



## THE NATIONAL GREEN ENERGY FUND

# 2018 ANNUAL REPORT

Implementation Report for the Period from 1 June 2017 to 31 December 2018



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National Green Energy Fund, June 2019

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## MESSAGE FROM THE CHAIR

It gives me great pleasure to present the first ever National Green Energy Fund Annual Report for the 18 months' period ended 31 December 2018.

This Report for the NGEF provides an assessment of the concept development through to the establishment of the Fund and what remains to be achieved in the coming years. By end of 2018, the Fund concluded a number of achievements that are summarized in the Highlights section of this report. It is pleasing to reiterate the unanimous passing of the NGEF Bill by both sides of the Parliament and finally publishing the NGEF Act No.10 of 2018. The launching of the NGEF Board by the Hon. Minister of Climate Change is an important milestone not only for the Ministry of Climate Change but the energy sector as a whole and its importance towards the economic growth of Vanuatu.

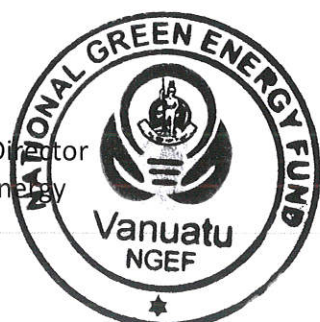
It is important to note that a total of 7 taskforce meetings convened during the period and concluded with two board meetings. Funding were also made available through the Government of Vanuatu and also externally which has substantially contributed towards the successful establishment of the Fund.

Despite the achievements, the Fund also experienced challenges as a new institution particularly in raising adequate funding to operationalize the Fund. There were delays in finalizing key documents that were related to the fundraising activity such as the Articles Six Fund of the Port Vila Concession that was replaced by the NGEF through a Council of Ministers decision, however, delays in finalizing the draft addendum continued to defer the signing of the agreement between the Government of Vanuatu and the Port Vila Concessionaire. The postponement on a number of occasion in getting the draft Luganville Concession Deed also delayed the signing of the document and the contributions that were expected from the Luganville Concessionaire. It is for this reasons that additional avenues for funding were also considered such as the NGEF Pilot Funds to be sourced from the Luganville Electricity Management Contract.

At this juncture, may I take this golden opportunity to acknowledge the support from the NGEF stakeholders namely the taskforce and board members, the Department of Energy team, development agencies and donor partners, energy providers and suppliers, financial institutions and regulatory institutions for your invaluable contributions during the successful establishment of the NGEF as an independent public entity. The Global Green Growth Institute and the Green Climate Fund are to be commended for their unwavering support during the establishment process.

I look forward to the same team spirit and the collaborative partnership for the future years that lies ahead.

  
Antony Garae  
Deputy Chair & Director  
Department of Energy





## HIGHLIGHTS

The following activities were achieved during the establishment of the NGEF in the last 18 months ended 31 December 2018.

### Concept through to the NGEF Unit

Prior to this annual report period, the Council of Ministers (COM) provided approvals for the establishment of the NGEF Unit under the Department of Energy (DoE), the Terms of Reference for the Taskforce and funding of 7.3 million Vatu that was sourced from the Government Fund of the Luganville Electricity Management Contract to meet the initial operations and staffing costs.

The Global Green Growth Institute (GGGI) and the Green Climate Fund (GCF) are to be commended for their invaluable support in financing and taking the lead role to support the DoE towards facilitating the successful establishment of the NGEF Unit. By December 2017, the taskforce has formalized the appointment of a Project Manager and funding were successfully transferred into the NGEF Project Account.

### NGEF Establishment

In March 2018, the COM issued approvals for the State Law Office to draft the NGEF Bill. The draft bill was unanimously passed by both the Government and Opposition sides of the Parliament Chamber in June 2018 paving way for transforming the Unit into an independent public entity.

The bill was published in the official gazette on 23 July 2018 and the Fund was officially launched by the Hon. Minister of Climate Change at the Warwick Le Lagon Hotel in August 2018. It was during this occasion that the NGEF Board had its first formal meeting.

### NGEF Operationalization

One of the core function of the Fund is to raise adequate funding from both domestic and external sources towards the pipelines that were identified by the NGEF Feasibility Study report. A number of activities were undertaken including a validation workshop for the energy stakeholders and an Investor Forum for donor partners and development agencies at the Warwick Le Lagon Hotel NGEF in May 2018.

In August 2018, the COMs endorsed the draft amendments to replace the Article Six Fund of the Port Vila Concession Agreement with the NGEF with a contribution rate of VT0.17 per kWh of electricity consumed by consumers of the Port Vila Concession. This decision will contribute to approximately 8.5 million Vatu per annum into the NGEF Account to support its operations. A draft addendum has been finalized to be signed between the Vanuatu Government and the Concessioner in 2019.

The revised new concession deed for the Luganville Concession that captures the NGEF in Section 5 will further contribute VT2 per kWh of electricity consumed into the Fund. This is approximately 15 million Vatu to be contributed annually by the Luganville Concession customers. The signing of the document is expected to be done in 2019.

## ABOUT THE NGEF

### Overview

The Updated National Energy Road Map (NERM) overall vision is to energize Vanuatu's growth and development through the provision of secure, affordable, widely accessible, high quality, clean energy services for an educated, healthy and wealthy Vanuatu.

Similarly, the Government of Vanuatu also recognizes that additional funding is critical to financially support the NERM's Implementation Plan 2016 – 2030. It is based on the stated vision statement and the criticality of additional financial support that the objectives of the fund were derived.

### Objectives of the Fund

The objectives of the Fund are to;

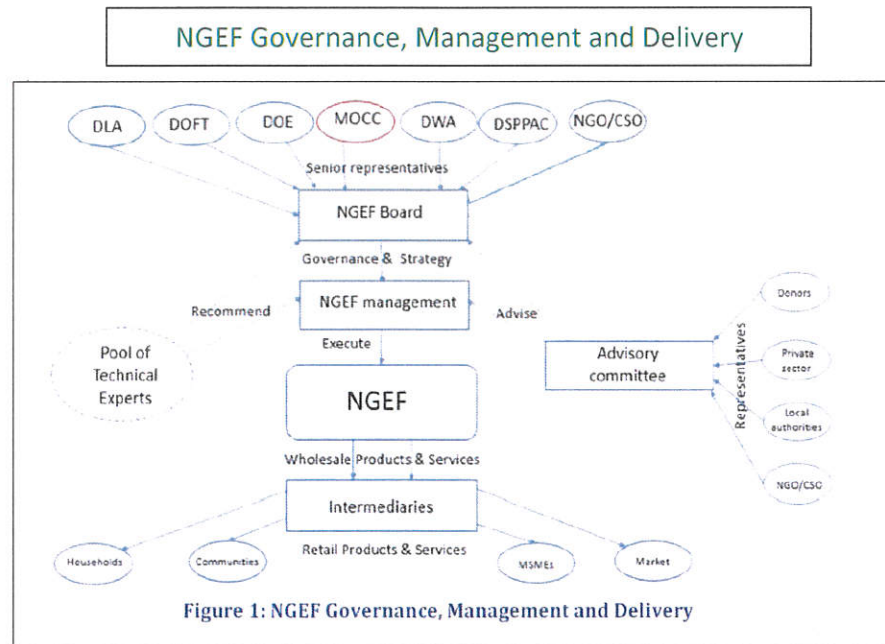
- support projects and activities aimed at achieving the objectives of the National Energy Road Map in providing accessible, affordable, secure, reliable and sustainable energy and green growth; and
- provide financial support and technical assistance to extend electricity access to a person using renewable energy sources and facilitate more efficient end-use of energy.

### Governance and Management

The NGEF governance and organization structure outlines the roles and responsibilities of the Board, management and other relevant public officials and stakeholders. It also summarizes the management of financial resources and procurement rules also illustrated in the approved business plan and operations manual of the Fund.

The Ministry of Climate Change has the policy oversight over the NGEF, while the NGEF Board has the executive powers to make decisions relating to the activities of the Fund. The management is responsible for the implementation of the decisions through the provision of financial services to its intermediaries.

The intermediaries include financial institutions such as commercial banks, microfinance, and cooperative societies and non-financial institutions such as energy providers and vendors. The approved organizational structure of the Fund is illustrated in the diagram below.



**Acronyms:**

**DLA:** Department of Local Authorities

**DOFT:** Department of Finance and Treasury

**MOCC:** Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Environment, Energy and Disaster Management

**DOE:** Department of Energy

**DWA:** Department of Women's Affairs

**DSPPAC:** Department of Strategic Planning, Policy and Aid Coordination

**NGO:** Non-Governmental Organization

**CSO:** Civil Society Organization

## Financial Products

As illustrated in the diagram above, the NGEF is involved with wholesaling financial products and service to its Intermediaries that includes financial and non-financial institutions. Financial institutions include formal banking institutions and non-banking institutions such as microfinances, cooperative societies and credit unions. The non-financial institutions cover energy private sector companies providing energy products and services to end users such as energy vendors and energy providers.

The core financial products include lending, guarantee, grants and some combination of the three. However, during this annual report financial products were not considered for disbursement due to unavailability of funding.

## PRIORITIES AND ACTIONS

The priorities of the Fund come in three stages and include the concept development and design, the establishment and finally the operationalization phase. Most of the activities that were implemented during this period mostly concentrated on the first two stages, however, fund raising activities towards the operationalization phase were also achieved as stated in the highlight section of this report.



## Monthly Activity Reports

These monthly activities covered the period from 1 July 2017 to 31 December 2018 and included the four taskforce meeting Minutes that were produced between July and November of 2017, focusing on the structural design and the legal and regulatory framework. Below are the summary of activities achieved by the Fund by 31 December 2018:

- ❖ An office space equipped with a new laptop was allocated to the Project Manager within the packed DoE office. The relocation of the DoE Office to the new building towards the end of the 2018 provided more space to the NGEF Secretariat;
- ❖ One of the achievements of the Fund is the training workshop for Government officials that was organized at the Holiday Inn in Port Vila. This workshop identified needs that included key beneficiaries, market study, financial products and a lending criteria for the Fund. A visit by the GGGI team in January 2018 also discussed suitable financial institutions as NGEF intermediaries to assist with implementing the pipelines and financial products;
- ❖ Another session was organized the next day following the information workshop for intermediaries. The issues raised included the NGEF focus on wholesaling rather than retailing services, identified the difficulties to access the huge market, cost of distribution to rural areas, strong liquidity, collection processes, lack of savings account and a lack of strategic alliances to improve awareness;

- ❖ The monthly report also noted the successful completion of the draft bill consultation in January 2018 that saw the invitation and participation of provincial authorities, energy providers and



suppliers, government departments and legal and regulatory institutions which convened at the Owen Hall in Port Vila. A policy paper submitted to the Development Committee of Officials (DCO) and the COMs was finally approved for the drafting of the bill by the State Law Office. The draft bill was eventually passed by Parliament on 12<sup>th</sup> June 2018 and published in the official gazette on 23<sup>rd</sup> July;

- ❖ On 29<sup>th</sup> of August, the NGEF was officially launched by the Hon. Minister of Climate Change at the Warwick Le Lagon Hotel in Port Vila. The Minister also issued the appointment of the Department of Women's Affairs Director to the NGEF Board following the requirements under the NGEF Act No.10 of 2018 and took the opportunity to welcome the new Board members to their first meeting of the Board at the same time during the launching ceremony;

- ❖ The NGEF draft business plan and Operations Manual were also received from the GGGI and further circulated for comments and feedback before it is to be presented to the NGEF Board for a final endorsement in early 2019.

- ❖ The NGEF also participated in the Market Demand Assessment Survey that was undertaken in Vanua Lava, Santo, Ambae and Tanna islands and interviewed 418 households. A follow up Market demand validation workshop was organized and funded by the GGGI at the Warwick Le Lagon Hotel on 15<sup>th</sup>



of May 2015. This is an opportunity for the NGEF Intermediaries to validate the market demand assessment before a final report is produced. The final NGEF Feasibility study final report combining the Market demand assessment, the technical feasibility assessment and the investment analysis and pipeline development was finally received by the NGEF Secretariat in June 2018 by the GGGI Team.

- ❖ Following the market demand assessment validation workshop, the GGGI with the support of the DoE and the NGEF Secretariat also organized a successful Investor Forum on 16<sup>th</sup> of May 2018. This forum brought together donor partners representatives, development agencies and representatives



from the Government of Vanuatu to attract financial assistance towards operationalizing the Fund. The fundraising activity was a challenge given that NGEF is a newly established institution with no track record.

- ❖ On a similar note, the NGEF secretariat was also successful towards attracting funding through domestic sources. A DCO paper on the revised Article Six Fund of the Port Vila Concession was successfully approved and further endorsed by the COMs for the Port Vila Concession consumers to contribute VT0.17 per kWh of electricity consumed to the NGEF. A draft addendum has been completed and will be signed in 2019 between the Government and the Concessionaire to raise approximately 8.5 million Vatu annually. The NGEF secretariat also completed another policy paper towards the operationalization phase through piloting small solar projects under the Vanuatu Rural Electrification Program (VREP). Approval was granted by the DCO, however, the Fund was advised to be re-lodged due missing documents and will be considered later in 2019.



### Taskforce & Board Meetings

A total of 5 Taskforce meetings were organized in 2017 and four in 2018 with the final one being the 29<sup>th</sup> of August 2018 that saw the transfer of responsibilities of the Taskforce to the newly established NGEF Board at the Warwick Le Lagon Hotel in Port Vila. The Outgoing Taskforce members must be commended for their invaluable contributions during their term that has paved way for the successful establishment of the Fund as an independent public entity in August 2018.

During the period, there were only two NGEF Board meeting minutes produced with the last meeting convening on the 16<sup>th</sup> of November 2018. It was during this meeting that the members finally received their board allowances after the Ministerial Order from the Minister of Climate Change was finally published in the official gazette by the State Law Office.

## FINANCIAL REPORT

The total funding that was allocated to the Fund was 7.3 million Vatu transferred from the Government Fund of the Luganville Electricity Management Contract. The funding covers the operational costs including staffing to establish the NGEF. The details of the report will be available through the audited report for the 18 months period ended 31 December 2018. Below is the summary report of the receipt and payments that were made during the period.

### STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE 18 MONTHS PERIOD ENDED 31 DECEMBER 2018

(Expressed in Vatu)

		<u>2018</u>
	Notes	Receipts/Payments
		<u>(VUV)</u>
		<u>Total for 18 Months</u>
<b>CASH RECEIPTS</b>		
Government Fund	2	7,300,000
<b>TOTAL CASH RECEIPTS</b>		<u>7,300,000</u>
<b>CASH PAYMENTS</b>		
Employee Personal Expenses		2,850,332
Office Expenses		71,452
Employee Travel expenses		201,398
Governance Expense		276,552
Legislative Process		200,000
Office Furniture and Equipment	4	202,750
Marketing & Promotion Expenses		88,652
Program Development Expenses		-
Fundraising Expenses		-
<b>TOTAL CASH PAYMENTS</b>	3 & 4	<u>3,891,136</u>
<b>CASH RECEIPTS LESS CASH PAYMENTS</b>		<u>3,408,864</u>
<b>INCREASE/(DECREASE) IN CASH</b>		<u>3,408,864</u>
Cash at 1 July 2017		-
<b>Cash at 31 December 2018</b>	5	<u>3,408,864</u>