In this restructuring, the project team proposes to drop 9 PDO indicators, as they either apply to activities beyond the project life or refer to pilot initiatives that will not have been replicated in a larger scale during project implementation, and to incorporate 7 of the PDO indicators into output indicators. Only the two high-level PDO indicators are retained, including (i) adoption of a sustainable national rural electrification strategy by the MEM and (ii) at least 7,000 new connections with minigrids and individual systems (including SHS and batteries) are made.
5. There are 2 GEF OP indicators - 1.) increased number of renewable energy technology projects in Nicaragua and 2) quantity of CO2 emissions avoided - and 2 GEO indicators - 1) actual tons of CO2 abated by pilot projects, reaching a total of 10,000 tons by the end of PERZA and 2) estimated CO2 abatement through replication of project pilots on a large scale. Only GEO 1 has a clear target value and time frame to achieve it. Moreover, these two sets of indicators are repetitive. It is then proposed to (i) retain one GEO indicator (actual tons of CO2 abated by pilot projects, reaching a total of 10,000 tons by the end of PERZA) in the results framework because it is clearly linked to the GEO and is measurable and verifiable during the project life, (ii) incorporate GEF OP indicators with GEO indicators since they are repetitive and redundant, and (iii) eliminate from the results framework the GEF renewable energy projects replicability indicators that are not quantifiable but whose trends of development will continue to be monitored by the MEM both during and after the project. It should be mentioned that even though some pilot projects of PERZA are still under implementation, lessons emerged from the earlier pilots of PERZA, including small hydro projects and the solar program, have been studied by the government and other donors and incorporated into the recent development of the national electrification program.
6. The original indicators, proposed changes, and their justifications are shown in the table below.

Key Performance Indicators As in the PAD	Proposed changes	Justification
SECTOR INDICATORS		
1.1. Evidence of wider and more equitable access to, and enhanced efficiency of electricity services, micro-financing and BDS in rural areas, with increased participation of private providers.	Indicators 1.1 to 5.1 are dropped from the project, but shall be monitored at the CPS level or incorporated as part of the project indicators below.	These are higher order impact level indicators (i.e. sector-related CAS indicators) and cannot be fully assessed during the lifetime of the project.
2.1. Increased living standards and opportunities for the inhabitants of the targeted low-income communities, (including indigenous towns) that have benefited from the services provided by the Project (electricity, microfinance, and BDS).		
3.1. Capacity Strengthened in CNE, INE, and microfinance institutions.		This is a higher order impact level indicator. Capacity strengthening in rural electrification activities is specifically measured by PDO indicators 1.1 and 3.2 for CNE and for microfinance institutions respectively.
4.1. Improved environmental management through the use of renewable energy technologies (RETs) and community programs in targeted communities.		This is a higher order impact level indicator. Measurement of improved environmental management is indirectly captured by GEF Global Development objective indicator 1 (i.e. reduction in CO ₂ emissions).
5.1 Successful demonstration and replication of new decentralized offgrid energy solutions and business models that can be managed at the local level.		This is a higher order impact level indicator and cannot be fully assessed during the lifetime of the project. However, the government will continue to monitor the replication impacts of the pilot activities and business models supported by PERZA.
OUTCOME/IMPACT INDICATORS		
GEF Operational Program (GEF OP indicators):		
1. Increased number of RET projects in Nicaragua.	Dropped here and incorporated with the GEO indicators.	Not quantifiable as defined during the project life but captured indirectly by PDO indicator 1.1 since adoption of a national rural electrification strategy that incorporates off-grid solutions is expected to lead to an increased number of RET projects in the country.
2. Quantity of CO ₂ emissions avoided.		Already captured through GEF Global Development objective indicator 1.
Project Development Objectives:		

Key Performance Indicators As in the PAD	Proposed changes	Justification
<i>PDO: support the sustainable provision of electricity services and associated social and economic benefits in selected rural sites in Nicaragua, and to strengthen the Government's institutional capacity to implement its national rural electrification strategy</i>		
1.1. Adoption of a sustainable national rural electrification (RE) strategy by CNE, which integrates off-grid solutions and reflects the social diversity between the Atlantic and Pacific zones.	Change CNE to MEM in the text	CNE was changed to MEM in 2007 due to reorganization of the government agencies.
1.2. New portfolio of offgrid projects applies lessons from piloted schemes.	Dropped	This indicator applies to activities beyond the project life and should be monitored by the MEM.
2.1 At least 5 new PERZA private concessionaires	Dropped here and incorporated as output indicator under Component 2	This is an output indicator.
2.2 At least \$5 m new private sector investments in offgrid RE	Dropped	This indicator applies to activities beyond the project life and shall be monitored by the MEM.
2.3 At least 2 MW total installed capacity PERZA minigrids	Dropped here and incorporated as output indicator under Component 2	This indicator is redundant with output indicator 2.1. The target capacity will stay at 1 MW, as specified in Indicator 2.1, since it is a more realistic target based on project implementation to date.
2.4 At least 100 kW of total installed PV capacity for all types of users	Dropped here and incorporated as output indicator under Component 2	This is an output indicator.
2.5 At least 4 PV companies accredited and doing business	Dropped here and incorporated as output indicator under Component 2	This indicator is redundant with output indicator 2.2.
2.6 At least 500 new users of central battery charging, both solar and minigrid-connected	Dropped	The first pilot of central battery charging station serving 370 users was built but proven unsustainable due to the high maintenance cost relative to the ability to pay of the users. It was agreed with the government that alternatives such as mini-grids and solar home systems would be explored. Thus, this indicator is no longer relevant.
2.7 At least 7,000 total new connections with mini-grids and individual systems (SHS, batteries)	No change	

Key Performance Indicators As in the PAD	Proposed changes	Justification
3.1. Successful implementation of replicable micro-finance service delivery systems in pilot areas and surrounding communities, measured by the volume of outstanding loans for productive purposes (between \$500,000 and \$600,000), the number of households using microcredit to hook up to electricity systems, user satisfaction, and full cost coverage by micro-finance service providers.	Dropped here and incorporated as output indicator under Component 3	This indicator is too specific to be a PDO indicator. The current output indicators under component 3 already capture the success in the development of micro-finance services.
3.2. At least 5 microfinance institutions offering loans for rural electrification.	Dropped here and incorporated as output indicator under Component 3	This is an output indicator.
4.1. Successful delivery of sustainable BDS delivery models and new products developed for the pilot areas and surrounding communities, as measured by the number of businesses paying for BDS services and client satisfaction.	Dropped	Component 4 on BDS has been progressing very slowly. The government has indicated that they will continue to make efforts to pilot the proposed models during the project life, but its sustainability is uncertain. Thus this indicator is too ambitious. Nonetheless, output indicators 4.1-d 4.3 already capture the outputs of Component 4.
4.2 An improving trend of significant cost recovery by BDS providers (income greater than subsidy).	Dropped	Component 4 on BDS has been progressing very slowly. The government has indicated that they will continue to make efforts to pilot the proposed models during the project life, but its sustainability is uncertain. Thus this indicator is too ambitious. Nonetheless, output indicators 4.1-d 4.3 already capture the outputs of Component 4.
4.3. Increased number of BDS providers to at least 10 firms offering services in project sites and extended economic zones.	Dropped	Component 4 on BDS has been progressing very slowly. The government has indicated that they will continue to make efforts to pilot the proposed models during the project life, but its sustainability is uncertain. Thus this indicator is too ambitious. Nonetheless, output indicators 4.1- 4.3 already capture the outputs of Component 4.

Key Performance Indicators As in the PAD	Proposed changes	Justification
5.1. Six meetings per year to support the strengthening of the community organization with better coordination among community members to develop an action plan.	Dropped	Meetings are part of the organizing process but are not a good indicator of increased capacity.
5.2. Acceptance of PERZA and its social impact promoted through efficient media dissemination, with eight meetings at the different national and regional dialogue forums.	Dropped	Meetings are part of the organizing process but are not necessarily an indicator of social impact.
5.3. Seventy five percent of the community population will participate in several activities such as workshops, meetings, hearings held in radio and TV programs, etc. during the implementation of the Project.	Dropped here and incorporated as output indicator under Component 5	This is an output indicator.
6. Strengthen the capacity of CNE to implement and supervise the Rural Electrification Program.	Dropped	This indicator is one of the project development objectives per se which has been covered by PDO indicator 1.1 and output indicators under Component 6.
GEF Global Development objectives (GEO indicators):		
1. Actual tons of CO2 abated by pilot projects, reaching a total of 10,000 tons by the end of the PERZA Project.	No change	
2. Estimated CO2 abatement through replication of project pilots on a larger scale.	Dropped here, but the MEM should continue to monitor the trends of RET project development.	This indicator covers a period beyond the project life, hence would be best estimates only.
OUTPUT INDICATORS		
Component 1: Improving Rural Electrification and Renewable Energy Policies and Strategies		
1.1 Rationalized policies for rural electrification, including price and subsidy policies, officially adopted	No change	
1.2 FODIEN reorganized and functioning		
1.3 New regulatory framework for offgrid electrification officially adopted		
Component 2: Implementing Rural Electrification Pilot Projects		
2.1 At least 1 MW of decentralized offgrid systems established at end of Project, operated by private sector.	Change to: At least 1 MW of decentralized systems established	Removing "off-grid" because detailed least-cost analysis during project implementation showed that four of the pilot projects have improved economic benefits by connecting and selling

Key Performance Indicators As in the PAD	Proposed changes	Justification
	at end of Project, operated by private sector.	excess electricity to the national grids.
2.2. At least 2 PV companies accredited and marketing systems nationwide, and at least 3,000 additional stand-alone PV systems installed at end of Project.	No change.	
2.3 At least 5 new PERZA private concessionaires	New	Was a PDO indicator
2.4 At least 100 kW of total installed PV capacity for all types of users	New	Was a PDO indicator
Component 3: Provision of Microfinance Services to Low-income Households and Micro- and Small Businesses		
3.1 At least 30% of households and businesses that connect to systems use microfinance services.	No changes to Indicators 3.1 to 3.3.	
3.2. Microfinance products and delivery models suited for household and businesses have been developed and tested in pilot areas.		
3.3. MFIs cover all costs related to providing services to project sites by end of project.		
3.4. At least 5 microfinance institutions offering loans for rural electrification.	New	Was a PDO indicator
Component 4: Provision of Business Development Services		
4.1 Increased access to BDS (e.g. skills training and market information) for MSBs in project areas.	No change.	
4.2 Number of clients served by the BDS providers, fees generated are greater than the value of the subsidy.	Change to: Number of clients served by the BDS providers	This component has had a very slow start because it was time consuming to implement awareness enhancement of the BDS providers and potential clients. It is expected that BDS providers will continue to require subsidy to serve their clients.
4.3 BDS Client Satisfaction (at least 80% find BDS satisfactory).	No change.	
Component 5: Promoting Project Communication and Social Participation		
5.1 A community development action plan is elaborated by thirty percent of community members and enjoys community ownership.	No changes	

Key Performance Indicators As in the PAD	Proposed changes	Justification
5.2. Seventy five percent of community leaders participate in follow ups and community training during the life of the project.		
Component 6: Support to Project Management		
6.1. Monitoring and Evaluation of the Project adequately performed by CNE, and reflected in periodical update of PSR and project progress reports.	Change to: Monitoring and Evaluation of the Project adequately performed by MEM and reflected in project progress reports.	CNE changed its name to Ministry of Energy and Mines (MEM) in 2007
6.2. PMU manages pilot projects competently and in a timely manner.	No change.	

**ANNEX 2:
Reallocation of Proceeds**

Nicaragua Off Grid Rural Electrification Project - PERZA

1. The proposed reallocations for CREDIT 3760-NI involve shifting some resources originally allocated for the provision of technical assistance to defray the increased capital costs of the remaining two major subprojects – Wiwilí and La Florida hydro projects - and the increased cost of project management due to the longer project life. Some resources originally allocated for provision of technical assistance and preparation of new investment activities are no longer necessary because the preparation of the Wiwilí and La Florida subprojects was partially financed by the government and the concerned concessionaires. Since most of the proposed adjustments involve activities in the same components, the subsequent changes to the levels of financing for various project components are minimal.

2. The table below shows the proposed reallocations of the proceeds for CREDIT 3760-NI:

Category of Expenditure		Allocation (SDR Equivalent)		% of Financing	
		Current	Revised	Current	Revised
(1) Sub-loans I, under Parts B.3 and B.5 of the Project	No Changes	1,045,000	1,045,000	100%	No Changes
(2) Sub-loans II, under Parts B.1, B.2 and B.4(b) of the Project		3,556,000	3,567,000	100%	
(3) Sub-loans III, under Parts B.4(a) of the Project		30,000	0	100%	
(4) Sub-loans IV, under Part C.1(a) of the Project		630,000	572,000	100%	
(5) Grants I, under Part C.1(b) of the Project		130,000	63,000	95%	
(6) Grants II, under Part D.1(a) of the Project		110,000	73,000	95%	
(7) Subsidies I, under Part B.3 and B.5 of the Project		580,000	490,000	95%	
(8) Subsidies II, under Parts B.2 and B.4(b) of the Project		86,000	504,000	95%	
(9) Subsidies III, under Part B.4(a) of the Project		65,000	0	95%	
(10) Subsidies IV, under Part D.1 of the Project		160,000	182,000	95%	
(11) Goods: (a) under Parts B.1, B.4(a) and B.4(b) of the Project		50,000	50,000	100% of foreign expenditures 100% of local expenditures(ex-factory cost); and 85% of local expenditures for other items procured locally	

Category of Expenditure		Allocation		% of Financing	
		(SDR Equivalent)			
(b) under Parts B.7(d), C.4, E.2, and F.1 of the Project		246,000	270,000	100% of foreign expenditure 100% of local expenditure s(ex-factory cost); and 85% of local expenditures for other items procured locally	
(12) Works under Parts B.1, B.4(a) and B.4(b) of the Project		383,000	290,000	85%	
(13) Consultant's Services (a) under Parts A, B.6, B.7, and F.2 of the Project		1,117,000	955,000	91%	
(b) under Parts C.2, C.3, C.4, D.2, and D.4 of the Project		155,000	284,000	91%	
(14) Training, under Parts B.7(e), B.7(f), C.2, and F.1(b) of the Project		152,000	103,000	91%	
(15) Audit Services required under Section 4.01 of this Agreement and Part F.1(c) of the Project		85,000	34,000	91%	
(16) Operational Costs, under Parts E and F.2 of the Project		220,000	318,000	90%	
Total		8,800,000	8,800,000		

3. The proposed reallocations for GEF Grant TF051960 involve a reduction of resources originally allocated for the provision of technical assistance to the development of a local solar PV market and improvement of related regulatory framework and policies. Given the success of the Project to date, with 6,800 solar home systems already installed, additional technical assistance needed is limited relative to the remaining resources. It is proposed to use the remaining resources to instead partially subsidize more solar home systems targeting poorer households of the rural poor.

4. The table below shows the proposed reallocations of the proceeds for GEF Grant TF051960:

Category of Expenditure		Allocation		% of Financing	
		(US\$)			
Current	Revised	Current	Revised	Current	Revised
(1) Subsidies I under Parts B.3 and B.5 of the Project	No changes	479,000	922,000	95%	No changes
(2) Subsidies II under Parts B.2 and B.4(b) of the Project		60,000	159,000	95%	
(3) Subsidies III under Parts B.4(a)		52,000	0	95%	
(4) Consultants' services under Parts A, B.6, B.7, E and F.2		2,749,000	2,461,000	91%	

Category of Expenditure	Allocation (US\$)		% of Financing	
	(5) Training under Parts B.7, E, B.7(f) and F.1(b) of the Project	534,000	192,000	91%
(6) Audit Services, under Section 4.01 of the Agreement and Part F.1(c) of the Project	146,000	286,000	91%	
Total	4,020,000	4,020,000		

5. The Project's PDO is rated satisfactory and GEO is rated moderately satisfactory. While disbursement of the credit and the grant has been slower than desired, implementation is well on the way to achievement of the project objectives, with about 60,000 rural people having already benefited directly from the project.

6. As of April 5, 2010, US\$10.9 million equivalent of the IDA credit and US\$ 2.3 million of the GEF grant were disbursed, while US\$2.37 million of the IDA credit and US\$1.74 million of the GEF grant remain to be disbursed. Disbursements of approximately US\$ 0.52 million from the credit and US\$ 0.56 million from the grant are expected by the current closing date.

7. The proposed reallocations are necessary to (i) take advantage of additional dollar amount of US\$ 1.35 million available due to the appreciation of SDR; and (ii) move some project funds from technical assistance to investment activities under Component 2 Rural Electrification Subprojects to speed up disbursements and maximize the Project's impact.

Restructuring	Status: Final
Restructuring Type: Level 1	
Last modified on date : June 14, 2010	

1. Basic Information	
Project ID & Name	IDA Credit P073246 & GEF Grant P075194/ Off-grid Rural Electrification (PERZA)
Country	Nicaragua
Task Team Leader	Xiaoping Wang
Sector Manager/Director	Philippe Benoit
Country Director	Laura Frigenti
Original Board Approval Date	05/15/2003
Current Closing Date	06/30/2010
Proposed Closing Date [if applicable]	12/31/2011
EA Category	B – partial assessment
Revised EA Category	
EA Completion Date	12/18/2001
Revised EA Completion Date	

2. Revised Financing Plan (US\$ million)		
Source	Original	Revised
IDA	12 million equivalent (SDR 8.8 million equivalent)	13.35 million equivalent (SDR 8.8 million equivalent)
GLOBAL ENVIRONMENTAL FACILITY	4.02	4.02
Borrower	2.23	2.23
Private sector	0.72	0.72
Total	18.97	20.32

3. Borrower		
Organization	Department	Location
Government of Nicaragua	Ministry of Energy and Mines	Nicaragua

4. Implementing Agency		
Organization	Department	Location
Ministry of Energy and Mines	FODIEN	Nicaragua

5. Disbursement Estimates (US\$m)		
IDA credit actual amount disbursed as of 04/05/2010		10.9
GEF grant actual amount disbursed as of 04/05/2010		2.3
Fiscal Year	Annual	Cumulative
2010	1.3	14.0
2011	2.9	16.9
2012	0.47	17.37
	Total	17.37

6. Policy Exceptions and Safeguard Policies	
Does the restructured project require any exceptions to Bank policies?	No
Have these been approved by Bank management	
Is approval for any policy exception sought from the Board?	
Does the scale-up of restructured projects trigger any new safeguard policies? If yes, please select from the checklist below.	Yes

Safeguard Policy	Last Rating	Proposed
Environmental Assessment (OD 4.01)	X	
Natural Habitats (OP 4.04)	X	
Forestry (OP 4.36)		
Pest Management (OP 4.09)		
Cultural Property (OPN 11.03)		
Indigenous Peoples (OD 4.20)	X	
Involuntary Resettlement (OP 4.12)		X
Safety of Dams (OP 4.37)		
Projects in International Waters (OP 7.50)		
Projects in Disputed Areas (OP 7.60)		

7a. Project Development Objectives/Outcomes
Original/Current Project Development Objectives/Outcomes
To support the sustainable provision of electricity services and associated social and economic benefits in selected rural sites in Nicaragua and to strengthen the Government's institutional capacity to implement its national rural electrification strategy by (i) supporting the Government in the design and implementation of its national rural electrification strategy; (ii) implementing an innovative public/private off-grid electricity delivery mechanism in several pilot sites for later replication on a national scale; and (iii) demonstrating in the pilot areas the potential of targeted rural microfinance and business development services (BDS) to significantly enhance the development impact of rural electrification.

7b. Revised Project Development Objectives/Outcomes [if applicable]