

February 13, 2017

CLIMATE INVESTMENT FUNDS

**[APPROVAL BY MAIL]: VANUATU: RURAL ELECTRIFICATION PROJECT (SREP) (WORLD BANK)-
XSREVVU040A-
RESPONSES FROM CIF ADMINISTRATIVE UNIT**

1. Consistency with the endorsed SREP Investment Plan for Vanuatu:

a. (Q/C) Where is the endorsed IP for Vanuatu (it is not available on the SREP website - the link does not lead to the IP)? Please provide us a copy including the SREP decision.

The IP is available online through this link, including the decision: [https://www-cif.climateinvestmentfunds.org/sites/default/files/Vanuatu%20SREP%20Investment%20Plan_final_revised.pdf]

b. (Q) What was the grant vs non-grant allocation in the endorsed SREP IP for Vanuatu? What was the allocation for this project? At the time of submitting the IP, the GoV requested a 100 percent grant allocation. However, the Sub-Committee's decision to endorse the IP did not specifically address this request. When the ADB project for Vanuatu was submitted in October 2015, the GoV again requested 100 percent grant funding (totaling USD 14.0 million) for the projects under its endorsed investment plan, including USD 7.0 million for the Energy Access Project (ADB). The justification for grant funding included the need to rebuild the economy after the devastating cyclone that hit Vanuatu and the recent shift of Vanuatu's debt distress from low to moderate risk.

According to the guidelines of distributing resources approved by the Sub-Committee in November 2011 (applicable for Vanuatu), for pilot countries with low risk of debt distress, the share of grant funding should not exceed 70 percent of the total indicative funding; for pilot countries with moderate or high risks of debt distress, all indicative funding can be grant. At the time of the endorsement of the SREP Investment Plan for Vanuatu in November 2014, it had low risk of debt distress. However, Vanuatu's risk debt distress shifted from low to moderate according to the Debt Sustainability Analysis by IMF (dated May 2015) and remains moderate, according to the latest IMF analysis (dated October 2016).

Please also take note of the Sub-Committee's decision when approving the ADB project: "The Sub-Committee takes note of the request from the Government of Vanuatu for 100 percent grant funding for the projects under its endorsed investment plan, and approves on an exceptional basis USD 7.0 million in grant funding for the proposal entitled, Vanuatu: Energy Access Project, submitted by the Government of Vanuatu and the Asian Development Bank (ADB)".

Regarding the World Bank project, according to Annex B of Vanuatu's IP, page 119, table 7, the Rural Electrification Project will request USD 7 million in grant funding from SREP.