



THE NATIONAL GREEN ENERGY FUND

2019 ANNUAL REPORT

For the 12 month period ended 31 December 2019



Prepared by Georgewin Garae, Fund Manager
National Green Energy Fund, March 2020

MESSAGE FROM THE CHAIR

It is with gratitude that I present to the Ministry of Climate Change the 2019 National Green Energy Fund (NGEF or Fund) Annual Report for the 12 months' period ended 31 December 2019.

The previous report concentrated on the establishment phase where the Act No.10 of 2018 was enacted enabling the appointment of the members of the Board and legally establishing the institution as an independent public entity. 2019 shifted the efforts into fundraising activities and implementation of projects.

As such, I am pleased to say that the Fund was very successful in initially attracting funding domestically to commence the implementation of the first renewable energy projects in three islands as stated in the Highlight section below. A total of VUV30 million was approved and transferred from the Luganville Electricity Management Contract (LEMC) to the NGEF in July. An additional VUV100 million was appropriated by Parliament in December to extend Renewable Energy (RE) investments including Energy Efficiency (EE) end-use to the last mile of Vanuatu's population.

I am also delighted to say that payments for the first three projects have been paid for to the energy supplier with one system successfully installed (refer to the highlights below) on the island of Malekula. This Solar Home System was funded under the Vanuatu Rural Electrification Program (VREP) Two with a subsidy of 33.3% (VUV)286,000), 17% (VUV126,000) direct deposit by the beneficiary and 50% (to be repaid at a rate of VUV18,800 per month for the next 36 months) was met by the NGEF. The interest rate is 6% per annum.

Even though funding for investment projects was successfully raised, the Fund also experienced challenges as a newly established facility without any track record. Addressing accessibility and affordability is a challenge when dealing with the off-grid or rural population of Vanuatu. Some of the issues faced by beneficiaries includes unavailability of VREP II SHS product catalogue, collection of quotes from energy suppliers is a time consuming exercise, delay in the payment process and a lack of capacity to meet the high demand of load assessment requests from potential institutions.

At this juncture, may I take this kind opportunity to acknowledge the support from the Department of Energy through the VREP II subsidy including the technical recommendations of SHS design and installation. I also wish to extend my appreciation to the unwavering assurance from the VREP II Energy Suppliers who have initially assisted in the distribution and installation of the first ever SHS of the Fund.

Last but not the least, the Fund wishes to extend its enormous appreciation to the Government of Vanuatu through the Ministry of Climate Change for making available VUV130 million during this period to initiate the 'Operationalization' phase of the Fund.

I seek the usual collaborative team spirit from the Fund's delivery partners for 2020.


Antony Garae
Chair & Director
Department of Energy





NGEF 2020 New Project Proposal (NPP)

In August 2019, an NPP submission to fund over 2000 Solar Home Systems(SHS) for off-grid areas in the next three years was also approved successfully by the Ministerial Budget Committee(MBC). During the extra ordinary session of December, Parliament approved One Hundred Million Vatu (VT100,000,000) for RE and EE projects during the 2020 period. This same project proposal was shortlisted earlier by the IRENA/ADFD under the 7th Funding Cycle but did not get the approval from the Government of Vanuatu.



Memorandum of Understanding to Support NGEF

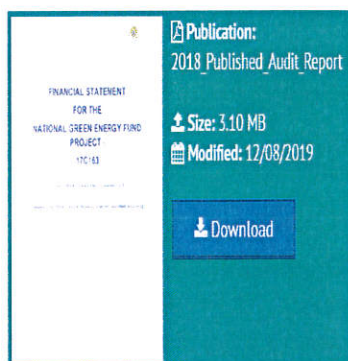
The NGEF Board successfully signed a Memorandum of Understanding(MOU) with the Office of the Registrar of Cooperative and Business Services on 6th of November 2019 to assist the Fund in delivering and recovering its concession loans from the beneficiaries. The MOU allows for cooperative societies and its individual members to access RE and EE projects under the VREP II SHS at an affordable price to provide electricity for more productive and income generating uses as an upgrade to the existing 'Plug and Play' systems implemented by the DoE.

Investment Projects Implemented

The Board successfully considered and approved four applications on 30th of October 2019 under a concessional loan financing product to purchase VREP II SHSs. Funding came from the Pilot Fund that was approved by the COMs. The final beneficiaries included two primary schools and one cooperative society as follows;

1. Neramb English Primary School is located at Unua village, SE Malekula. It has classes from Pre-school to Year 8 with a total of 207 students. There is a total of 4 separate buildings with lighting, photocopying, laptops and one computer power requirements. Installations were completed for the school on 2nd of December 2019 as illustrated in the photos below.





Publishing the 2018 Annual and Audit Reports

In accordance with Section 21 of the NGEF Act No.10 of 2018, the Board must prepare a financial statement in respect of the financial year in accordance with the Generally Accepted Accounting Principles, and certified reports must be submitted to the Minister.

The 2018 financial accounts and statements were approved by the Board in June 2019 and were further audited by AJC Chartered Accountants (a local Accounting firm) on the advice of the Auditor General and was published in the Department of Energy's website (www.doe.gov.vu).



The other mandatory report is on operations and activities of the Fund according to the Act. In June 2019, the Board successfully approved its first ever Annual Report of the NGEF. The report is for a period of 18 months ending on the 31st of December 2018. This report has been published and is also accessible through the Department of Energy's website (www.doe.gov.vu).

ABOUT THE NGEF

Overview

The overall vision of the Fund is derived from the updated National Energy Road Map (2016 – 2030) 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.

The government's immediate focus of the Fund is to mobilize and channel financial resources to accelerate the implementation of NERM. The NGEF mission aligns closely with a number of the SDG's and policy objectives including; the harmonization of infrastructure improvements for increasing access to safe, reliable and affordable modern energy services for all that are increasingly generated from RE and reduce reliance on imported fossil fuels; strengthening rural communities; creating jobs and business opportunities; green economic growth and social inclusion.

It is based on the stated vision statement, the People's Plan, the Energy Policy framework 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

PRIORITIES AND ACTIONS

NGEF is a new institution with no track record to attract funding. Thus, the priorities of the Fund in 2019 is all about raising funds and commencing the implementation of the operationalization phase. Below are the activities of the 2019 Work Plan towards achieving the stated priorities.

Administrative Activities

Staff Recruitment

A Terms of Reference (TOR) was completed for the Administration and Finance Officer position and received endorsement from the Board including translation of advertisements into three languages and an independent recruitment panel. A total of eight applications received. However, the appraisal and assessment was delayed due to funding limitation.



Office Refurbishment

The former Department of Energy's (DoE) branch office was previously allocated by the Ministry of Climate Change to accommodate the NGEF given the limited space currently available within the new DoE's office. However, the building requires refurbishment due to falling ceiling in one of the rooms and a lack of lavatory facilities to accommodate the NGEF's staff.

A Request for Quote has been sent out and quotations were received from three local construction companies. Based on the quotes, an evaluation report was completed but due to a lack funding availability, the refurbishment activity was delayed to 2020.



Promotional Materials

With the support of the DoE, a separate page was added to the DoE website (www.doe.gov.vu) to publish the Fund locally and internationally. Additional information on the Fund can also be accessed on the 'Projects' page of this website.

The NGEF Brochure has also been updated, however, due to the first funding disbursement, customers will need to be familiar with the terms and conditions of the financial products offered.

Baseline and Awareness

One of the key activities of the Fund during the period is getting the potential beneficiaries to know and access its concessional loan product. This was made possible through the in-place support of the DoE's VREP Phase II awareness activity. In addition to the awareness, the visiting team also prepared baseline data on the loading requirement for each institution visited. Refer to the table below for the visitation details with the remaining 9 requests to be considered by the Board in the new year;

Given that Smart Stream has limited capacity in terms of the Fund's lending activities, the institution has been working attentively with the Department of Finance and a technical working group to establish an appropriate system that ought to accommodate the requirements of the Fund.

A meeting was organized at the Convention Centre on 29th of September 2019 and attended by the Department of Finance, Central Tenders, Board, INTV, GGGI and the DoE that concluded a basic framework of the Fund. It was then agreed for the Fund to continue using the Project Code 17C163 while the FMIS Section of the Department of Finance will work on developing an independent entity to be operational in 2020.

2019 Financial Report

Statement of Cash Receipts and Payments For the 12 Month Period ended 31st December 2019

(Expressed in Vatu)

	Notes	2019	2018	Consolidated Project Total
		Receipt/(Payment)	Receipt/(Payment)	
		(VUV)	(VUV)	
		12 Months	18 Months	30 Months
CASH RECEIPTS				
Government Fund	2	30,000,000	7,300,000	37,300,000
TOTAL CASH RECEIPTS		30,000,000	7,300,000	37,300,000
CASH PAYMENTS				
Administrative Expenditures	3	5,569,353	2,850,332	8,419,685
Operating Expenditure	4	657,448	838,054	1,495,502
Capital Expenditure	5	1,983,272	202,750	2,186,022
TOTAL CASH PAYMENTS		8,210,073	3,891,136	12,101,209
CASH RECEIPTS LESS CASH		21,789,927	3,408,864	25,198,791
INCREASE/(DECREASE) IN CASH		21,789,927	3,408,864	25,198,791
Cash at 1 January		3,408,864	-	
Cash at 31 December	6	25,198,791	3,408,864	25,198,791

Advertising – Communication	71,305
Stationery – Communication	56,977
Telephone – Communication	10,000
Official Entertainment	21,000
Facilities Hire	25,500
Food Suppliers	9,550
Ration Suppliers	4,555
Incidentals	4,910
General Materials	7,387
Total Cash Payment	657,448

5. Capital Expenditure	Total
Equipment – Additional General	1,983,272

Note 5 relates to the three solar home systems that NGEF financed in 2019.

6. Closing Cash Balance as at 31st December 2019 is VT25,198,791 in the Smart Stream Central Account.

7. Revenue Variance between Budget and Actual

The Revenue Variance under the Comparison of Budget and Actual explains the difference between the CoM approval of Vt30 million Vatu (Note 2) and the 2019 budgeted amount of VT18,200,528 (Note 1, h)).

8. Expenditure Variance between Budget and Actual

The Expenditure Variance under the Comparison of Budget and Actual explains the different budgets for 2018 and 2019. A number of activities has not been implemented yet such as the recruitment of two additional officers, the delay in the installation and use of the Xero Accounting software, the purchase of office equipment and the printing of brochures.

FUTURE OUTLOOK

2019 was a successful year of the Fund in achieving its fundraising objective including the establishment of its operating processes and procedures. With the available funding and only a few RE systems were installed during this period, 2020 must be focused towards more RE and EE projects installed in the six provinces. This will also mean moving into the new NGEF refurbished office to accommodate two existing staff plus an additional recruitment of two additional staff to assist specifically with identification and assessment of projects including technical assistance relating technology, load assessment and systems design.