



Meeting of the SCF Trust Fund Committee  
Washington, D.C. (Virtual)  
Friday, June 25, 2021

**ADDENDUM TO RISK REPORT**



## World Bank Implementation Risk Updates – SREP

### 5.1 Implementation Risk

**Table 12: Projects effective for 36 months with less than 20 percent of approved funds disbursed**

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	Disbursement as of June 30, 2019 (USD million)	Disbursement Ratio	Effectiveness Date	Months Since Effectiveness Date	MDB Co-financing (USD Millions)
Kenya	Electricity Modernization Project	IBRD	7.5	-	0%	9/17/2015	58	0
Nicaragua	Nicaragua Geothermal Exploration and Transmission Improvement Program under the PINIC	IDB Group	7.5	-	0%	9/7/2016	46	51

1. **Electricity Modernization Project – Kenya (World Bank)** - This project has been flagged for the past four reporting cycles and is now flagged under all three criteria. This project has disbursed 10% of the SREP allocation as of June 2021.

- a. Reason(s) for delay: At the initial stage of the project, Kenya Power Limited Corporation (KPLC) was not familiar with private sector-led mini-grids. KPLC required additional time in negotiating the terms of the O&M contracts, which slowed down the project progress. Additionally, the Rural Electrification Agency (REREC) was slow in concluding the procurement of the supply and installation contract and securing land for the mini-grid construction.

Although Contracts for installing the mini grids were signed on October 9, 2019 and the contractor had been mobilized at site, delays persisted. The erroneous submission of the withdrawal application for the advance payment against the credit and not the grant account has caused delays in clearing the payment.

- b. Measures underway to accelerate implementation: KPLC is now entirely on board with the project. Regarding the supply and installation contract, REREC has resolved the land issue and signed the contract on October 9, 2019. The advance payment to the contractor has been processed and the contractor is mobilized the site. REREC is waiting for the contractor to advise on the date for testing the manufactured equipment before shipment. As to O&M, KPLC has cleared the contract for signing, and it is awaiting the contractor's consent.
- c. Estimated timeframe within which project will have disbursed 20 percent or more of SREP funds: An extension of the project closing date will be needed, given that the project will

be completed after the current project closing date, December 2021, due to the initial delays in concluding the procurement and the recent delays caused by COVID-19 restrictions. With the equipment shipment expected by September 2021, disbursement is expected to accelerate in FY2022, reaching 20% in December 2021.

- d. Projected disbursement of SREP funds over the next 12 and 24 months: 50% disbursement is expected by June 2022 and the remaining by December 31, 2022.

**Table 13: Projects within 15 months of closing with less than 50 percent of approved funds disbursed**

COUNTRY	PROJECT TITLE	MDB	Funding (USD million)	MDB Board Approval Date	Cumulative Disb. As of June 30 2020	Disbursement Ratio	Anticipated Date of Financial Closure	Months Before Anticipated Date of Financial Closure	MDB Co-financing (USD million)
Ethiopia	Geothermal Sector Development Project (GSDP)	IBRD	24.5	5/29/2014	5.9	24%	10/1/2020	3	178.5
Bangladesh	Off-Grid Solar PV-Solar Irrigation	ADB	22.4	7/5/2018	0.0	0%	6/30/2021	12	20.0

2. **Geothermal Sector Development Project – Ethiopia (World Bank)** – This project has been flagged in each of the last two reporting periods. The World Bank reports that the project disbursed an additional USD 0.2 million of SREP funds between June 2020 and June 2021.

- a. Reason(s) for delay: The project faced major implementation delays in the first three years (2014-2016), largely due to the lack of the project implementation unit’s (PIU) capability and associated procurement delays. Ethiopia Electric Power (EEP) had a shortage of technical staff that understood geothermal development, which is a new business line for EEP. Therefore, EEP was unable to advance key procurement items that required in-depth technical knowledge of geothermal technologies.

EEP adopted a combined contract for drilling rigs supply and operation for the Aluto site. This combined contract will maximize the time available for drilling operations and optimize the cost compared to processing procurement packages separately which would have taken more than one year. This change took approximately one year, as it required significant revision to bidding documents, re-biddings, and evaluation.

The delay persisted even after the award of the drilling contract due to COVID-19. The pandemic delayed the delivery of drilling rigs manufactured in China and the arrival of drilling crews from China and Kenya. The first rig arrived only in June 2020 and the second rig in October 2020. Also, the owner's engineer consultants could not be at the project site due to the pandemic. Moreover, the GSDP's project coordinator was affected by COVID-19, causing a period of vacancy and handover to the successor.

In addition, exceptionally heavy rainfall affected the water supply and civil construction progress.

- b. Measures underway to accelerate implementation: The technical capacity of EEP has significantly improved since it contracted a qualified consulting firm in December 2016 to assist EEP in preparing bidding documents and evaluating bids, as well as supervising the

drilling operation. The procurement issue has now been resolved. Following the clearance and disclosure of the resettlement action, EEP has commenced civil works at the Aluto site for the first two drilling sites, including access roads required to transport the drilling rigs. In addition, mobile camps for the drilling crews have been installed.

To accelerate the progress and start drilling, EEP management, in March 2021, intensified its supervision of the project. EEP's management has carried out multiple site visits to directly engage with contractors to resolve outstanding issues, particularly on completing the water supply needed to commence the drilling operation. EEP also deployed its in-house construction workforce to supplement the contractor's effort. Despite some technical challenges, the EEP has completed the water supply system and shared the system testing result with the World Bank.

EEP started the drilling operation at the Aluto site at the end of May 2021. The World Bank has also supported EEP in adopting and completing Occupational and Community Health, Safety, and Security (OCHSS). The Bank is following up on the full implementation of OCHSS. As a result, the progress is expected to accelerate towards achieving the project objective and increasing disbursements.

- c. Estimated timeframe within which the project will have disbursed  $\geq$  50% of SREP funds: The SREP fund disbursement is expected to exceed 50% in December 2021.
- d. Projected disbursement of SREP funds over the next 12 and 24 months: Currently, the project is scheduled to close in December 2021.

**Table 14: Projects within extensions of closing and less than 50 percent of approved funds disbursed**

COUNTRY	PROJECT TITLE	MDB	Program Funding (USD million)	Cumulative Disb. As of Dec 31, 2019 (USD million)	Disbursement Ratio	Effectiveness Date	Months Since Effectiveness Date	Initial Anticipated Date of Final Disbursement	Extended Anticipated Date of Final Disbursement
Kenya	Kenya Electricity Modernization Project	IBRD	7.5	0.0	0%	8/31/2016	45	6/30/2020	12/31/2021
Maldives	Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program	IBRD	11.7	2.4	21%	8/31/2014	69	12/31/2019	2024
Nepal	Biogas Extended Program	IBRD	7.9	2.3	28%	11/24/2014	67	12/12/2019	8/31/2021
Liberia	Renewable Energy for Electrification in North and Center Liberia Project-Mini Grids	IBRD	25.0	5.1	20%	1/11/2016	53	6/30/2021	12/31/2023

**3. Accelerating Sustainable Private Investments in Renewable Energy (ASPIRE) Program – Maldives (World Bank) – This project has been flagged during the last three reporting periods.**

- a. Reason(s) for the delay: SREP funds for the ASPIRE project are structured to (i) mitigate payment risk from the off-taker and (ii) provide tariff buy-down subsidies to private developers. Over half of the SREP funds are allocated to tariff buy-down subsidies. However, this feature was not included in the first round of the bidding process in 2015 as Maldives' State Electric Company Pvt Ltd. (STELCO) did not want to include the tariff

buy down as a part of the first subproject. The second round could not occur until the IDA guarantee became effective, which required extensive analysis comparing the PPA price with the cost of diesel-based generation. This delayed the effectiveness of the IDA guarantee by ten months, and it did not become effective until late 2018. Therefore, the second round was not launched until January 2019 and signed only in November 2020. The procurement process for the third round for 11 MW has recently been initiated.

- b. Measures underway to accelerate implementation: The Government of Maldives (GoM) has requested to restructure the project to (i) extend the project by three years till September 2024 and (ii) include additional targets of 11 MW under the scope of the project. This request was shared by the Ministry of Finance, GoM, on March 4, 2021. In the subsequent discussions with the Ministry of Environment (ME), the restructuring details were finalized. The restructuring will replace the IDA guarantee with the Multilateral Investment Guarantee Agency (MIGA) guarantee for the 11 MW subproject.

In addition, the GoM has requested the Bank to re-allocate the funds to reflect an additional USD 1.5 million in the technical assistance (TA) component of the project, which will bring the effect of accelerating the disbursement. As of May 31, 2021, the GoM has utilized the previously allocated US\$ 1.75 million for the TA. Based on the calculation by GoM, the re-allocation will come from the Escrow Amount that will be unutilized. The re-allocation will support delivering the additional target of 11 MW.

Other than that, there are no specific measures available to speed up the implementation of the project. The second subproject includes the SREP-funded payment security and tariff buy-down mechanism in the bidding package. As a result, the project was signed on November 25, 2020, with a USD 10.9 per kWh tariff, a record low result for the country. The GoM has actively worked on the 11 MW subproject and is ready to share the RFB with the selected bidders for the subproject. Overall, ASPIRE project will take the cumulative installed capacity of 17.5 MW.

- c. Estimated timeframe within which the project will have disbursed 50 percent or more of SREP funds: The Government of Maldives (GoM) has requested to restructure the project to extend the project by three years till September 2024. A specific timeframe is not foreseen at this stage for reaching 50% of disbursements and is subject to negotiations with the winners of the various bidding rounds. This will support the installation of the 11 MW subproject.
- d. Projected disbursement of SREP funds over the next 12 and 24 months: The disbursement is roughly expected to reach USD 4 million (34%) in 2022 and USD 6 million (51%) in 2023.

4. **Biogas Extended Program – Nepal (World Bank)** – USD 0.6 million of SREP funds were disbursed during the reporting period. This project has been flagged in each of the last five Risk Reports.

- a. Reason(s) for the delay: The project had initially experienced delays due to (i) insufficient capacity of the project implementation unit (PIU) and (ii) a delay in financial closure of

large individual sub-projects, (iii) contract/project management issues with individual sub-projects, and (iv) the original project design with backloaded SREP grant disbursements. The primary use of SREP funds (USD 6.9 million out of USD 7.9 million) is partial reimbursements to the Government of Nepal for funds paid as subsidies (capital cost buy-down) for completed and commissioned subprojects. The Government issues 40 percent of the subsidy amount after the sub-projects are approved and ready for construction. SREP funds are drawn only once the projects are commissioned and operational. Therefore, disbursements are concentrated toward the end of the project's implementation.

Recently, the COVID 19 related lockdown and restriction on movement since early 2020 have been the main reasons for the delay. This has affected the sub-project preparation, financial closure, site mobilization, and construction/commissioning activities.

- b. Measures underway to accelerate implementation: Three reporting cycles ago, the World Bank noted that the issues pertaining to the low implementation capacity of the PIU and the cumbersome administrative approval process of sub-projects were partially addressed in a restructuring.

In the latest restructuring, the disbursement process was also aligned with the implementation progress. Besides, the budget for project management support was increased through a reallocation of funds, and the target values of the results indicators were revised to reflect the higher number of sub-projects generating heat from biogas than electricity.

Currently, the PIU is fully staffed as required in order to meet the growing requirement of the subproject selection, development, and implementation support. However, the COVID-19 impact and travel restrictions have largely obstructed the processes and efficient team mobilization.

- c. Estimated timeframe within which project will have disbursed  $\geq$  50% of SREP funds: As of April 30, 2021, the disbursement rate reached 41% (USD 3.3 million including advance to Designated Account of USD 0.2 million), and a further USD 1 million is estimated to be disbursed by the project closing planned in August 2021. However, depending upon the COVID 19 related restrictions, easing of lockdown, and ability of the developers to remobilize the team for the construction progress, actual disbursements may differ from the estimation. Therefore, it is not certain at this stage whether the disbursement will exceed 50% by the project closing planned in August 2021.
- d. Projected disbursement of SREP funds over the next 12 and 24 months: The expected final SREP fund usage is USD 4.3 million by the current project closing on August 31, 2021. However, the Bank and the Government are in discussion on the possibility of the project extension. Therefore, disbursements for the next 12 and 24 months cannot be

estimated. In the meantime, the World Bank team has requested the PIU to expedite the implementation progress and disbursement.

**5. Renewable Energy for Electrification in North and Center Liberia Project-Mini Grids – Liberia (World Bank)**

- a. Reason(s) for the delay: In the early stage of the project's implementation, the Ebola crisis (2014-2015) delayed the Parliament's ratification of the project and the completion of the feasibility studies for the Small Hydropower Plant (SHP) mini grid. The need for additional hydrological and geotechnical studies further delayed the launch of the procurement.

Recently, the COVID-19 pandemic affected the two key contracts, namely, supply and installation of the SHP and distribution network for the mini-grid). Although the implementing agency, RREA, awarded the two contracts on June 15, 2020, and August 12, 2020, respectively, committing a majority of the SREP grant, the pandemic impeded the establishing letters of credit (LC) for the contractors, which delayed the effectiveness of the contracts and consequently mobilization of the contractors to the project sites.

- b. Measures underway to accelerate implementation: The two contracts finally became effective in May 2021 following the RREA's agreement with the contractors to substitute the LC with a 20 percent advance payment clearing the way for contractor mobilization and allowing for construction work to commence shortly. The technical designs are to be completed in late July. The hydropower dam construction is expected at the end of the rainy season in September 2021 and the project completion in July 2023. The groundbreaking of the hydropower project took place on June 6, 2021, with the attendance of the President of Liberia, Dr. George Weah, presenting strong support of the Government to the project.

A detailed implementation plan was prepared with key milestones agreed upon among the RREA, main contractors, and the World Bank. Monthly project progress review meetings are held to address issues raised during implementation. Coordination with local authorities and affected/benefited communities has been enhanced to obtain their support for the project. The PIU capacity has been strengthened with a project coordinator with a technical background and the continuing hands-on training to the PIU staff provided by the Bank. The Bank project team leader is now based in the field, enabling closer supervision.

- c. Estimated timeframe within which project will have disbursed  $\geq$  50% of SREP funds: The SREP fund disbursement will exceed 50% by the third quarter of the calendar year 2022.
- d. Projected disbursement of SREP funds over the next 12 and 24 months: The cumulative disbursement is expected to reach USD 12 million (48%) in 2022 and USD 19 million (76%) in 2023.

