



TERMS OF REFERENCE

Scaling-up Renewable Energy Program (SREP)

Joint Mission

August 11 – 14, 2014

Republic of Vanuatu



EXECUTIVE SUMMARY

Scope of the Joint Mission

1. The mission comprised of representatives of Multilateral Development Banks (MDBs) will: (i) review the progress with preparation of the SREP investment plan (IP), (ii) validate investment priorities with Government and relevant stakeholders, and (iii) discuss the next steps to finalize the IP to be submitted to SREP sub-committee approval.

Dates of the Mission

2. The proposed dates for the Joint Mission are August 11- 14, 2014.

Activities undertaken before the Joint Mission

3. Since March 2012, various activities were conducted by the Government with support from the MDBs including:
- a. A Scoping Mission was conducted by the joint MDB team¹ from February 11-14, 2013 to identify the key development partners, undertake stock taking of existing activities and documentation available on a range of analytical, strategic and programming activities related to renewable energy in Vanuatu.
 - b. An advance preparation grant request of \$250,000 for SREP Phase I (IP Preparation) activities was submitted and approved by the MDB Committee.
 - c. A consultant firm, DHI Infrastructure, in association with Black and Veatch, was appointed in April 2014 to support the Department of Energy with the preparation of the SREP IP.
 - d. An Inception Report workshop was held on May 13, 2014 and an Options Paper workshop was held on July 15, 2014. The workshops were led by the Department of Energy and supported by DHI Infrastructure. The workshops were attended by representatives from Government of Vanuatu, private sector, donor organizations and Multi-lateral Development Banks.

Activities to be undertaken during the Joint Mission

4. The main activities will be to: (i) conduct stakeholder consultations to discuss the strategic role of the investment priorities proposed by the Government, and to identify potential co-financiers; (ii) assisting the Government in finalizing and validating the identified investment priorities; (iii) supporting the design of the various program/projects' concept notes that will lead to the implementation of the SREP IP.

¹ The Technical Mission included representatives from World Bank (WB), International Finance Corporation (IFC), and Asian Development Bank (ADB).

Expected results and outcomes

5. The main deliverables to be expected at the completion of the Joint Mission are:
 - a. Completion of a consultation process engaging Government and relevant stakeholders in the design of SREP support to Vanuatu;
 - b. Agreement on the scope and outline of the investment plan;
 - c. Aide Memoire describing key findings and recommendations, including next steps for finalization of the investment plan and submission to SREP sub-committee.

CONTEXT OF THE MISSION

6. The Climate Investment Funds (CIF) was established in 2008 with the goal of promoting international cooperation on climate change issues, and supporting the mitigation and adaptation efforts of low income countries. SREP was developed under the CIF umbrella that was approved in 2009 to demonstrate the social, economic, and environmental viability of low carbon development pathways in the energy sector. It seeks to create new economic opportunities and increase energy access through the production and use of renewable energy.

7. In March 2012, Vanuatu and Solomon Islands were invited to participate in the Pacific Regional program and to prepare country specific investment plans and a “light” regional component for knowledge sharing and capacity building. In response, Vanuatu wrote to the CIF to reconfirm their interest in participating in SREP and nominated a focal point. In August 2012, Vanuatu received an allocation of SREP funding (US\$250,000) to support the development of the country’s Investment Plan.

8. During Phase I of the implementation of the SREP the WB/IFC and ADB have been supporting the Government of Vanuatu and other relevant stakeholders - United Nations Organizations, bilateral partners, private sector companies, non-governmental organizations and civil society organizations - in developing the SREP investment plan. It was agreed that the WB would be the “lead MDB” and would therefore coordinate the joint effort of the MDBs in the country. The finalization and endorsement of the investment plan by the SREP Sub-Committee will mark the beginning of implementation (Phase II).

COUNTRY CONTEXT

9. The Republic of Vanuatu is an archipelago of 82 volcanic islands covering a total area of about 12,200 square km – of which about a third is land. The country has been a democratic republic since gaining independence from the United Kingdom and France in 1980. Vanuatu’s

population is approximately 243,000 people; almost evenly distributed among the for administrative provinces. The national household count stands at an estimated 46,000, of which about 10,000 households are located in urban areas and the remainder 35,000 (76 percent) are dispersed in rural areas.

10. In recent years, Vanuatu has become one of the fastest growing economies of the Pacific region. The economy has experienced strong and sustained growth mainly driven by tourism, construction, and aid inflows. The per capita GDP is estimated in US\$2,896 at current prices (US\$4,765 at PPP)². Yet, the cost of basic infrastructure services is very high and affects the business environment in the country. For instance, although Vanutau ranks 75 in the “ease of doing business” indicator reported by The World Bank, which analyzes a total of 183 economies; it ranks at 147 in the “getting electricity” indicator mainly due to the high cost associated with obtaining new connections.

11. Like many small island nations, Vanuatu became heavily dependent on fossil fuels to meet its commercial energy needs and today ranks among the nations with the very highest petroleum energy intensity, anywhere in the world³. Land transport represents 55 percent share of total demand, and is the largest consumption sector, while electricity generation represented 36 percent of demand and ranks second with nominal demand coming from the household and commercial and industrial sectors. Some 90 percent of all electricity generated in Vanuatu is from diesel fuel.

12. Vanuatu is estimated to have considerable renewable energy resources, and existing investments have been used to bring down the cost of generating electricity. The hydro power plant at Espiritu Santo has reliably generated electricity at a lower cost than diesel generation since it was commissioned in 1995. The wind farm at Devils Point, commissioned in 2007, has saved more than VUV24 million (US\$267,000) in fuel costs in its first 2.5 years of operation. A proposed geothermal power development on Efate and Hydeo developments in Malekula and Espiritu Santo is the next planned phase of investment and development in new renewable generation. However, there is no comprehensive strategy for further developing renewable energy that is integrated into a soundly structured scale up strategy and a consistent and credible least cost investment plan.

² IMF staff forecast 2010.

³ ADB (quoted in “Options for increasing the efficiency of Vanuatu’s oil and gas supply chain” Draft report, April 2012, Hale and Twomey, and David Butcher and Associates)

13. The Government is committed to promoting the development of renewable energy in the country and to that end expressed its interest to be one of the pilot countries under SREP and was included in the reserve list.

14. The Government also seeks to build on the existing cooperation with multilateral and bilateral development partners, including the World Bank Group, ADB, AUSAID, UNEP, etc. These institutions are currently supporting Vanuatu to increase renewable energy based power generation, and rehabilitate and expand the electricity transmission network.

JOINT MISSION AGENDA

15. The MDBs are organizing this Joint Mission to assist the Government of Vanuatu with final planning and preparing the SREP IP for submission to the SREP sub-committee approval.

16. The objectives of the Joint Mission are outlined below:

- a) review the progress with preparation of the SREP IP,
- b) discuss and agree with Government and relevant stakeholders on specific priority renewable energy projects to be supported under the SREP IP, and
- c) agree on next steps to finalize the IP for submission to SREP sub-committee approval.

COMPOSITION OF THE MISSION

17. The Joint Mission will be coordinated by the Government of Vanuatu.

18. The SREP mission team will include Gevorg Sargsyan (SREP Program Manager, World Bank Group); Kamlesh Prasad Khelawan (Senior Energy Specialist, World Bank Group), Rene Walmsley (Operations Analyst, World Bank Group), Anthony Maxwell (Senior Energy Specialist, Asian Development Bank)

19. The MDBs focal points for SREP in Vanuatu are:

- a. WBG: Gevorg Sargsyan (gsargsyan@worldbank.org)
- b. ADB: Jiwan Acharya (jacharya@adb.org)

20. The Government focal point is Jotham Nampat, Director, Vanuatu Meteorology & Geo-Hazards Department (VMGD), Chairman of the National Advisory Committee on Climate Change – NACCC and UNFCCC Focal Point.

21. Table I presents a tentative agenda and timetable for the activities for the Joint Mission.

Table I: Tentative Agenda and Timetable

<i>Date</i>	<i>Morning</i>	<i>Afternoon</i>
<i>Sunday 10 August 2014</i>	<i>Joint Mission team arrives in Vanuatu</i> <i>Internal MDB team meeting</i>	
<i>Monday, 11 August 2014</i>	<i>Draft SREP Investment Plan Workshop</i>	<i>Draft SREP Investment Plan Workshop</i>
<i>Tuesday 12 August, 2014</i>	<i>Internal MDB team Meeting</i>	<i>Meeting DHI Consultants, World Bank Group and ADB</i>
<i>Wednesday 13 August, 2014</i>	<i>Meeting Minister of Finance</i> <i>Meeting Director General Ministry for Finance and Economic Development</i>	<i>Meeting Director Department of Strategic Policy, Planning, and Aid Co-ordination</i> <i>Meeting with Acting Director General Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Energy, Environment</i>
<i>Thursday 14 August, 2014</i>	<i>Joint Team meeting and drafting of the Aide Memoire</i>	<i>Wrap up meeting with Department of Energy</i>
<i>Friday 15 August, 2014</i>	<i>Joint Mission team departs Vanuatu</i>	

MAIN CONTACTS from MDBs

Multilateral Development Banks

The World Bank Group

Mr. Gevorg Sargsyan

Program Manager, CTF/SREP

e-mail: gsargsyan@worldbank.org

Phone: +1 202 458 1919

Kamlesh Prasad Khelawan

Senior Energy Specialist

e-mail: kkhelawan@worldbank.org

Phone: + 61 2 9235 6573

Renee Walmsley

Operations Analyst

e-mail: rwalmsley@worldbank.org

Phone: + 61 2 9235 6505

Asian Development Bank

Mr. Anthony Maxwell

Senior Energy Specialist, SREP Coordinator/

Climate Change Specialist

e-mail: amaxwell@adb.org

phone: +61 2 8270 9444